

Law Lectures Series

Patent Act

Third Edition

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Notes

Abbreviations

(1) Laws and Regulations

Patent Act Enforcement Order: Order for Enforcement of the Patent Act

Patent Act Enforcement Ordinance: Ordinance for Enforcement of the Patent Act

Patent Registration Order Enforcement Ordinance: Ordinance for Enforcement of the Patent Registration Order

Semiconductor Chip Act: Act on the Circuit Layout of Semiconductor Integrated Circuits

Pharmaceuticals and Medical Devices Act: Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices

Paris Convention: Paris Convention for the Protection of Industrial Property

PCT: Patent Cooperation Treaty

TRIPS Agreement: Agreement on Trade-Related Aspects of Intellectual Property Rights

Anti-Monopoly Act: Act on Prohibition of Private Monopolization and Maintenance of Fair Trade

(2) Law Reports

Mutai Saishū: Mutai Zaisanken Kankei Minji/Gyōsei Saibanreishū (Intangible Property Law Cases Reports [Civil and Administrative Cases]) (up to year 1990)

Chiteki Saishū: Chiteki Zaisanken Kankei Minji/Gyōsei Saibanreishū (Intellectual Property Law Cases Reports [Civil and Administrative Cases]) (year 1991 onward)

Minshū: Saikō Saibansho (Daishin'in) Minji Hanreishū (Supreme Court [Prewar Supreme Court] Reports [Civil Cases])

Minroku: Daishin'in Minji Hanketsuroku (Prewar Supreme Court Case Records [Civil Cases])

Gyōshū: Gyōsei Jiken Saibanreishū (Administrative Law Cases Reports)

Kamin: Kakyū Saibansho Minji Saibanreishū (Lower Courts Reports [Civil Cases])

Kakei: Kakyū Saibansho Keiji Saibanreishū (Lower Courts Reports [Criminal Cases])

Rōmin: Rōdō Kankei Minji Saibanreishū (Labor Law Reports [Civil Cases])

Kōmin: Kōtō Saibansho Minji Hanreishū (High Courts Reports [Criminal Cases])

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Hanta: Hanrei Taimuzu (Law Times Reports)

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(3) Journals

Gakkai Nenpō: Nihon Kōgyō Shoyūken Hō Gakkai Nenpō (Annual of Industrial Property Law, Japan Association of Industrial Property Law)

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1. The laws and regulations are those as of April 2012.
2. Unless otherwise specified, article numbers of laws in this book are those of the Japanese Patent Act.
3. Document names in italics indicate books and periodicals, while those enclosed in quotation marks indicate essays.
4. Number in square brackets indicate original pages.

[2]

Chapter 1 Overview

§1. Introduction

1.1. Significance of Industrial Property Law

1.1.1. Concept of Industrial Property Law

The term “*kōgyō shoyūken*” which is used as the equivalent of industrial property in English and *propriété industrielle* in French, is not always used to mean the same kinds of rights. With respect to treaties and laws, the Paris Convention for the Protection of Industrial Property (hereinafter referred to as the “Paris Convention”) stipulates that “industrial property shall be understood in the broadest sense” (Article 1, paragraph (3) of the Paris Convention), even including the prohibition of acts of unfair competition (Article 10*bis*). On the other hand, under the Act for Establishment of the Ministry of Economy Trade and Industry (Article 4, item (vi) and Articles 22 and 23), the term is used in a more limited sense to refer only to the rights protected under the Patent Act, Utility Model Act, Design Act, and Trademark Act. In this manner, the meaning of the term differs according to the legislative purpose of each law or treaty. In addition to the above, *kōgyō shoyūken* is used as a legal term in other laws and regulations, including the Japan-U.K. Treaty of Commerce and Navigation of 1894, the official translation of the Paris Convention, laws and regulations related to the necessary procedures after World War II, the Factory Mortgage Act (Article 11, item (v)), and the Income Tax Act (Article 161, item (vii), (a)).

Incidentally, the term “*kōgyō shoyūken*” was revised to “*sangyō shoyūken*” in the Intellectual Property Policy Outline formulated by the Strategic Council on Intellectual Property¹ in 2002. Although “*sangyō shoyūken*” is considered to express the actual meaning of the term more precisely, this book uses the term “*kōgyō shoyūken*” for convenience since it is still a more well-known term (but note that this English version of the book uses the English term, intellectual property).

¹ The Strategic Council on Intellectual Property is the Prime Minister’s advisory body established in the Cabinet Secretariat in order to enhance the international competitiveness of Japanese industries, revitalize the economy, establish a national strategy for intellectual property, and to powerfully advance the necessary policies. In response to the recommendations made by the council in its Intellectual Property Policy Outline published in 2002, the Intellectual Property Basic Act was created, and based on the provisions of Articles 24 onward of said Act, the Intellectual Property Strategy Headquarters was established, consisting of all members of the Cabinet and 10 experts with the Prime Minister serving as the Director-General. In 2003, the headquarters published the first Intellectual Property Strategic Program, which serves as the basis of Japan’s intellectual property strategy. Ever since, the headquarters has released an Intellectual Property Strategic Program every year. For details, see the website of the Prime Minister of Japan and His Cabinet (<http://www.kantei.go.jp/jp/singi/titeki2/>).

The term “*kōgyō shoyūken*” (industrial property) is not rigidly defined, but it is often used with a broad meaning in studies. Leaving the concept of intellectual property rights for later discussion, this textbook will first examine the difference between industrial property rights and copyright.

[3]

While the purpose of copyright law is to contribute to the development of culture (Article 1 of the Copyright Act), that of industrial property law is to contribute to the development of industry (Article 1 of the Patent Act, Article 1 of the Utility Model Act, Article 1 of the Design Act, Article 1 of the Trademark Act, Article 1 of the Semiconductor Chip Act, and Article 1 of the Plant Variety Protection and Seed Act). The concepts of culture and industry may be subject to varied ideas, but the target domains of the respective laws are different, and this difference causes divergence in the subject matter and modes of protection under the respective laws. The subject matter of industrial property law and that of copyright law have become largely differentiated,² although some conflicts have occurred between design rights and copyright concerning applied art.

Nevertheless, the changes to the situation surrounding copyright in recent years are making it difficult to clearly differentiate between the two legal domains.³ A drastic change occurred when computer programs were incorporated into the Copyright Act by the 1985 revision and also databases by the 1986 revision. As a result, it became apparent that computer programs are protectable under copyright law. However, computer programs also became patentable depending on how the claims are written and can even be protected under unfair competition prevention law as a trade secret, if it is kept confidential, while a certain aspect of computer programs can also be protected under trademark law. As typically exemplified by computer programs, copyright law is functioning as a de-facto technology protection law for some types of works, and many copyrighted works have become important industrial assets. Today, copyright law is deeply involved in the domains of industry and technology, causing a situation wherein it is difficult to discriminate between copyright law and industrial property law merely by the difference between their legal purposes: the development of culture versus the development of industry. Accordingly, while a definition stating that industrial property rights are intellectual property rights excluding copyright may reflect the history of the law, such definition does not seem to have any substantial significance today. Rather, an

2 For the issue of the differentiation between the subject matter of industrial property law and that of copyright law, see Nobuhiro Nakayama, “Chosakuken Hō No Sekai To Tokkyō Hō No Sekai” (The World of Copyright and the World of Patent), *Tokugikon* (Journal of the Patent Office Society), No. 208 (1999), p. 40; and Nobuhiro Nakayama, *Chosakuken Hō (2 Han)* (Copyright Law [2nd ed.]), p. 23.

3 See Nobuhiro Nakayama, *Chosakuken Hō (2 Han)* (Copyright Law [2nd ed.]), p. 22.

attempt to make a clear distinction between the two legal domains has the risk of blurring the overall picture of the actual situation.⁴

[4]

While this book deals with patent law, which is the centerpiece of industrial property law, it is difficult to positively define the concept of industrial property today, and at the same time, it is actually more appropriate to discuss it together with copyright in some respects. Therefore, in discussing the legal purposes and protection methods as an overview, it is essential to give some consideration to the significance of intellectual property law, which is a superordinate concept of industrial property law.

1.1.2. The Term “*Kōgyō Shoyūken*” (Industrial Property)

The term “*kōgyō*” (industry) in “*kōgyō shoyūken*” is used to refer to not only the manufacturing industry, but to all kinds of businesses. Article 1, paragraph (3) of the Paris Convention stipulates that “industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to agricultural and extractive industries and to all manufactured or natural products, for example, wines, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour.” In that sense, it is inappropriate to have translated “industry” as *kōgyō*, which primarily means the manufacturing industry; rather, the term *sangyō* would be more appropriate.⁵

Another cause of misunderstanding is the translation of “property” as *shoyūken* (ownership).⁶ While *shoyūken* is the absolute and conceptual controlling title to a thing (defined to mean a “tangible thing” under Article 85 of the Civil Code), the term “property” here is a concept referring more broadly to property in general.⁷ Although a patent right is designed to be similar to ownership (real right), the two kinds of rights are different in terms of the historical background, the objectives, the nature of the subject matter, and

4 Although this book does not deal with copyright, the importance of copyright is worthy of mention. While the significance of copyright is naturally in its function as a technology protection law, its importance as an information protection law will increase without doubt in the advanced information era (i.e. the network era or digital era). This means that copyright will come to serve as an important economic asset along with patent rights. Although intellectual property issues arising in business have mainly involved patents in the past, enterprises will also need to give sufficient consideration to copyright in the future. However, copyright is very different in nature from a patent and lacks flexibility as an economic asset, so it is not necessarily a useful right in that sense. This point is expected to become a great issue under copyright law. See Nobuhiro Nakayama, *Maruchimedia To Chosakuken*, p. 40; and Nobuhiro Nakayama, *Kōgyō Shoyūken To Chosakuken No Hōteki Kiso* (Legal Fundamentals of Industrial Property and Copyright), *Tokkyō Kenkyū* (Patent Study), No. 1, (1986), p. 17.

5 This point has already been indicated in Izutarō Suehiro, *Kōgyō Shoyūken Hō*, p. 1.

6 Kiyose, *Tokkyō Hō* (Patent Act), p. 20 explains that the term “*kōgyō shoyūken*” was used for the sake of convenience, and the term does not have the meaning of “property” but is merely a collective noun for patent rights, design rights, trademark rights and utility model rights.

7 Regarding the historical background of the concept of *shoyūken*, see Shirō Ishii, “Zaisan To Hō” (Property and Law), *Iwanami Kōza Kihon Hōgaku 3 - Zaisan* (Iwanami Lecture Series Basic Law 3: Property), (Iwanami Shoten, 1983), p. 3.

the contents of the right. Meanwhile, a trade secret protected under the Unfair Competition Prevention Act is not designed to be similar to ownership, and it does not become subject to absolute and conceptual control as in the case of ownership. However, a trade secret is theoretically considered to be property, constituting one kind of *kōgyō shoyūken*. The use of the term *kōgyō “shoyūken”* as a generic term for all of these rights is misleading and causes confusion among users. It may even be more proper to avoid using the term “*kōgyō shoyūken*” at all.⁸ This is a problem of the definition of the word, which can be solved by simply defining the term precisely, but it is a fact that the term “*shoyūken*” often causes confusion in reality.

[5]

As discussed above, the use of the term “*kōgyō shoyūken*” may not necessarily be desirable, but since it is already used widely and has been used officially,⁹ this textbook will abide by the conventional terminology, recognizing that the term “*kōgyō shoyūken*” is different in concept from “*shoyūken*” used under the Civil Code. Unlike the case of interpreting specific legal provisions, there is no reason to limit the scope of the term “*kōgyō shoyūken*” to a narrow meaning in theoretical discussion, so this book will use the term in the broadest sense possible.

8 “Industrial property” in English, “*propriété industrielle*” in French, and “*gewerblicher Rechtsschutz*” in German are all different in concept from *shoyūken* in the sense used in Japan. Also, expressions such as “own a patent,” “own an invention” or even “own a trade secret” are sometimes used, but nonetheless, these are different in the strict sense from the concept of *shoyūken* (ownership) under the Civil Code. Although “intellectual property” is sometimes translated as *chiteki shoyūken* (intellectual ownership), this is likely to cause a misunderstanding in the same manner. A more appropriate term to use would be *chiteki zaisan* (intellectual property). Since the term “intellectual property” in the name of the organization, World Intellectual Property Organization (WIPO), of which Japan is a member, is officially translated as *chiteki shoyūken*, it would not be impossible to translate “property” as *shoyūken* from such a standpoint. However, the term “*chiteki zaisanken*” has taken root among the public, with the establishment of *chiteki zaisan seisaku shitsu* (Intellectual Property Policy Office) in the Industrial Policy Bureau (currently the Economic and Industrial Policy Bureau) of the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry), a drastic increase in the number of companies establishing a *chiteki zaisan bu* (an Intellectual Property Division) instead of a *tokkyo bu* (a Patent Division), the enactment of *chiteki zaisan kihon hō* (Intellectual Property Basic Act) in 2002, and the establishment of *chiteki zaisan senryaku honbu* (Intellectual Property Strategy Headquarters) within the Cabinet.

9 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 4 points out that “the word ‘*kōgyō shoyūken*’ was first officially used when agreeing to accede to the Paris Convention in the Japan-U.K. Treaty of Commerce and Navigation of 1894.” A similar description is found in Ichirō Kiyose, *Tokkyo Hō Genri*, p. 19. Nevertheless, this term had been used even before that in official documents relating to the repeated objections by foreign companies to the misappropriation of trademarks by Japanese companies. The translated word “*kōgyō shoyūken*” seems to have been settled at quite an early stage in the Meiji Period and has been used ever since.

[6]

1.2. Intellectual Property Law as a Superordinate Concept

1.2.1. Reason for Existence of Intellectual Property Law

Intellectual property consists of industrial property and copyright. First, how can we characterize intellectual property, which is the subordinate concept? Today, an extensive range of legal domains are categorized under the name of intellectual property law, and an aspect common to them is that they protect proprietary information. Generally, the Unfair Competition Prevention Act is also considered to be included in intellectual property law. The Act was regarded as being categorized under the domain of intellectual property law since it had mainly protected signs at the time it was legislated, but at present, it also covers the prohibition of the commercial use of foreign national flags and marks of international organizations, prohibition of making or circulating false allegations, and prohibition of the provision of illicit profit to foreign public officials. The scope of the Act is likely to expand even further in the future, and the portion that cannot be covered by the concept of intellectual property is expected to increase. If all the provisions of the Unfair Competition Prevention Act are to be construed as falling within the framework of intellectual property law, intellectual property law would have a significance beyond information protection law, and could possibly be considered part of economic law for maintaining competitive order. In that case, however, it would be difficult to consider it as property law, and there would be a problem regarding its relation to the Anti-Monopoly Act and other competition law.

Information is also protected under tort law, contract law, and criminal law, among others. Therefore, intellectual property law is not the only law for protecting proprietary information. At any rate, intellectual property law can be regarded as a legal system for protecting certain types of information by granting rights for it, which encompasses peripheral legal domains. Since a clear concept of intellectual property law is difficult to determine at this time of dramatic social and economic change, we must wait for the development of future theories in that respect.

Meanwhile, the protection of information that focuses on privacy is outside the domain of intellectual property law, because by its nature it is not property law. Also, there are calls for certain types of administrative information to be published, and this topic has been debated as an issue of information disclosure law, but this again is outside the domain of intellectual property law. It may be possible to establish a new legal genre called the “study of information law” covering all such information-related issues, but this textbook will only deal with the legal protection of information as property.

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Apart from the issue of immoral abuse, as a generality, information can be freely used, in principle, and can be regarded as public property. Mankind, be it individuals, enterprises, or nations, has developed through imitating. However excellent a scholar or an artist may be, his/her achievements are made by adding his/her own creation to the achievements of his/her predecessors. Therefore, the prohibition of imitation in general is neither permissible nor possible, for it would lock in place the existing order of society and obstruct social development.

Despite the fact that the free use of information is indispensable for social development, if all uses of information go totally unregulated, there will be adverse effects. For example, if the free use of inventions and other R&D results were allowed, the motivation to create something new or to invest in new development could be lost, resulting in an underproduction of information. Also, in such a situation, technological information on research results would be kept secret without being passed on to society, and society would not be able to accumulate information easily, having a negative effect on the development of industry and culture. Conventionally, the only way to prevent imitation by others was to keep the information secret, and such information had been kept by, for example, writing it down on a hand scroll and handing it down through the family. Nevertheless, it was often difficult to keep information concerning marketed products a secret, so the creators of information had been extremely disadvantaged in the days when no law existed to protect information. Before intellectual property law was established, inventors were extremely vulnerable to imitations, and their research and development when carried out as economic activities was often delayed.

Thus, in line with industrial development, there was a growing demand for the protection of property value of certain types of information. As a result, intellectual property law was established with the aim of creating a system for eliminating others from using, without prior consent, information in certain ways when that information satisfies statutory requirements, and information protected by such law is intellectual property.

Intellectual property is not limited to creations resulting from mental activities and business signs. Specifically, the subject matter currently protected under the current law includes inventions and copyright works, which result from human intellectual/mental creative activities, signs such as trademarks and trade names, which represent business reputation (goodwill), as well as trade secrets and the configuration of goods. By amplifying the purpose of intellectual property law, which is to eliminate the abusive use of information by others, it would be possible to protect, under intellectual property law, not only intellectual creations but also information that involves a substantial amount of

investment and is vulnerable to imitation, if the industry in question cannot sustain itself properly without the protection of such information by law. For instance, the protection of databases is not aimed at the protection of intellectual creation, but rather at the protection of investment. Since, in particular, the transmitters of information are expected to become increasingly important in the information society of the future,¹ not only the people who have created or collected information, but also those who have transmitted the information are likely to become discussed as subjects of protection.² However, the term “intellectual” may be inappropriate for intellectual property law with such an expanded scope.

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While initial signs of the concept of intellectual property can be glimpsed far back in history, the establishment of the concept of information as property was closely related to the development of capitalism. In recent years, factors such as the elimination of national borders in economic activities, the digitization of information, and the expansion of the scale of technology have caused information to be recognized as increasingly important property, the meaning of intellectual property to be changed, and intellectual property law to gain higher importance in business law.

If the only aim of the law were to protect information from unjust free-riding on proprietary information, it would be sufficient to prohibit use of the information by others and to guarantee reflective interests (indirect benefits that arise as a result of laws that protect the public interest) through exclusive use of the information.³ In the course of time, however, there has been a growth in the demand to treat information as an asset. Accordingly, a method was adopted whereby a right similar to ownership was granted for information so as to artificially generate a scarcity of such information and to give an economic value to such information. As a result, it became possible to make such information subject to assignment, inheritance, license, or collateralization, enabling the information holder not only to have the direct and exclusive use of the information, but also to use the information as an asset to gain profits or receive loans.⁴ In addition, information became tradable as an economic good, and this had the effect of promoting technology transfer.

1 For intellectual property in the information era, see Nobuhiro Nakayama, “Dejitaru Jidai Ni Okeru Zaisanteki Jōhō No Hogo” (Protection of Proprietary Information in a Digital Era), *Hōsō Jihō* (Lawyers Association Journal), Vol. 49, No. 8, p. 1.

2 Neighboring rights are mainly intended for protecting transmitters of information, and databases also follow a similar trend in practice.

3 Specifically, if there is only a need for a right to seek an injunction, a right to claim compensation for damage, and penal provisions, there will be no need to adopt an ownership-style legal system, as in the case of the Unfair Competition Prevention Act.

4 In the United States, in particular, damages for infringements have become massive, and this has had a global impact. Such profits from licensing are sometimes greater in amount or smaller in risk than the profits gained from exclusively manufacturing and selling the products using the company’s own capital and labor. Therefore, in many fields where de facto standards have been formed, licensing is very important in the patent strategy of a company.

In this manner, the legal protection of information has gradually shifted from the mere prohibition of abusive uses of information to making information an asset, and such assetized portion constitutes the core of intellectual property. However, intellectual property law also has the function of maintaining competitive order, so its nature is not simply that of a property law as in the case of ownership. The Unfair Competition Prevention Act, in particular, does not adopt an ownership-style legal system, and can be construed as an extension of tort law.

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Intellectual property law is made up of the complex elements mentioned above. Generally speaking, particularly in the case of laws concerning creativity (mentioned later), the prohibition or restriction of the free use of information is considered to be an obstruction to the distribution of information, possibly having a negative effect on the welfare of society as a whole. If we consider only the information that exists at present, placing the information in the public domain (PD) for free use will clearly enhance the welfare of society as a whole, but the problem becomes complex when the incentive for creating information in the future is also taken into consideration. In short, prohibition of the free use of information can be considered appropriate when the prohibition of imitation and permission for the exclusive use of information have a more positive than negative effect on society after taking all factors into consideration.

The recent rise of the idea of *commons* is worthy of note. It is an idea whereby information should not be monopolized, but should be shared⁵ among each other for the development of society. Intellectual property law is a system which grants the creator monopolistic profits, and uses such profits as incentives for creating new things, thereby contributing to the enrichment of information in society. The law premises that rational economic human beings would be influenced by profits, and that they would actively engage in creative activities if they were able to enjoy profits. However, people's behavior is not decided by profits alone. For example, the world's largest free online encyclopedia, Wikipedia, is supported by volunteers. Creative Commons (CC)⁶ is an organization which provides an infrastructure where people can share information online with each other free of charge. The same applies to free software. In the Internet era in particular, people have often behaved in a manner that cannot be explained by profits, and people's acts that do not ask for a return sometimes have a substantial influence on even the economy and society. In actuality, the abovementioned Wikipedia is gradually making paper encyclopedias,

⁵ "Share" in this context does not refer to the "co-ownership" as provided under the Civil Code, but merely means that anybody can use the information. It means the same as "shared" as used in the phrase "asset shared by all human beings" in everyday language.

⁶ See <http://creativecommons.org/>.

which need to be bought with money, obsolete. The idea of commons is opposite to the idea of intellectual property law which grants an exclusive right, but they are the same in that they both aim to enrich information. While we must wait for the results of further study in psychology and behavioral economics for an answer, discussion is expected to become more heated in the future as to which are the kinds of cases where allowing the exclusive use of information would have a more positive effect on enriching information than sharing information, and vice versa. In any case, it is important to recognize that people's behavior is not always decided by monetary profits, and creative activities in particular are often carried out irrespective of monetary profits, for which reason the current intellectual property system will not be the only incentive for creating information.

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Although it is difficult to prove empirically that allowing the exclusive use of information under intellectual property law has largely a more positive than negative effect, patent law and other intellectual property laws are established based on a policy-oriented determination (or, a hypothesis in a sense) that providing an incentive for creative activities through granting exclusive rights has a positive effect on industrial and cultural development. This issue has been studied through economic analyses of intellectual property law mainly in the United States, but there seems to be no established theory. Such empirical analysis is likely to be extremely difficult because the scope of intellectual property law is broad and the results can differ by field. Looking back through history, there was a strong anti-patent movement in Europe in the late 19th century. Under the prevailing idea that the patent system had a negative effect on economic development, the Netherlands repealed its patent law in 1869, Switzerland delayed in enacting its patent law, and in Germany, the existence of a patent system for each Land was threatened. The dispute was mainly over the economic function of the patent system, and the central idea was that to abolish the patent system of each country and to promote the exchange of technical ideas were the keys to economic development. This dispute of the late 19th century did not come to a conclusion, but was dissolved as conservatism gained power with the coming of recession. In a strict sense, we should expect economists to analyze this issue, but the role of a patent system in technological, and furthermore, industrial development, probably cannot be determined in a unified manner for all types of technology. The generally held view is that, while a patent right functions as an exclusive right in the original sense in the chemical, and particularly, in the medical fields, where it is possible to dominate the global market with one patent, it often serves as a cross-licensing tool in the fields of electrical goods and machinery, because the extremely large number of patents involved in a single product makes it difficult for one company to monopolize all the technology for that

product. Even in the same technical field, a patent system may or may not become a great incentive for technological development, depending on the case and depending on the developers/researchers. For example, it is possible that a patent system could provide an incentive for Edison, but not for Röntgen.⁷ Thus, the economic significance of patent law cannot be determined easily.

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There are enormous costs involved in maintaining as massive a social system as the intellectual property system, particularly the patent system. These are not only the costs for obtaining and maintaining patents, but also the costs for a large national patent office with nearly 3,000 officials, personnel costs for patent attorneys, lawyers, and judges, and relevant people working in companies or patent-related foundations, as well as the costs for experts such as patent law scholars. In addition, when large disputes occur, competent people who should be engaging in technological development have to participate in lawsuits, and the litigation costs would be enormous; furthermore, the disputes have shadow effects which cannot be ignored. The explosive increase in the number of patent applications has caused the issue of patent thickets. The present vast number of patent rights not only requires enormous costs for conducting patent searches, but also makes it extremely difficult to conduct accurate searches, particularly in electric and electronic industries. A company that is unable to conduct sufficient patent searches is walking in a minefield. Also, with an increase in the number of patents, there has been a growing number of *patent trolls*⁸ that do not directly work inventions, but acquire a large number of patent rights from others and swindle them out of money by filing or hinting to file lawsuits against them. These tangible and intangible expenditures, which would not arise if there were no patent system, are the costs of the patent system. The patent system is established under a hypothesis that, despite such enormous costs, the benefits it brings to society are still greater.

In the past, reward systems, subsidies for inventions, research in public institutions, and so forth, have been advocated as a means of encouraging invention in place of the patent system, but none of them proved to be an adequate substitute for the patent system. Reward systems existed as inventor certificate systems in socialist countries where productive property is in principle owned by the State. However, those systems disappeared with the collapse of those socialist countries. At least under the current free economy system, the view claiming that no patent system is required is a minority opinion. A patent

⁷ Edison obtained an enormous number of patents and fought for his rights in many patent lawsuits. In contrast, Röntgen did not obtain patents, so his technology was used and improved by many people around the world. Meanwhile, Eiichi Negishi who won a Nobel Prize in 2010 did not obtain patents for cross-coupling either, so the technology was used in much subsequent research and achieved significant development. However, while Edison was a businessperson, Röntgen and Eiichi Negishi were scientists, so it is natural that their standpoints differed.

⁸ A troll is a mythical creature or monster that appears in Scandinavian folklore.

system now exists in most countries in the world, and industry is founded on the premise of having a patent system, so it is practically impossible to abolish such a system at this stage. Accordingly, the only option available to us is to consider the patent system as a given and to try to improve the system.

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We should note that the important point is not so simple as that the more the intellectual property system is strengthened the better it would be for society, but that a balance should be achieved between the free and exclusive use of information. Accordingly, the system must be designed and interpreted so as to minimize the negative effects arising from exclusive use, and to maximize the purpose of the law, with respect to the content of intellectual property law, such as the subject matter, the term of protection, and the scope of protection.

1.2.2. Classification of Intellectual Property Law

Since intellectual property law is a relatively new legal field, its concept has yet to be clearly defined, and it has no established classification method. The possible classification of the law is one based on the nature of the subject matter (laws concerning creativity and laws concerning signs) and one based on the method of protection (right-granting laws and act-regulating laws). Both classifications merely view intellectual property law from different aspects. Since the concept of intellectual property law is not exactly clear at present, such different perspectives on the law could be helpful for grasping the overall picture of the law. Thus, an overview of intellectual property law is given below from these two perspectives.

1.2.2.1. Laws Concerning Creativity and Laws Concerning Signs

The subject matter protected under intellectual property law consists of creations resulting from human intellectual/mental activities and signs used in business; the laws for protecting the former are referred to as *laws concerning creativity*,⁹ while those for

⁹ Specifically, the Patent Act, Utility Model Act, Design Act, Semiconductor Chip Act, Plant Variety Protection and Seed Act, and Copyright Act are categorized as laws concerning creativity. Although trade secrets and the configuration of goods that are protected under the Unfair Competition Prevention Act sometimes include creations resulting from human mental activities, creativity is not a requirement for their protection under the Act.

protecting the latter are referred to as *laws concerning signs*.¹⁰ They are collectively referred to as intellectual property law. These two sets of laws, which are different with respect to the nature of their subject matter, purpose of protection, and historical background, have often been used for classification in the past.

The laws concerning creativity protect creations resulting from human intellectual/mental activities, but something that subjectively appears new may not be new objectively. While a copyright arises once a person creates a work, even if it is not new objectively, a patent is granted only if an invention is new objectively (i.e., novel). In this manner, the strict definition of creativity differs in each law. The purpose of the laws concerning creativity is to inspire human creativity, provide more information to society, and contribute to the development and evolution of industry and culture.

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Not all creations resulting from human intellectual/mental activities are protected under law; in fact, most of them are not, which means they are left to free use, in principle. The subject matters to be protected are limited to those that are stipulated under the Patent Act, Copyright Act, etc. However, despite the lack of protective law, some such creations have come to be or are gradually becoming recognized as de facto property in the economy and society, and their de facto regulations are called soft law. Such creations, which are actually treated as de facto property without concrete legislation, are often treated in the domain of laws concerning creativity. For instance, although the legal protection of typefaces (character fonts) is often denied in court judgments, they are actually traded in commerce.¹¹

In contrast, the laws concerning signs protect signs used in business, but what is really protected is the business reputation represented by the sign. Business reputation is the overall information that customers have with regard to a business operator, and it is, at the same time, the property of the operator.¹²

10 Specifically, the Trademark Act and the portion of the Unfair Competition Prevention Act relating to signs are categorized as laws concerning signs. The Unfair Competition Prevention Act prohibits acts of misrepresenting information in a manner that is likely to mislead the public as to quality, etc. (Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act) and acts of circulating, etc., false allegations (item (xiv) of said paragraph). These provisions cannot be considered as provisions for protecting proprietary information, but they contribute to protecting business reputation, and at least in that respect, they are similar to laws concerning signs.

11 Court judgments that denied the protection of typefaces or fonts under the Copyright Act include the Tokyo District Court Judgment, March 9, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 114 (the Yagi Boldface case), and those that denied protection under the Unfair Competition Prevention Act include the Tokyo District Court Judgment, March 10, 1980, *Mutai Saishū*, Vol. 12, No. 1, p. 47 (the Typos case). On the other hand, court judgments that found the subject matter protectable under the Unfair Competition Prevention Act include the Tokyo High Court Judgment, December 24, 1997, *Hanji*, No. 1505, p. 136 (the Morisawa case).

12 Characters and publicity have aspects resembling signs, though they are not protected by specific laws. Characters have an aspect that can be protected by the Copyright Act. Nevertheless, the essence of characters is not in their aspect as copyright works, but in their function as business signs and as marks that are capable of promoting sales irrespective of business reputation (see Nobuhiro Nakayama, *Chosakuken Hō [2 Han]* (Copyright Law [2nd ed.]), p. 174). Publicity has an aspect of business signs and that of moral rights.

While the laws concerning signs protect such signs as property, their purpose is not only to protect property but also to maintain the competitive order. Signs are basically protected by the Trademark Act and the Unfair Competition Prevention Act. When compared, the former is more strongly aimed at protecting property and the latter at maintaining competitive order. Also, while the former grants real rights similar to proprietary rights for signs, the latter provides protection in an extension of tort law. Thus, laws having different protection methods and legislative purposes are categorized under the same set of laws concerning signs.

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The laws concerning creativity and the laws concerning signs are identical in that they protect information, which is intangible property, and have been collectively referred to as intellectual property law. In the past, the subject matter of intellectual property law could be completely categorized under these two sets of laws, but due to the recent rapid expansion of the scope of the subject matter protected under intellectual property law, many items have appeared that cannot be categorized under either set of laws. For example, trade secrets (Article 2, paragraph (1), item (v) onwards of the Unfair Competition Prevention Act) and the configuration of goods (item (iii) of said paragraph) have come to be protected as a result of the recent revision of the Unfair Competition Prevention Act. Since these two things are not necessarily the results of human intellectual/mental activities, the provisions protecting them are outside the framework of the laws concerning creativity, but they are considered to constitute part of intellectual property law. For instance, a customer list protected as a trade secret is neither a creation resulting from mental activity nor a sign. Such new subject matters are protected for protecting an investment, rather than for protecting the creative activity.

Fundamentally speaking, there is no rationale behind limiting the intellectual property law to laws concerning creativity and laws concerning signs. At the same time, there is no definite reason why these two sets of laws need to be collectively referred to as intellectual property law.

Changes in economic and social conditions are likely to further increase types of subject matter that cannot be covered by the two sets of laws. With the advancement of the information era in particular, the legal protection of transmitters of information will become important.¹³ The transmitters of information are not necessarily the creators of the information, but the transmitters of information are also likely to become important in the

¹³ This does not mean that transmitters of information have been neglected in the past. For example, performers, broadcasting organizations, wire-broadcasting organizations, and producers of phonograms have been protected by neighboring rights. In the information era (digital era), however, an incommensurable amount of information will be distributed and information transmission methods will diversify, so the protection of transmitters is expected to become even more important.

future. A new type of protective law tends to be intended more for protecting invested capital and preventing unfair competition. For example, a law for protecting databases has a strong implication as a law for protecting investment. A database can be protected as long as it satisfies the requirements under the Copyright Act (Article 12-2 of the Copyright Act), but information included in the database is often not protectable under the Copyright Act. Even if the information were copyrighted, the person who invested in making the database and the copyright holder may be different. Therefore, if a third party could freely extract the information and reuse it, the person who invested capital in order to collect the information will be considerably disadvantaged in competition. Accordingly, the EU Commission adopted a directive on databases in 1996 providing for the granting of an exclusive license for the extraction and reuse of information (content) included in a database. Its legislative purpose was not in protecting the database as a creation, but in protecting the investment regardless of the level of creativity involved. This is likely to have an extremely important influence on the question of an ideal intellectual property law in the future, that is, the question of what should be protected by intellectual property law. [15]

1.2.2.2. Right-Granting Laws and Act-Regulating Laws

Another classification method of intellectual property law is not based on the nature of the subject matter, but based on the mode of protection. Specifically, intellectual property law can be classified into right-granting laws and act-regulating laws.

Right-granting laws aim to protect certain types of information under a right similar to ownership by regarding the information as tangible goods. Specifically, right-granting laws include the Patent Act, Utility Model Act, Design Act, Trademark Act, Plant Variety Protection and Seed Act, Semiconductor Chip Act, and Copyright Act. The Patent Act protects technological information that satisfies certain requirements under a quasi-real right (patent right), which is similar to ownership, and grants the holder a right to seek an injunction and a right to claim compensation for damage. By treating a patent right as a real right (specifically, as ownership), it becomes possible to assign, inherit, license, and collateralize the right. Since information is obviously different in nature from tangible goods, the act of regarding information as tangible goods is only a legal fiction, and the quasi-real right is not necessarily the same as a real right as provided by the Civil Code. This means that, although right-granting laws are currently in the form of an ownership-style legal system under the current law, they do not necessarily have to take such a structure theoretically. Patent rights are different from ownership with respect to how they

come into effect, their content, and when they lapse, as well as the reason for their existence. The content of a patent right is not absolute, but can be designed based on a policy-oriented determination. It is theoretically not irrational to constitute it as a right to charge a royalty instead of an exclusive right, or as a right which is first an exclusive right for a limited time and then changes to a right to charge a royalty. The right of rental of a commercial phonogram, which is a neighboring right, stays as an exclusive right for a period of one month or more but not exceeding twelve months from the first sale of the phonogram (stipulated as twelve months by Cabinet Order), and then becomes a right to charge a royalty for 49 years thereafter (Articles 95-3 and 97-3 of the Copyright Act). The specific contents of rights may differ as above, but they have the common feature of being established as rights. Whichever mode of right contributes better to industrial development should be decided by a policy-oriented determination.

Incidentally, Japan's former Civil Code (the so-called Boissonade Civil Code; it was supposed to come into effect in 1951, but the enforcement was postponed indefinitely at the Third Imperial Diet in 1950, and the code was repealed in 1956 without being enforced) stipulated that ownership is a controlling right over things (Article 30), and such things include both those that are tangible and intangible (Article 6), therefore, ownership can also be established on intangible things such as inventions. Under the current Civil Code, however, "things" only refers to tangible things (Article 85), so ownership cannot be established on intangible things such as inventions.

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On the other hand, act-regulating laws are similar to tort law, and merely aim to protect certain kinds of information by protecting them from illicit infringements instead of establishing rights on the information. The Unfair Competition Prevention Act is a notable example of an act-regulating law. However, the Unfair Competition Prevention Act differs from tort law in that it has provisions on the right to seek an injunction and penal provisions. Since no right is established on the subject matter protected under the Unfair Competition Prevention Act, while it can be used for eliminating infringements and demanding compensation for damage, it cannot be assigned,¹⁴ inherited,¹⁵ or collateralized. Accordingly, the subject matter cannot unequivocally be considered as

14 See Nobuhiro Nakayama, "Fusei Kyōsō Bōshi Hō No Hogo Wo Ukeru Chii No Jōto Kanōsei" (The Possibility of Assigning a Person's Status to Receive Protection under the Unfair Competition Prevention Act), Shōen Ono Kanreki Kinen, *Hanrei Fusei Kyōgyō Hō* (Case Law on Unfair Competition), p. 41. An example of a court judgment which held that a person's or a company's status of being able to receive protection under the Unfair Competition Prevention Act cannot be assigned to another party, includes the Sapporo High Court Decision, January 31, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 36 (the Butter Candy Can case).

15 This means that it is not possible to establish, for the subject matter, an exclusive license as in the case of a patent right. However, it is possible to conclude a de facto license by making a contract not to exercise the right to seek an injunction and the right to claim compensation for damage under the Unfair Competition Prevention Act. Such licensing is frequently used in the actual economic world as the licensing of know-how.

economic goods. It may be inappropriate to use the term “intellectual property right” to refer to such subject matter. Nevertheless, the two protective methods are common in that they both basically protect proprietary information, so it is considered to be admissible to use “intellectual property law” as a collective term for these two types of law.

This classification divides intellectual property law by the method of protection, so it is not likely to change when the subject matter changes through the course of time. However, while this classification may be capable of classifying intellectual property law in an organized manner, it does not clearly show what subject matter the intellectual property law is supposed to protect in the first place, because it does not pay attention to the subject matter at all. For instance, proprietary information can also be protected under tort law, but tort law is not usually called intellectual property law. However, this classification gives the impression that tort law may also be included in intellectual property law. In addition, this classification is unable to provide assistance in theoretically determining which type of law should be applied to protect certain information. Service marks had been protected under the Unfair Competition Prevention Act for a long time, but came to be protected under the Trademark Act by trademark rights after the 1991 revision of the Trademark Act. In other words, since the classification does not take account of the nature of the subject matter, the protection method for one certain type of subject matter may change over time, and the classification may also change accordingly.

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In short, the question of which method would be more appropriate for protecting certain intellectual property is determined by whether it is sufficient merely to protect it against infringement by others or if it is necessary to grant a property right that can be assigned, inherited, licensed, and collateralized. The determination is not a matter of theory, but depends on which alternative the economy and society call for.

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1.3. Internationalization of Industrial Property Rights

The subject matter of industrial property rights is intangible goods (a type of information), and compared to the case of tangible goods, the protective law for intangible goods is more likely to become an international law,¹ because the significance of national borders is relatively small in comparison with tangible goods. Patent rights are rights to use certain kinds of information exclusively, and they are only effective within the area under the sovereignty of the country that has granted those rights. Nevertheless, technological and other types of information, which can be distributed across national borders extremely easily compared to tangible goods, could be transmitted around the world in an instant in the Internet era, and could be easily imitated in foreign countries. Establishment of a unified world patent law would be desirable for protecting information on a global scale, but since it is difficult to establish such a law in the immediate future, we must create similar systems in countries around the world and achieve harmonization among such systems in the meantime. This fact had already been recognized more than 100 years ago, and resulted in the conclusion of various treaties, including the Paris Convention.

The main purpose of the conventional patent system was to protect and foster domestic industry, and there was a relatively small need to consider the relationship with other countries because international trade was much more sluggish than at present. Each country had established an independent patent system just as in the case of other legal systems, with no links established between such national systems. If each country has an independent patent law that is not linked with that of any other countries, a patent applicant must file applications in all the countries in which he/she seeks protection. Furthermore, if the patent law does not have a system similar to the right of priority stipulated under the current Paris Convention, an applicant will have to file applications concurrently in multiple countries in many cases. Moreover, countries were not obligated to grant rights to foreign applicants, so there was a risk that an inequality of treatment could occur between national and foreign applicants.

However, the growth of international trade gave rise to a need for international harmonization in the field of industrial property, and in 1883, the Paris Convention for the Protection of Industrial Property was established, having gained momentum from world

¹ See, Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 17 (written by Nobuhiro Nakayama); and Nobuhiro Nakayama, Masahiro Murakami, and Moriya Uchida, *Chiteki Shoyūken* (Intellectual Property Right) (The Nikkan Kogyo Shimbun, 1987).

expositions in Vienna and Paris.² The convention stipulates a general framework regarding the right of priority, and equal treatment for national and foreign applicants, among other matters, on the premise that each country has an independent system, and it leaves a large part of the particulars of substantive law to the national law of the respective countries. Although the convention has been revised several times during the period of over 130 years since its enactment, the basic framework has not been changed.

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Recently, however, the international economic environment has changed dramatically, and due to the elimination of national borders in economic activities, greater economic emphasis on intangible goods and services and digitization, and a tremendous increase in R&D costs, it has become difficult for the conventional Paris Convention framework to function sufficiently. Accordingly, a number of treaties were established, including the Patent Cooperation Treaty (PCT; signed in 1970 and entered into force in 1978). Nevertheless, now there is a need to harmonize not only procedures, but also aspects such as the term of protection, protected subject matter, and the effects of patents. When companies carry out their activities, they are now pressed to consider not only the domestic market, but also the world market, and industrial property is becoming extremely important for corporate strategies with the advancement of world market integration.

While we have been exporting goods worldwide in the past, we are now embarking on an era in which, instead of producing goods only in their home country, companies can produce goods in a country that enables the most efficient production in light of various circumstances, and export the goods to the rest of the world from that country. Such an era calls for a patent system on a global scale, but if each country has a different national law, companies cannot easily make consistent business plans, must pay extra costs, and are likely to suffer more setbacks in obtaining rights. Therefore, developed countries in which companies engage in global activities advocated international harmonization and the reinforcement of patent law.

In contrast, some developing countries had very conservative patent systems. From the viewpoint of developed countries, they seemed to be exporting illicit goods to other countries which were serving as hotbeds of illicit imitation. However, from the developing countries' side, the prohibition of imitation under the industrial property system seemed to fix the economic order and obstruct the development of their domestic industries. The key to the future development of the world's industrial property systems lies not only in

² World expositions and internationalization of industrial property systems are closely linked with each other. If one exhibits a product at a world exposition when there is no international treaty on industrial property, the exhibitor faces a high risk of having the product and the mark attached to it imitated by others, which could discourage people from exhibiting products at world expositions. Thus, the expositions provided momentum for the conclusion of an international treaty on industrial property.

achieving harmonization of the systems among developed countries, but also in resolving such conflicts between developed and developing countries and strengthening their relationships.

In light of this situation, efforts have been made in the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO; formerly the framework of the General Agreement on Tariffs and Trade [GATT]), and other organizations to reform the world's industrial property systems. The greatest achievement of these efforts is the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The WTO Treaty that includes this agreement was signed at Marrakesh, Morocco in April 1994, and entered into force in 1995. The TRIPS Agreement is a groundbreaking industrial property treaty which, compared to the Paris Convention, has extensive stipulations of substantive provisions and enforcement procedures.

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1.4. Industrial Property System as a National Strategy

The industrial property system has never attracted so much attention as today, and the present time is referred to as a pro-patent (not only patents, but intellectual property in general) era. Meanwhile, some people say that measures to strengthen the effects of patents, etc. or to broaden the scope of protection can be regarded as a pro-patent policy and contribute to industrial development. However, it is not as simple as that the mere strengthening of rights would immediately be considered as a pro-patent policy. In considering intellectual property, which is a tool for industrial and cultural development, the greatest focus must be placed on the balance of society as a whole. Since intellectual property is an artificial right, a system needs to be designed with a view to its social influence, and influence on industry, taking into consideration the conditions of technology, industry, and culture in that time and any impediments caused by the exclusive use of intellectual property. In any case, intellectual property has come to be increasingly important, and accordingly, intellectual property policy has come to be a priority in a nation's industrial policy. This means that industrial property is not only important as property alone, but has also become important in a nation's strategy or a company's strategy. Japan has been inclined to use the intellectual property system as a tool for economic restoration after the collapse of the bubble economy. The government found an urgent need to use the intellectual property system to achieve a rapid shift from a product-creating economy to an information-creating economy, that is, an idea-creating economy; in other words, to reform Japan's industrial structure by using the intellectual property system as a

lever. To symbolize this idea, the term “nation built on intellectual property” was used as a slogan.

First, in February 2002, the then Prime Minister Jun’ichirō Koizumi stated in his policy speech at the Diet session, “I will establish the Strategic Council on Intellectual Properties, and powerfully advance the relevant necessary policies.” This statement sparked a reform. It is said that this was the first time since the Meiji Period (late 19th century to early 20th century) that a prime minister referred to intellectual property in his policy speech. According to this speech, the Strategic Council on Intellectual Property (headed by the prime minister) was established within the prime minister’s office in March 2002 as the prime minister’s private consultative organ. After a short-term, intensive deliberation, the council announced the Intellectual Property Policy Outline in July of that year. The creation, protection, and exploitation of intellectual property and the development of human resources related to intellectual property, mentioned in this policy outline, became the basis of Japan’s intellectual property policy. The Intellectual Property Policy Outline almost exhaustively points to the intellectual policy-related measures that will be required for the time being, and presents concrete action plans to each government office (see the website of the Prime Minister of Japan and His Cabinet). While the Intellectual Property Policy Outline recommended the legislation of the Intellectual Property Basic Act, the Act soon passed in the extraordinary Diet session in November of that year. Article 24 onward of the Intellectual Property Basic Act provided for the establishment of the Intellectual Property Strategy Headquarters headed by the prime minister as the director-general. The headquarters, which were set up immediately after the enactment of the Intellectual Property Basic Act, prepared an Intellectual Property Strategic Program in July 2003, indicating concrete measures to be taken in the immediate future under intellectual property policy. This was an upgraded version of the earlier-mentioned Intellectual Property Policy Outline. The strategic program has been revised every year.

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The formulation of the policy outline and the strategic program accelerated the speed of the intellectual property system reform, and prompted legislation and the revision of many intellectual property-related Acts. The Acts that have been legislated or revised to date are diversified as follows: the Intellectual Property Basic Act, Patent Act, Utility Model Act, Design Act, Trademark Act, Copyright Act, Unfair Competition Prevention Act, Plant Variety Protection and Seed Act, Code of Civil Procedure, Act for Establishment of the Intellectual Property High Court, Court Act, Customs Tariff Act (the relevant provisions have now been moved to the Customs Act), Trust Business Act, and Act on Promotion of Creation, Protection and Exploitation of Contents.

The most noteworthy among these developments was the establishment of the Intellectual Property High Court. In the process of deliberation, heated debates took place over various matters, such as the positioning of the court under the law of organization (i.e. whether it should be an independent, special court or an ordinary court), what matters should be tried, and the qualifications of judges (i.e. whether a technical expert who has no qualification as a legal professional can serve as a judge). Consequently, the Intellectual Property High Court was established as a special branch within the Tokyo High Court, and the idea to allow a person without the qualification of a legal professional to serve as a judge was dropped and a reasonable alternative measure was decided on, which was to resolve the issue by improving the research law clerks' system and using technical advisers.

While the establishment of the Intellectual Property High Court is a symbolic event of system reform, various other pieces of legislation were drawn up for strengthening the protection of and exploiting intellectual property. For example, the examination of patents and other procedures were accelerated, measures against counterfeits and border measures were strengthened, and with the revision of the Trust Business Act, it became possible to conduct a business that uses intellectual property as trust property, and such business is expected to be useful for liquidating intellectual property. The Intellectual Property Strategic Program places large emphasis on the issue of intellectual management and exploitation in universities and the issue of human resources related to intellectual property, and recent versions of the strategic program also devote a large portion of their contents to the issue of digital content.

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1.5. Industrial Property Law and Other Legal Domains

Intellectual property law can be regarded as an independent legal genre, and industrial property law centering on patent law is positioned as one of its domains. This section discusses the relationship between industrial property law and legal domains outside intellectual property law.

1.5.1. Civil Code

An industrial property right has a strong characteristic of property, and it is particularly deeply related to the most basic property law, the Civil Code. Provisions of the Civil Code are often directly applied to the Patent Act. For example, the provisions on quasi co-ownership are applied *mutatis mutandis* unless otherwise stipulated by the Patent Act,

etc. (Article 264 of the Civil Code). Patent rights and most other industrial property rights have a structure similar to ownership. If industrial property law could be fully comprehended within the framework of the law of real rights, it would be sufficient to position it as a special law of the Civil Code, such as the Act on Land and Building Leases.¹ However, there is a big difference between the subject matter of patent rights and that of ownership, and patent rights have a nature that cannot be comprehended within the framework of the law of real rights.² It may be possible to provide for rights concerning information along with real rights in the Civil Code, but such measure has not been observed historically in the Pandekten system.

Meanwhile, patent licensing is basically an issue of the law of obligations, and a patent infringement is an issue of tort law. The Patent Act has no provisions that serve as the basis for compensation for damage, and a patent infringement constitutes a tort as provided under Article 709 of the Civil Code. In this manner, the Civil Code and the Patent Act are closely related to each other, and the Patent Act is built upon the foundation of the Civil Code, but still the Patent Act has a unique system of its own.

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1.5.2. Code of Civil Procedure

Lawsuits related to industrial property can be roughly divided into infringement lawsuits and actions for the revocation of trial decisions. There are also other general administrative lawsuits, but these are small in number. While actions for the revocation of trial decisions are administrative lawsuits, industrial property infringement lawsuits are general civil actions, so the applicable law would be the Code of Civil Procedure.

Many provisions of the Code of Civil Procedure are applied *mutatis mutandis* to trial procedures by the Japan Patent Office (JPO) (e.g., Articles 151, 169, and 171 of the Patent Act).

1.5.3. Labor Law

Patent law and labor law conflict with each other over the issues of the ownership of rights and the distribution of profits in cases where an employee creates something in the course of his/her duties. These issues particularly involve that field of industrial property law consisting of laws concerning creativity. For example, the interests protected by laws

1 If so, industrial property law would not be able to claim its own identity. See Nobuhiro Nakayama, “Mutai Zaisanken” (Intangible Property Right), *Iwanami Kōza Kihon Hōgaku 3 - Zaisan* (1983), p. 286.

2 For details on this point, see Chapter 2, 6.1. Comparison with Ownership.

concerning signs are business reputations, so if an employee creates a sign, that sign represents the business reputation of the employer; in other words, no right is attributed to the employee, since he/she is not entitled to any business reputation. However, there is a separate argument that a copyright issue would arise in cases where the sign is a copyright work.

On the one hand, there is a need to protect the employee who is actually engaged in a creative activity and increase his/her incentive for creation, but on the other, there is also a need to give an incentive to the employer to make an investment, in order to promote investment in developing new technologies. The problem is how to coordinate between these two needs and what kind of right or interest should be given to the respective parties. The Japanese Patent Act specifically stipulates an article to deal with this problem (Article 35 of the Patent Act). Conventionally, this issue had rarely been discussed in the domain of labor law,³ but an increasing number of essays on this issue have been written by labor law scholars recently.

1.5.4. Administrative Law

A patent right is a property right, which basically belongs in the domain of property law, but it is notably different from general property rights in that administrative dispositions are involved in its establishment, amendment, and lapse. The provisions on procedures relating to these administrative dispositions and those on the organization of the administrative organs which carry out the procedures belong in the domain of administrative law. Accordingly, administrative law can be regarded as an important pillar of patent law.⁴

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Trials by the JPO are not categorized as lawsuits, but practically they serve as proceedings in the first instance,⁵ and the trial procedures are similar to court proceedings. Since trials by the JPO seek the rescission or change of an administrative disposition, their fundamental nature is basically the same as administrative lawsuits.

However, there is little room for administrative intervention regarding intellectual property protected under the Copyright Act and the Unfair Competition Prevention Act that

3 German patent law does not have a provision on employee inventions. As this issue belongs in the domain in between labor law and patent law, it is regulated by a special law called Gesetz über Arbeitnehmererfindungen (Act Concerning Employee Inventions), 1957. For details, see Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū*: pp. 132 ff. In the United Kingdom and the United States, this issue is often dealt with in the domain of contract law.

4 In the past, many administrative law scholars had studied industrial property law, but most of the researchers studying industrial property law at present are civil law scholars. Nevertheless, the importance of administrative law in the domain of industrial property law should be reaffirmed.

5 Actions for revocation of trial decisions are under the exclusive jurisdiction of the Tokyo High Court (Article 178, paragraph (1) of the Patent Act), and unlike in the case of general lawsuits, the first instance is omitted.

takes effect without registration. Protection of such property takes effect when the facts required for protection under the respective laws come into existence.⁶

1.5.5. Antitrust Law

Patent law is a system that allows the exclusive working of an invention, which is intangible information. In contrast, antitrust law is a system that prohibits a private monopoly. The two systems seemingly contradict each other, and some scholars had viewed the two laws as mutually opposed laws. Nonetheless, patent law aims to “contribute to the development of industry” (Article 1 of the Patent Act), whereas antitrust law aims to “promote the democratic and wholesome development of the national economy” (Article 1 of the Anti-Monopoly Act). The expressions may differ, but the purposes of the two laws do not seem to differ in nature. If so, the two systems should not be considered as opposing or conflicting with each other, but should be considered and interpreted as working in combination or supplementing each other as the institutional infrastructure for sound industrial development.⁷

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Specifically, this issue has been raised as a matter of interpretation of Article 21 of the Anti-Monopoly Act (Article 23 before the 2000 revision). Experts of economic law have presented many academic papers regarding the interpretation of this Article, so the matter will not be discussed in this textbook. Just to mention the conclusion, even where such an Article exists, the abusive exercise of intellectual property rights should not be excluded from the application of the Anti-Monopoly Act.⁸

As the primary aim of industrial property law is industrial development, this point must be considered as an important guide when interpreting the law. Although a specific industrial field can rarely be monopolized by a single patent right, the adverse effects of a monopoly may arise when no alternative technology exists or when centralizing patents

6 A copyright takes effect on the creation of a work. The government only becomes involved in such cases when a copyright holder registers the right in order to meet the requirement for perfection. No registration is required to receive protection under the Unfair Competition Prevention Act either, but only certain factual requirements need be met.

7 See Akira Negishi, *Dokusen Kinshi Hō No Kihon Mondai* (Basic Issues of Antitrust Law) (Yuhikaku, 1990), pp. 185 ff.; Akira Negishi, “‘Kyōsō Hō’ To Shite No Minpō, Chiteki Zaisan Hō, Dokusen Kinshi Hō” (Civil Code, Intellectual Property Law, and Antitrust Law as “Competitive Law”), *Hōsō Jihō*, Vol. 56, no. 1 (2004), p. 8; Akira Negishi, ed., *Chūshaku Dokusen Kinshi Hō* (Annotated Anti-Monopoly Act) (Yuhikaku, 2009), p. 534 (written by Masako Wakui); Tadashi Shiraishi, *Dokusen Kinshi Hō [Dai 2 Han]* (Antitrust Law [2nd ed.]) (Yuhikaku, 2009), p. 382; Tadayoshi Honma, *Chiteki Zaisanken To Dokusen Kinshi Hō* (Intellectual Property Rights and Antitrust Law) (Japan Institute for Promoting Invention and Innovation, 2011).

8 Tadashi Shiraishi, *Dokusen Kinshi Hō [Dai 2 Han]* (Antitrust Law [2nd ed.]) (Yuhikaku, 2009), p. 380; Tadashi Shiraishi, “Chiteki Zaisan Hō To Dokkin Hō’ No Kōzō” (Structure of “Intellectual Property Law and Antitrust Law”), *Nakayama Nobuhiro Kanreki Kinen*, p. 497; Shigeki Chaen, “Chiteki Zaisanken To Dokkin Hō (1)” (Intellectual Property Rights and Antitrust Law [1]), Japan Association of Economic Law, *Dokkin Hō No Riron To Tenkai [1]* (Antitrust Law Theories and Development Thereof [1]) (Sanseido, 2002), p. 167.

(e.g., a patent pool), or when unfair conditions are attached to a license. Generally speaking, it is an empirical fact that a monopoly is a negative element for industrial development, often causing adverse effects. While antitrust law is available for eliminating such harmful effects, it is not the only law aimed at maintaining economic order. Patent rights, which are exclusive rights, are sanctioned only because they contribute to industrial development, so they should not be legislated or interpreted in a way that would have a negative effect on industrial development. The aim of antitrust law should also effectively be taken into consideration in interpreting patent law. For instance, the arbitrary license system under the Patent Act (Articles 83, 92, and 93) should be interpreted by also considering the perspective of restricting monopolies, and the scope of a patent right may sometimes need to be interpreted by also taking the competitive law aspect into consideration⁹ There is no essential and decisive difference between monopoly by a patent right and other types of monopoly, and it is not reasonable to believe that monopoly by a patent right is always good. The ultimate aims of antitrust law and industrial property law are similar, and the two laws are not unrelated to each other.¹⁰ In other words, from the viewpoint of industrial development, which is the aim of patent law, the competitive law aspect must inevitably be considered in legislating and interpreting patent law. It is impossible to think of the most appropriate system for industrial development without considering the competitive law aspect. Since protection under intellectual property law is expected to be strengthened even more in the coming information age, the relationship between patent law and antitrust law is likely to become more important in the future.¹¹

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9 Good examples include the Supreme Court Judgment, April 25, 2002, *Minshū*, Vol. 56, No. 4, p. 808/*Hanji*, No. 1785, p. 3/*Hanta*, No. 1091, p. 80 (the Used Software case, which is a case relating to the Copyright Act); and JPO Trial Decision, March 10, 1999, *1997 Shinpan*, Vols. 20756-20759 (A case where the Hokkaido Shimbun Press filed, in advance, applications for trademarks which a new market entrant, Hakodateshinbun, was likely to use, although the press did not have a plan to use them. The JPO refused the registration on the basis of violation of public order and morals.). The Japan Fair Trade Commission has issued a consent decision on the Hokkaido Shimbun Press case (Consent Decision, February 28, 2000, *Shinketsushū*, Vol. 46, p. 144).

10 There also used to be an opinion stating that the violation of antitrust law was hardly likely to occur regarding copyrights and that it was unreasonable to have copyrights included in the provisions of Article 23 (currently Article 21) of the Anti-Monopoly Act (Shigekazu Imamura, *Dokusen Kinshi Hō [Shinpan]* (Anti-Monopoly Act [New ed.]) (Yuhikaku, 1978), p. 198; Nobuo Mon'ya, “Chosakuken To Kōgyō Shoyūken No Kankei” (Relationship Between Copyright and Industrial Property Right), *Jurist*, No. 692 (1979), p. 61). However, it is clear that application of antitrust law is sometimes required also in the domain of copyright by the fact that so many cases relating to copyright and antitrust law have been occurring in other countries, and even in Japan in recent years. Bearing the emergence of software and databases in mind, copyright is considered as one of the domains in which consideration of the competitive policy aspect is required the most in intellectual property law. Therefore, there should be many cases where the competitive law aspect must be taken into consideration in interpreting the establishment and scope of copyright.

11 See Tadashi Shiraishi, *Gijutsu To Kyōsō No Hōteki Kōzō* (Legal Structure of Technology and Competition) (Yuhikaku, 1994).

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§2 History of Industrial Property Law

2.1. Introduction

Since the time of the Roman Empire, intellectual property law, in other words a legal system for proprietary information, had long been disregarded by jurists. However, the fact that a certain type of monopoly produces profits had been known since ancient times, and the intellectual property concept of granting a monopoly for production or sale could be observed in more than a few cases. For instance, it is well known that a cook who created a special recipe was granted a one-year monopoly on the recipe in the ancient Greek city of Sybaris (a Greek colonial city located in Italy) in around 600 B.C.¹ Similarly, there were countless cases in various times and places where a monopoly was granted by governmental authority and the person who gained the monopoly earned profits in return.² However, these monopolies were arbitrarily granted by the government, and though they brought profits to those who gained them, they were not conceptualized as property rights in the same sense as those for tangible goods. These profits were reflective de facto interests (interests enjoyed indirectly as a result of legal regulations), and they were not backed by any detailed legal theories. Not all of such monopolies were equivalent to intellectual property, but such grants of monopolies are considered to have been the harbinger of the later patent system.

Since the time of the Renaissance, there had been intense competition among cities of Italy in the woolen textile and other industries. Therefore, each city fostered its industries by granting various privileges to skilled craftsmen, with the aim of causing them to settle in the city. Then, in 1474, a law that is believed to be the world's oldest patent law was established in Venice. It closely resembled modern patent law, stipulating novelty, utility, and enablement as the requirements for patentable inventions, as well as stipulating the filing procedures and penal provisions..³ Nevertheless, these patent systems, which may have had some influence on Britain and other countries of Northern Europe, disappeared with the decline of those cities without being inherited by other countries.

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1 Troller, *Immaterialgüterrecht* I 3. Aufl. (1983), S. 15.

2 Some of such examples are goshuin-sen (trading ships authorized by the shogunate) and kabunakama (licensed commercial associations) in Japan, and guilds in Europe. Looking back through history, instances of free trade were relatively rare, and it was generally more common to have the presence of a monopoly in some form.

3 This fact was made clear by an Italian called Giulio Mandich who studied materials on Venice (English translation of the research paper: Prager, F.D., "Venetian Patents (1450-1550)," 30 *JPOS* 166 (1948)). Before this paper was published, the Statute of Monopolies of Britain was considered to be the very first patent law. Other noteworthy references include Bugbee, *Genesis of American Patent and Copyright Law* (1967): pp. 20-25 and Berkenfeld, "Das älteste Patentgesetz der Welt," *GRUR* (1949), 139 ff.

Thereafter the historical stage moved on to Spain, but as the country mainly engaged in transit trade, it hardly contributed to the development of intellectual property law before it yielded its position to Britain.

Since this textbook is not aimed at historical study but at understanding the framework of the industrial property system, the following part describes the history of the industrial property systems of major countries to that extent.

2.2. United Kingdom⁴

Before the Industrial Revolution, Britain was a less-developed region in Europe. For this reason, the monarch granted certain privileges⁵ to skilled craftsmen from the continent in order to encourage their settlement and promote technological development. Industries of those times were dominated by guilds, and those who were not guild members could not enter the industry. Therefore, the privileges granted by the monarch originally had the nature of releasing certain traders from guilds to allow free trade.

As time progressed, the monarch began to grant not only the privilege to be free from guilds, but also to monopolize industry in a certain field. There were excessive grants of this type of privilege during the reign of Elizabeth I. Such privilege was not only granted for new technologies, but also for part of existing commercial and industrial businesses which, as a result, caused economic confusion. The privileges granted by the monarch came closer to the present patent system with this shift from a release from guilds to a right to monopoly or specialization.

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However, such monopolies of some parts of existing commercial and industrial businesses by specific traders caused an inflation of prices and economic confusion, and provoked a backlash in the courts of common law and the British Parliament. Thus, after the courts rendered decisions denying the validity of such privilege,⁶ Parliament

4 With regard to the history of the U.K. patent system, see Ichirō Kiyose, *Hatsumei Tokkyo Seido No Kigen Oyobi Hattatsu* (Origin and Development of the Invention of the Patent System) (not on sale; dissertation for obtaining a degree from Kyoto Imperial University in 1915; reprinted as part of the *gakujutsu sensho* series in 1997); Akira Kukimoto, "Eikoku Tokkyo Hō Shi No Ichi Sobyō" (General Outline of the History of U.K. Patent Law), *Eibeihōgaku* (Common Law), No. 18 (1968), p. 19; Akira Kukimoto, *Igirisu Tokkyo Seido No Kaisetsu [Shintei Ban]* (Commentary on the U.K. Patent System [Rev. ed.]), (Japan Institute of Invention and Innovation, 1983): pp. 1 ff.; and Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū*: pp. 18 ff. Hulme, E., "The History of the Patent System under the Prerogative and at Common Law," 12 *Law Quarterly Review* 141 (1986); Davis, D., "The Early History of the Patent Specification," 50 *Law Quarterly Review* 86 (1934); Fox, H., *Monopoly and Patents* (1947); 200 *Hundred Years of English and American Patent, Trademark and Copyright Law* (American Bar Center, 1976); Price, W.H., *The English Patents of Monopoly* (Archibald Constable & Co.); Prager, F.D., "Examination of Inventions from the Middle Ages to 1836," 46 *JPOS* 268 (1964).

5 The privileges were granted in the form of letters patent. This is how the term *patent* came into use. The meaning of patent is *open*.

6 *Darcy v. Allen, Moor* (K.B.) 672; 72 Eng. Rep. (K.B.) 830 (1602), the Clothworkers of Ipswich, 78 Eng. Rep. 147 (1615).

established the Statute of Monopolies in 1624, which was then ratified by the monarch.⁷ The Statute of Monopolies, which was later referred to as the *great charter of patent law*, is considered to be the origin of modern patent law.

This Statute confirmed a principle that had been established through past court judgments, that is, the principle that denied the validity of the privileges granted by the monarch for some parts of existing industries. However, as the only exception, a fourteen-year exclusive right was allowed for the true and first inventor (including the first importer) (Article 6 of the Statute of Monopolies). This Statute was significant in that Parliament imposed a heavy regulation on the privileges granted by the monarch as a result of the conflict between Parliament and monarch. It was not a law that stipulated the creation of a patent system. It prohibited the monarch from granting exclusive rights, in principle, but it exceptionally allowed the monarch to grant exclusive rights for novel inventions. However, since the grant of exclusive rights for novel inventions was not obligatory, it was no different from the conventional practice in that the monarch granted such rights as favors, and it cannot be considered as a modern patent system. This Statute was a forerunner of the U.K. patent law and had an extremely important influence on the modern patent system.

In fact, even after such law, the monarch still sometimes granted exclusive rights that violated the common law, but such exclusive rights gradually disappeared and only the fourteen-year exclusive rights granted for novel inventions remained effective, leading to the structure of the modern patent system. However, the initial grant of patents in Britain had mainly been intended for stimulating lagging industries, and did not have much of a philosophical aspect to it for recognizing that inventors' rights over their creations are naturally endowed, as in the case of the patent system after the French Revolution. Indeed, the theory of natural human rights in France was also developed by the bourgeoisie which had led the Revolution to deny the privileges of the monarch under the Ancien Régime and to protect property rights, and was not unrelated to industrial development.

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The present type of patent law was enacted in Britain in 1852, and submission of a description of the invention was obligated for the first time. Later, statement of claims (scope of claims) was also obligated for clarifying the scope of protection. These systems had a great influence on the current patent systems of countries around the world.

⁷ Stat. 21 Jac. I. ch. 3, *Halsbury's Statutes of England*, 2nd. ed., Vol. 17: pp. 617-620.

2.3. United States⁸

As America was a British colony before it gained independence, some of its states had patent systems based on British law. For example, Massachusetts established America's first patent system in 1641, seventeen years after the enactment of the British Statute of Monopolies, and a patent was first granted for a salt production method in the same year. Unlike in Britain where patents were granted under royal prerogative as a favor, patents were granted under the state statute. However, these patent systems were only effective within their respective states so, just as in Germany before the 1871 unification, the economic value of a patent right was limited. The patent systems were not only unsuitable for economic development, but even obstructed economic development by causing differences among economies within America. From this viewpoint, Article 1, Section 8, Clause 8 of the U.S. Constitution was established after the War of Independence in response to the need to enact a unified patent law for securing economic consistency. This clause provided that the U.S. Congress had the authority to enact legislation "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."⁹ Based on this, the United States' first federal patent law, the Act to Promote the Progress of Useful Art, was enacted in 1790. Under this Act, the grant of a patent was determined by a committee consisting of the Secretary of State, the Secretary of War, and the Attorney General. The Act, being strongly influenced by British law, included the "principle of the true and first inventor." As a result, the right to file a patent application is still not allowed

8 Reference works on the history of U.S. patent law include Shirō Mitsuishi, *Beikoku Tokkyo Hō Kenkyū* (Study on U.S. Patent Law) (Ryosho Fukyu Kai, 1953): pp. 1 ff.; Shōzō Taniyama, *Amerika Tokkyo Seido No Kaisetsu [Kaitei 3 Han]* (Commentary on the U.S. Patent System [3rd Rev. ed.]) (Japan Institute of Invention and Innovation, 1981): pp. 13 ff.; Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū*: pp. 27 ff.; Kōtarō Kimura, *Hanrei De Yomu Beikoku Tokkyo Hō [Shinpan]* (U.S. Patent Law Based on Court Precedents [New Edition]) (Shōji Hōmu, 2008); Henry Koda, *Beikoku Tokkyo Hō Kenkyū: Tokkyo Hō No Rekishi, Genri, Soshite Jitsumu Wo Kangaeru* (Study on U.S. Patent Law: Thoughts on History, Principles, and Practice of Patent Law) (ILS Publications, 2008); and Study Group of Intellectual Property Law, Daini Tokyo Bar Association ed., *Tokkyo Hō No Nishibei Hikaku* (Japan-U.S. Comparison of Patent Law) (Shōji Hōmu, 2009). 200 *Hundred Years of English and American Patent, Trademark and Copyright Law* (American Bar Center, 1976), B.W. Bugbee, *The Genesis of American Patent and Copyright Law* (Public Affairs Press, 1967).

9 Apart from the portion concerning fundamental human rights, the significance of the Constitution to provide for the basic structure of the nation differs completely between the United States, which adopts a federal system, and Japan, which does not. In the United States, the U.S. Congress does not have legislative power over matters that are not stipulated in the Constitution. Therefore, without this Patent Copyright Clause, each state would have to enact its own patent law or copyright law. Since the Constitution does not have provisions concerning trademarks, the U.S. Congress does not have the legislative power over them, in principle, and related laws are established by the respective states. Nevertheless, the U.S. Congress has legislative power over matters relating to interstate commerce under the Interstate Commerce Clause, so it is able to legislate a federal trademark law within that scope, and the Lanham Act has been established as such law. The Patent Copyright Clause of the U.S. Constitution is often misunderstood, but such characteristics of the U.S. Constitution must not be overlooked. In Japan, which does not adopt a federal system, it is taken for granted that the Diet has the power to legislate patent law, so there is no need to stipulate a patent clause in the Constitution. It is noteworthy that the term *secure* is used instead of *grant* in the phrase "secure the exclusive Right" in Article 1, Section 8, Clause 8 of the U.S. Constitution. This implies that, unlike in Britain where the right is granted as a privilege by the monarch, a right initially attributable to the inventor is protected under law.

to be assigned to another party in the United States, so the inventor needs to file a patent application.¹⁰ If an inventor wishes to assign the right to file a patent application to another party, he/she must file the application first, and then assign the right to the pending application or the patent right obtained.

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U.S. patent law had adopted the first-to-invent system, in which the patent was given to the person who made the invention first. Therefore, a proceeding by which the first inventor is determined, called *interference*, was established in 1793. However, the first-to-invent system was outside of the world's mainstream, so in 2011, the United States made a revolutionary shift from the first-to-invent system to the first-to-file system (which came into effect in March 16, 2013). As a result, patent systems around the world now uniformly adopt the first-to-file system, which has great meaning for international businesses. However, we must note that the U.S. first-to-file system is not necessarily the same as the Japanese first-to-file system.¹¹

In addition, the United States introduced the substantive examination system for the first time in the world in 1836. Ever since, the substantive examination system has been adopted by many countries, and it has become the world's mainstream method. The examination system contributed to significantly improving the credibility of patent rights and to making them into more valuable economic goods. The present U.S. patent law was more or less formed with this 1836 revision.

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2.4. France¹²

In France before the French Revolution, monopolies were granted by the monarch in the same manner as in other European countries, and monopolies were sometimes granted for the purpose of fostering domestic industries. However, this kind of monopoly was entirely abolished after the French Revolution, and the first patent law in France was

10 The assignment of the right to file a patent application to another party was not allowed in the United Kingdom either, but it was allowed by a revision in 1949. As the right to obtain a patent application has property value, the prohibition of its assignment makes it inconvenient for use as an economic good. However, in reality, even if assignment of the right to file a patent is not allowed, an assignee only has to follow the bothersome procedure of filing the application under the name of the assigner under his/her own account, and receive the assignment of the right to the pending application or the patent right obtained, which in the end leads to more or less the same result. Even so, if a party makes an error in the procedure, he/she faces the risk of being denied the effects of his/her patent.

11 Toshiko Takenaka, "Beikoku Wa Hontou Ni Amerika Hatsumei Hō De Sengan Shugi Ni Ikō Shitanoka" (Did the United States Really Shift to the First-to-File System under the America Invents Act?), *JL&T*, No. 54 (2012), p. 29.

12 Reference works on the history of the French patent system include Yoshirō Hashimoto, *Furansu Tokkyo Seido No Kaisetsu [Shintei Ban]* (Commentary on the French Patent System [Rev. ed.]) (Japan Institute of Invention and Innovation, 1983), and Sōta Asahina, *Gaikoku Tokkyo Seido Kaisetsu [Dai 4 Han]* (Commentary on Foreign Patent Systems [4th ed.]) (Toyo Hoki Publishing, 1992).

enacted in 1791. This patent law was legislated based on the ideology of the bourgeoisie that had led the Revolution. Specifically, the idea was that the inventor had ownership of his or her invention as a natural human right.

Due to this concept, France has adopted a non-substantive examination system in which the administrative authority does not examine the patentability requirements. Accordingly, many applications that lacked patentability were patented in France, and any disputes relating to such patents were to be settled in court. The non-substantive examination system has become a distinctive feature of French-style patent laws. In comparison to the substantive examination system, it has an advantage of requiring low administrative expenses, but it is defective from the viewpoint of legal stability because it allows registration of many patent rights that contain reasons for invalidation. Therefore, the system degraded the value of French patent rights as a result. From when the world's first substantive examination system was adopted in the United States in 1836, the substantive examination system gradually spread to become the world's major trend, and the French system has fallen behind.

The non-substantive examination system was not only disadvantageous to French industry, but was also unfavorable from the perspective of achieving compliance with the European Patent Convention or achieving harmonization with other countries' systems. At present, France adopts a system whereby the patent office prepares a search report on novelty and inventive step,¹³ upon the request of the applicant, and grants a patent with the search report attached thereto. Proceedings of infringement lawsuits can no longer be carried out without the search report. Also, the law was further revised to conduct examinations on novelty. Due to such course of development, we can say that the system in France has taken the form of a substantive examination system.

Later, in the revised law of 1978, the scope of the authority of the French Industrial Property Institute was expanded, and applications came to be refused when they apparently lacked novelty according to the search report. However, no examination is conducted to determine the involvement of an inventive step, so the French system is still different from that of Japan and of many other western countries.

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2.5. Germany¹⁴

¹³ This search is entrusted to the European Patent Office.

¹⁴ Reference works on the history of the German patent system include Nakayama, *Hatsumeishaken No Kenkyū*: pp. 30 ff.; and Beier, F.K., *Gewerbefreiheit und Patentschutz. Zur Entwicklung des Patentrechts im 19. Jahrhundert*, in Coing u. Wilhelm (Hrsg.) *Wissenschaft und Kodifikation im 19. Jahrhundert*, Bd. IV, 1979.

In the beginning of the early modern age, Germany was a less-developed region in Europe, serving as a suitable market for the British manufacturing industry. The reasons that Germany fell behind the Great Powers of the world were the devastation of the land from the Thirty Years' War (1618-1648) and the breakup of the country into Länder according to the Peace of Westphalia which ended the war. Patent systems were also varied in each Land, and this segmentation was obstructing the development of the German economy. In order to eliminate such negative effects, customs unions were formed between some Länder. A typical example is the German Customs Union formed under the incentive of Prussia in 1833. However, the patent rights of each Land were basically independent, and the Länder remained separate just the same. While the only way for Germany to outgrow its backwardness was to unify the nation and overcome the economic segmentation, that was achieved only after the unification of Germany in 1871.

Even after the German unification, enactment of the patent law was delayed by the conflict between free-trade supporters and protectionists, in the same manner as in other European countries, but finally in 1877, the Imperial Patent Act came into effect and the Imperial Patent Office was established in Berlin, forming part of the legal foundation for building Germany into a great industrial nation. This patent law had the purpose of an industrial policy, and it was aimed at making inventors file applications for their inventions as quickly as possible so as to raise the technology level of society, rather than at protecting the rights of individual inventors. Therefore, the patent was granted to the applicant who filed first, in principle (this is called Anmelderprinzip).

German patent law changed to an inventor-oriented law with the Nazi patent law of 1936.¹⁵ With this law, the inventor principle (Erfinderprinzip; the principle that an inventor naturally has ownership of his/her invention under the patent law) was stipulated in the text, and provisions on the inventor's moral rights and the inventor's right of resumption were also established. This concept could already be observed in the draft of the 1913 revision, but it was actually made into positive law in the law of 1936 and still lives on. However, provisions on the employee invention system were not stipulated in the patent law, but separately stipulated by a special law.¹⁶ Although drastic revisions were made a couple of times after World War II, the basic framework of the law has not been changed since this law of 1936.

15 The basic concept can be understood from the following sentences in Hitler's *Mein Kampf*: "All inventions are the results of creation by certain individuals. All of these individuals are, whether they want to be or not, great benefactors for all of mankind." and "The most valuable thing about an invention itself is, whether it belongs in the material world or the world of thought, the inventor as an individual human being. The primary and supreme task for the type of group known as an ethnic community is to allocate such an inventor so as to bring benefit to the whole of society in such a manner." (Japanese translation: Translated by Ichirō Hirano and Shigeru Shōjaku, *Waga Tōsō* (My Struggle) (Kadokawa Shoten Publishing, 1973). As a matter of course, this book was only written as sloganeering.

16 See Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū*: pp. 132 ff.

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In this manner, Germany created an original system of patent law, which has greatly influenced the patent systems of Japan and other countries, but the German patent system is undergoing changes amidst the trends of European integration and global harmonization of patent systems.

2.6. Europe

Europe has many countries in a small region. Therefore, if an independent patent system existed in each country, the markets of its countries would be divided by patent rights. Such a situation would have a negative effect on industrial development, and it would require enormous costs and workload to file patent applications in many countries. Since political integration of Europe also started, the work to integrate the patent systems began in line with it. On October 5, 1973, the European Patent Convention (EPC) was signed in Munich (thus also known as the Munich Convention), and it came into effect in 1977.¹⁷ An applicant can designate the States in which he/she seeks to acquire a patent (the applicant can also designate a single State), and acquire patent rights in the designated States that have been granted by the European Patent Organisation (EPO). An application under the EPC has a great advantage in that it can be filed by a single procedure and in a single language. This European patent has the same effect as a domestic patent in the Contracting States of the EPC, and infringement of the patent is disputed according to the national law of the relevant Contracting State. However, oppositions, restriction of the scope of claims, and rescission concerning European patents are handled by the EPO. Despite the presence of the EPC, the Contracting States have their own national patent laws, and their national patent offices grant national patents, so patents granted under national law and those granted under the EPC concurrently exist, and they are referred to as a bundle of national patents.

People who are not citizens of the Contracting States can also file applications with the EPC. Accordingly, there are three methods to file applications in European countries: the conventional method of filing an application in each country; the method of filing a European patent application under the EPC (designating the States in which the applicant seeks protection and acquiring patent rights in the designated States); and the method of filing an international application under the Patent Cooperation Treaty (PCT) (acquiring patents by directly designating the relevant European countries or by designating the European countries via a European patent application). The applicant is able to choose the

¹⁷ There were 38 member states as of 2014.

optimum method by considering the various conditions, such as the application costs and the countries in which protection is sought. When filing a European patent application, the applicant can make a priority claim under the Paris Convention, and conversely, a European patent application can serve as the basis for a priority claim when filing an application in another country or a PCT application.

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While patents under the EPC constitute a bundle of national patents which take effect in the respective Contracting States, a move to establish the Unitary Patent system and the Unified Patent Court has been going on in parallel with the EPC. In 2012, the European Council reached an agreement to establish the Unitary Patent system to be applied to 25 States of the 27 EU States, excluding Italy and Spain,¹⁸ and the system was finally established in 2013.¹⁹ The procedures for the filing to examination of a Unitary Patent are carried out in a similar manner as those for the current European patent, and after a European patent is granted, a request for a Unitary Patent is filed. Also, it was decided that the Unified Patent Court would be set up to make judgments on disputes concerning Unitary Patents. A decision was made to establish the central division of the court of first instance (division centrale de la Cour de premiere instance) in Paris, thematic sections with special jurisdiction in London, focusing on chemistry, biotechnology, and pharmaceutical cases, and in Munich, focusing on mechanical engineering cases, and the court of appeal in Luxembourg.

This Unitary Patent has the same effect in all Contracting States, and its transfer, rescission, and extinction will take effect in all Contracting States in a centralized manner.

18 Since the translation languages were specified as English, German, and French, Italy and Spain which opposed this decision were excluded. However, these two countries can become members at any time. The languages to be used had been discussed as an extremely important issue in regard to European patent systems.

19 With regard to details of this process, see Kaoru Kuroda, "Ōshū Tan'itsu Tokkyo Hogo Seido No Rekishiteki Kōssatsu" (Historical Study on the European Unitary Patent Protection System) (*L&T*, No. 60 (2013), p. 32); and Hiroshi Kawamata, Toshinao Yamazaki, and Atsuya Takeshita ed., "Ōshū Tan'itsukō Tokkyo To Tōitsu Tokkyo Saibansho" (European Unitary Patent and Unified Patent Court), *Tokkyo Kenkyū* (Patent Study), No. 55 (2013), p. 31.

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2.7. Japan²⁰

Japan did not have a patent system before the Meiji period. There were, as in Europe, cases where monopolies were given and profits were gained as a result, but that was different from the present patent system. The person who first introduced western patent systems to Japan is said to be Yukichi Fukuzawa.²¹

The Meiji government advocated wealth and military strength as well as the encouragement of new industry as the most important national policies, and strove to introduce western legislation. Enactment was considerably delayed for laws such as the civil code, that had a strong connection to the awareness of citizens, historical features, established practices, and favored customs and manners, but industrial policy-oriented laws such as the patent law were legislated at relatively early stages out of the need to promote westernization.²²

Japan's first patent system, the Provisional Regulations for Monopoly (Dajōkan Ordinance No. 175) was first decreed in 1871. This system was uniformly controlled by the central government (Minbu Shō), and could also be considered as a strategic move toward centralization with the abolition of clans and establishment of prefectures close at

20 The most informative reference works on the history of the Japanese industrial property system are Japan Patent Office, *Kōgyō Shoyūken Seido Hyakunen Shi Jō/Ge/Bekkan*. Other references include Japan Patent Office, *Tokkyo Kyoku Gojyūnen Shi* (Fifty-Year History of the Japan Patent Bureau) (Tokkyo Hō Shikō Gojūnen Kinen Kai, 1934); Japan Patent Office, *Tokkyo Seido Nanajūnen Shi* (Seventy-Year History of the Japanese Patent System) (Japan Institute of Invention and Innovation, 1955); Ministry of International Trade and Industry, *Shōkō Seisaku Shi Dai 14 Kan* (History of Commercial and Industrial Policies Vol. 14) (Shōkō Seisaku Shi Kankōkai, 1965); edited by the Committee for Compiling History of Japan's Trade and Industry Policy and written and edited by Nobuhiro Nakayama, *Tsūshōsangyō Seisakushi 11 Chiteki Zaisan Seisaku 1980–2000* (History of Japan's Trade and Industry Policy (11): Intellectual Property Policy 1980–2000); Kazuo Ichikawa, *Nihon No Tokkyo Seido* (Japanese Patent System) (Nihon Hatsumei Shimbunsha, 1964); Japan Patent Office, *Kōgyō Shoyūken Seido Shi Kenkyūkai* (Study Group on the History of Industrial Property Systems), *Tokkyo Seido No Hassei To Hensen* (Genesis and Transition of the Patent System) (Printing Bureau, Ministry of Finance, 1982); Yasuo Kawazu, "Tokkyo Hō No Ayumi" (Progress of Patent Law), *Patent*, Vol. 11, No. 11 (1958), p. 11; Kikushi Koga, "Nihon Tokkyo Seido No Rekishi Teki Gaikan" (Historical Overview of the Japanese Patent System), *Patent*, Vol. 16, No. 10 (1963), p. 26; Takio Okano, "Waga Kuni Ni Okeru Kindai Tokkyo Hō No Keisei To Sono Keizai Teki Haikai" (Formation and Economic Background of the Japanese Modern Patent Act), *Chūō Gakuin Daigaku Rongyō* (Academic Papers of Chuo Gakuin University), No. 10, p. 57; Nobuo Sasaki, "Waga Kuni No Tokkyo Seido Seiritsu Ni Kansuru Kenkyū No Igi" (Significance of the Study on Establishment of the Japanese Patent System), *Hatsumei* (Invention), Vol. 77, No. 7 (1980), p. 25; Nobuo Sasaki, "Senbai Tokkyo Jōrei No Seiritsu Katei Jō/Ge" (Process of Establishment of the Patent Monopoly Act Vols. 1 and 2), *Hatsumei*, Vol. 77, No. 8 (1980), p. 25 and No. 9, p. 23; Nobuo Sasaki, "Inoue Kowashi To Tokkyo-Seido No Seiritsu Jō/Chū/Ge" (Kowashi Inoue and the Establishment of the Patent System Vols. 1, 2, and 3), *Hatsumei*, Vol. 77, No. 10 (1980), p. 23, No. 11, p. 21, and No. 12, p. 25; Nobuo Sasaki, "Zoku: Inoue Kowashi To Tokkyo Seido No Seiritsu" (Sequel: Kowashi Inoue and the Establishment of the Patent System), *Hatsumei*, Vol. 78, No. 1 (1981), p. 55; Nobuo Sasaki, "Waga Kuni Kōgyō No Kindaika To Tokkyo Seido No Sōsetsu 1–5" (Modernization of Japan's Industry and Foundation of the Japanese Patent System 1–5), *Hatsumei*, Vol. 78, No. 3 (1981), p. 41, No. 4, p. 23, No. 6, p. 27, No. 7, p. 71, and No. 8, p. 63; Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure by Description under Patent Law), p. 18.

21 He introduced the patent systems of other countries in *Seiyō Jijō* (Conditions in the West), Vol. 3 (1867).

22 The same situation was seen in Germany. Although the German patent law was established in 1877, which was soon after unification, the German Civil Code (BGB) was only established in 1900. As is well known, great controversies took place in establishing the civil code both in Germany and in Japan.

hand. However, in light of the situation of Japan's industry at the time, it was still too early to establish a patent system. Although a small number of applications seemed to have been filed, the Regulations were repealed for a certain period of time without having shown much success²³ (Dajōkan Ordinance No. 105). The reasons for the repeal are not quite clear, but we can assume that there were not many inventions to examine, and not many officials who could examine inventions, while it was financially difficult to hire skilled foreign persons to do so.

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Thereafter, no industrial property laws existed in Japan until the Trademark Bylaws were established in 1884 (Dajōkan Ordinance No. 19) and the Patent Monopoly Act was established in 1885 (Dajōkan Ordinance No. 7). However, technology advanced and there were incidents like the famous case of the gara spinning machine during this period.²⁴ Also, labels of foreign products like matches were frequently imitated, and Japan received many complaints from other countries. In addition, Japan also needed to establish various domestic laws for the purpose of amending the unequal treaties concluded at the end of the Edo Period.

Accordingly, first the Trademark Bylaws were established in 1884. As for patents, the Patent Monopoly Act was established in 1885, one year after the Trademark Bylaws. This Act adopted the first-to-invent system and the substantive examination system. Under this Act, a patentee was able to choose a patent term of five years, ten years, or fifteen years. The Act was planned to be revised from the start, and necessary preparations for the revision were launched immediately after its enforcement, leading to the establishment of the Patent Bylaws in 1888 (Imperial Ordinance No. 84). The Bylaws maintained the first-to-invent system and the substantive examination system, while making some improvements, including the introduction of the trial system.

With the establishment of the three bylaws on trademarks, patents, and designs, Japan had built a foundation for its industrial property laws. Presumably, the reasons that Japan rushed to enact these laws are that it wanted to use industrial property law as a tool for

23 Although the wording in the Dajōkan Ordinance was that the regulations should be repealed for a certain period of time, it meant virtual suspension, and inventors were allowed to report their inventions to the government (Kōbu Sho) even after the repeal. With regard to this reporting, a supplementary provision of the Patent Monopoly Act of 1885 stipulated that even if an invention were already publicly known or used, the inventor could submit a patent application for it to the Minister of Agriculture and Commerce (Nōshōmu Kyō) within six months from the enforcement of the Patent Monopoly Act. Due to such circumstances, the Patent Monopoly Act of 1885 is usually considered to be Japan's first patent law, and the Japan Patent Office, *Kōgyō Shoyūken Seido Hyakunen Shi*, calculates the one hundred years from 1885.

24 The gara spinning machine was a cotton spinning machine invented by Tokimune Gaun. It won an award at the First National Industrial Exhibition (1877), but it was counterfeited because there was no protective legislation, and as a result, Gaun could not profit from the invention. See Susumu Kitano, *Hatsumei No Bunka Isan: Gaun Tokimune To Gara Bōseki* (The Cultural Legacy of Inventions: Tokimune Gaun and the Gara Spinning Wheel) (Agnes Technology Center, 1994).

encouraging new industries, and that it needed to quickly modernize its domestic legislation in order to amend unequal treaties. Also, Japan was likely to have been influenced by the establishment of the Paris Convention in 1883 even though Japan had not acceded to it.

Until 1899, Japan's industrial property rights were regulated by these three bylaws. The fundamental revision of 1899 was implemented in order to join the Paris Convention, which was one of the international treaties with regard to commerce and navigation that were concluded by Japan in order to amend the unequal treaties at the time. It was a revolutionary revision, which incorporated principles including the equality between Japanese and foreign nationals. Thus, the three bylaws were revised in 1899 into the Patent Act (Act No. 36), the Design Act (Act No. 37) and the Trademark Act (§6. Japan acceded to the Paris Convention in the same year. The fact that the Civil Code (Act No. 89; enforced in 1898) was established in 1896 was another reason for the rising number of calls for new industrial property laws. Since the bylaws of 1888 were legislated at the time of the former Civil Code (although it was not enforced) that was strongly influenced by the French Civil Code drafted by Boissonade, they needed to be revised under the new Civil Code that was under the strong influence of German law. With the enactment of the Civil Code, provisions on compensation for damage that had been stipulated in the conventional bylaws (e.g. Articles 34 and 35 of the Patent Bylaws) were deleted and instead they came to be treated under the tort law of the Civil Code. With these revised laws of 1899, Japan's industrial property law reached an internationally viable level, at least in form. [37]

Later, in 1905, the Utility Model Act (Act No. 21) was established based on German law. This law was intended to protect practical petty inventions, which had been difficult to protect as they fell in between patents and designs. As the subject matter was stipulated to be “novel, practical devices relating to the shape or structure of an article or combination of articles” in resemblance to German law, *process* was not made subject to protection. This Utility Model Act adopted the substantive examination system, so it was destined to develop into a system similar to the patent system in reality. Since the Act was designed after German law, it adopted the first-to-file system, unlike the Japanese Patent Act of the time that adopted the first-to-invent system.

After the end of the Russo-Japanese War, the Patent Act (Act No. 23), Design Act (Act No. 24), Trademark Act (Act No. 25), and Utility Model Act (Act No. 26) were drastically revised in 1909 from the viewpoint of consolidating the foundation for industrial development. The main points of revision in the Patent Act were the shift from an absolute novelty system, which had been adopted by interpretation, to a local novelty system based

on legislation,²⁵ establishment of provisions concerning employee inventions, establishment of provisions on prior users' rights, and slight modification to the first-to-invent system.²⁶ Since the Utility Model Act had only been established in 1905, no drastic revisions were made, but only those which were mainly for coordination with the Patent Act.

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After World War I, the Patent Act (Act No. 96), Utility Model Act (Act No. 97), Design Act (Act No. 98), and Trademark Act (Act No. 99) were fundamentally revised in 1921. Japan became acutely aware of the need to establish its own technologies after the experience of World War I, and to achieve this end it needed to strengthen the protection of inventors' rights and expedite and streamline Japan's dispute settlement system. As for the Patent Act, the first-to-invent system that had been adopted since 1885 was abolished, and the first-to-file system, which is still used under the current Act, was adopted. This system was introduced based on the German system in order to dispel the excessively detailed procedures and the instability of rights associated with the first-to-invent system. With regard to employee inventions, the existing provisions were reversed so as to attribute the right to obtain a patent to the person employed (the employee). Many other points were also revised, and the law came closer to the current law. As for the Utility Model Act, the protectable subject matter was confirmed to be the shape of an article, and many revisions were made in the form of applying *mutatis mutandis* provisions of the Patent Act.

After that, Japan's economy shifted to a war-time economic structure. When the Pacific War started in 1941, the Foreign Product Control Act (Act No. 99) was immediately established, followed by promulgation of the War-Time Special Provisions for Industrial Property Law (Act No. 109) in 1943, by which the design system was suspended, the system of publication of examined applications was abolished, and the issuance of official gazettes was suspended.

Following the end of the war, reconstruction of the devastatingly damaged industrial property system was launched. Starting with the abolition of war-time laws including the Foreign Product Control Act, the industrial property rights of the allied nationals were preserved, after which the Order Concerning Postwar Measures for Industrial Property

25 The reason for adopting an absolute novelty system in the past had been based on an idea that the grant of Japanese patent rights for technologies publicly known overseas would only benefit foreign companies and result in oppressing Japanese industry. However, the Supreme Court Decision, May 4, 1903, *Minroku*, Vol. 9, p. 523 dismissed this interpretation, and supported the interpretation of using the local novelty standard, referring to the difficulty of conducting examinations in the case of using the absolute novelty standard and stating that the purpose of the Patent Act was to encourage and protect domestic industrial inventions. Accordingly, a local novelty system was adopted in the Utility Model Act of 1905 and also in the Patent Act of 1909. However, the absolute novelty standard was fully adopted (Article 29 of the Patent Act).

26 If the date of the invention was not clear, the patent was granted to the prior user, and the first inventor's right to demand a trial for patent invalidation lapsed by prescription in three years.

Rights of the Allied Nationals (Cabinet Order No. 309) was promulgated pursuant to a GHQ memorandum of 1949. This was a measure to restore patent rights that had lapsed due to the non-payment of patent fees or had been rescinded by the War-Time Special Provisions during the war, and to exclude the period from the start of the war through the restoration of the rights from the patent term (extension of the term of protection by the length of the war period).²⁷ Furthermore, the secrecy of secret patents was cancelled under a GHQ memorandum of 1948, and the secret patent system was abolished by partial revision of the Patent Act in the same year.

When a new Constitution was promulgated, the organization of the courts was also revised, and the part of the Patent Act relating to patent lawsuits was revised in 1948 accordingly (Act No. 172). With this revision, actions for the revocation of trial decisions were placed under the exclusive jurisdiction of the Tokyo High Court.

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The four industrial property laws had not undergone fundamental revisions since 1921, but calls for an overhaul grew as Japan entered a decade of high economic growth starting in 1955. Thus the four laws were totally revised in 1959 to form the current laws. The revisions of the Patent Act (Act No. 121) covered the stipulation of the purpose of the Act and the definition of inventions, the addition of publications distributed in a foreign country as one of the reasons for a lack of novelty, the addition of a presentation in writing at a study meeting as an exception to the lack of novelty, making substances produced by atomic nucleus transformation unpatentable, the improvement of provisions relating to licensing, and the establishment of provisions concerning the presumption of damages, negligence, and the producing process. The Utility Model Act (Act No. 123) was revised in compliance with the Patent Act, in addition to stipulating the protectable subject matter as devices relating to the shape or structure of an article or combination of articles, and excluding devices that would have been *exceedingly* easy to create from protectable subject matter based on the lack of the involvement of an inventive step.

After that, the industrial property laws were revised a number of times in line with Japan's economic development, but since no fundamental revisions have been made, basically they still maintain the structure of the 1959 Acts, though the repeated revisions have considerably changed the details of the laws.

The Utility Model Act was drastically revised in 1993 (Act No. 26), and a non-substantive examination system was introduced for the first time. The adoption of the non-

²⁷ Such measure to extend the term of protection by the length of the war period is no longer an issue for patent rights which have short term protection, but still remains as an issue for copyrights which have long term protection. Apart from the allied nationals, post-war measures regarding neutral nations such as Germany and Switzerland were taken by concluding individual agreements one at a time from 1953 in order to normalize Japan's relationships with them.

substantive examination system was a revolutionary step for Japan. However, it is not completely without examination. Devices are examined as to whether or not they relate to the shape or structure of an article or combination of articles, whether they are liable to contravene public order, morality or public health, whether their descriptions meet the descriptive requirements, and whether any required information is missing from the descriptions or is not clear enough (Articles 6-2 and 2-3 of the Utility Model Act). In short, no examination is conducted to determine the novelty and involvement of an inventive step, which is the most important as well as the most time and effort consuming part of the examination.

Today, the emergence of new technologies such as computer software and biotechnology has begun to present various problems relating to patentable subject matter. Therefore, the question of how the issues relating to these new areas, which are sometimes referred to as new domains to be protected, should be introduced into the industrial property system is a serious challenge that must be tackled in the future.

[40]

[42]

Chapter 2 Patent Rights

§1. Creation of Right

1.1. Owner of Right

1.1.1. Inventor and Successor in Title

1.1.1.1. Inventor System

A legal subject who can obtain a patent right is limited to the inventor and the successor in title to the right to obtain a patent, and this principle is called the inventor system. Although there is no provision that clearly stipulates the inventor system, Article 29, paragraph (1) of the Patent Act provides that the “inventor of an invention ... may be entitled to obtain a patent for the said invention,” which suggests that the inventor system is adopted. Also, where an application filed by a person who is neither the inventor nor the successor in title to the right to obtain a patent for the invention is refused (Article 49, item (vii)), such application, even if it has been registered as a patent, constitutes a reason for invalidation (Article 123, paragraph (1), item (vi)), and it is provided that the true right holder may request transfer of the patent right (Article 74). These provisions can be regarded as implicitly providing for the inventor system. It must be noted, however, that an exception was provided upon the 2015 revision that an employer, who is not the actual inventor, originally acquires the right to obtain a patent for an employee invention, under certain conditions (Article 35, paragraph (3)).

The inventor system, which is regarded as self-explanatory today, has not necessarily been considered as a universal principle historically, and the applicant system had also existed.¹ Particularly in the case of a late-capitalist country, the main purpose of patent law is to emerge from industrial backwardness. To that end, it is necessary to have people file applications for inventions that are hidden from society or for inventions made overseas so as to promptly raise the technological level of the country, instead of emphasizing the protection of inventors. From such a perspective, it may be a good idea to adopt a system that promotes the filing of applications without placing any emphasis on the rights of

¹ The concept of the applicant system involves the idea of granting a patent to the first applicant regardless of who the true inventor is, but is no longer adopted. The importation patent system (which no longer exists) is based on an idea similar to the applicant system, which is that a patent is granted to the first person who imports an invention into the country and files an application for it, regardless of who made the invention.

inventors. However, as countries' technological levels grew, there was a stronger tendency to raise their technological levels through protecting inventors, and at present, the inventor system is universal.

[43]

Japan adopted the inventor system early on. It had already adopted the system in the Patent Monopoly Act of 1885 (Dajōkan Ordinance No. 7), which is virtually Japan's first patent law. Pursuant to the Act, only the inventor or the assignee of the invention could file an application for a patent monopoly (Article 1 and Article 4, paragraph (1)), and a patent monopoly obtained by a person other than the inventor or the assignee was invalidated (Article 14, item (i)). The reason that the inventor system was adopted at such an early stage is said to be because Japan modeled the patent system on that of the United Kingdom, but this fact is not certain. In any case, it is very unlikely that the idea of the inventor system was completely adopted from the beginning. Indeed, the employee invention system, which is closely related to the inventor system, was not developed until later on. Nevertheless, the idea of the inventor system has firmly taken root for the present, both in terms of legislation and practice.

1.1.1.2. Inventor

An inventor is a natural person who has truly made an invention. Since an invention is a factual act, a person having no legal capacity (such as a child) can also become an inventor.

At the same time, an inventor under the Patent Act refers to a person who completed the specific technical means of an invention,² so a mere assistant, advisor,³ fund-provider,

2 In the Tokyo District Court Judgment, August 27, 2002, *Hanji*, No. 1810, p. 102/*Hanta*, No. 1117, p. 280 (the Coated Core for Fine Granule case), the court held that, a person who is formally named as a joint inventor due to serving as the head of a pharmaceutical laboratory cannot be regarded as an inventor, if such person has only indicated a general direction for solving a problem and has not made any creative contribution to making the invention.

3 In the Tokyo District Court Judgment, September 13, 2005, *Hanji*, No. 1916, p.133/*Hanta*, No. 1214, p. 283 (the Divisible Tablet Provided with Film Coating case), the court held that a person who was merely engaged in general management, a person who merely provided assistance according to instructions, and a person who merely supported the completion of the invention cannot be regarded as an inventor. In the Intellectual Property High Court Judgment, May 29, 2008, *Hanji*, No. 2018, p. 146/*Hanta*, No. 1317, p. 235 (the Glass Porous Body and Its Manufacturing Method case), the court mentioned that "a person who carried out general management for subordinate researchers as a manager, a person who provided general advice and guidance, a person who merely compiled data or conducted experiments according to researchers' instructions as an assistant, or a person who supported or entrusted the completion of the invention by providing funds to the inventor or enabling the inventor to use equipment is not regarded as an inventor."

or a person who merely gave orders is not considered to be an inventor.⁴ In practice, there are many cases where it is extremely difficult to determine the identity of the inventor. However, this is quite usual in determining the identity of the creator of intellectual property. Since the 2011 revision has enabled a person having the right to obtain a patent to request the owner of a patent right that has been misappropriated or has violated an obligation of joint application to transfer the patent right (Article 74, paragraph (1)), disputes over the identity of the inventor may increase in the future. The determination would have to be made on a case-by-case basis. For example, in the case of an invention relating to chemistry, which is known as a *science of experiments*, the effects of the invention are difficult to determine in advance, and larger weight would be placed on experiments when identifying the inventor.⁵ However, in the case of an invention relating to machinery, less weight would be placed on experiments since the use of the machine is relatively easily predictable from its structure.⁶

[44]

In recent years, there has been a growing number of lawsuits involving employee inventions in which the identification of the true inventor was disputed. It is not rare to write the name of the inventor's superior in the column for recording inventors' names, so there are cases where a person mentioned as an inventor in the application is not found to

4 The court ruled that a person who merely received instructions and drew up a manufacturing drawing for equipment relating to an invention is not an inventor, in the Tokyo District Court Judgment, April 16, 1979, *Hanta*, No. 395, p. 155 (the Grain Processing Method case); the court held that a person who provided a task and a simple idea cannot be regarded as the designer of a utility model, in the Tokyo High Court Judgment, December 24, 1991, *Hanji*, No. 1417, p. 108 (the Automatic Shrimp Boiling case); the court held that a person who conceived a concrete idea and a person who materialized this idea and completed the invention are joint inventors, in the Tokyo High Court Judgment, April 27, 1976, *Torikeshishū*, 1976, p. 449 (the Mahjong-Rule Pachinko case); the court held that, where the concretization of a new idea is obvious to a person skilled in the art, only the person who conceived such idea is regarded as the inventor, and a person who merely concretized the idea is only an assistant and not an inventor, in the Tokyo District Court Judgment, January 26, 2006, *Hanji*, No. 1943, p. 85 (the Laminated Film and Support for Photograph case); the court stated that a mere act of providing assistance, giving advice, providing funds, or giving orders is not regarded as having taken part in the act of creation, in the Tokyo District Court Judgment, September 8, 2006, *Hanji*, No. 1988, p. 106/*Hanta*, No. 1272, p. 242 (the Tetrazolyl Alkoxy-Carbostyryl Derivatives case); the court ruled that a person who is merely a manager, assistant, or supporter is not a joint inventor, in the Tokyo District Court Judgment, September 12, 2006, *Hanji*, No. 1985, p. 106/*Hanta*, No. 1234, p. 182 (the JSR Thermosetting Overcoat for Color Filters case); and the court held that a person who has merely given an idea or research theme is not regarded as having actually taken part in an act of creating a technical idea, in the Tokyo District Court Judgment, March 23, 2007, court website (the Glass Porous Body and Its Manufacturing Method case).

5 In the Tokyo District Court Judgment, January 31, 2006, *Hanji*, No. 1929, p. 92/*Hanta*, No. 1225, p. 301 (the Washing Treatment Agent case), the court stated as follows: "For inventions in the chemical field, it is generally not easy to predict in advance the outcome of materializing an idea, so an idea does not directly link to the establishment of an invention that can be worked by a person skilled in the art; rather, a technical idea is often completed after confirming its utility through repeated experiments and confirming the scope of what is useful. Therefore, in such a case, a person who has merely indicated the initial idea is not regarded as having taken part in the act of creating the technical idea, so a person who has indicated the initial idea cannot be automatically regarded as the true inventor." The same view is indicated in the Intellectual Property High Court Judgment, March 15, 2007, *Hanji*, No. 1989, p. 105 (the Tetrazolyl Alkoxy-Carbostyryl Derivatives case).

6 Specific court cases are introduced in detail in Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō/Ge*, p. 367 [written by Kazuhiko Yoshida and Kiyoshi Iida].

be an inventor by the court.⁷ However, there have also been cases where the court held that, as long as the employer has stated the name of such worker in the column for recording inventors' names, it would go against the fair and equitable principle to assert otherwise.⁸ The identification of the inventor in a case involving an employee invention is no different from that in the case of an ordinary invention, and merely stating the name of a person who is not an inventor in the column for recording inventors' names is normally not considered to be as serious a violation as the violation of the fair and equitable principle.⁹ Yet, whether or not a statement constitutes violation of the fair and equitable principle depends on the specifics of the case, so this cannot be said definitely.

[45]

Next, there is the question of whether a juridical person can become an inventor. The Japanese Patent Act only assumes that natural persons can be inventors, so under the current law, juridical persons cannot become inventors.¹⁰ Article 36, paragraph (1) of the Patent Act provides that an application must contain the “*shimei* (personal name) or *meishō* (corporate name) of the applicant” and the “*shimei* of the inventor,” which suggests that the applicant can also be a juridical person, but the inventor is limited to being a natural person. In addition, the provisions of the principal sentence of Article 29, paragraph (1), Article 49, item (vii), and Article 123, paragraph (1), item (vi) are also collateral evidence for an interpretation that the inventor is limited to a natural person.¹¹ Article 35 was revised in

7 In the Tokyo District Court Judgment, September 13, 2005, *Hanji*, No. 1916, p. 133/*Hanta*, No. 1214, p. 283 (the Divisible Tablet Provided with Film Coating case), the court, finding that it was a customary practice to include the superior among the inventors, along with the true inventor, denied the claim for payment of a consideration filed by a superior whose name was mentioned in the column for writing inventors' names in the patent application. In the Intellectual Property High Court Judgment, May 29, 2008, *Hanji*, No. 2018, p. 146/*Hanta*, No. 1317, p. 235 (the Glass Porous Body and Its Manufacturing Method case), the court mentioned that an inventor is “a person who was involved in the creative activity of making the technical idea specific and objective enough for a person skilled in the art to work the invention,” and that “a person who carried out general management for subordinate researchers as a manager, a person who provided general advice and guidance, a person who merely compiled data or conducted experiments according to researchers' instructions as an assistant, or a person who supported or entrusted the completion of the invention by providing funds to the inventor or enabling the inventor to use equipment is not regarded as an inventor.”

8 In the Intellectual Property High Court Judgment, March 29, 2007, *Hanji*, No. 1972, p. 135/*Hanta*, No. 1241, p. 219 (the Fuel Injection Valve case), the court held that when patent filing documents submitted by an employer has the name of its worker written in it as the inventor, the employer cannot assert that said worker is not the inventor, because it would mean openly asserting against the JPO, which is a state organ, a fact that differs from the content that has been stated based on Article 36, paragraph (1), item (ii) of the Patent Act, which would be a violation of the fair and equitable principle, unless special circumstances exist.

9 Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō/Ge*, p. 367 [written by Kazuhiko Yoshida and Kiyoshi Iida].

10 In the Tokyo District Court Judgment, March 16, 1955, *Kamin*, Vol. 6, No. 3, p. 479 (the Rubber Swimming Bladder case), the court held as follows: “It is clear from Article 1 of the Utility Model Act that Japan's Utility Model Act does not adopt ... the applicant system which is adopted in some foreign countries' legislation, and at the same time, the person who can obtain the registration of a utility model is limited to the one who was actually engaged in making the device. Accordingly, the concept of a device made by a representative or a device made by an organization is not acceptable, and a juridical person cannot be considered to be a person who made a device. ... Indeed, there may be something that can be considered as a factory made device. It is a device which was gradually created with the cooperation of many employees by using the already-existing factory facilities and experience, which has been contrived at some time or other by someone who cannot be specified. Under Japanese law, nobody would be able to obtain a utility model registration regarding such device made by a factory of which the designer cannot be specified.”

11 For details, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 355 [written by Nobuhiro Nakayama].

2015, and it was provided that the right to obtain a patent for an employee invention shall originally vest in the employer under certain conditions (Article 35, paragraph (3)). However, that is merely an exception and the general principle has not changed; even in the case of an employee invention, the name of the inventor, who is a natural person, is written in the column for recording inventors' names. In other words, the current Act adopts an irregular system whereby the property right for an employee originally vests in the employer under certain conditions, but the inventor's right to be credited (*hatsumeisha meiyō ken*) vests in the employee.¹²

[46]

1.1.1.3. Right Granting System

An inventor can obtain a patent right as long as his/her invention meets statutory requirements, and the question of whether or not to grant a patent is not determined at the discretion of the State. Therefore, a person who is dissatisfied with an administrative disposition given by the JPO can dispute the validity of that disposition in court. To be more specific, a person can institute an action against a trial decision made by the JPO in the Tokyo High Court (Article 178 of the Patent Act).¹³ This is called the right granting system.

The right granting system may be considered as self-explanatory today, but that was not necessarily the case historically. In the past, a patent (monopoly) was granted as a privilege by the monarch, etc. However, the world's mainstream became inclined to place more emphasis on the inventor's rights, and at present, the right granting system has taken root globally.

1.1.1.4. First-to-File System

A person who has made an invention rightfully acquires certain rights related to the invention (inventor's rights) without putting in place any formal procedures. The core part of the inventor's rights is the right to obtain a patent (Articles 33 and 34 of the Patent Act). Meanwhile, a patent right is not automatically granted to the inventor, but is granted to the

¹² A similar provision is stipulated for copyrights in cinematographic works. It is provided that a copyright in a cinematographic work vests in the producer of the work under certain conditions.

¹³ Actions against trial decisions are under the exclusive jurisdiction of the Tokyo High Court, and are handled by the Intellectual Property High Court (Article 2, item (ii) of the Act for Establishment of the Intellectual Property High Court).

person who filed the application first¹⁴ (Article 39). As a matter of course, the principle of the inventor system prevents a patent from being granted to a person who files an application for another person's invention without succeeding to the right to obtain a patent for such invention (Article 49, paragraph (7)), and such application, even if it has been registered as a patent, constitutes a reason for invalidation (Article 123, paragraph (1), item (vi)). Such filing by a person who does not have the right to file a patent application is called a misappropriated application, and the person who filed it is called an applicant of a misappropriated application.¹⁵

In contrast to this first-to-file system, the method of granting a patent to the person who made the invention first is called the first-to-invent system. Canada (in 1989) and the Philippines (in 1998) shifted from the first-to-invent system to the first-to-file system, and finally in 2011 (though becoming effective on March 16, 2013) the United States also shifted to the first-to-file system.¹⁶ As a result, no country any longer adopts the first-to-invent system. In line with this change, the United States also established provisions on prior users' rights, requiring the prior user to have been commercially using or selling the patented subject matter at least one year before the priority date of the U.S. patent (the filing date of the U.S. patent application or the priority date under the Paris Convention).

[47]

1.1.1.5. Successor in Title

A patent application can also be filed by a person (a natural person or a juridical person) who has succeeded to the right to obtain a patent from the inventor (Article 33, paragraph (1) of the Patent Act). An organization that has no juridical personality cannot become the owner of a patent right, but has the capacity to undertake some procedures including filing a request for examination and filing a request for trial for patent invalidation (Article 6).¹⁷

14 With the 2011 revision, a person who has the right to obtain a patent was now able to request the transfer of a misappropriated patent or a patent in violation of an obligation of joint application and become the patentee, even if that person had not filed a patent application (Article 74, paragraph (1) of the Patent Act).

15 Incidentally, *bōnin* (misappropriated) is an expression used in the Ming regulations of China, referring to the act of making another person's thing one's own; in other words, embezzlement. The term *bōnin* has also been used in the Japanese penal code in the past, specifically, in Vol. 3 *Zokutō* (Theft) of *Shinritsu Kōryō* (Platform of New Regulations) (Pandect of 1870, p. 579), and *kasumetori* (stealing another person's thing while that person is not looking) was printed in kana as the meaning of the term. The term also appeared in Articles 10 and 11 of the former Patent Act (1921), but not in the current law. The term is now only used in patent studies.

16 The America Invents Act (AIA) was adopted by the U.S. Congress on September 8, 2011, and became effective after the President signed it on September 16 of the same year.

17 In the Tokyo High Court Judgment, September 30, 1999, *Hanji*, No. 1704, p. 131 (the Japan Foundation of Aesthetic Medicine case), which was a case relating to the Trademark Act, the court stated that the reason for bestowing on unincorporated associations the capacity to undertake procedures is to extend the same protection as that for juridical persons to such associations with regard to the types of interests that should be protected through the JPO's trials for patent invalidation.

The successor in title only succeeds to the right to file a patent application as a property right, and the inventor's right to be credited (inventor's moral right (*hatsumeisha jinkaku ken*)) remains with the inventor. Therefore, the successor in title must write the name of the true inventor in the application (Article 36, paragraph (1), item (ii)). However, even if the successor in title writes the name of a person who is not the true inventor in the application, it is often difficult in practical terms for the JPO to examine who the true inventor is; therefore, a patent is sometimes granted for an application containing the name of a person who is not the true inventor. Nevertheless, since this does not constitute a reason for invalidation (i.e. it is not listed among the reasons for invalidation under Article 123, paragraph (1)), the true inventor cannot have such patent invalidated even if his/her name is not indicated on the certificate of patent, as long as the applicant possesses the right to obtain a patent.¹⁸

When an application is pending before the JPO, the true inventor should be considered to be capable of seeking a court judgment ordering the applicant of a misappropriated application to carry out an amendment procedure with the JPO to indicate the plaintiff as the inventor stated in the written application of the patent application.¹⁹ This is an issue of amendment while the procedure is pending before the JPO, and the Patent Act has no provisions precluding such amendment. There is also a theory insisting that the inventor can institute, against the patentee, an action for a declaratory judgment to the effect that he/she is the inventor, and can instigate a procedure with the JPO to correct the certification of a patent based on such judgment even when the case is no longer pending before the JPO (after the patent registration).²⁰ However, while a change made after patent registration requires a trial for correction, there are no provisions under the Patent Act about the correction of the name of the inventor after patent registration. After all, it would not be possible to change (correct) the name of the inventor, and the remaining issue would be

18 Under the former Patent Act, there was controversy over whether a case in which a successor in title to the right to obtain a patent lists his/her own name as the inventor on the application would be considered as a misappropriation or would be merely considered as a deficiency in the formality of the application, thus not affecting the validity of the patent right. See supervised by Nobuhiro Nakayama, *Tokkyo Hōshiki Mondai Eno Apurōchi* (Approach to Patent Formality Issues) (Research Institute of International Trade and Industry, 1982), p. 204.

19 In the Osaka District Court Judgment, May 23, 2002, *Hanji*, No. 1825, p. 116 (the Santoku Rare Earth case), the court ordered the true inventor to request the applicant to instigate a procedure for making an amendment to indicate his/her name as the inventor's name in the written application of the patent application, as a request for the abatement of a nuisance based on an inventor's right to be credited, which is a moral right, and stated that this was lawful based on the following reasons: (1) Article 4^{ter} of the Paris Convention stipulates, "The inventor shall have the right to be mentioned as such in the patent," and according to Article 26 of the Patent Act which provides that "Where specific provisions relating to a patent are provided by treaty, such provisions shall prevail," Article 4^{ter} of the Paris Convention concerning the inventor's right to be mentioned in the patent is directly applicable in Japan; and (2) the inventor's right to be credited (the inventor's right to be mentioned in the patent) is construed to have an exclusive nature similar to a real right, given that said right, which is a moral right, protects the credit of the inventor and that credit is an extremely important legal interest to be protected along with life and body.

20 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 186.

compensation for damage.²¹

[48]

Since the 2011 revision recognized the right of the true right holder to request the owner of a patent right that has been misappropriated to transfer the patent right (Article 74, paragraph (1) of the Patent Act), the true right holder can take back the patent right, but he/she cannot change the name of the inventor. The true right holder, i.e. the owner of the right to obtain a patent, is not necessarily the true inventor, and the 2011 revision, which only recognizes a request for transfer of the patent right by the true right holder, is unrelated to the inventor's right to be credited, and has not solved this issue. The fact that the property right can be returned, but the inventor's right to be credited cannot be restored is somewhat strange. However, it is a problem that should be solved through legislation, and it seems to be an inevitable interpretation of the current Act. With regard to the issue of what types of requests the true inventor can file after patent registration, see "1.4.2.6. Relationship with Third Parties (Particularly Relationship with Person Who Filed Misappropriated Application)." Also, see "1.4. Legal Status before Registration" for various issues relating to the succession of a right to obtain a patent.

²¹ In the Tokyo District Court Judgment, March 23, 2007, court website (the Glass Porous Body and Its Manufacturing Method case), the court held that a person's act of assigning the right to obtain a patent for another person's invention to a third party, stating that the person is the sole inventor, constitutes a tort, even if the invention was likely to be not patented due to lack of novelty and involvement of an inventive step.

[48]

1.1.2. Joint Inventor (Article 38 of the Patent Act)

When multiple persons make an invention jointly, the inventor's right will be jointly owned by all of the inventors, and a patent application on the invention can only be filed by all of those joint owners (Article 38 of the Patent Act).¹ Therefore, if even one of the joint owners opposes the filing, the other owners cannot file a patent application for the invention. One of the joint owners may believe that the invention should not be monopolized by individuals, while another joint owner may insist that a patent application be filed, and yet another joint owner may assert that the invention should be kept confidential as a trade secret. Another joint owner may lose motivation to obtain a patent, or run away, or go bankrupt, making it impossible to file an application in actuality. As the right to file a patent application has a property-like characteristic, the fact that the application cannot be filed by other joint owners in the case above may be problematic, but it cannot be helped as long as the current law has express provisions to that effect. However, even under the current law, it is possible for a joint inventor to request the other joint inventors to purchase said inventor's share of the right.

[49]

A joint inventor must satisfy the same requirements as those for a sole inventor, so the mere proposer of an idea, or a mere assistant, advisor, fund provider, or a person who only gave orders is not a statutory joint inventor. Since this issue is the same for the determination of the identity of the inventor, see "1.1.1.2. Inventor."²

Problems related to joint inventions mainly occur in the case of employee inventions, but this issue will be discussed in "1.1.3. Employee Inventions."

In the case of joint R&D, problems can easily occur and it is often difficult to determine the degree of contribution made by each joint inventor afterwards. Thus, it is desirable to conclude a contract concerning the handling of the results of the joint R&D in advance.³

When a joint inventor has filed a patent application and obtained a patent without the consent of the other joint inventors, the other joint inventors could demand a trial for invalidation. In addition to this, with the 2011 revision, the other joint inventors also became eligible to seek transfer of their share of the patent. Since this is the same as in

1 Article 38 provides for joint ownership of the right to obtain a patent in general. Apart from joint inventions, joint ownership also arises when an invention becomes joint owned as a result of inheritance, and when a share of the right to obtain a patent is assigned, and all joint owners must file the patent application together.

2 For relatively detailed descriptions of the criteria for determination, see Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 187; and Takeo Sakano, "Hatsumeisha Kettei No Kijun" (Criteria for Determination of an Inventor), *Tokkyo Kanri* (Patent Management), Vol. 10, No. 11 (1960), p. 16.

3 Hideo Iijima, "Waga Kuni No Jūgyōsha Hatsumeishi No Kadai Wo Saguru (1)" (Identification of Problems Relating to Japan's Employee Inventions (1)), *Tokkyo Kanri* (Patent Management), Vol. 25, No. 6 (1975): pp. 629 ff.

the case of a misappropriated application, see “1.4.2.6. Relationship with Third Parties (Particularly Relationship with Person Who Filed Misappropriated Application).”

Meanwhile, when a joint inventor has filed a patent application without the consent of the other joint inventors, such other inventors may file an action seeking a declaratory judgment on their own right to obtain a patent,⁴ and file an amendment with the JPO to change the application into a joint application based on that declaratory judgment.

⁴ In the Tokyo District Court Judgment, October 28, 2011, court website (the Magnesium Alloy Hot Rolling Device case), the court stated as follows: “The inventor acquires the right to obtain a patent by making an invention (Article 29, paragraph (1) of the Patent Act), and if the inventor acquires a patent right, he/she shall have the exclusive right to work the patented invention as a business (Article 68 of the Patent Act). Meanwhile, the right to obtain a patent may be transferred (Article 33, paragraph (1) of said Act), and is recognized to be assignable as an independent right. Therefore, the right to obtain a patent can be regarded as an independent right with property value, which arises concurrently with the completion of an invention, so if there is a dispute over the ownership of the right, one of the parties claiming ownership of the right may seek the court to make a declaratory judgment on his/her ownership of the right to obtain a patent against the other party in the dispute.”

[50]

1.1.3. Employee Inventions¹ (Article 35 of the Patent Act)

1.1.3.1. Significance of the Employee Invention System

(1) Encouragement of inventions

Today, industry has an extremely important significance for a nation, and the development of innovative technology can even affect national economic conditions. Therefore, the encouragement of inventions is one of the vital duties of a nation.

Organizations play an overwhelming part in developing inventions nowadays, both in terms of quality and quantity.² Thus, in order to encourage inventions today, it is necessary to give incentives for inventions or for investment in inventions both to employees, etc. (hereinafter referred to as “employees” except in special cases, although they include officers of juridical persons and government employees) and to their

¹ For details on this issue, see Buzō Takino, *Shiyōnin Hatsumeiken Ron* (Discussion on Employees’ Rights to Inventions) (Chuo University Press, 1966); Buzō Takino, *Hatsumeiken Rippō No Kenkyū* (Study on Legislation concerning Rights to Inventions) (Chuo University Press, 1967); Buzō Takino, *Hatsumeiken No Gendaiteki Kadai* (Today’s Problems relating to Rights to Inventions) (Chuo University Press, 1967); Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū*; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 331 [written by Nobuhiro Nakayama]; Japan Institute of Invention and Innovation, *Shokumu Hatsumeie To Hoshōkin: Kitei No Sakutei To Un’yō No Gaidorain* (Employee Inventions and Compensation: Guidelines on Formulation and Implementation of Related Rules); Hiroshi Enatsu, *Waga Kuni Ni Okeru Hiyōsha Hatsumeie Seido No Enkaku To Sono Hōteki Kaishaku—Kakkoku To No Hikaku Hō Teki Kōsatsu*; Nobuhiro Nakayama and Hidetaka Aizawa, “Taidan Shokumu Hatsumeie No Gendaiteki Ichizuke” (Interview: Modern Positioning of Employee Inventions), *L & T*, No. 14 (2002), p.4; Ichirō Nakayama, “Shokumu Hatsumeie Ni Taisuru Hoshōkin No Sekkei Shisō Ni Kansuru Ichi Kōsatsu: Inobēshon Takarakuji Ron O Tegakari Ni” (How Should Employers Design Remuneration Policy for Employees’ Invention: One Perspective Based on Innovation Lottery Theory), *Tokkyo Kenkyū* (Patent Studies), No. 33 (2002), p. 28, Japan Patent Office Research Study Report on Issues Related to Industrial Property Right Systems, *Shokumu Hatsumeie Seido No Arikata Ni Kansuru Chōsa Kenkyū Hōkokusho* (Modalities for the Employees’ Inventions System) (Institute of Intellectual Property, 2003); Yoshiyuki Tamura and Noriyuki Yanagawa, “Shokumu Hatsumeie No Taika Ni Kansuru Kiso Riron Teki Na Kenkyū” (Study on the Value for Employee Inventions from a Basic Theory Approach), *Minshō Hō Zasshi* (Civil and Commercial Law Journal), Vol. 128, Nos. 4 and 5 (2003), p. 447; Naoki Koizumi, “Tokkyo Hō 35 Jō No Tekiyō Han’i” (Scope of Application of Article 35 of the Patent Act), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, No. 4 and 5 (2003), p. 561; Keizō Yamamoto, “Shokumu Hatsumeie To Keiyaku Hō: Keiyaku Hō Kara Mita Genkō Tokkyo Hō No Igi To Kadai” (Employee Invention and Contract Law: Significance and Challenges of the Current Patent Act from the Viewpoint of Contract Law), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, Nos. 4 and 5 (2003), p. 470; Hidetaka Aizawa, “KEYWORD Shokumu Hatsumeie” (KEYWORD Employee Inventions), *Hōgaku kyōshitsu* (Law Class), No. 268 (2003), p. 2; December 2003, Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council “Shokumu Hatsumeie Seido No Arikata ni Tsuite” (Improvement of Employee-Invention System) (2004); Yoshiyuki Tamura and Keizō Yamamoto, *Shokumu Hatsumeie*; Takuya Iizuka, ed., *Tettei Kaiseki Shokumu Hatsumeie: Shokumu Hatsumeie Wo Meguru Funsō No Bunseki Kara Seido Sekkei Made* (In-depth Analysis of Employee Inventions: From Dispute Analysis to Institutional Design Relating to Employee Inventions), *Bessatsu NBL* (NBL Separate Volume), No. 105 (2005); Taizō Ōta, *Shokumu Hatsumeie Kitei Jitsumu Handobukku* (Practical Handbook on Employee Invention Rules) (Shoji Homu, 2005); Hōseisaku Kenkyūkai (Legal Policy Study Group, Kobe University), *Shokumu Hatsumeie* (Employee Inventions) (Shinzansha, 2006); Takashi Chōsa, *Shokumu Hatsumeie Seido No Hōritsu Kenkyū* (Legal Study on the Employee Invention System) (Kurume University Law Association, Seibundoh, 2007), and Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 484 [written by Takuya Iizuka and Hiroyuki Tanaka]. Although a variety of expressions including “*jyūgyōin*” and “*hiyōsha*” are sometimes used in lectures to refer to the employee who makes an employee invention, this book uses the term “*jyūgyōsha* (employee)” as used in Article 35 of the Patent Act.

² Juridical persons and government agencies are said to account for about 97% of all patent filings (Tokkyo Gōsei Nenji Hōkokusho 2014 Ban (Tōkei/Shiryō Hen) [Japan Patent Office Annual Report (Statistics and Appendixes)], p. 47 shows the statistics for the period from 2004).

employers, etc. (hereinafter referred to as “employers” except in special cases, although they include juridical persons, the national government, and local governments). In the intellectual property system, not only creators, but also intermediaries, transmitters, and investors related to creations play significant roles, and these people cannot be overlooked in successfully promoting industry and culture. This point is an extremely important factor in considering today's intellectual property system. In the same manner, when we consider the employee invention system, we must not only focus on the viewpoint of the protection of employees, but also the viewpoint of incentives for employers, if we are to attain the purpose of the Patent Act to promote industrial development.

[51]

The patent system itself is intended for encouraging inventions, and the core issue of the employee invention system is how the rights and profits arising from an invention should be divided between employers and employees in order to maximize efficiency and equity in encouraging inventions. In other words, while increasing incentives for employees, who are inventors, to make inventions, incentives for employers must also be increased, since it is the employers who take risks to commercialize such inventions. Unless the system is so designed or the law is so interpreted to achieve a good balance between the incentives for both sides, the system will not contribute to the development of industry.³ There was a period when the number of lawsuits concerning employee inventions drastically increased in recent years, and most of them were disputes over the amount of value (benefits after the 2015 revision of the Patent Act) of the invention, but we must not forget that the employee invention system also involves theoretically important issues other than the issue of the amount of the value of the invention.

[52]

Article 35, which was introduced by the Act of 1959, was revised in 2004 and 2015

³ In the Tokyo District Court Judgment, March 9, 2006, *Hanji*, No. 1948, p. 136/*Hanta*, No. 1226, p. 204 (the Fuel Injection Valve case), the court stated that the amount of value to be paid for an invention should be sufficiently high to give employees an incentive to invent, while at the same time, it should be an amount that enables the company, etc. to develop by overcoming the severe economic situation and international competition. The court further mentioned that, because it is reasonable to consider the amount of value to be essentially different in nature from the amount of profit to be received by a business partner of a company bearing various risks at a time of favorable economic conditions, so when the amount of the value to be paid for an invention is extremely high, the degree of the contribution made by the employer can be higher than usual, unless special circumstances exist, giving consideration to both the worker and the employer. In contrast, in the Intellectual Property High Court, February 26, 2009, *Hanji*, No. 2053, p. 74/*Hanta*, No. 1315, p. 198 (the Scanning Optical System Removing Ghost Images case), the court held that, among the values of the right pertaining to the monopolistic working of an employee invention, we cannot neglect the aspect of the value for the invention, which is claimed by making a monetary assessment of what is possessed by the worker, etc., and we cannot conclude that its amount is sufficient as long as it gives the employees, etc. an incentive; the court determined that the amount should be decided by the value of the invention itself, and even if the amount of profit to be received by the employer, etc. is extremely high, it should not be taken into consideration. A similar determination was made in the Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case).

(to come into effect in April 2016), but the provision is not applied retroactively.⁴ The issue of an employee invention often develops into litigation after the retirement of the employee, that is, after a considerable time has passed from the invention. Therefore, companies needed to set up three types of employee invention management systems to respond to the Act of 1959, the Act of 2004, and the Act of 2015, which made the practical operations inevitably complicated. Since there would still be cases to which the Act of 1959 and the Act of 2004 would be applied for the time being, such cases will also be discussed below.

The problems concerning the employee invention system are not limited to those relating to patentable inventions. Similar situations can occur in cases of keeping an invention within a company as know-how without filing a patent application for it, in cases of proposing ideas for improvements or business ideas that are not patentable by their nature, or in cases involving copyright, such as with computer programs. For a company, it would be desirable to deal with these situations under a consistent policy, but since Article 35 of the Patent Act is a provision specifically targeting inventions, this part of the book will only discuss the matter as regards inventions.

(2) Related legal domains

This issue of employee inventions is not only related to the Patent Act. The provisions are only stipulated in one article of the Patent Act, but it is also widely related to other legal domains.

If the essence of the issue of employee inventions is considered to lie in the relationship between the employer and the employee, the labor law aspect cannot be overlooked,⁵ and the issue has been drawing attention from labor law scholars in recent years. In fact, many companies deal with this issue by labor contracts, collective labor contracts, and rules of employment. However, since an employee, etc. as set forth in Article 35 also includes an officer of a juridical person (Article 35, paragraph (1)), this provision cannot be defined to fall purely into the category of labor law. Since specific issues are sometimes processed under contracts,⁶ the interpretation and validity of the contracts become an issue.⁷ From the viewpoint of patent law, the issue would be the

4 Article 2 of the Supplementary Provisions of the revised Act of 2004 stipulates that “(the revised provisions) shall not preclude the effects that have arisen based on the provisions of these Acts prior to the revision,” but somehow no such Supplementary Provision is established in the revised Act of 2015. However, since the value of an invention is the employee’s property right and it is not possible to deprive a once-established claim for value retroactively, the provision is construed to have no retroactive effect, by operation of law, also under the revised Act of 2015.

5 In Germany, this issue is treated in the legal domain in-between patent law and labor law. With regard to issues concerning labor law, see Michio Tsuchida, “Shokumu Hatsumei To Rōdō Hō” (Employee Invention and Labor Law), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, Nos. 4 and 5 (2003), p. 524.

6 In the United States, this issue is mainly treated as an issue of contracts, and arguments are made over the interpretation and validity of the contracts.

7 With regard to issues concerning labor law, see Keizō Yamamoto, “Shokumu Hatsumei To Keiyaku Hō: Keiyaku Hō Kara Mita Genkō Tokkyo Hō No Igi To Kadai” (Employee Invention and Contract Law: Significance and Challenges of the Current Patent Act from the Viewpoint of Contract Law), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, Nos. 4 and 5 (2003), p. 470.

question as to what kind of system would be desirable in order to encourage inventions and to promote the development of industry. As shown above, the issue of the employee invention system is an issue in a mixed domain of patent law, labor law, and contract law.⁸

[53]

(3) Basic structure of Article 35 of the Patent Act⁹

Japan adopts the inventor system, and until the 2015 revision of the Patent Act, an invention made by an employee had also originally belonged to that employee.¹⁰ Meanwhile, an invention made by an employee as part of the employee's present or past duties, which falls within the scope of the employer's business operations, is called an employee invention, and the employer rightfully obtains a statutory non-exclusive license free of charge for such employee invention (paragraph (1); this point has remained the same after the 2015 revision). For an invention made by an employee which is not an employee invention, any provision in a stipulation providing in advance that the right to obtain a patent shall be acquired by an employer, that the patent rights shall vest in the employer, or that a provisional exclusive license or exclusive license for said invention shall be granted to the employer, is null and void (paragraph (2); this point has also remained the same after the 2015 revision).

Before the 2015 revision, if there was a provision in a stipulation providing that the right to obtain a patent, etc. for an employee invention shall vest in the employer, the employer was able to acquire such right, etc. from the employee who was the inventor, and the employee was able to acquire a reasonable value. However, it was stipulated upon the 2015 revision that, if there is a provision in a stipulation providing in advance that the right to obtain a patent for an employee invention shall vest in the employer, such right to obtain a patent shall originally belong to the employer (paragraph (3)), and in that case, the employee shall have the right to receive reasonable money or any other economic benefits (paragraph (4)). When there is no such provision, an employee invention originally belongs to the employee and the employer does not have a justifiable right to demand the assignment, etc. of the employee invention from the employee after the

8 Hideo Iijima, "Waga Kuni No Jūgyōsha Hatsumeī No Kadai O Saguru (1)" (Identification of Problems Relating to Japan's Employee Inventions (1)), *Tokkyo Kanri* (Patent Management), Vol. 25, No. 6 (1975), p. 622.

9 With regard to this point, see Hisayoshi Yokoyama, "Tokkyo Hōgaku No Tachiba Kara" (From the Standpoint of Patent Law Jurisprudence), *Jurist*, No. 1302 (2005), p. 103.

10 In the Supreme Court Judgment, April 22, 2003, *Minshū*, Vol. 57, No. 4, p. 477/*Hanji*, No. 1822, p. 39/*Hanta*, No. 1121, p. 104 (the Olympus Pickup Device case), the court held that Article 135 premises the fact that the right to obtain a patent for an employee invention originally belongs to the employee, etc. who made the invention. Regarding whether or not a reasonable explanation can be given for a complicated system of having the rights belong to the employee first, and subsequently having the rights assigned to the employer, see Ryō Shimanami, "Shokumu Hatsumeī Ni Kansuru Kenri No Bunpai To Kizoku" (Distribution and Ownership of Rights on Employee Inventions), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 117; Yoshiyuki Tamura and Keizō Yamamoto, eds., *Shokumu Hatsumeī* (Employee Inventions), p. 6, [written by Yoshiyuki Tamura].

invention is made. This is the basic structure of Article 35 of the Patent Act. The requirements and effects of an employee invention are discussed later on.

[54]

If stronger protection were extended to employees, it would contribute to increasing incentives for employees. However, it is not simply that merely having stronger protection for employee inventors would contribute to the development of industry. Unless incentives for employers to invest in inventions are boosted at the same time, the motivation to invest in inventions would be diminished and the system would not contribute to the development of industry, which is the purpose of the Patent Act. Whereas employee inventors receive various benefits such as salaries and research facilities from their company and are free of the risk of being dismissed or being required to compensate for damage in the event their invention fails, employers bear the risk of ending up wasting their investment in the invention.¹¹ Unless employers assume such risk, investment will not be made in inventions, and as a result, good inventions will not be created, and even if superior inventions are made, they will not be commercialized easily.

In addition, due to the current globalizing trend of the economy, we must take into account the current situation in other countries, particularly in developed countries. Setting the theoretical structure aside, it is problematic for Japan, in terms of maintaining its international competitiveness, to have a system of paying outstandingly high amounts as the values for employee inventions compared to other countries. In such a case, research bases in Japan could flee to other countries, and it could serve as a disincentive factor for foreign companies to locate development bases in Japan.

Companies' earnings do not solely depend on inventors, but also rely to a great extent on workers in sales and other divisions which are unrelated to inventions. Nevertheless, however hard such workers contribute to increasing the companies' earnings, they are not guaranteed to receive payment of the benefits (value until the 2015 revision of the Patent Act) prescribed in Article 35. Even if an employee in the intellectual property division drafts a high-quality patent description and contributes to obtaining a valuable patent right, the employee is not guaranteed a right to receive the benefits under law. However high quality the invention is, an act of invention alone rarely produces benefits, and in many cases, its commercialization requires much work and many funds. If a sense of unfairness or dissatisfaction arises among workers, it would cause inefficiency for the company as a whole. Thus, the issue of employee inventions is a difficult problem that needs to be solved while giving consideration to all such circumstances.

¹¹ An approach that places emphasis on who should bear the risk is indicated in Takashi Sawai, "Shokumu Hatsumei Seido No Arikata Ni Tsuite" (Improvement of Employee Invention System), *Chizai Kanri* (Intellectual Property Management), Vol. 54, No. 6 (2004), p. 877.

Until the 2015 revision, if the employer was vested with the right to obtain a patent or the patent right for an employee invention, or the like, the employee had the right to receive a reasonable value. While only a handful of inventions bring notable benefits to companies, Article 35 treats all patented inventions in the same manner. Therefore, companies that file an enormous number of patent applications, such as companies in the electronics industry, must pay huge amounts of costs merely for managing the employee inventions. For employee inventions that bring large profits, the value received by the employee will be high, and it will serve as a great incentive; but most inventions only correspond to a lower value, and such low amount of value hardly serves as an incentive, while it does impose a vast administrative burden on the companies.¹² While the court carries out a meticulous and complicated calculation of the amount of the value of the invention, such a calculation is possible because it is part of a lawsuit. For a company, carrying out such a calculation for an enormous number of inventions requires so much costs and labor that make the process practically impossible or excessively difficult. Such a system is wasteful in terms of cost-effectiveness. A possible legislative solution would be to grant benefits only for large inventions, and to pay nothing or a fixed-amount sum for small inventions.¹³ In any case, the number of lawsuits had sharply increased ever since the court began to render judgments upholding claims for large amounts of payments of the value of the invention, and Article 35 had proved to be inefficient.

[55]

If we premise a completely free labor market, there will be little need for the law to intervene in this problem. Workers can maximize their interests by concluding an employment contract with an employer who would pay a large sum for their inventive abilities, while employers can employ competent inventors on favorable terms and dismiss incompetent inventors, which would automatically lead to economically rational conditions. In reality, however, no such completely free employment market exists. Particularly in Japan, which has had a tradition of lifetime employment, it was determined to be inappropriate to leave the issue solely to be handled by free contracts, and that some

12 Since the duration of a patent is long, if a company adopts a system to pay employee inventors according to the level of profits brought by their inventions, the company will have to manage such payments over a long period, and will even need to manage the payments for retired employees and their heirs in many cases.

13 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 337; Ichirō Nakayama, “Shokumu Hatsumei Ni Taisuru Hoshōkin No Sekkei Shisō Ni Kansuru Ichi Kōsatsu: Inobēshon Takarakuji Ron O Tegakari Ni” (How Should Employers Design Remuneration Policy for Employees’ Invention: One Perspective Based on Innovation Lottery Theory), *Tokkyo Kenkyū* (Patent Studies), No. 33 (2002), p. 28; Hisayoshi Yokoyama, “Shokumu Hatsumei Seido No Yukue” (Future of the Employee Invention System), *Jurist*, No. 1248 (2003), p. 48, p. 49. Incidentally, the UK Patents Act provides that the employer should pay compensation to the employee inventor if the invention is of outstanding benefit to the employer (Section 41), but payment of such compensation is likely to have been extremely rare to date. It is provided, however, that this provision shall not apply to the invention of an employee where a relevant collective agreement provides for the payment of compensation (Section 40, Subsection (3)).

law-based intervention was necessary, which led to the establishment of Article 35.¹⁴

1.1.3.2. History and Current Status of the Employee Invention System

Provisions on employee inventions were not stipulated in either the Provisional Regulations for Monopoly of 1871 or the Patent Monopoly Act of 1885. The first provisions on employee inventions were established in the Patent Act of 1909. The Act adopted the principle of the inventor system, but stipulated that unless otherwise provided for, rights to an employee invention would belong to the employer, and making provisions in advance to assign the right to obtain a patent for an invention that had not been made in the course of the employee's duty would be invalid (Article 3). Given the labor-management relationship in those times, it would have been considered natural to stipulate that employee inventions belonged to the employer, in principle.

[56]

Under the Patent Act of 1921, an employer could obtain a license free of charge (a non-exclusive license under the current law) for an invention made in the course of the employee's duties (equivalent to an employee invention under the current law), and if provisions were stipulated in advance, he/she could receive an assignment of the invention, and the employee could claim a reasonable value therefor (Article 14). How the system was actually operated is not quite clear due to a lack of related documents, statistics, and court judgments. Judging from the labor-management relationship of those times, there is an assumption that employers had an advantage over employees in dealing with such cases.

As this issue is deeply rooted in the domestic issues of labor market, it is not appropriate simply to compare the status of Japan with that of western countries which face different issues affecting their labor markets.¹⁵ In western countries, where job mobility is high and workers are protected by industry-wide unions, inventors are concerned about making their employers pay as high an amount as possible for their inventive abilities. In contrast, in Japan, where the system of employment had been based on life-time employment and the seniority system, it had been considered important to treat all employees equally and to build a sense of togetherness among employees, and it had been difficult to give a very high reward to a specific competent inventor. In addition, since most labor unions in Japan are company unions, they had principally argued about job security and pay raises, rarely touching on the subject of employee inventions. On the

¹⁴ Although there was a strong opinion that Article 35 should be abolished at the time of the 2004 revision, it was concluded that it would not be appropriate to leave the issue solely to be handled by contracts.

¹⁵ With regard to the development patterns, court cases, legislation, and academic theories concerning the employee invention systems of various countries, see Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū* (Study on Rights of the Inventor).

part of employees, they rarely demanded extra money, in the hope that they would get promoted in the future or receive other special treatment, and they did not find it realistic to sue their employers under the lifetime employment system.

However, the Olympus Pickup Device case and Nichia Corporation Blue Light-emitting Diode (LED) case, as discussed later, prompted a change in employee awareness and the occurrence of active lawsuits involving employee inventions. While the majority of such lawsuits have been filed by workers who have left their companies, some lawsuits, though small in number, have been filed by workers who are currently working for their companies. Also, the fact that the lifetime employment system is collapsing may be one of the factors for the increase in disputes over employee inventions.

[57]

1.1.3.3. History and Current Status of the Employee Invention System

(1) Employee inventions and free inventions

Any invention, made by an employee who is working for an employer, which “by the nature of the said invention, falls within the scope of the business of the said employer, etc. and was achieved by an act(s) categorized as a present or past duty of the said employee, etc. performed for the employer, etc.” (Article 35, paragraph (1)) is categorized as an employee invention, which has a special legal effect. However, other inventions made by an employee are categorized as free inventions¹⁶ which originally belong to the employee and which the employee can freely implement, make profits from, and dispose of. After the completion of a free invention, the invention can be assigned, etc. under a free contract between the employer and the employee. However, upon such assignment, a contract forcing the employee to assign his/her free invention to the employer free of charge or at a low cost, taking advantage of the employer's superior position, may be deemed to be in violation of public order and morals. Since it is a question of whether the contract violates public order and morals, the validity of the contract will be determined by taking into consideration all kinds of factors. There can be cases where a contract that has been concluded while the employee was still employed is deemed to be invalid, but the same contract that has been concluded based on the free intent of the employee after he/she has left the company is deemed to be valid. Also, a contract may be deemed to be valid depending on the amount of the value to be paid, and it may be deemed to be valid where the president of a sole proprietorship company assigns his/her free invention to the company free of charge after making the invention. A contract for assigning a free

¹⁶ Inventions that were made outside the employee's duty, but that fall within the scope of the business of the employer are sometimes referred to as “gyōmu hatsumei” (dependent or connected inventions). Under the current Act, however, no special effect is recognized for such inventions, so there are no practical benefits in recognizing the concept of “gyōmu hatsumei.”.

invention to the employer after making the invention can be considered to be basically the same as the case of assigning the employee's ordinary personal property to the employer. Although provisions stipulated in advance, which provide for assignment of even inventions other than employee inventions, would be null and void, the entire contract would be not nullified; only the portion relating to free inventions would be nullified (partial nullification).¹⁷

Some companies impose an obligation of notification or an obligation of preferential negotiation¹⁸ regarding all inventions, including employees' free inventions, but as the ultimate disposition of the inventions are left to the employees' discretion, the imposition of these obligations does not have to be considered as illegal, given the relationship of trust between the employer and the employees.

[58]

(2) Scope of business of an employer

An entity that can be deemed to be an employer as prescribed in Article 35 includes a sole proprietorship employer, a juridical person, the State, and a local public entity. When the representative of a one-man company makes an invention, said one-man company is deemed to be the employer.¹⁹

The employer as referred to in Article 35 is not necessarily the employer under labor law or that under an employment contract, but should be determined from a patent law perspective, which is to promote the development of industry by encouraging inventions.²⁰ The most significant criterion in determining who the employer is may be the question of who paid the employee's salary, but that alone is insufficient. The employer should be determined from the viewpoint of who would be the reasonable person to obtain the non-exclusive license, or who would be the reasonable successor in title to the rights, or conversely, who should be given an incentive in order to effectively encourage inventions, by comprehensively taking into account various other factors including who undertook the investment risk, who provided the research facilities, who

17 The Osaka District Court Judgment, May 18, 1979, *Tokkyo To Kigyō* (Patents and Enterprises), No. 128, p. 49/*Torikeshishū*, 1979, (District Court Section), p. 239/*Tokkyo Nyūsu* (Patent News), Nos. 5210 and 5211 (the Continuous Kneading Machine case).

18 This refers to an obligation of an employee to consult with the employer before assigning the rights to or the patent on his/her invention to a third party or before licensing out his/her patent to a third party. It only obligates the employee to consult with the employer, and does not obligate the employee to assign his/her rights to or grant a provisional exclusive license or an exclusive license to the employer.

19 The Osaka District Court Judgment, March 31, 1972, *Hanji*, No. 678, p. 71 (the Pressure-Resistant Hose case).

20 Chikashi Nagano, *Shokumu Hatsumei No Riron To Jitsumu "Sōtō No Taika" To Insenteibu No Kenshō To Shishin* (Theories and Practices concerning Employee Inventions: Verification of and Guidelines for "Reasonable Value" and Incentives), (*Gyosei*, 2004), p. 174.

provided the research assistants, and who gave instructions and orders.²¹ Temporary workers formally tend to have an employment relationship with a temporary staffing agency. However, often the company to which a temporary worker is assigned provides the research facility, and the worker is under the instructions and orders of the company and engages in duties that are similar in practical terms to those of regular employees of the company, while that company also bears the risk of failure of the invention. In such case, the company to which the temporary worker is assigned should be deemed to be the employer under the Patent Act in many cases. If the company to which the temporary worker is assigned were not deemed to be the employer, then the temporary staffing agency would likely be deemed to be the employer, but in such cases, the invention would likely not satisfy such requirements as falling within the scope of the business of the employer (the temporary staffing agency) or falling within the scope of the duty of the employee, and would end up being a free invention. In that case, the temporary staffing agency is likely to conclude with the temporary worker a contract for receiving an assignment of the rights free of charge, which is unfavorable to the worker, because Article 35 does not regulate the relationship between the temporary staffing agency and the temporary worker. In short, the employment relationship should be judged from the viewpoint of how the profits of the provider of physical assistance, such as funds and materials, and those of the provider of the technical idea should be adjusted in order to encourage inventions effectively.

[59]

The scope of business of an employer should be construed to refer to all business which the employer currently conducts and/or has concrete plans to conduct in the future.²² Therefore, a business which is described in the purpose of the company in the articles of incorporation, but is not currently conducted or where there is no concrete plan to conduct such a business in the future will fall outside the scope of business of the

21 In the Osaka District Court Judgment, May 23, 2002, *Hanji*, No. 1825, p. 116 (the Santoku Rare Earth case), which is a slightly peculiar case, the inventor was not in such a relationship with the defendant company whereby his/her invention would be regarded as an employee invention at the time when the inventor completed the invention. However, since the company had a technical/economic unity with the inventor and was giving instructions to and supervising the inventor in practice, the court, by applying Article 35, paragraph (3) by analogy, affirmed the inventor's claim for payment of a reasonable value against the company, which had received an assignment of the right to obtain a patent from the inventor without agreeing on the amount of the value for the right. As the court applied Article 35 by analogy in this judgment, it provides a suggestion as to the scope of the application of said Article. An opposite view is indicated in Hiroshi Enatsu, *Waga Kuni Ni Okeru Hiyōsha Hatsumeiseido No Enkaku To Sono Hōteki Kaishaku: Kakkoku To No Hikaku Hō Teki Kōsatsu* (History of Employee Invention System in Japan and Its Legal Interpretation: International Comparative Study), p. 488.

22 The same view is indicated in Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 145; Bunzō Takino, *Shin Kōgyō Shoyūken Hō Kōgi [Kaitei Zōho Ban]* (Lecture on New Industrial Property Law [Revised and Expanded Edition]), p. 38; Tomoko Takii, *Kigyō Hō Kenkyū* (Study on Enterprise Law), Vol. 190, (1971) p. 19; Tsutomu Jinbo, "Hiyōsha Hatsumeiseido No Hikakuhōteki Kōsatsu (1)" (Comparative Study on Employee Inventions (1)), *Patent*, Vol. 3, No. 3 (1950), p. 13; Nobuo Mon'ya, ed., *Chūshaku Tokkyō Hō* (Annotated Patent Act), P 96 [written by Nobuo Mon'ya]; Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū* (Study on Rights of the Inventor), p. 182; and Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyō Hō Jō*, p. 508 [written by Takuya Iizuka and Hiroyuki Tanaka].

employer. On the other hand, a business which is not described in the articles of incorporation but where there is an explicit or implicit decision to conduct such a business in the future as company policy will fall within the scope of business of the employer.²³ The articles of incorporation of a company are intended for protecting shareholders and creditors, and not for regulating the relationship of rights between the company and its employees. In the case of the State or a local public entity, it would not be equitable with private companies, and it would also be too vast and ambiguous, to consider all businesses that are currently conducted and businesses for which there are concrete plans to be conducted in the future as falling within the scope of business of the employer. Instead, the scope of business of the organ to which the public officer belongs should be regarded as the scope of business of the employer.²⁴ Although disputes over the scope of business of the employer are relatively rare, the question of what the business of universities is may become an issue in respect to inventions made by university instructors in the future.

(3) Duty of an employee

The term “employee, etc.” in Article 35 of the Patent Act is a concept that includes company directors,²⁵ employees of sole proprietorships, and public officers, besides employees of companies in a general sense. It does not matter whether the employee is a regular worker, part-time worker, or temporary worker.²⁶

[60]

To constitute an employee invention, the act of invention must be part of the present or past duty of the employee. The act of invention itself does not need to be the duty of the employee. An invention is deemed to be an employee invention as long as it is made as a result of the employee's performance of his/her duty. Such duty not only includes tasks specifically instructed by the employer. When an employee makes an invention as a result of voluntarily finding a research theme and studying it, in some cases such

23 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 229 construes the businesses described in the articles of incorporation to be the businesses of the employer, but since the literature mentions that “businesses incidental thereto” should be interpreted broadly, there would be no large difference in the conclusion. Nevertheless, as it is not rare for an employer to advance into a business field totally unrelated to those described in the articles of incorporation, it would not be appropriate to determine such businesses based on the articles of incorporation.

24 The same view is indicated in *Kokka Kōmuin No Shokumu Hatsumei Tō Ni Taisuru Hoshōkin Shiharai Yōryō* (Guideline on Payment of Compensation for Employee Inventions, etc. Made by National Government Employees) (Japan Patent Office, Notice No. 1366 of General Affairs Department, Japan Patent Office of 1984; issued in 1984), Article 1. The JPO has abolished these guidelines in February 1, 2002, but this view concerning the employer's businesses is itself reasonable. Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 229; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 220.

25 Cases in which an invention made by a company director was found to be an employee invention include the Tokyo District Court Judgment, June 8, 1965, *Hanta*, No. 180, p. 182 (the File Wrapper case); the Osaka District Court Judgment, March 31, 1972, *Hanji*, No. 678, p. 71 (the Pressure-Resistant Hose case); the Kobe District Court Decision, December 12, 1989, *Mutai Saishū*, Vol. 21, No. 3, p. 1002 (the Hydraulic Gate case), and the second instance judgment on the same case, the Osaka High Court Decision, September 13, 1990, *Mutai Saishū*, Vol. 22, No. 3, p. 569.

26 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 230; Hiroshi Enatsu, *Waga Kuni Ni Okeru Hiyōsha Hatsumei Seido No Enkaku To Sono Hōteki Kaishaku: Kakkoku To No Hikaku Hō Teki Kōsatsu* (History of the Employee Invention System in Japan and Its Legal Interpretation: International Comparative Study), p. 481.

invention is also deemed to be an employee invention.²⁷ Some companies' central research centers let their researchers engage in free research, and an invention made under such circumstances can also constitute an employee invention. The question as to whether an invention was part of the employee's duty is determined by comprehensively considering the orders from a superior at work, as well as the position, salary, and type of occupation of the employee, as well as the degree of the employer's contribution to the process of completing the invention.²⁸ In general, workers in higher-level positions receive higher salaries and, accordingly, they should be recognized as being engaged in a wider scope of duty.²⁹ However, even if a worker were a director, not all businesses of a company would immediately be considered to fall within the duty of the director;³⁰ rather, the specific contents of his/her duty would need to be studied.

Unlike under the Act of 1921, the current Act also treats inventions that were part of an employee's past duty as employee inventions. Past duty in this case means past duty within the company for which the employee was working at the time the invention was made, and any invention made after the employee had left the company is not an

27 In the Osaka District Court Judgment, April 28, 1994, *Hanji*, No. 1542, p. 115 (the Zojirushi Thermos Flask case), the court held that, even when an inventor has voluntarily found a research theme and completed an invention, such invention constitutes an employee invention if, by objectively studying the employee's primary duty, an act of attempting to make such invention and completing it is found to have been generally anticipated under the relationship with the employer, and if the employer is found to have extended facilities for and assistance in making the invention. Meanwhile, in the Kobe District Court Decision, December 12, 1989, *Mutai Saishū*, Vol. 21, No. 3, p. 1002 (the Hydraulic Gate case), the court stated that a person who had been the representative director since the establishment of a company had a concrete duty to attempt to make a device for improving the production technology and increasing its efficiency, so the representative director's act of making the device was part of his/her duty without having to consider the actual contents and the level of facilities provided by the company. In the Tokyo District Court Judgment, September 19, 2002, *Hanji*, No. 1802, p. 30/*Hanta*, No. 1109, p. 94 (Interlocutory judgment in the Nichia Corporation Blue LED case), the court ruled that an invention that was made against a company order constitutes an employee invention as long as it was made within a company facility during working hours by using company equipment and with the help of an assistant who was a company employee.

28 In the Tokyo District Court Judgment, November 25, 1991, *Hanji*, No. 1434, p. 98 (the Flue Gas Desulfurization Equipment case), which was a complicated case, the court mentioned that the question of whether or not an invention constitutes an employee invention would be determined by considering various circumstances, including the employee's position, type of occupation, and job experience, as well as the degree of the employer's contribution to the process of completing the invention.

29 In the Supreme Court Judgment, December 13, 1968, *Minshū*, Vol. 22, No. 13, p. 2972 (the Lime Nitrogen Furnace case), the court affirmed that the invention in question was an employee invention since the inventor was the chief executive of the company's technical department and had a concrete duty to endeavor to improve the production of lime nitrogen. In the Tokyo District Court Judgment, February 22, 1985, *Hanta*, No. 559, p. 284 (the Starting Stalls case), the court stated that the act of the inventor, who was the representative director, to make such a device was part of the inventor's duty.

30 Cases in which a device made by a director in charge of market development and sales planning was found not to have been made as part of his/her duty include the Tokyo High Court Judgment, May 6, 1969, *Hanta*, No. 237, p. 305 (the Enameled Bathtub case).

employee invention.³¹ Otherwise, an invention made after the employee had left the company and joined another would be an employee invention for both the previous company and the newly-joined company. This does not only cause a complicated situation, but such act of binding the employee after leaving a company would also deprive the employee of the means of earning a livelihood and would in practical terms take away his/her freedom to choose a job, so it is not reasonable.³²

[61]

Special consideration would be required for inventions made by instructors at universities, etc. The Intellectual Property Strategic Program formulated by the Intellectual Property Strategy Headquarters cites, as its major pillars, the promotion of inventions at universities and the use of those inventions for the benefit of society by patenting them. Against such background, the handing of instructors' inventions at universities has become an important issue. Conventionally, the handling of inventions at universities had been unspecified, but with the publication of the report “Handling of Patents, etc. Pertaining to Inventions by University Instructors, etc.” by the Science Council in 1977, a Notice of the Ministry of Education announced that inventions made at national universities shall belong to individual inventors, in principle, and that, as exceptions, (a) inventions which the inventor proposed should be assigned, (b) inventions resulting from research specially funded by the State, and (c) inventions resulting from research conducted by using a specialized research facility installed by the State for a special research purpose, shall belong to the State. National universities independently established and now operate their rules on inventions in accordance with that notice.

Meanwhile, the United States enacted the Bayh-Dole Act (1980; §§ 200–212 of the U.S. Patent Act [35 U.S.C.]) which was aimed at promoting the use of inventions arising from federally supported research or development, by having such inventions belong to universities. This measure proved extremely successful. Inspired by such success,

31 The same view is indicated in Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 234; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 221; Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [18th ed.]), p. 112; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 148; Bunzō Takino, *Shin Kōgyō Shoyūken Hō Kōgi [Kaitei Zōho Ban]* (Lecture on New Industrial Property Law [Revised and Expanded Edition]), p. 39; Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]), p. 180. However, in the case where an inventor had substantially completed an invention while still working for a company, but resigned while keeping the invention secret, and filed an application for it after the resignation, such invention is regarded as having been made while the inventor was still with the company (the Osaka District Court Judgment, May 18, 1979, *Tokkyo To Kigyō* [Patents and Enterprises], No. 128, p. 49/*Torikeshishū*, 1979 [District Court Section], p. 239/*Tokkyo nyūsu* [Patent News] Nos. 5210 and 5211 [the Continuous Kneading Machine case]. the Nagoya District Court Judgment, September 2, 1996, *Hanji*, No. 1609, p. 137 [the Parking Structure case]).

32 In the Nagoya District Court Judgment, December 21, 1992, *Hanta*, No. 814, p. 219 (the Multistory Car Park Floor Structure case), the court held that an invention of which an outline was completed while the inventor was working for the first company but which was completed by the inventor in the course of executing business in the second company after he/she had resigned from the first company is regarded as an employee invention of the second company.

university inventions in Japan also began to attract attention. In 1998, the Act on the Promotion of Technology Transfer from Universities to Private Business Operators (the University Technology Transfer Promotion Act, or the so-called TLO Act) was enacted so as to promote the transfer of research results achieved at universities to industry. Since then, technology licensing organizations (TLOs) have begun to play a significant role in the management and use of inventions made at universities, with the support of the government. Further, in “Toward the Establishment of Industry-Academia-Government Collaboration in the New Era” published on April 28, 2003, the Committee on Promotion of Industry-Academia-Government Collaboration, Technology and Research Foundations Section, Council for Science and Technology turned around Japan's conventional policy and set out that it would be appropriate to have university inventions belong to the universities, in principle. Many universities followed this guideline and formulated provisions incorporating such principle to have inventions belong to the universities.

[62]

The issue of who is the most rational party to be the owner of university inventions is a major problem that concerns the essence of universities. While the Patent Act has been designed with focus on industry, it regulates company workers and university professors under the same provisions, so its system is not necessarily suitable for universities. Companies' activities are based on the logic of making profits, which is compatible with the patent system, whereas universities' activities are based on a logic different from that of companies. Universities are fundamentally not places for pursuing profits, but places for pursuing the truth. They have developed by sharing information, and their primary mission is to teach students, etc. the results of research and to use those results for the benefit of society. Thus, they are not exactly compatible with the patent system which aims to provide exclusive profits. Recently, however, universities have been called on to use their research results for the benefit of society in the form of patents, and it has become difficult for universities to procure research funds unless they raise the funds themselves. Due to such a change in circumstances, universities are now making independent efforts to manage their patents. In the case of private companies, there are cases where their employees assert that their inventions are not categorized as employee inventions, but in most of such cases, the court has found such inventions to be employee inventions. In contrast, with regard to inventions by university instructors, the question of what the duty of university instructors is under the Patent Act should be considered first; but there failed to be any discussion on such point.³³ Despite the fact that the

33 Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]* (Lecture on Intellectual Property Law [2nd ed.]) p. 145 mentions that an invention by a university professor is not an employee invention. Although this point is controversial theoretically, the current practice in universities premises that such an invention could be an employee invention.

question of what the duty of university instructors is concerns the essence of universities, there has been no court dispute over whether an invention made by a university instructor is categorized as an employee invention yet, so it is an issue that needs to be addressed in the future.³⁴

At universities, not only instructors, but also students (including graduate students) and research students, etc. often make inventions. However, Article 35 does not apply to students, etc. since they are not employees, etc. of the university. Accordingly, inventions made by students, etc. would be processed by contracts between the universities and students, etc. There are many cases where such clear contracts are not concluded in reality, but the issue has not developed into a major problem to date due to a lack of disputes in court on the issue. In addition, a university has many researchers who are not employees, etc. of the university, such as temporary researchers sent from companies and research students from overseas, and Article 35 of the Patent Act is not applicable to inventions made by such researchers. Moreover, joint research and commissioned research between universities and companies have increased, so it is desirable to conclude appropriate contracts in advance for inventions arising from such research because the attribution and the share of ownership of research results present difficult problems. On the other hand, from the viewpoint of ensuring free research and free information exchange at universities, imposing overly strict contract-based management of inventions on members of the university could run counter to the primary purpose of universities. Therefore, it is a difficult issue to resolve.

[63]

1.1.3.4. Employer's License

(1) Content of the employer's license

If an employee makes an employee invention and that employee or the successor to the right to obtain a patent obtains a patent right for it, the employer rightfully gains a non-exclusive license for the invention free of charge³⁵ (Article 35, paragraph (1)). This employer's non-exclusive license takes effect upon the registration of the patent and is automatically effective against third parties.

It should be understood that there is no limit to the scope of the employer's license, either in terms of place, time, or the extent of the application of the exploitable

34 An essay that sharply points out this issue is Shintō Teramoto, *Chitekizaisanken Shintaku No Kaihō*, (Solution to Intellectual Property Trust), (Koubundou, 2007) Ch.1 "Daigaku Kyōin No Hatsumeï No Kenri Shori To Chitekizaisanken Shintaku" (Processing of Rights Concerning University Instructors' Inventions and Intellectual Property Trust).

35 Such license is free of charge in Japan, but it is a matter of legal policy. The U.S. license called the *shop right* is also free of charge, but in Germany which has a system similar to that of Japan, the license is for value.

technology.³⁶ This is because the wording of the provisions only mentions that it is a non-exclusive license, and does not mention any limitation.³⁷ Also, in actuality, the establishment of any limitation on the employer's license would be too disadvantageous for the employer, who invested funds and materials in the invention, and would be improper from the perspective of encouraging investment in inventions in an era of technological innovation as today.

[64]

There is also a theory that considers that the non-exclusive license should remain with the employer even if the employer receives an assignment of the right to obtain a patent from an employee but returns the right to the employee or assigns the right to a third party, and the employee or the third party subsequently obtains a patent right,³⁸ but this is erroneous. When the right to obtain a patent is assigned from the employee to the employer, the employer obtains both the right to obtain a patent and the right to work the invention, and the license of the employer is extinguished as a result of the merger of rights. The minimum necessary guarantee secured for the employer has been fulfilled at the time of the assignment. Any subsequent assignment of the right to obtain a patent or the patent right from the employer would be an ordinary assignment, so there is no reason to give such assignment any special treatment in relation to an employee invention, and further, such assignment would jeopardize the safety of business dealings.³⁹ In short, it is sufficient to prevent the employer from being unable to work the invention against his/her intent, and there is no need to extend the special treatment to cases where the employer has made a disposition by his/her own intent after obtaining the right to obtain

36 In the Tokyo High Court Judgment, September 25, 1985, *Hanta*, No. 576, p. 90 (the Starting Stalls case), the court held that the scope of a non-exclusive license for an employee device is not limited to its use, but also extends to its manufacture, assignment, display and the leasing thereof. For details, see Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū* (Study on Rights of the Inventor), p. 184; Bunzō Takino, *Shiyōnin Hatsumeiken Ron* (Study on Legislation concerning Rights to Inventions) (Chuo University Press, 1966), p. 221; Nobuo Mon'ya, "Shokumu Hatsumei Ni Motozuku Shiyōsha Tō No Hōtei Tsūjō Jisshiken Ni Tsuite No Jakkan No Kōsatsu" (Some Consideration concerning the Statutory Non-exclusive License of the Employer, etc. based on an Employee Invention), *Seikei Hōgaku*, No. 13 (1978), p. 239; Mutsuo Ōya, "Shokumu Hatsumei" (Employee Invention), Kazuo Inoue, ed., *Tokkyo Kanri* (Patent Management) (Yuhikaku, 1966), p. 142.

37 When we look at other provisions on statutory licenses, the limitation, "only to the extent of the invention and the purpose of such business worked or prepared," is provided, for example, for a non-exclusive license based on prior use under Article 79 and a non-exclusive license due to the working of the invention prior to the registration of transfer of patent right under Article 79-2. However, no such limitation is provided for a non-exclusive license of the employer.

38 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 236; Nobuo Mon'ya, "Shokumu Hatsumei Ni Motozuku Shiyōsha Tō No Hōtei Tsūjō Jisshiken Ni Tsuite No Jakkan No Kōsatsu" (Some Considerations concerning the Statutory Non-exclusive License of the Employer, etc. based on an Employee Invention), *Seikei Hōgaku*, No. 13 (1978), p. 239, p. 243.

39 Mutsuo Ōya, "Shokumu Hatsumei" (Employee Invention), Kazuo Inoue, ed., *Tokkyo Kanri* (Patent Management) (Yuhikaku, 1966), p. 142; Hiroshi Enatsu, *Waga Kuni Ni Okeru Hiyōsha Hatsumei Seido No Enkaku To Sono Hōteki Kaishaku: Kakkoku To No Hikaku Hō Teki Kōsatsu* (History of Employee Invention System in Japan and Its Legal Interpretation: International Comparative Study), p. 534.

a patent or the patent right.⁴⁰ Under the revised Act of 2015, the employer originally acquires the right to obtain a patent under certain conditions, so, to that extent, the employer, which becomes a patentee, would not acquire a non-exclusive right for the employer's own patent right. The case where an employee originally acquires the right under the revised Act of 2015 is the same as the state before the 2015 revision.

(2) Treatment before the grant of the patent

The non-exclusive license of the employer under Article 35 takes effect when the patent is granted, but in reality a long time is required from the completion of an invention until the registration of the patent, so the employer sometimes needs to work the invention even before the registration. The purport of Article 35 is to adjust the interests of the employer who provided funds and materials and the employee who provided the technical idea and this purport does not change whether it is before or after the grant of the patent. Accordingly, it should be interpreted that the employer can rightfully work the employee invention free of charge even before the grant of the patent.⁴¹ As long as the employee has yet to obtain the patent right, the employee has no right to prohibit the employer from working the invention, and from such a point of view, it is natural that the employer can work the invention. It should be construed that the employer can work the invention until the patent registration even after the laying open of the application, without claims for monetary compensation (Article 65) being made by the employee, who is the patentee, nor a tort being constituted, and after the registration, the employer obtains a non-exclusive license. A company does not always file a patent application for its employee invention, but often keeps it secret as its own know-how. It should be understood that the employer can also use such know-how free of charge. Under the revised Act of 2015, where any stipulation provides in advance that the right to obtain a patent for an employee invention shall vest in the employer, said right shall belong to said employer from its occurrence (Article 35, paragraph (3)). So, in such case, there would be no problem for the employer to work the invention. If there is no such stipulation, the conventional practice applies.

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40 For details, see Nobuhiro Nakayama, “Shokumu Hatsumei Ni Tsuite No Shiyōsha No Jisshiken” (Employer’s License for Employee Inventions), *Tokkyo Nyūsu* (Patent News), No. 5660 (1981); Nobuhiro Nakayama, *Hatsumeishaken No Kenkyū* (Study on Rights of the Inventor), p. 185.

41 The same view is indicated in Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 225; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 149; Nobuo Mon’ya, “Shokumu Hatsumei Ni Motozuku Shiyōsha Tō No Hōtei Tsūjō Jisshiken Ni Tsuite No Jakkān No Kōsatsu” (Some Consideration concerning the Statutory Non-exclusive License of the Employer, etc. based on an Employee Invention), *Seikei Hōgaku*, No. 13 (1978), p. 239; Yoshirō Hashimoto, *Tokkyo Hō [Dai 3 Han]* (Patent Law [3rd ed.]), p. 230; Mutsuo Ōya, “Shokumu Hatsumei” (Employee Invention), Kazuo Inoue, ed., *Tokkyo Kanri* (Patent Management) (Yuhikaku, 1966), p. 143; Hisayoshi Yokoyama, “Shokumu Hatsumei” (Employee Invention), *Hōgaku kyōshitsu* (Law Class), No. 325 (2007), p. 197.

1.1.3.5. Ownership of the Right to Obtain a Patent

(1) Introduction

An employer rightfully obtains a non-exclusive license for an employee invention, but is rarely satisfied with it, and it is natural that the employer seeks to obtain some kind of stronger rights. From the Act of 1921 to before the 2015 revision, an employee invention originally belonged to the employee, but the employer was able to acquire the rights on the invention by succession based on a stipulation in advance. However, the revised Act of 2015 provided that, if any stipulation is made in advance to the effect that the employer acquires the right to obtain a patent for an employee invention, said right will originally belong to the employer from its occurrence (Article 35, paragraph (3)). However, such stipulation is invalid for a free invention (paragraph (2) of said Article), as in the past.

[66]

(2) Stipulation on Acquisition of the Right to Obtain a Patent

Under the Act of 1959, if the succession to a right to obtain a patent or a patent right, or grant of a provisional exclusive license or an exclusive license (hereinafter referred to as a “succession or license”) was stipulated in advance with respect to employee inventions by “any agreement, employment regulation⁴² or any other stipulation,” specifically, ordinary contracts, labor contracts, collective labor contracts, rules of employment, or rules on employee inventions, the employer could acquire those rights by succession, and the employee could claim payment of a reasonable value. The main purpose of this provision is to balance the interests of the inventor and the employer who are considered to be in an unequal relationship, and to guarantee a certain level of rights for the employer, who offered physical assistance such as funds and materials and who is bearing the investment risk. It can be said that employers have one type of interest in employee inventions. In that sense, the phrase “any agreement, employment regulation or any other stipulation” in the Article should be construed to cover not only an agreement (contract) between the employer and the employee, but also a clause on a succession or license established by other methods⁴³ and the stipulation on a succession or license

42 The term “employment regulation” (*kinmu kisoku*) is not generally used in labor law; rather, it should be considered as a concept under the Patent Act. Although the concept of the rules of employment under the Labor Standards Act was already established at the time of the enactment of the current Patent Act (1959), the term “rules of employment” was purposefully not used in the Act.

43 In practice, the stipulation is usually made in the rules of employment or provisions on employee inventions, but these often cannot be categorized as contracts. There are different theories on the legal nature of rules of employment, but such rules are at least subject to various restrictions under the Labor Standards Act, so in that sense, they are not entirely at the employer’s own discretion.

made by the employer's one-sided indication of his/her intentions.⁴⁴ In that sense, a view that assignment to the employer must be made based on a contract cannot be adopted, and such view has not been adopted in practice or in court decisions either (the same applies to the revision of 2004). Even a one-sided stipulation would bind the employee, and it would need to be sufficiently disclosed to the employee similarly to the case of the rules of employment (Article 106 of the Labor Standards Act).

Since the employee receives a payment of "reasonable value" when rights, etc. are assigned, such payment is considered to be balancing the employee's interests with those of the employer. Therefore, we cannot adopt a view that the assignment of an invention to the employer must be based on a contract, and such view has not been adopted in practice or in court cases in actuality. In the case where no contract or rules of employment exist, the reasonable intention of the parties would be presumed and that determination would be made by taking into consideration all the practices and other circumstances of the company.⁴⁵ Also, it would often be possible to presume a practice or an implied agreement whereby the employee assigns his/her rights to the employer by receiving reasonable value therefor.⁴⁶

[67]

Even under the 2004 revision, the employer was able to one-sidedly stipulate provisions on employee inventions, but unless those rules were stipulated in a reasonable manner "in light of circumstances where a negotiation between the employer, etc. and the employee, etc. had taken place in order to set standards for the determination of the said

44 Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]* (Lecture on Intellectual Property Law [2nd ed.]), p. 145 states that the employer needs to have concluded a contract with the employee. Meanwhile, Michio Tsuchida, "Shokumu Hatsumei To Rōdō Hō" (Employee Invention and Labor Law), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, Nos. 4 and 5 (2003), p. 538 states that steps should be taken to regard such stipulation as the contents of a contract, but Tsuchida's theory seems to require not a contract in the strict sense, but mere disclosure of the contents of such stipulation to the employee by analogizing the rules of employment. Under the 2004 revision of the Act, however, the payment of the value for the rights would be found to be "unreasonable" (Article 35, paragraph (5) before the 2015 revision) if such disclosure to the employee were insufficient.

45 In the Tokyo District Court Judgment, September 19, 2002, *Hanji*, No. 1802, p. 30/*Hanta*, No. 1109, p. 94 (Interlocutory judgment in the Nichia Corporation Blue LED case), the court stated that, when patent applications have been filed repeatedly by designating the employer as the applicant for a specific period of time, and the employee's behavior has premised such practice, an implied agreement on the succession to the right to obtain a patent is established between the employer and the employee.

46 In the Tokyo High Court Judgment, July 20, 1994, *Chiteki Saishū*, Vol. 26, No. 2, p. 717 (the Signal Demodulator case), the court stated that, apart from a case where an express intent of the employee, etc. has been shown or where apparent circumstances can be found to presume the implied intent of the employee, etc., it cannot easily be presumed that the reasonable intentions of the employee is to have the patent rights, etc. relating to employee inventions belong to the company. Whether or not an implied intent can be presumed would depend on specific cases. Yoshiyuki Tamura and Keizō Yamamoto, eds., *Shokumu Hatsumei* (Employee Inventions), p. 16 [written by Yoshiyuki Tamura] states that caution is required in finding an implied agreement, since an aspect of Article 35 provides, as a default rule, that the employer who does not establish rules would be disadvantaged. Indeed, there is little reason to protect an employer who failed to establish any stipulation in spite of being able to establish a one-sided stipulation. However, since companies, including small and medium-sized enterprises (SMEs), are not fully aware of this issue, it may be too harsh to require such companies that have hardly ever used the patent system previously to establish such stipulation.

value, the set standards had been disclosed, the opinions of the employee, etc. on the calculation of the amount of the value had been received and any other relevant circumstances," there was a risk that the amount of the reasonable value would be determined by the courts (Article 35, paragraphs (4) and (5) before the 2015 revision).

Under such circumstances, industry strongly called for the employer's ownership of employee inventions, and with the 2015 revision, it was provided that, if there is a stipulation such as a contract providing in advance that the right to obtain a patent shall be acquired by the employer, the right to obtain a patent shall be originally vested in the employer. In other words, the employer can choose between having an employee invention originally vested in the employer or having them originally vested in the employee. When it is originally vested in the employer, the employee has no right to obtain a patent in the first place, so even if the employee assigns the right to obtain a patent to a third party, it would be assignment by a person who does not have such right, so it would not affect the employer's right to obtain a patent. In the past, the right to obtain a patent was first vested in the employee, and then it was transferred to the employer, so if a third party was assigned the right from the employee before the employer satisfied the requirements for duly asserting the transfer against third parties, the third party and the employer were in an adversary relationship. However, the position of the employer became more robust with the 2015 revision. However, under the revised Act, the right to obtain a patent, which is a property right, is originally acquired by the employer, but the inventor's right to be credited, which can be considered as a kind of moral right, belongs to the employee who is the inventor, so the name of the natural person (employee) who actually made the invention must be stated in the inventor column of the filing documents. [68]

(3) Effect

A. Timing of the Succession or License

Before the 2015 revision, if there was "any agreement, employment regulation or any other stipulation," the employee could transfer, etc. the right to obtain a patent or a patent right to the employer, and the timing of the transfer was decided by the contents of the "stipulation." If the transfer, etc. was not an act that requires formalities such as registration, the effect of the transfer, etc. occurred at the time specified by the "stipulation," and if it was an act that requires formalities, the effect of the transfer, etc. occurred when the formality was performed. Specifically, the transfer of the right to obtain a patent before filing an application or the transfer of rights after the filing but before patent registration is not an act that requires formalities, so the rights were transferred at the time provided in the stipulation. In order to make succession to the right to obtain a patent effective, the successor in title needs to make a notification to the

Commissioner of the Patent Office⁴⁷ (Article 34, paragraph (4) of the Patent Act). When making a notification of the succession to the right, it is necessary to submit a document proving the succession to the right, and the Commissioner of the Patent Office may order the submission of a document proving the successor status when necessary (Article 5 of the Patent Act Enforcement Ordinance). Thus, the successor in title would need to have an instrument of assignment prepared. In contrast, transfer of a patent right or grant of a provisional exclusive license or an exclusive license after the patent registration is an act that requires formalities, and the time of succession to the right or obtainment of the license will be the time the transfer of the right or the grant of the license is registered. Such transfer and grant require registration in order to come into effect (Article 98, paragraph (1), items (i) and (ii) and Article 34-4, paragraph (1) of the Patent Act). The registration must be made either by the filing of applications by both the person entitled to register and the person obliged to register (Article 18 of the Patent Registration Order) or by attaching the written consent of the person obliged to register (Article 19 of the Patent Registration Order). However, such system was drastically revised with the 2015 revision. If there is a “stipulation” providing in advance that the right to obtain a patent shall vest in the employer, such right to obtain a patent shall originally belong to the employer from the time the right occurs (the time when the invention is made), so to that extent, the dispute over the time of transfer of the right, as seen before the 2015 revision, became unnecessary. Yet, the practice remains the same as before the Act of 2015 for a case where there is no such “stipulation.”

B. Benefits (value, before the 2015 revision)⁴⁸

(i) Introduction

Before the 2015 revision, when the employee assigned his/her right to obtain a patent or the patent right or granted a provisional exclusive license or an exclusive license to the employer, the employee was entitled to receive reasonable value (Article 35, paragraph (3) of the Patent Act prior to the 2015 revision). Before the 2004 revision, it was provided that the amount of the reasonable value should be decided by considering the “amount of profit to be received by the employer” (Article 35, paragraph (4) of the Patent Act prior to the 2004 revision). It was not provided that the amount should be based on the “amount of profit actually received by the employer,” so Article 35 was not a provision for the distribution of the profit that actually arose in a strict sense, but it was

47 The provision reads as if the notification is a requirement for the succession to become effective, but in substance, it is a requirement for duly asserting the succession against third parties.

48 The legal nature of the “value” before the 2015 revision is discussed in Ryō Shimanami, “Shokumu Hatsumei Taika Seikyūken No Hōteki Seishitsu (Jō/Ge)” (Legal Nature of the Right to Claim the Value for an Employee Invention (Vols. 1 and 2)), *Tokkyo Kenkyū* (Patent Studies), No. 39 (2005), p. 21, No. 42 (2006), p. 5.49 The Tokyo District Court Judgment, April 16, 1999, *Hanji*, No. 1690, p. 145/*Hanta*, No. 1002, p. 258 (the Olympus Pickup Device case); the second instance judgment on the same case, the Tokyo High Court Judgment, May 22, 2001, *Hanji*, No. 1753, p. 23/*Hanta*, No. 1064, p. 196; and the final appeal judgment on the same case, the Supreme Court Judgment, April 22, 2003, *Minshū*, Vol. 57, No. 4, p. 477/*Hanji*, No. 1822, p. 39/*Hanta*, No. 1121, p. 104.

at least a provision for the distribution of the employer's anticipated profit.

Since the 1921 Act, until around 1998, the level of awareness of employee inventions had been low, with only a few law cases, and the amount of value actually paid by employers had been small. Many companies had not calculated the amount of value separately, but had combined payments with other factors, such as promotion, as part of personnel management, so litigation to dispute over the amount of the value had rarely been filed.

[69]

However, in the Olympus Pickup Device case,⁴⁹ the court ruled for the first time that there are no grounds for an inventor to be bound by the value for an invention calculated based on provisions for the treatment of inventions and devices which the employer has one-sidedly specified, and that if the amount of remuneration is below the amount of the reasonable value specified under law, the inventor may claim the shortfall from the employer, etc.⁵⁰ Furthermore, the court affirmed an enormous amount of value in the Nichia Corporation Blue Light-emitting Diode (LED) case.⁵¹ This issue was widely covered by the mass media and drew public attention.⁵² Prompted by this incident, the number of court cases involving employee inventions surged, and thrown the economic world into confusion. As a result, the Patent Act was revised in 2004, and the provisions came to place an emphasis on procedure (Article 35, paragraph (4) of the Patent Act of 2004). As long as a reasonable procedure was followed, the “amount of profit to be received by the employer” was evaluated as being justifiable.

(ii) Act of 1959

The value to be received by the employee under the Act of 1959 was the value for the transfer of the right to obtain a patent or the patent right, etc., and the theoretical value of the amount was construed to be the profit received by being able to work the invention exclusively under the patent, that is, the amount obtained by subtracting the price of the

49 The Tokyo District Court Judgment, April 16, 1999, *Hanji*, No. 1690, p. 145/*Hanta*, No. 1002, p. 258 (the Olympus Pickup Device case); the second instance judgment on the same case, the Tokyo High Court Judgment, May 22, 2001, *Hanji*, No. 1753, p. 23/*Hanta*, No. 1064, p. 196; and the final appeal judgment on the same case, the Supreme Court Judgment, April 22, 2003, *Minshū*, Vol. 57, No. 4, p. 477/*Hanji*, No. 1822, p. 39/*Hanta*, No. 1121, p. 104.

50 Even before the Olympus Pickup Device case, in the Osaka District Court Judgment, April 26, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 282/*Hanta*, No. 536, p. 337 (the Automatic Focusing Device case), the court held as follows: the legislative intentions of Article 35, paragraph (3) is construed to be to protect employees who are in a weaker position in their relationship with their employer; in light of this purpose, it is reasonable to construe that paragraph (3) is a mandatory provision, and that a contract, etc. concluded between an employer and an employee in violation of said provision is invalid, making it possible for the employee to claim a reasonable value for his/her invention. However, this judgment did not draw much attention since the court dismissed the claim on the basis that the time for payment has not yet arrived. A similar opinion was also stated in the Osaka District Court Judgment, April 28, 1994, *Hanji*, No. 1542, p. 115 (the Zojirushi Thermos Flask case), but this judgment did not draw much attention either.

51 The Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case). In this case, a settlement was reached at the Intellectual Property High Court.

52 For subsequent law case trends, see Yasuyuki Ishii, “Shokumu Hatsumeitai Taika No Hanrei Dōkō To Insenteibu To Shitenno Igi” (Trend of Law Cases on Employee Inventions and Their Significance as an Incentive), *Chizai Purizumu* (Intellectual Property Prism), No. 50 (2006), p. 46.

non-exclusive license from the price of the patent right.⁵³ Specifically, the profit is typically the value received when the employer allows a third party to work the invention, but the excess profit received by the employer through the exclusive working of the invention is also regarded as the profit to be received by the employer.⁵⁴ Whichever approach is taken, the theoretical value to be derived would be the same, but it is extremely difficult to actually calculate the profit.

[70]

The Act prior to the 2004 revision had provided that when calculating the value for an invention, the amount must be decided by taking into consideration the degree of the contribution that the employer, etc. has made in the making of the invention (Article 35, paragraph (4) of the Patent Act prior to revision). This meant that the degree of the contribution from the employer, which is an ambiguous variable, would be reflected in the profit to be received by the employer through exclusively working said patent right, and the amount would end up being a rough calculation. Since the decision was largely left to the court's discretion, actual law cases lacked consistency, and the amount of the profit was difficult to foresee. Inventions and patent rights do not themselves produce actual profits, but only produce profits when they are worked or licensed. Since such profits are greatly affected by subjective conditions, such as the employer's ability or enthusiasm to work an invention, or objective conditions such as the competing technology of other companies and the economic climate, and since complicated

53 The Tokyo District Court Judgment, December 23, 1983, *Mutai Saishū*, Vol. 15, No. 3, p. 844 (the Stainless Steel Gold Plating Method case); the Osaka District Court Judgment, April 26, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 282 (the Automatic Focusing Device case), and the second instance judgment on the same case, the Osaka High Court Judgment, November 28, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 733; the Tokyo District Court Judgment, September 30, 1992, *Chiteki Saishū*, Vol. 24, No. 3, p. 777 (the Triangular Plate case); the Osaka District Court Judgment, March 4, 1993, *Chiteki Saishū*, Vol. 26, No. 2, p. 405 (the Gosen Fishing Line case), and the second instance judgment on the same case, the Osaka High Court Judgment, May 27, 1994, *Chiteki Saishū*, Vol. 26, No. 2, p. 356/*Hanji*, No. 1532, p. 118; the Osaka District Court Judgment, April 28, 1994, *Hanji*, No. 1542, p. 115 (the Zojirushi Thermos Flask case); the Tokyo District Court Judgment, November 29, 2002, *Hanji*, No. 1807, p. 33/*Hanta*, No. 1111, p. 96 (the Hitachi Optical Pickup case), and the second instance judgment on the same case, the Tokyo High Court Judgment, January 29, 2004, *Hanji*, No. 1848, p. 25/*Hanta*, No. 1146, p. 134; the Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case); the Osaka District Court Judgment, September 26, 2005, *Hanta*, No. 1205, p. 232 (the Sansho Seiyaku Medicated Hair Growing Agent case); the Tokyo District Court Judgment, January 26, 2006, *Hanji*, No. 1943, p. 85 (the Laminated Film and Support for Photograph case); the Tokyo District Court Judgment, June 8, 2006, *Hanji*, No. 1966, p. 102/*Hanta*, No. 1271, p. 183 (the Mitsubishi Electric Non-volatile Memory case); the Tokyo District Court Judgment, September 12, 2006, *Hanji*, No. 1985, p. 106/*Hanta*, No. 1234, p. 182 (the JSR Thermosetting Overcoat for Color Filters case); the Intellectual Property High Court, February 26, 2009, *Hanji*, No. 2053, p. 74/*Hanta*, No. 1315, p. 198 (the Canon Scanning Optical System Removing Ghost Images case).

54 In the Tokyo District Court Judgment, November 26, 2003, *Hanji*, No. 1846, p. 83/*Hanta*, No. 1152, p. 269 (the Influence Analyzing Device case), the court held that because the employer has a non-exclusive license free of charge, the "profit to be received by the employer" is not the amount of profit the employer receives by merely working the device, but the amount of profit which the employer receives by having the right to work the device exclusively (the incremental amount), and in the case where the employer works the device exclusively, it is reasonable to calculate the amount of profit based on an amount equivalent to the royalty that could be received when making an assumption that the employer had granted a license to a third party. A detailed explanation on the specific calculation can be found in Yoshiyuki Tamura and Keizō Yamamoto, *Shokumu Hatsumei*, p. 23 [written by Yoshiyuki Tamura] and Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyō Hō Jō*, p. 508 [written by Takuya Iizuka and Hiroyuki Tanaka].

problems are involved in the calculation in the case of cross-licenses, particularly comprehensive cross-licenses,⁵⁵ by their very nature they are incompatible with an accurate calculation. Since defensive patents also bring indirect profit to the employer,⁵⁶ the actual profit received by the employer is also difficult to calculate for such defensive patents.⁵⁷

[71]

Given the provision that the degree of the contribution that the employer has made “in the making of the invention” should be taken into consideration, it was also questionable whether such costs as patent acquisition/maintenance costs, investment in commercialization, licensing negotiation costs, and costs related to measures against infringement could be taken into consideration. Since an employer can make a profit only after patenting an invention, and exercising, licensing, or defending a patent right, and engaging in sales activities, it is unreasonable to exclude such costs from the employer’s

55 Hisayoshi Yokoyama, “Shokumu Hatsumei Seido No Yukue” (Future of the Employee Invention System), *Jurist*, No. 1248 (2003), p. 42. In the Tokyo District Court Judgment, November 29, 2002, *Hanji*, No. 1807, p. 33/*Hanta*, No. 1111, p. 96 (the Hitachi Optical Pickup case), the court held that, when a comprehensive license contract has been concluded, the degree to which the invention contributed to the conclusion of the license contract should be considered, the amount of royalty which the employer no longer needs to pay to the licensee due to the conclusion of the license should be considered as part of reference information, and the degree to which the patent right contributed to the license contract should be considered in light of various circumstances such as the value of each patent right and details about the conclusion of the license contract. In the Tokyo High Court Judgment, January 29, 2004, *Hanji*, No. 1848, p. 25/*Hanta*, No. 1146, p. 134, which is the second instance judgment on the same case, the court stated that the value to be paid can be calculated either by a method of calculating the amount of the royalty which the licensee should pay for the working of the invention in question, or a method of multiplying the amount of the royalty which the employer, etc. originally had to pay for working the licensee’s multiple patents by the rate of the contribution of the invention in question to all patented inventions, etc. which the employer, etc. licensed to the licensee.

56 For example, when a company that manufactures and sells Medicine A owns a patent for Medicine B, which has the same effect as Medicine A, but where the company does not manufacture and sell Medicine B, the patent for Medicine B is preventing other companies from entering the market for medicines which have the same effect as Medicine A and the patent is only functioning to defend the market of Medicine A, it would be difficult to determine the relationship between the value to be paid to the inventor of Medicine A and the value to be paid to the inventor of Medicine B.

57 With regard to this point, see Yoshiyuki Tamura, “Hōkatsuteki Kurosu Raisensu To Shokumu Hatsumei No. Hoshōkin No Santei” (Comprehensive Cross-Licensing and Calculation of Compensation for Employee Invention), *Chiteki Zaisan Hō Seisaku Gaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 2 (2004), p. 1.

contribution that can be taken into consideration.⁵⁸ Although there were many court judgments in which the amount was calculated by taking such costs into account, this was not clearly indicated in the Patent Act, so the provisions were revised upon the 2004 revision.

[72]

Before the 2004 revision, there had been a series of cases in which the value to be paid by the employer was raised to an amount found to be reasonable by the court on the basis that the amount of value stipulated by the employer was below a *reasonable amount* as provided in Article 35, and therefore the employer's stipulation was invalid. The court awarded amounts that were far higher than the conventional industry standard in some cases. These cases triggered an outburst of criticism, mainly from the industry, that the amount deviated far from reality, and was at an unusually high level worldwide, insisting that the Patent Act, which should be a tool for industrial development, would prove to be a heavy drag on industrial development. In particular, the Nichia Corporation Blue LED case⁵⁹ in which the court awarded approximately 60 billion yen as the value of the invention was a special case, and it is dangerous to generalize this judgment, but it seems that the viewpoint of who bears the risks seems to be lacking when determining the specific amount. Even if an employee makes a high-quality invention, its commercialization requires an enormous amount of work and funds, and involves great risks, and the person who is bearing such risks is the employer. If an employer is to pay an enormous amount of money to an employee who makes a successful invention, the employer should be able to dismiss or cut the wage of an employee whose invention fails or claim compensation for the associated loss from such employee, but that never happens in actuality. It must not be overlooked either that the contribution made by the employer

58 In the Tokyo District Court Judgment, April 16, 1999, *Hanji*, No. 1690, p. 145/*Hanta*, No. 1002, p. 258 (the Olympus Pickup Device case), and the second instance judgment on the same case, the Tokyo High Court Judgment, May 22, 2001, *Hanji*, No. 1753, p. 23/*Hanta*, No. 1064, p. 196 (both of which are cases under the Act prior to 2004 revision), the court took into consideration the fact that a patent division member in charge changed the contents of the patent description. In the Tokyo District Court Judgment, August 29, 2003, *Hanji*, No. 1835, p. 114/*Hanta*, No. 1140, p. 248 (the Hitachi Metals Nitrogen Magnet case), the court stated that the degree of the contribution from the employer, etc. in patenting the invention, exclusively working the invention, and concluding license contracts, and any other circumstances that are found in the evidence should be comprehensively taken into consideration, and in the second instance judgment on the same case, the Tokyo High Court Judgment, April 27, 2004, *Hanji*, No. 1872, p. 95, the court stated that the special personnel measure which the employee received should also be taken into consideration. In contrast, in the Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case), which may be a peculiar case, the court mentioned that circumstances that occurred after the completion of the invention are not regarded as circumstances that should be taken into consideration as the degree of the contribution from the employer. In the case of paying the value in a lump sum at the time of the succession to or licensing of a right, the amount of the value will be calculated without considering these costs individually (the amount will be decided by incorporating all the factors into the value). However, in the case of a performance-based payment, it will be a problem if the costs paid by the employer after the completion of the invention were not taken into consideration. The same view is indicated in Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 328.

59 In the Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case), the court concluded that the reasonable value for the invention is about 20 billion yen (about 60 billion yen in effect, since this was a case regarding only part of the claim) (the parties reached a settlement in the second instance).

is not limited to the actual expenses borne for providing funds, materials and personnel, but also the fact that he/she bears various risks.⁶⁰

An employee invention subject to the payment of a value does not need to be a patented invention. Even in cases where an examiner's decision that the patent application is to be refused has been made or where an applicant has withdrawn the application, an employer needs to pay a reasonable value for the invention as long as the invention is found to have brought exclusive profit to the employer.⁶¹

Regarding the amount of the value to be paid, it was difficult to predict the amount that would be regarded as the amount in short in the case where the employer loses the case, and to predict the amount that would be claimed in the future as the value for inventions in the case of M&A and the like; in this manner, the system had an aspect of lacking in legal stability.⁶² There were strong calls for a revision of the law because the amount of value found to be reasonable by the courts was becoming increasingly high and such an obligation had still not been fixed over a long period of time, proving to be an unstable factor in corporate management. Thus, new provisions (Article 35, paragraphs (4) and (5) of the revised Act of 2004) were introduced by the 2004 revision.

[73]

(iii) Act revised in 2004⁶³

- Substantive provisions, however carefully drafted, cannot eliminate ambiguity in the process of calculating the actual amount, so there was growing criticism from the economic world to the effect that the calculation of the profit impedes stability. Therefore, Article 35, paragraph (4) of the revised Act of 2004 adopted a method to ensure substantive fairness by placing emphasis on voluntary procedures between the employer and the employee, such as negotiation between them, and ensuring procedural fairness in the calculation of the amount of value for the invention. The situation surrounding employee inventions would differ by industry or company, and companies provide incentives for employees in different ways, while there can also be cases where special treatment is given

60 In particular, enormous costs are involved in development of new pharmaceuticals, but most inventions end up in failure, and only a handful of inventions succeed. In such case, it would be unreasonable to consider the benefits (value) only based on the profits gained from successful inventions. The benefits (value) would be determined by taking into account the employer's degree of contribution in actuality.

61 The Tokyo District Court Judgment, January 26, 2006, *Hanji*, No. 1943, p. 85 (the Laminated Film and Support for Photograph case).

62 It became clear through the accumulation of many law cases that such factors as "the degree of the contribution of each invention to licensing contracts," "presumed royalty rate," "the degree of the contribution from the employer," and "the degree of the contribution from each inventor" are taken into consideration. However, since there is no clear calculation basis with regard to the degree of the contribution from the inventor or the employer, the degree of the contribution would have to be assessed as a rough estimate.

63 See Yōichi Kimura, "Aratana Shokumu Hatsumeiseido" (New Employee Invention System), *L&T*, No. 24 (2004), p. 4; Hidetaka Aizawa, "Tokkyo Hō 35 Jō No Kaisei Ga Motarashitamono" (Outcome of the Revision of Article 35 of the Patent Act), *Jurist*, No. 1279 (2004), p. 116; and Taizō Ōta, *Shokumu Hatsumeisei Kitei Jitsumu Handobukku* (The Employment Regulations Determine "Considerable Remuneration") (*Syōji Hōmu*, 2005), p. 14.

by a method other than monetary payment. Therefore, more flexible measures that suit the actual conditions can be taken by leaving the matter to voluntary arrangements between the parties, rather than deciding on uniform and specific calculation standards (substantive provisions) by law. The purpose of this revised Act is, under the influence of recent labor law studies, to emphasize the procedure for determining the value to be paid for the invention, to prevent the employee from feeling dissatisfied by guaranteeing a certain procedure, and to provide the employer, etc. with a sense of stability whereby, as long as he/she has followed a reasonable procedure, it will be presumed that the amount of the value for the invention is appropriate. After the law revision, many companies revised their rules on employee inventions and developed procedures for employee inventions. Thus, the number of disputes was expected to decrease in the future under the revised Act of 2004, but since many cases to which the Act of 1960 applied still remained to be processed for the time being, the revision was not expected to have an immediate effect.

[74]

Under the revised Act of 2004, where an employment regulation, etc. provides for the value to be paid for an invention, the payment of the value in accordance with the said provisions must not be considered unreasonable in light of circumstances where a negotiation between the employer and the employee had taken place in order to set the standards for the determination of said value, the set standards had been disclosed, the opinions of the employee on the calculation of the amount of the value had been received, and any other relevant circumstances (Article 35, paragraph (4) of the revised Act of 2004), but the provision does not require the employer to hold consultations with individual inventors.⁶⁴ If the stipulation of the value for the invention and the specific calculation based on such stipulation are reasonable, it will be presumed that the calculated amount is appropriate. The requirements for “negotiation,” “disclosure,” and “receiving of opinions” mentioned above are only examples, and the unreasonableness should be determined comprehensively by also taking into account various other circumstances. While paragraph (4) provides for procedure and does not mention specific factors for deciding the value for the invention, it would be permissible to take into

⁶⁴ December 2003 Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council, “Shokumu Hatsumei Seido No Arikata Ni Tsuite” (Improvement of Employee Invention System), p. 17. If one-to-one negotiation is required, it will be closer to an individual contract, and Article 35, paragraph (4) will lose its meaning. The question of what kind of procedure is reasonable would be determined by taking into consideration the size and type of the employer, etc. (the company size, a university or public office, etc.).

consideration the various circumstances provided for in paragraph (5).⁶⁵ However, since paragraph (5) provides for the case where no reasonable stipulation exists, the determination under paragraph (4) is not necessarily bound by the factors provided for in paragraph (5). Even when a calculation under the provisions of paragraph (5) is expected to produce a higher amount than that under paragraph (4), the amount would not be considered unreasonable if an appropriate procedure has been followed, unless the amount is extremely inappropriate (e.g., a fixed amount of 1,000 yen).⁶⁶ Due to the above, factors related to the substantive aspect should be considered to be complementary in determining the reasonableness.⁶⁷ This point was debated by the revision council, and there was also a strongly held opinion that as long as a procedure is reasonable, the court should not intervene in the specific amount of the value for the invention. However, since there can be cases where a procedure is in place but the actual amount of value is decided in an extremely unreasonable manner, the council concluded that it would be inconvenient to preclude court intervention in such a case.⁶⁸ Meanwhile, even if the procedure is unreasonable, if a sufficient amount of value has been paid as a result, it would be legitimate. While the Act lists “negotiation,” “disclosure,” and “receiving of opinions” as factors to be considered when determining the reasonableness of the procedure, it does not list substantive factors, such as the amount of value that has actually been paid, as factors to be considered. However, in interpreting the provisions, such factors should be considered for inclusion in the phrase “any other relevant circumstances.” This implies a premise whereby the amount of value should be taken into consideration not as a core factor, but as a complementary factor.⁶⁹ Studying past law cases, there is a question as to

65 Japan Patent Office, *Shin Shokumu Hatsumei Seido Ni Okeru Tetsuzuki Jireishū* (Case Studies of the Procedures under the New Employee Invention System), (NBL Additional Volume, No. 96, 2004) provides an explanation by citing specific case examples of the procedure. A detailed explanation on this issue is provided in Hisayoshi Yokoyama, “Shokumu Hatsumei Seido Wo Meguru Hō Kaisei To Sonogo No Ugoki” (Law Revision relating to the Employee Invention System and Subsequent Developments), *Jurist*, No. 1326 (2007), p. 54.

66 Taizō Ōta, *Shokumu Hatsumei Kitei Jitsumu Handobukku* (The Employment Regulations Determine “Considerable Remuneration”) (*Syōji Hōmu*, 2005), p. 41.

67 Japan Patent Office, *Shokumu Hatsumei Seido Ni Okeru Tetsuzuki Jireishū* (Case Studies of the Procedures under the New Employee Invention System), (NBL Additional Volume, No. 96, 2004), p. 7; and Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyō Hō Jō*, p. 536 [written by Takuya Iizuka and Hiroyuki Tanaka]. Yoshiyuki Tamura and Keizō Yamamoto, eds., *Shokumu Hatsumei* (Employee Inventions), p. 16 [written by Yoshiyuki Tamura] states that, with regard to provisions on the amount of value which were established by an employer having an environment that fills the gap in the negotiating power between the employer and the employees, the court should refrain from intervention, and should take the approach of regarding such provisions as valid, unless there are special circumstances.⁶⁸ December 2003 Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council, “Shokumu Hatsumei Seido No Arikata Ni Tsuite” (Improvement of Employee Invention System), p. 15; Japan Patent Office, *Shokumu Hatsumei Seido Ni Okeru Tetsuzuki Jireishū* (Case Studies of the Procedures under the New Employee Invention System), (NBL Additional Volume, No. 96, 2004), p. 7, p. 8.

68 December 2003 Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council, “Shokumu Hatsumei Seido No Arikata Ni Tsuite” (Improvement of Employee Invention System), p. 15; Japan Patent Office, *Shokumu Hatsumei Seido Ni Okeru Tetsuzuki Jireishū* (Case Studies of the Procedures under the New Employee Invention System), (NBL Additional Volume, No. 96, 2004), p. 7, p. 8.

69 Takuya Iizuka, ed., *Tettei Kaiseki Shokumu Hatsumei: Shokumu Hatsumei O Meguru Funsō No Bunseki Kara Seido Sekkei Made* (Thorough Analysis of Employee Inventions: From Analysis of Employee Invention Disputes to the Design of the Employee Invention System), (NBL Additional Volume, No. 105, 2005), p. 16, p. 65.

whether it is appropriate, or possible, for the courts to intervene in the details of a specific calculation. The court should only intervene in the specific amount of value in exceptional cases.

[75]

In a suit filed by an employee asserting that the value that has been paid was insufficient, the employee is considered to have the burden of proof with regard to unreasonableness.⁷⁰ Since an employee needs to prove not the unreasonableness of the amount itself, but the unreasonableness of the process for determining the amount, it would not be a heavy burden for the employee. It is possible to have a case where the procedure is reasonable but the amount is unreasonable, but that would be in the case of an extremely low amount which anybody would consider unreasonable; thus, that would not impose a heavy burden of proof on the employee either.

When there is no stipulation on the value for an invention, or when the payment of the value is found to be unreasonable according to the provisions of paragraph (4), the amount of value under paragraph (3) is determined by taking into consideration the amount of profit to be received by the employer, etc. from the invention, the employer's burden, contribution, and treatment of the employee and any other circumstances relating to the invention (Article 35, paragraph (5) of the revised Act of 2004).⁷¹ Small and medium-sized enterprises (SMEs) might not have rules on employee inventions, or have unreasonable rules due to the power gap between the employer and the employees, or there is unreasonableness in applying the rules to the calculation of the value for the invention. In such case, a reasonable value will be decided by the court, in the same manner as before the revision of the Act.

[76]

As a generality, Article 35 has a strong aspect of protecting employees who are in a weaker position than the employer, and it should be construed as setting out unilateral

70 Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 4 Han]*, p. 84. However, the question of whether it is appropriate to have employees, who are in a weaker position than the employer, bear the burden of proof was debated by the Diet at the time of legislating the provisions. The government consistently asserted that employees have the burden of proof.

71 In the Tokyo District Court Judgment, October 30, 2014, court website (the Nomura Securities case), the court held that it would be unreasonable for the employer to pay a value in accordance with the regulations it has established, unless there are special circumstances, because [i] with regard to the establishment and revision of the employer's invention regulations, the employer has not held any discussion independently with the employee nor with any other employees, [ii] the employer has not disclosed the employer's invention regulations, which specify the details such as the amount of value and the method of payment, to its employees, and [iii] the employer does not plan to ask opinions from the inventor about how to calculate the amount of value. At the same time, it was final and binding that the invention in question was unpatentable due to lack of novelty, so the court dismissed the employee's claim on the basis that the employer had no exclusive interests for the invention. In its appellate instance, the Intellectual Property High Court Judgment, July 30, 2015, court website, the court dismissed the appeal, but it found that "discussion," "standards disclosure," and "opinion hearing" were all insufficient, and found that it was unreasonable for the employer to calculate the value in accordance with its regulations. Since the defendant in this case was a securities company, the procedure may have been deficient, unlike in the case of the manufacturing industry.

mandatory provisions.⁷² It does not preclude alterations that would be advantageous for the employee; in other words, even if an amount exceeding a reasonable value is paid to the employee, it would not be regarded as unjust enrichment for the employee.⁷³

A question has been raised suggesting that it is not appropriate to construe the provisions in Article 35 as mandatory, because it would prevent the employer and the employee from resolving the issue *ex post facto* through negotiation or reconciliation,⁷⁴ but this is a misunderstanding. Article 35 mandates only two matters: the employer is prohibited from stipulating in advance succession to rights with regard to free inventions (paragraph (2)), and the employer must pay a reasonable value when succeeding to or obtaining a license for rights related to an employee invention based on a stipulation established in advance (paragraph (3)). The Article does not mention anything about *ex post facto* assignment, and does not deny resolution of the issue through reconciliation, etc. after the invention has been made. For example, an employee invention is sometimes made by the president of a company, and in the case of an SME, it is not rare for the president to assign the invention free of charge to the company after making the invention, and this does not cause a problem under the Act. However, since it would be a transaction between the employer and the employee, attention needs to be paid as to whether the transaction is truly based on the free will of both parties.

The revised Act of 2004 is not applied retroactively to an invention succeeded to on or before March 31, 2005 (Article 2, paragraph (1) of the Supplementary Provisions of the revised Act). Since the value to be received by the employee is a property right, changing *ex post facto* the value for an invention which has already come into existence has the risk of infringing on a property right. Therefore, it was decided that the revised Act should be applied only to succession, etc. that takes place after the enforcement of the revised Act. Given that the duration of a patent right is 20 years after the filing of the patent application at the most (the duration could be extended under Article 67, paragraph

72 While the phrase “mandatory provisions” was used in the second instance judgment on the Olympus Pickup Device case (the Tokyo High Court Judgment, May 22, 2001, *Hanji*, No. 1753, p. 23/*Hanta*, No. 1064, p. 196), this phrase was not used in the Supreme Court Judgment, April 22, 2003, *Minshū*, Vol. 57, No. 4, p. 477/*Hanji*, No. 1822, p. 39/*Hanta*, No. 1121, p. 104, which was the final appeal judgment on the same case. However, there are no great differences between these two judgments, given that, in both judgments, the court ordered the company to pay an additional amount to make up the shortfall in an amount that is considered to be reasonable, irrespective of the stipulation established by the company. Hisayoshi Yokoyama, “Shokumu Hatsumei” (Employee Invention), *Hōgaku Kyōshitsu* (Law Class), No. 325 (2007), p. 201.

73 Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]* (Lecture on Intellectual Property Law [2nd ed.]), p. 151 states that, if the employer pays a value exceeding a reasonable amount, it would be regarded as the employee’s unjust enrichment. While overpayment is expected to occur only in rare cases, such as in the case of miscalculation, the mistake under the Civil Code may become an issue. There have been no cases where an employer demanded an employee to return an excessive amount that has been paid, but in the Tokyo District Court Judgment, June 8, 2006, *Hanji*, No. 1966, p. 102/*Hanta*, No. 1271, p. 183 (the Mitsubishi Electric Non-volatile Memory case), while the court found the reasonable value to be 3,966,305 yen, the employees had received 4,805,490 yen as the reasonable value for employee inventions, etc., and the court dismissed the employees’ claim for payment. In this case, the employer did not claim the return of the excessive amount, but if the employer were to claim such a return, the claim should not be upheld.

74 Kōji Hasegawa “Toki No Hanrei” (Law Cases in the News), *Jurist*, No. 1251 (2003), p. 173.

(2)), that many companies adopt the system of compensation for performance and that the period of the prescription of the right to claim the value for an invention is ten years, the Act of 1959 and the Act of 2004 will continue to be applied to many actions for some time to come

[77]

(iv) Revised Act of 2015

There were growing calls from industry seeking further drastic revision of the revised Act of 2004, so a revision was made in 2015.⁷⁵ Specifically, if there is a stipulation providing in advance that the right to obtain a patent shall be transferred to the employer, the right shall vest in the employer from the time of occurrence of the right (paragraph (3)), and at that time, the employee shall have the right to receive “reasonable money or any other economic benefits” (paragraph (4)). It was also provided that guidelines (public notice by the minister) on matters concerning circumstances, etc. to be considered in the case of paying reasonable benefits shall be established (paragraph (6)). The fact that the employer can choose to have the right to obtain a patent originally belong to the employer is an extremely substantial change from a theoretical point of view.

Under the revised Act, the employee shall have the right to receive “reasonable money or any other economic benefits” in the case above (paragraph (4)), and the standards for determination of the reasonableness of the amount are the same as before (paragraph (5) of the Act of 2015; paragraph (4) of the prior Act). In other words, the reasonableness determined by taking into consideration the status of consultation between the employer, etc. and the employee, etc. that is held in formulating the standards for deciding the contents of the reasonable benefits, the status of disclosure of such formulated standards, and the status of hearing opinions from the employee on the decision of the contents of the reasonable benefits, etc. (it is stipulated that more detailed standards should be indicated by guidelines; paragraph (6)). The Act is no different from the Act of 2004 in that it places emphasis on procedural fairness, which means to place emphasis on negotiation between the employer and the employee, in deciding the contents of the reasonable benefits, instead of providing specific calculation standards by the Patent Act. The revised Act of 2004 also placed emphasis on procedures (paragraph (4) prior to the revision), and it would have been well possible to determine the value by also incorporating factors other than monetary payments, through negotiation between the employer and the employee, but such point was made clearer also in the provisions in the revised Act of 2015. The term “value” was revised to “benefits,” so they now include

⁷⁵ For the background of the revision, see Yuriko Inoue, “Heisei 27 Nen Shokumu Hatsumei Seido Kaisei Ni Tsuite No Ichi Kōsatsu” (Consideration on the 2015 Employee Invention System), *Tokkyo Kenkyū* (Patent Studies), No. 60 (2015), p. 18.

money as well as stock options, study abroad, promotion accompanying monetary treatment, a special leave that exceeds the prescribed number of days, a gold medal (which can be converted into money), and grant of an exclusive license or a non-exclusive license⁷⁶ for the patent right on the employee invention. However, they must be economic benefits, so they do not include a paper award certificate or a medal that has no monetary value, or benefits that are not related to an employee invention. A question is whether giving a special research facility as a reward for an employee invention would be included in such economic benefits. Research facilities are the employer's capital investment, and they could be considered to be unrelated to employee inventions, but since there are strong calls for such facilities among researchers, particularly among university instructors, how they will be treated in the guidelines to be published in the future should be closely watched. In any case, the 2015 revision made it possible for the employer to take more flexible measures.

[78]

Since it has been emphasized in discussions at the council and in government statements at the Diet that employees will not be treated more disadvantageously than before, the revised provisions would not be construed in a manner that would decrease the benefits to be received by the employee. What is different from the Act of 2004 is that the Patent Act provides that the Ministry of Economy, Trade and Industry shall establish guidelines on circumstances, etc. to be considered in deciding the reasonable benefits (paragraph (6)). These guidelines take the form of a public notice by the minister,⁷⁷ and they do not legally bind the court. However, it is presumed that if the employer establishes rules on employee inventions in accordance with these guidelines, they would also be respected in court decisions in practice. Although the guidelines have not been published yet (as of December 2015), they are expected to bring stability.

If there is no stipulation providing in advance that the right to obtain a patent shall vest in the employer, the right to obtain a patent originally belongs to the employee. If no provision setting forth the reasonable benefits exists, or if it is recognized that the reasonable benefits to be granted in accordance with the relevant provision are unreasonable, the decision of the reasonable benefits to be received by the employee (paragraph (7)) should be made in the same way as under paragraph (5) of the revised Act of 2004.

Both under the Act of 1959 and the Act of 2004, the right to obtain a patent first belonged to the employee, and then it was transferred to the employer, so the term “value” was used. However, under the Act of 2015, the right to obtain a patent originally belongs

⁷⁶ Although it would be very unlikely for an ordinary company, there can be cases where a highly independent employee like a university instructor starts up a business by obtaining a license.

⁷⁷ While guidelines on conduct of administrative agencies are often issued in the form of a public notice by the minister, it was unconventional to issue norms of court judgments in the form of a public notice by the minister.

to the employer if there is a stipulation providing in advance to that effect, so what is to be received by the employee was no longer something that represents the direct value of the employee invention, so the term was changed to “benefits.” Nevertheless, it is not appropriate to immediately cut off the employees’ interests which had been continued since 1921, so it was provided in the Act of 2015 that, even when the employer originally acquires the right to obtain a patent, the employee has the right to claim “reasonable money or any other economic benefits” from a policy perspective (paragraph (4)). Before the Act of 2015, the provision set forth that the employee can claim the value by operation of law because the employee assigns his/her own right to the employer, but under the Act of 2015, the employer originally acquires the right to obtain a patent under certain conditions, so the benefits to be paid to the employee no longer have the nature of the value of the invention, but it is rather a special measure established under the Patent Act for providing an incentive to the employee.⁷⁸ Theoretically, there is a great difference in that the right was acquired by succession before the 2015 revision, and it is originally acquired after the revision, but in practice, there would hardly be any substantial difference before and after the revision because it has been indicated that employees would not be treated more disadvantageously than before the revision. Nevertheless, while the term “value” that had been used until the Act of 2004 gives a monetary impression, the term “money or any other economic benefits” used under the revised Act of 2015 gives a strong impression that treatments other than money are included, so, although employees would not be treated disadvantageously in practice, what they receive would be broader in variety.

[79]

(v) Know-how

Article 35 of the Patent Act, which relates to an invention (Article 2, paragraph (1)), does not require the invention to be a patented invention (paragraph (2) of said Article).⁷⁹ It would seem that Article 35 will be applied as long as the employer is found to receive

78 See Hisayoshi Yokoyama, “Shokumu Hatsumeji Seido No Minaoshi Ni Kakaru Heisei 27 Nen Tokkyo Hō Kaisei Hōan No Kentō” (Study on the 2015 Bill for Amending the Patent Act for Revising the Employee Invention System), *L & T*, No. 68 (2015) p. 39; Roundtable Talk (Masakazu Iwakura, Eiji Matsuba, and Hidetaka Aizawa), “Shokumu Hatsumeji Kitei No Kaisei” (Revision of the Provisions on Employee Inventions), *L & T*, No. 69 (2015).

79 In the Tokyo District Court Judgment, December 23, 1983, *Mutai Saishū*, Vol. 15, No. 3, p. 844/*Hanji*, No. 1104, p. 120/*Hanta*, No. 536, p. 312 (the Stainless Steel Gold Plating Method case), the court held that Article 35 is also applicable to a case where there is an agreement between the employer and the employee to the effect that the employee’s invention will be kept secret as know-how for protecting the employer’s business interests and that the employer alone will exclusively work the invention. The Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case); the Osaka District Court Judgment, April 28, 1994, *Hanji*, No. 1542, p. 115 (the Zojirushi Thermos Flask case); Tokyo District Court Judgment, January 26, 2006, *Hanji*, No. 1943, p. 85 (the Laminated Film and Support for Photograph case). Yūko Kimijima “Shokumu Hatsumeji No Taika No Santei Ni Atatte Kōryo Subeki Shiyōshatō No Rieki” (Profit of the Employer, etc. to be Taken into Consideration in Calculating the Value for an Employee Invention); Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 96; Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 556 [written by Takuya Iizuka and Hiroyuki Tanaka].

a profit through the exclusive working of the invention, and the employee would have the right to claim reasonable benefits, but even though it seems that know-how can be worked exclusively, know-how is not a legal right to a monopoly, but a de facto monopoly. This point is a fundamental problem of whether the employee can obtain the right to acquire reasonable benefits by offering the patent right, which is a legal right to a monopoly, to the employer, or whether the employee can obtain the right to acquire reasonable benefits by offering an invention, which is a valuable property, to the employer.

Many companies have a stipulation that inventions including know-how should be transferred to the employer. The employer may then file patent applications for such inventions or keep them secret as know-how. The current Act can be interpreted so that, in either case, if they bring an exclusive profit to the employer, the employer would need to pay reasonable benefits. In reality, however, some difficulty will remain in the calculation of the value when there is no patent right, which is a legal right to a monopoly.⁸⁰

[80]

(vi) Time of calculation of the benefits

Literally, Article 35, paragraph (7) (paragraph (5) before the 2015 revision) provides that “the amount of profit to be received by the employer, etc.” should be taken into consideration, instead of “the amount of profit received by the employer, etc.,” so the employer should calculate and pay “the profit to be received by the employer” at the time of the acquisition of or succession to the right, in principle.⁸¹ Nevertheless, many companies do not make a lump-sum payment of the benefits (the value, before the Act of 2015), but divide the payment into compensation for application, compensation for registration, compensation for performance, etc. and, as for compensation for performance, they calculate the benefits based on the “profit received by the employer”

80 Takuya Iizuka, ed., *Tettei Kaiseki Shokumu Hatsumei: Shokumu Hatsumei O Meguru Funsō No Bunseki Kara Seido Sekkei Made* (Thorough Analysis of Employee Invention: From Analysis of Employee Invention Disputes to the Design of the Employee Invention System), (NBL Additional Volume, No. 105, 2005), p. 32.

81 This view is indicated in many law cases including the Tokyo District Court Judgment, December 23, 1983, *Mutai Saishū*, Vol. 15, No. 3, p. 844/*Hanji*, No. 1104, p. 120/*Hanta*, No. 536, p. 312 (the Stainless Steel Gold Plating Method case). In the Osaka District Court Judgment, March 4, 1993, *Chiteki Saishū*, Vol. 26, No. 2, p. 405 (the Gosen Fishing Line case), the court mentioned that “the profit to be received by the employer, etc.” is not only the profit which the employer actually received from the invention, but also the profit that is expected to be received, that is, the objective value of what the employer, etc. would gain through the succession to the right as assessed at the time of the succession. The same view is indicated in the second instance judgment on the same case, the Osaka High Court Judgment, May 27, 1994, *Chiteki Saishū*, Vol. 26, No. 2, p. 356/*Hanji*, No. 1532, p. 118; the Nagoya District Court Judgment, January 27, 1999, *Hanta*, No. 1028, p. 227 (the Ohi Kenkou Parking Structure case); the Osaka District Court Judgment, November 26, 2003, 2002 (Wa) No. 5323 (the Otsuka Pharmaceutical Meptin case).

in actuality, and pay the amounts in installments for divided periods of time.⁸² In that case, the benefits are calculated at the end of each specific period based on the performance during that period. Law cases and academic theories have construed that such a method of calculation is also valid as a method for payment of “the profit to be received by the employer.”⁸³ Before the 2015 revision, it was provided that the right to obtain a patent owned by the employee was transferred to the employer under certain conditions, and a value for the invention was paid to the employee. However, the revised Act of 2015 provides that the right to obtain a patent originally belongs to the employer under certain conditions, so there is no problem in making a lump-sum payment. There is also no problem in establishing rules to pay, at the time of retirement of the employee, the benefits for the subsequent period in a lump sum.

[81]

Both under the Act of 2004 and the Act of 2015, if there is a stipulation that the payment is to be made at the time of the acquisition or at the time of the succession, the employee may receive the value for the invention even when the employer has yet to work the invention or has yet to grant a license to a third party.⁸⁴ There may be a view that it is difficult to calculate the value of the invention in a lump sum at the time of the succession,⁸⁵ but rights to obtain a patent or patent rights are actually traded, so it is unlikely that such calculation is only impossible in the case of an employee invention. Theoretically, the current value is calculated by subtracting the interim profit from the profit to be received from the employee invention in the future (the discount cash flow

82 In the Tokyo District Court Judgment, August 29, 2003, *Hanji*, No. 1835, p. 114/*Hanta*, No. 1140, p. 248 (the Hitachi Metals Nitrogen Magnet case), the court rejected the defendant’s assertion that, as long as there is a stipulation on performance-based compensation, it is sufficient to calculate the reasonable value for the invention based on the amount at the time of succession of the right to obtain a patent. In other words, it means that a lump-sum payment of the amount cannot be claimed as long as there is a stipulation on performance-based compensation. However, if the employer stipulates from the start that the amount will be paid in a lump sum at the time of the succession of the right, it would be possible to calculate the amount based on the value at the time of the succession.

83 In the case of performance-based compensation, if a superior invention is neither worked nor licensed out by the employer, the invention will not be associated with performance, and the amount of the value could become zero (if it has a significance as a defensive patent, such aspect may be evaluated). It is questionable whether this will correspond to the “reasonable benefits” assumed under Article 35. Such a problem will not occur if the benefits are paid at the time of the succession to a right. Hisayoshi Yokoyama, “Shokumu Hatsumei Ni Okeru ‘Sōtō No Taika’ No Kihonteki Kangaekata” (Basic Idea of “Reasonable Value” for an Employee Invention), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 83.

84 In the Tokyo District Court Judgment, July 23, 2004, *Hanji*, No. 1889, p. 120/*Hanta*, No. 1176, p. 284 (the Anti-dioxin and Health Food case), the court held that, even if the employer has yet to succeed in commercializing the invention, the employer who is the owner of the patent right enjoys the benefit of prohibiting other companies from working the invention.

85 In the Tokyo District Court Judgment, February 20, 2008, *Hanji*, No. 2009, p. 121/*Hanta*, No. 1296, p. 273 (the Telephone Card Reader case), the court stated that “the objective value of an invention is extremely difficult to calculate by taking into consideration factors other than the amount of profit actually received by the employer, etc. through the use of the patent right, since it is affected by extensive and diverse conditions of society not limited to the field of that invention, so unless there are special circumstances to otherwise express the value of the profit to be received by the employer, it is reasonable to calculate such value based on the amount of profit actually received by the employer, etc. through the use of the patent right.” This was a case where the employer had a stipulation whereunder he/she was obliged to pay performance-based compensation for employee inventions, so the judgment is construed not to prohibit payment at the time of succession of the right.

[DCF] method).

When the value for an invention is calculated at the time of a succession to the right thereto, the amount will be calculated based on the objective value of the invention at the time of the succession and the employer's performance is not taken into consideration, so some believe that such a method will be disadvantageous for the employee.⁸⁶ However, in the case of a lump-sum payment, because the value is often determined based on the objective value of the invention at the time the invention was made (at the time of assignment, before the Act of 2015), reasonable benefits would be paid even if the invention fails to be commercialized in the future, and inventions that produce large profits are rare in reality. Therefore, we cannot immediately conclude that such a lump-sum payment would be disadvantageous for most employees. In the case of patents, future profits often fall short of predictions, and as long as the reasonable benefits are judged reasonably at the time of determination, it cannot be helped that an inequality will arise between the parties as a result if the predictions fail.⁸⁷ Meanwhile, the incentivizing effect of the payment of the benefits decreases as the time elapsing from the time of invention until the payment of the benefits lengthens, so lump-sum payment would be reasonable also from the viewpoint of encouraging invention.⁸⁸

[82]

If the payment is made in a lump sum, the company will be free from the workload of managing employee inventions for a very long time in the future, so it is likely to be considerably beneficial. Also, if the value is paid at the time of the succession to a right, it will also encourage the employer to license out or assign the right to another party when the employer does not intend to use the right, so it will be useful for preventing the social loss of creating unused inventions.⁸⁹

Before the 2015 revision, succession to a right could be granted by a one-sided stipulation from the employer, so payment of the value and the transfer, etc. of a right

86 Hiroshi Yoshida "Shokumu Hatsumei Ni Okeru Shomondai" (Some Questions on Employee's Invention) *Tokkyo Kenkyū* (Patent Studies), No. 37 (2004), p. 38 seems to consider the possibility of allowing a retrial depending on the size of the actual profit that is subsequently received by the employer. However, the question is whether or not the amount was appropriate as the value for the assignment of the employee invention at the time of the assignment, and no retrial should be allowed even if the invention produces an unexpectedly high profit, or conversely, a low profit after assignment (i.e. such outcomes do not constitute grounds for retrial under Article 338 of the Code of Civil Procedure).

87 Essentially, patent rights are very risky. There is a risk that grounds for invalidation would be found or a better invention would be made in the future and the value of the invention would decrease considerably. However, the riskiness is not specific to patent rights; there are also many other products, such as shares of stock, for which predictions could fall short.

88 Hisayoshi Yokoyama, "Shokumu Hatsumei Seido No Yukue" (Future of the Employee Invention System), *Jurist*, No. 1248 (2003), p. 40. This essay mentions that, because it is also important for the employee to receive the value for the invention as quickly as possible, it was decided that the right to claim the value for the invention should take effect and the amount of the value should be fixed at the time of the assignment of the right.

89 For details, see Hisayoshi Yokoyama, "Shokumu Hatsumei Ni Okeru 'Sōtō No Taika' No Kihonteki Kangaekata" (Basic Idea of "Reasonable Value" for an Employee Invention), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 74.

were not conditions concurrent.⁹⁰ Under the revised Act of 2015, the right to obtain a patent originally belongs to the employer if there is such a “stipulation,” so conditions concurrent never arise.

(vii) Prescription

Prescription commences when it has become possible to exercise a right (Article 166, paragraph (1) of the Civil Code). Since the right to claim reasonable benefits (the value, before the Act of 2015) for an employee invention is a specified claim stipulated in Article 35 and does not arise from a unilateral commercial act, prescription has been determined to be ten years in all relevant court judgments, and hardly any objection has been indicated against this.⁹¹ In the 2004 revision, there was an opinion that a shorter extinctive prescription should be recognized as a legislation theory.⁹² However, cases concerning employee inventions are, by their nature, often disputed after the resignation of the employee, which delays the filing of an action. Therefore, if a shorter extinctive prescription is recognized, the employee will not be saved in many cases. Accordingly, it was concluded that the ten-year prescription would be maintained in accordance with conventional case law, without introducing new provisions on prescription.

[83]

If there is no stipulation regarding the time of the payment of reasonable benefits, just as in the case of an ordinary assignment, prescription commences at the time when it

90 The Osaka District Court Judgment, May 18, 1979, *Tokkyo To Kigyō* (Patents and Enterprises), No. 128, p. 49/*Torikeshishū*, 1979 (District Court Section), p. 239/*Tokkyo nyūsu* (Patent News) No. 5210 and 5211 (the Continuous Kneading Machine case).

91 Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]* (Lecture on Intellectual Property Law [2nd ed.]), p. 169 states that the prescription is five years, by applying commercial prescription (Article 522 of the Commercial Code). It mentions that the reason that the prescription has been ten years in court judgments is that the employer had failed to think about invoking commercial prescription, and if the counsel does not invoke commercial prescription, the counsel deserves to be accused of breaching his/her fiduciary duty (p. 171). However, before the 2015 revision, when an employer succeeded to the right to an employee invention, the employer did not receive the right in the course of a commercial act, but under a system especially established under law. Therefore, law cases and prevalent theories acknowledge a ten-year prescription. In addition, the book cites the Tokyo District Court Judgment, September 28, 1983, *Hanta*, No. 536, p. 260 (the Tosen Concrete Pole case), which found a five-year commercial prescription, and indicated that this case does not relate to a pure employee invention, but if the meaning of employee inventions were to be interpreted broadly, an invention made by a technical advisor can be regarded as an employee invention. However, since it is a typical case of a commercial act where an independent technical advisor assigned know-how on devices and designs to the company, it is natural that commercial prescription should be applied, and the question of whether or not the know-how is an employee invention was not disputed in the case. Meanwhile, Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 568 [written by Takuya Iizuka and Hiroyuki Tanaka] states that a short extinctive prescription could be applied in some cases.

92 A short extinctive prescription of two years is recognized for a claim for wages, and of five years for a claim for a retirement allowance (Article 115 of the Labor Standards Act), but since such prescription is secured by penal provisions and administrative dispositions, it cannot be discussed on the same level as the value for an employee invention. Hisayoshi Yokoyama, “Shokumu Hatsumei Seido No Yukue” (Future of the Employee Invention System), *Jurist*, No. 1248 (2003), p. 51 and Michio Tsuchida, “Shokumu Hatsumei To Rōdō Hō” (Employee Invention and Labor Law), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, No. 4 and 5 (2003), p. 556 state that a short extinctive prescription can be considered as a legislation theory, which is worth considering.

becomes possible to claim the reasonable benefits.⁹³ If there is a stipulation on the time of payment of reasonable benefits,⁹⁴ prescription commences at that time, because there is a legal obstacle against enforcement of the right to claim payment of the value until that time arrives (Article 412, paragraph (1) of the Civil Code).⁹⁵ Many companies adopt a system of compensation for performance with a stipulation that a payment will be made in installments for each set period of time, so prescription for the reasonable benefits that arise within a certain period commences at the time of payment predetermined for said period.⁹⁶ Even when there is no stipulation on the time of payment, if a performance-based payment system is adopted, prescription commences at the time when an employee invention is worked (mostly at the end of the fiscal year).⁹⁷

Under the Act of 2015, when an employee invention originally belongs to the employer, the employee may demand not the value for the right to obtain a patent or for the patent right, but a claim that is specially provided under the Patent Act, but prescription commences at the time when it becomes possible to claim the benefits, just as before. In other words, when there is a stipulation on the time of payment, prescription

93 The Tokyo District Court Judgment, December 23, 1983, *Mutai Saishū*, Vol. 15, No. 3, p. 844/*Hanji*, No. 1104, p. 120/*Hanta*, No. 536, p. 312 (the Stainless Steel Gold Plating Method case); the Osaka District Court Judgment, March 4, 1993, *Chiteki Saishū*, Vol. 26, No. 2, p. 405 (the Gosen Fishing Line case), the second instance judgment on the same case, the Osaka High Court Judgment, May 27, 1994, *Chiteki Saishū*, Vol. 26, No. 2, p. 356/*Hanji*, No. 1532, p. 118, the final appeal judgment on the same case, the Supreme Court Judgment, January 20, 1995, 1994 (O) No. 1884; the Nagoya District Court Judgment, January 27, 1999, *Hanta*, No. 1028, p. 227 (the Ohi Kenkou Parking Structure case); the Tokyo District Court Judgment, February 24, 2004, *Hanji*, No. 1853, p. 38/*Hanta*, No. 1147, p. 111 (the Ajinomoto Aspartame case) (the court determined that the prescription commences at the time of the succession to a right, but rejected the prescription defense considering the timing of the acknowledgment of the obligation); the Osaka District Court Judgment, April 28, 2005, *Hanji*, No. 1919, p. 151 (the Sumitomo Chemical case); the Tokyo District Court Judgment, June 8, 2006, *Hanji*, No. 1966, p. 102/*Hanta*, No. 1271, p. 183 (the Mitsubishi Electric Non-volatile Memory case).

94 There can be cases where there is no express stipulation on the time of payment, but the time of payment can be determined by interpretation. When there is a stipulation on compensation for an application or compensation for a registration, the time of the filing or registration of an application may be construed as the time of payment in some cases. In the Tokyo District Court Judgment, January 30, 2004, *Hanji*, No. 1852, p. 36/*Hanta*, No. 1150, p. 130 (the Nichia Corporation Blue LED case), which was a case where provisions on the payment of compensation for an application had been stipulated, the court held that extinctive prescription commences at least from the time of the registration establishing the patent right.

95 The Tokyo District Court Judgment, April 16, 1999, *Hanji*, No. 1690, p. 145/*Hanta*, No. 1002, p. 258 (the Olympus Pickup Device case), the second instance judgment on the same case, the Tokyo High Court Judgment, May 22, 2001, *Hanji*, No. 1753, p. 23/*Hanta*, No. 1064, p. 196, the final appeal judgment on the same case, the Supreme Court Judgment, April 22, 2003, *Minshū*, Vol. 57, No. 4, p. 477/*Hanji*, No. 1822, p. 39/*Hanta*, No. 1121, p. 104; the Tokyo District Court Judgment, November 29, 2002, *Hanji*, No. 1807, p. 33/*Hanta*, No. 1111, p. 96 (the Hitachi Optical Pickup case), the second instance judgment on the same case, the Tokyo High Court Judgment, January 29, 2004, *Hanji*, No. 1848, p. 25/*Hanta*, No. 1146, p. 134; the Tokyo District Court Judgment, September 30, 2004, *Hanji*, No. 1880, p. 84/*Hanta*, No. 1181, p. 333 (the Toshiba Stainless Steel Can case); the Tokyo District Court Judgment, November 16, 2005, *Hanji*, No. 1927, p. 119/*Hanta*, No. 1226, p. 242 (the Otsuka Pharmaceutical Tetrazolylalkoxycarbostyryl Derivatives case).

96 The Tokyo District Court Judgment, September 30, 2004, *Hanji*, No. 1880, p. 84/*Hanta*, No. 1181, p. 333 (the Toshiba Stainless Steel Can case); the Tokyo District Court Judgment, May 29, 2006, *Hanji*, No. 1967, p. 119/*Hanta*, No. 1250, p. 305 (the NTT Advanced Technology Printer case).

97 The Osaka District Court Judgment, November 26, 2003 (not included in any law report) (the Otsuka Pharmaceutical Meptin case); the Osaka District Court Judgment, April 28, 2005, *Hanji*, No. 1919, p. 151 (the Sumitomo Chemical case). In the Osaka District Court Judgment, April 26, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 282/*Hanta*, No. 536, p. 337 (the Minolta Autofocus case), which is not a case concerning prescription, the court stated that the obligation to make a payment has not yet been established where there is no stipulation on the time of payment, but there is a stipulation on performance-based compensation.

commences at the time when it becomes possible to claim benefits according to that stipulation. If there is no such stipulation (Article 35, paragraph (7)), prescription commences at the time when the employer acquires the right, which is the time when it becomes possible to claim benefits.

(4) Other Issues

A. Right to obtain a patent in another country

Article 35 of the Patent Act provides for the way in which Japanese employee inventions should be handled in Japan, and does not *directly* provide for how they should be handled when filing foreign applications for them. There is a question of whether it is lawful to establish a “stipulation” in advance providing that, when an employee makes an employee invention in Japan, the right to obtain a patent in a foreign country shall vest in the employer, and whether the employee can claim reasonable benefits under Article 35 when the employer acquires the right to obtain a patent. In short, it is a question of whether Article 35 is applied or applied by analogy, or whether Article 35 is not applied and the issue is left to a contract between the parties.

This issue is deeply related to how the nature of Article 35 is viewed. If the Article is viewed as a mandatory provision strongly characteristic of a labor law for protecting the inventor who is an employee in a weak position, there is hardly room to stipulate the governing law by contract, and Article 35 would likely be applied to Japanese employee inventions even when foreign applications are filed for them. In contrast, if the Article is viewed as being strongly characteristic of a contract law, the governing law would likely be stipulated by based on the intention of the parties. From a patent law perspective, there is a question of what interpretation will contribute the most to Japan’s industrial development, that is, the most favorable for providing an incentive for making inventions and promoting industrial development.

[85]

While Article 35 is construed to be a unilateral mandatory provision from the viewpoint of protecting the weak, it is also applied to an officer, etc. of a juridical person, so it cannot be completely determined as a provision which is characteristic of a labor law. Also, considering the basic structure of Article 35, the provision cannot be regarded as completely relying on contracts. No legislative measure was taken regarding this issue either at the time of the 2004 revision or the 2015 revision, so the issue remains as a matter of interpretation. In any case, it is difficult to deal with this issue by a single rule in a unified manner.

Turning our eyes overseas, other countries have different systems and rules with regard to the ownership and the value for employee inventions, and since employee inventions are also related to labor issues, any discussions about such issues will have a domestic aspect, and there is no momentum toward unifying the systems worldwide.

Based on Article 4*bis* of the Paris Convention, which provides for the principle of the independence of patents, the establishment, extinguishment, ownership, effects, etc. of patents are decided by the patent law of the country of registration. Some countries provide that it is the employer who is the owner of the right to file a patent application, some countries provide that it is the employee who is the owner, and some countries do not allow the assignment of such right. The ownership of the right depends on the law of the country of registration of the patent. However, there is a view that the issue of assignment after the original ownership has been decided is basically a matter of contract, and that the claim-causing juridical act is a matter concerning Article 7 of the Act on General Rules for Application of Laws, and further there is a view that Article 35 of the Japanese Patent Act should be regarded as an issue similar to a labor issue rather than a contract issue, and that the Article should be applied directly. In contrast, there is also a view that the issue of an employee invention is closely related to the establishment and ownership of a patent right, so it should be fully dealt with by the patent law of each country of registration.⁹⁸

Article 35 does not directly mention the right to obtain a patent or the patent right in a foreign country for an employee invention, but even if the right to file an application were to belong to the employee, as in the case before the 2015 revision, Article 35 is not considered to prohibit a contract (including an implied contract) to transfer the right to file a foreign application or the right to a pending foreign application, or a foreign patent right to the employer.⁹⁹ However, there remains a question of whether it is permissible to provide for such a measure by a one-sided stipulation. Since the employer's one-sided stipulation is permitted for domestic patents, it would be difficult to construe that such stipulation is not permissible for foreign patents. Not permitting such on-sided stipulation could serve as a disincentive for the employer to invest in research and development.

[86]

Nevertheless, the question of who owns the right to file an application is decided by the law of the country in which the patent is to be obtained. There is no problem in the case of countries where the employer owns employee inventions, but even in countries where the employee owns employee inventions, many countries permit the assignment of the right to file a patent application; so, if there is a stipulation on the assignment of the right to file an application, the employer, who is the assignee, can file an application under the employer's name. In contrast, there are countries like the United States where the assignment of the right to file an application is not permitted. In such case, a desirable

98 With regard to identification of the issues, see Naoshi Takasugi, "Shokumu Hatsumei Ni Motozuku Gaikoku Tokkyo O Ukeru Kenri No Jōto Taika No Junkyo Hō" (Law Governing the Value for Assignment of the Right to Obtain a Foreign Patent Based on an Employee Invention), *Jurist*, No. 1370 (2009), p. 252.

99 It is natural that the contract may be nullified according to general legal principles, such as the violation of public order and morals and abuse of a dominant bargaining position.

interpretation in Japan would be, instead of nullifying the contract for assignment to the employer, to acknowledge an outcome that is as close to the contents of the contract as possible. Specifically, filing an application under the employee's name on the employer's account and assigning the right thereto to the pending application or the patent right to the employer may often be considered as the reasonable intentions of the parties in the case of a contract, and as the intentions of the employer in the case of the employer's one-sided indication of his/her intentions.

The question is whether or not the employee may claim reasonable benefits under Article 35 in such case. It may be possible to consider that Article 35 should be applied directly, considering the nature of Article 35 as a mandatory provision.¹⁰⁰ Also, it may be possible to consider that the succession to a right will be governed by the law of the place chosen by the parties, as it is a juridical act as provided under Article 7 of the Act on General Rules for Application of Laws. Even where the application of Japanese law is premised, there could be a view that Article 35 will be applied (or applied by analogy),¹⁰¹ and a view that Article 35 will only be applied to the right to receive a patent in Japan,

100 In the Osaka District Court Judgment, April 26, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 282/*Hanta*, No. 536, p. 337 (the Minolta Autofocus case), the court held that the right to obtain a patent has been assigned based on the employment regulations, etc. between the employer and the employee, so irrespective of whether the application is filed in Japan or in a foreign country, the relationship between the employer and the employee is regulated by Article 35 and the employment regulations, etc. In the Tokyo High Court Judgment, January 29, 2004, *Hanji*, No. 1848, p. 25/*Hanta*, No. 1146, p. 134 (the Hitachi Optical Pickup case), the court ruled that, while the law governing a contract for assignment of the right to obtain a Japanese patent or a foreign patent for an employee invention is decided by Article 7, paragraph (1) or (2) of the Act on General Rules for Application of Laws prior to revision, even if Article 7 of the Act is not applied, the law of the place that applies most closely to the employment relationship between the employer and the employee will be the law governing said contract for assignment by the rule of reason. The court held that, because Article 35 is a mandatory provision which also has the meaning of a labor regulation, and "reasonable value" should be decided uniformly by law as determined based on the industrial policy of the country to which both parties belong, Article 35, paragraph (3) should be construed to cover the right to obtain a foreign application. In the Tokyo District Court Judgment, February 24, 2004, *Hanji*, No. 1853, p. 38/*Hanta*, No. 1147, p. 111 (the Ajinomoto Aspartame case), the court calculated the amount of the "profit to be received by the employer, etc." by including the profit from foreign patents, holding that whichever governing law is decided upon under the employment contract, Article 35, which is a labor regulation having the nature of an absolute mandatory provision, should be applied, and the "right to obtain a patent" as referred to in Article 35, paragraph (3) does not preclude the "right to obtain a patent in a foreign country."

101 In the Supreme Court Judgment, October 17, 2006, *Minshū*, Vol. 60, No. 8, p. 2853/*Hanji*, No. 1951, p. 35/*Hanta*, No. 1225, p. 190 (the Hitachi Optical Pickup case), the court held that, since the issue of the value for assignment of the right to obtain a foreign patent is an issue of the effects of a claim-causing legal act, the law governing that issue should primarily be decided upon according to the intentions of the parties based on the provisions of Article 7, paragraph (1) of the Act on General Rules for Application of Laws prior to revision, and in this case, Japanese law should be the law governing the value for assignment because there was an implied agreement between the parties to regard Japanese law as the governing law. The court further mentioned that, although Article 35, paragraphs (3) and (4) cannot be applied directly to a claim for the value for assignment, these provisions aim to achieve the purpose of the Patent Act to encourage inventions, and thereby to contribute to the development of industry, by protecting the employee through ensuring that the employee can secure a certain portion of the profit which the employer is objectively expected to receive, given that it is difficult for the two parties to carry out transactions on an equal footing. In addition, the court stated that the right to obtain a patent that takes effect in various countries arises from what is socially recognized as a single invention, and it is construed that the intention of the parties to uniformly process legal relations concerning that invention is entirely ordinary. On these bases, the court concluded that the provisions of Article 35, paragraphs (3) and (4) are applied by analogy.

and not to the right to receive a patent in a foreign country.¹⁰² There is also a view that the governing law should be decided uniformly, and that this issue should be governed by the law of the country in which the right to obtain a patent takes effect.¹⁰³ Another view considers this issue from the perspective of labor law, and insists that the law that is applied to an employment relationship should be the governing law.¹⁰⁴ Concerning this issue, academic theories are also diversified with no sign of convergence. Given that the legal nature of Article 35 cannot be explained by a single principle, any of these theories would have both merits and demerits if adopted. Many law cases have acknowledged the application of Article 35, but academic theories are expected to see continued debates in the future. Issues of external affairs concerning employee inventions are not limited to the above, but are wide-ranging. For example, complicated problems could arise in such cases as where an employee of a Japanese company makes an invention abroad, where an employee of a foreign company makes an invention in Japan, or where multiple employees of a Japanese company complete an invention in multiple countries.

[87]

B. Joint inventions and employee inventions

In the case of a joint invention, the right to obtain a patent is jointly owned by all the inventors concerned, and an individual share of ownership cannot be assigned without the consent of all the other joint owners (Article 33, paragraph (3) of the Patent Act). Since joint research between companies or between a company and a university is becoming increasingly common in large-scale R&D in order to shorten development time, share development funds, diversify risks, and for other reasons, various problems are occurring in relation to employee inventions as a result.

Before the 2015 revision, each employee would deal with the related rights between the employee and his/her employer concerning an employee invention, but the consent of all the other joint owners would be required for assigning his/her share of the right to

102 In the Tokyo District Court Judgment, November 29, 2002, *Hanji*, No. 1807, p. 33/*Hanta*, No. 1111, p. 96 (the Hitachi Optical Pickup case), the court held that, in light of the principle of territoriality, the patent laws of the respective foreign countries should be the laws governing matters including the ownership of the right to obtain a patent in a foreign country, whether or not a non-owner has a license, and whether or not the right to obtain a patent can be assigned and the requirements therefor, and governing the obligation to pay the value for the invention. On such basis, the court stated that Article 35 is only applicable to the right to obtain a Japanese patent and is not applied or applied by analogy to the right to obtain a foreign patent, and dismissed the employee's claim for the value for the employee's invention. Ryō Shimanami, "Gaikoku Tokkyo O Ukeru Kenri Ni Kansuru Shokumu Hatsumei SōTō Taika Seikyū No Kahi" (Possibility of Claiming a Reasonable Value for an Employee Invention with Regard to the Right to Obtain a Foreign Patent), *Jurist*, No. 1296 (2005), p. 78.

103 Hidetaka Aizawa, "Tokkyo Hō 35 Jō No Kaisei Ga Motarashitamono" (Outcome of the Revision of Article 35 of the Patent Act), *Jurist*, No. 1279 (2004), p. 120.

104 Naoki Koizumi, "Tokkyo Hō 35 Jō No Tekiyō Han'ri" (Scope of Application of Article 35 of the Patent Act), *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 128, No. 4 and 5 (2003), p. 574; Naoki Koizumi, "Tokkyo Hō 35 Jō No Kaishaku Ni Kansuru Shūen Teki Ronten" (Peripheral Issues Concerning Interpretation of Article 35 of the Patent Act), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 129; Yoshiyuki Tamura "Shokumu Hatsumei Ni Kansuru Teishoku Hō Jō No Kadai" (Challenges of Conflict of Laws Concerning Employee Inventions), *Intellectual Property Law and Policy Journal*, No. 5 (2005), p. 10.

obtain a patent (Article 33, paragraph (3) of the Patent Act) or his/her share of the patent right (Article 73, paragraph (1) of the Patent Act), or for granting a provisional exclusive license or an exclusive license (Article 33, paragraph (4) and Article 73, paragraph (3) of the Patent Act). Thus, although it is an employee invention, the employee needs to gain the consent of the other joint owners to assign, etc. those rights to his/her employer. This principle does not change even when the right is to be succeeded to or licensed based on the employer's one-sided stipulation. Without the consent of the other joint inventors who are not employees of the same company, the employer will not be able to succeed to or obtain a license for the right despite the presence of such stipulation. Such a conclusion is considered to be inappropriate, and in that sense as well, an advance contract had an extremely important meaning. If one's employee is one of joint inventors of an invention, and that invention falls under an employee invention, the employer should be justifiably entitled to a non-exclusive license for the invention, even when the right thereto cannot be succeeded to.¹⁰⁵ It is construed that the employer can have a license to the entire invention despite his/her employee being only one of the joint inventors, because a person having a share of a patent right can work the entire invention regardless of the amount of the share owned (Article 73, paragraph (2) of the Patent Act).

Under the revised Act of 2015, if there is a certain “stipulation,” the right to obtain a patent for an employee invention originally belongs to the employer, so even if an employee of a certain employer makes a joint invention with an employee of another employer, the share of the right to obtain a patent for the employer's own employee will belong to that employer, so the right became jointly owned by the two employers, and the complicated situation that occurred before the revision could be avoided.

C. Directors' inventions

Any transaction between a company director and his/her company requires approval from the shareholders meeting in the case of a company other than a company with a board of directors (Article 356, paragraph (1), item (i) of the Companies Act), and approval from the board of directors in the case of a company with a board of directors (Article 365, paragraph (1) of the Companies Act).¹⁰⁶

Before the 2015 revision, there was a question of whether the approval of the general meeting of shareholders or the board of directors was also required when assigning the rights to an employee invention made by a director to the company or granting a provisional exclusive license or an exclusive license for the invention to the

¹⁰⁵ Though it is a case on an employee design, see the Osaka District Court Judgment, January 26, 1987, *Hanta*, No. 640, p. 217 (the Ikeda Drill for Making Holes in Rigid Materials case). Ryūichirō Sengen, *Tokkyo Hō Kōgi [Dai 4 Han]* (Lecture on Patent Law [4th ed.]), p. 142.

¹⁰⁶ For example, the purchase of raw materials which constitutes a company's main business incidental to the purpose of the company is also a transaction that requires approval (the Supreme Court Judgment, June 4, 1949, *Minshū*, Vol. 3, No. 7, p. 235 [the Tōkai Mokuzai Kōgyō case]).

company. Many theories say that approval is required,¹⁰⁷ but that is unrealistic. The approval of the board of directors should only be required for a transaction that could cause a conflict of interest between the company and the director, and should not be required uniformly for all transactions.¹⁰⁸ An invention made by a director should not require the approval of the shareholders meeting or the board of directors, as long as it is processed under the same stipulation as that for other employees. As patent applications often need to be filed quickly, the appropriate timing may be lost by waiting for a shareholders meeting or a board of directors meeting, and the practice of waiting for approval is very likely to inflict damage on the company. This issue is very important because there is a large number of directors that serve concurrently as employees in Japan. The only way the company's profits are harmed is when the amount of the value for the assignment is abnormally high for that patent right. If so, the assignment should not be invalidated due to a lack of approval of assignment. Rather it should be an issue of the amount of the value for the invention. The assignment should be regarded as being valid, and the matter should be processed as an issue of the amount.

[89]

After the 2015 revision, the right to obtain a patent came to belong to the employer at the time of completion of the invention if there is a certain “stipulation,” for an invention made by any employee including directors, so to that extent, the problem of the approval of the board of directors, etc. does not occur.

[89]

1.1.4. Foreign Nationals (Article 25 of the Patent Act)

1.1.4.1. Foreign Nationals' Eligibility to Enforce Rights

Today, as international exchanges are dramatically increasing in all areas including between people, commodities, capital, and information, many countries around the world recognize the eligibility of foreign nationals to enforce their rights, in principle. The Civil Code of Japan also acknowledges the private rights of foreign nationals under Article 3,

107 Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 484 [written by Takuya Iizuka and Hiroyuki Tanaka]. In the Tokyo District Court Judgment, December 23, 1983, *Mutai Saishū*, Vol. 15, No. 3, p. 844 (the Stainless Steel Gold Plating Method case), the court stated, in opposition to the defendant's allegation of the assignment being invalid because it had not gained the approval of the board of directors, that a report on the preparation of the filing of the application had been made by the board of directors, so that should be recognized as approval. It cannot be determined that court cases require approval from the board of directors merely based on this judgment, because the approval of the board of directors was not taken up as an important point of issue in this judgment.

108 For instance, if the director of a bank deposits money as a general user according to general terms and conditions, it may technically be a transaction with the company, but it does not cause a conflict of interest so it does not require the approval of the board of directors. Article 356, paragraph (1), item (iii) of the Companies Act provides that the approval is required only if the transaction results in a conflict of interest.

paragraph (2), unless otherwise provided for by applicable laws, regulations or treaties. In connection with this, Article 25 of the Patent Act provides that foreign nationals can enjoy individual eligibility to enforce their rights related to patents in the following three cases.

[90]

The first is the case where the foreign national is domiciled or resident (or, in the case of a juridical person, with a business office) in Japan (the principal sentence of Article 25 of the Patent Act). This requirement is written in the same manner as the provision on patent administrators for overseas residents (Article 8 of the Patent Act) and the provision on the scope of authority of representation (Article 9 of the Patent Act). A domicile refers to the principal place where a person lives (Article 22 of the Civil Code), but a person does not need to have the intention of settling there permanently. A temporary address cannot be considered to be a domicile in this context. A residence refers to a place which a person continuously inhabits although it is not the principal place wherein the person lives. A business office refers to a place where a person conducts business and where he/she intends to continue to do so, and its substance must be determined from the perspective of the Patent Act. Such business office excludes such places that exist only in name, and includes all places where business is conducted in actuality.¹ It does not merely refer to stores, but also to places such as factories and farms. It should be interpreted consistently with the concept of an establishment that serves as the basis for individual eligibility to enforce rights under the Paris Convention (Articles 2, paragraph (2) and Article 3 of the Paris Convention).

The second is the case where the foreign national is a national of either a country that provides a national treatment to Japanese people or a country that adopts the reciprocity principle (Article 25, items (i) and (ii) of the Patent Act). The Patent Act provides that if the patent-related rights of Japanese nationals are recognized in a foreign national's country under the same conditions as those for the nationals of that country, the patent-related rights of that country's nationals will also be acknowledged in Japan.² In practice, once a foreign national proves that his/her country adopts the reciprocity principle, there is no longer a need to submit a document proving that said country adopts the reciprocity principle, as a general rule.³

The third is the case where individual eligibility is specifically provided by treaty

1 Supervised by Mitsue Toyosaki and Nobuhiro Nakayama, *Radasu Kokusai Kōgyō Shoyūken Hō*, (Ladas International Industrial Property Law) p. 1224.

2 A foreign national may be ordered to submit a document proving that the foreign national's country adopts the reciprocity principle, when filing a patent application (Article 7, item (ii) of the Patent Act Enforcement Ordinance).

3 Specifically, as of 2012, the reciprocity principle is adopted in the Turks and Caicos Islands, Samoa, and the Republic of Vanuatu, and adoption of the reciprocity principle has been confirmed through an official reply in the British colonies of Anguilla, Bermuda, the Virgin Islands, Guernsey and Jersey of the Channel Islands, the Falkland Islands, Gibraltar, the Cayman Islands, Montserrat, and Saint Helena.

(Article 25, item (iii) of the Patent Act). The Paris Convention is the most important treaty in this regard, but there are also countries that conclude individual treaties with Japan, and the nationals of such countries are subject to this provision. Since Article 26 of the Act provides that where specific provisions are provided by treaty, such provisions shall prevail, the provision of this item exists to act as a guarantee.

Foreign nationals who are not nationals of the countries that fall into one of the above three categories cannot enjoy individual eligibility to enforce rights related to patents, but such people would be rare in reality.

[91]

Due to the economic globalization trend, efforts are being made to internationally harmonize the patent system as well as other intellectual property systems. Thus, it is desirable to settle the issue in a way that recognizes the broadest possible rights of foreign nationals as well. An ideal theory would be to eliminate the reciprocity principle and to open the door to all foreign nationals,⁴ but then countries that have no patent system and countries that discriminate against foreign nationals would have no incentive to rectify such situations. However, there would be no problem in opening the door to all foreign nationals, because the Paris Convention and the WTO TRIPS Agreement, to which most countries of the world have acceded, adopt the national treatment principle.

1.1.4.2. Definition of Foreign National

A person who does not have Japanese nationality is referred to as a foreign national. Specifically, a foreign national refers to a person who has foreign nationality and who is a stateless person. A person who has both Japanese and foreign nationality (dual nationality) is treated as a Japanese national. The JPO Commissioner can order the submission of a nationality certificate when he/she recognizes it to be necessary in connection with the procedures taken by a foreign national (Article 7, item (i) of the Patent Act h). It should be considered that a foreign national who is domiciled or resident in Japan does not fall under the case that requires a nationality certificate. In addition, a foreign national who is domiciled or resident in a member state of the Paris Convention should be treated according to the interpretation of the Paris Convention (Article 26 of the Patent Act), and as a result, such foreign national is construed as being eligible to enforce the rights relating to a patent. A stateless person who is domiciled or resident in Japan and a person who is domiciled or resident in a member state of the Paris Convention

⁴ The newest industrial property law, the “Act on the Circuit Layout of a Semiconductor Integrated Circuits” (the so-called Semiconductor Chip Act) (Act No. 43 of 1985) does not adopt the reciprocity principle, but recognizes ownership rights for all foreign nationals. Meanwhile, the U.S. Semiconductor Chip Protection Act adopts the reciprocity principle, but since this was the world’s first legislation of its kind, it is said to have been intended to promote similar legislation in other countries.

or the WTO should be construed as being eligible to enjoy the rights relating to a patent.⁵

1.1.4.3. Nationals of Countries with which Japan Has No Diplomatic Relations

There is a question as to whether or not eligibility to enforce the rights related to patents in Japan should be recognized for a national of a country with which Japan has no diplomatic relations, but which recognizes such eligibility for Japanese nationals or adopts the reciprocity principle. There is only one court decision regarding this matter;⁶ the gist of the decision is that the question of whether or not to acknowledge diplomatically a country as a state is only an issue of diplomatic policy, and as long as the country satisfies the substantive requirements for a state, it complies with the purpose of the reciprocity principle and it is reasonable on the basis of the equality principle of the Paris Convention to recognize rights related to patents for that country's nationals. This conclusion is reasonable, and also in theory it is hardly controversial. Nevertheless, even if a country with which Japan denies diplomatic relations were a member of the Paris Convention, the Convention would not be effective between that country and Japan due to the lack of diplomatic relations. Therefore, the prevailing view is that nationals of such country would not be able to enjoy the benefits of the Paris Convention, such as the right of priority, in Japan, and would consequently be considerably disadvantaged in reality.⁷ The TRIPS Agreement provides that not only countries, but also separate customs territories can also become members of the WTO. Taiwan is a member of the WTO, so Taiwanese people also have the rights provided under the TRIPS Agreement.

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5 Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 27; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 243.

6 The Tokyo High Court Judgment, June 5, 1973, *Mutai Saishū*, Vol. 5, No. 1, p. 197 (the East Germany case). In this case, the plaintiff, who was a juridical person of the German Democratic Republic (East Germany) with which Japan had no diplomatic relations at the time, requested a trial for invalidation of a trademark registration, but since the request was dismissed by the JPO, the plaintiff filed a suit against the JPO's trial decision. The court held that an East German juridical person has the capacity to request an invalidation trial, as long as East Germany adopts the reciprocity principle. A final appeal on this case was dismissed on the grounds that the original decision was reasonable, as mentioned in the Supreme Court Judgment, February 14, 1977, *Hanji*, No. 841, p. 26. This case is not related to the enjoyment of rights, but to procedures. Although it is a case under the old Trademark Act (Act of 1921), it also serves as a valuable precedent under the current Act.

7 While it is a case related to copyright, in the Supreme Court Judgment, December 8, 2011, *Minshū*, Vol. 65, No. 9, p. 3275/*Hanji*, No. 2142, p. 79/*Hanta*, No. 1366, p. 93 (the North Korean Cinematographic Work case), the court held that, even if North Korea, which Japan does not recognize as a sovereign state, were to join the Berne Convention ex post facto, as long as the Japan takes stance of not recognizing any rights and obligations under the Convention in its relationship with North Korea, a cinematographic work of North Korean nationals does not correspond to a work as prescribed in Article 6, item (iii) of the Copyright Act (a work in respect of which Japan has an obligation to grant protection under an international treaty). In contrast, Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō/Ge*, p. 211 [written by Yasuto Komada] states that private-law-like provisions of the Paris Convention, for which official diplomatic relations do not become a direct issue, can also be positively interpreted for unrecognized states.

1.1.4.4. Effect of Violation of Article 25 of the Patent Act

A patent application that violates Article 25 of the Patent Act will be refused (Article 49, item (ii) of the Patent Act), and if the application were registered, the violation serves as grounds for invalidation (Article 123, paragraph (1), items (ii) and (vii) of the Patent Act). However, it is provided that if the patentee becomes ineligible to enforce the rights related to a patent after the patent registration, the patent becomes invalid from that point (proviso to Article 125 of the Patent Act, Article 123, paragraph (1), item (vii), and Article 25), and the effect of the invalidation retroacts to the point of time when the foreign national became no longer able to enjoy the right.

If a patent right is transferred from a patentee to a foreign national who is ineligible to enforce his/her rights, the transfer should be construed as being invalid, rather than the patent right itself becoming invalid.⁸

⁸ Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 28.

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1.2. Subject Matter of a Patent Right

1.2.1. Definition of the Subject Matter of a Patent Right

1.2.1.1. Definition of an Invention (Article 2, paragraph (1))

The subject matter of a patent right is an invention, but only a few patent laws in the world stipulate the definition of an invention.¹ The old Japanese Patent Act (Act of 1921) did not have definition provisions either,² so the definition was left to scholarly theories and court decisions. However, as post-war-legislated laws generally included definition provisions and because the definition of an invention is important, the definition was stipulated in Article 2, paragraph (1) upon the enactment of the 1959 Patent Act for the purpose of clarification.³

According to the Patent Act, an “invention” is defined as “the highly advanced creation of technical ideas utilizing the laws of nature” (Article 2, paragraph (1) of the Patent Act). This is considered to be based on the definition by Kohler.⁴ Many theories are more or less based on a similar concept, though the expressions may be slightly different.

The current Japanese Patent Act defines inventions in general in Article 2, paragraph (1) and mentions that, of such inventions, those that satisfy the requirements in Article 29 are patentable. Some scholars consider that it is unnecessary for the Patent Act to define inventions in general, but that it is sufficient to provide for only patentable inventions.⁵ At the same time, there are also theories that are skeptical about establishing a definition for an invention in the Patent Act, in light of the inherent difficulty of defining inventions.⁶ As long as the Patent Act protects inventions, their definition would be

1 Some patent laws have formal definition provisions, but do not define what an invention is in practical terms, such as “the term ‘invention’ means invention or discovery” (35 U.S.C. 100 (a)); here a “discovery” implicitly suggests a selection invention). Meanwhile, the United Kingdom had definition provisions in the Patents Act of 1949 (§ 101 (1)), but deleted them in the Patents Act of 1977. Article 52 of the European Patent Convention provides a passive definition which lists subject matters and activities that are not regarded as patentable inventions (a negative list).

2 The old Act provided that a person who makes an industrial invention may obtain a patent for said invention (Article 1 of the old Act), but it did not have a provision defining an invention.

3 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Shoyūken Hō) Chikujō Kaisetsu [Dai 19 Han]*, (Clause-by-Clause Explanation of Industrial Property Acts [18th ed.]), p. 13.

4 Kohler, *Lehrbuch des Patentrechts* (1908), S.13. Takeo Suzuki, “Kōrā No Hatsumei No Gainen” (Kohler’s Idea of Invention), *Tokkyō To Shōhyō* (Patents and Trademarks), Vol. 3, No. 9 (1934), p. 29.

5 For an opinion that is skeptical about stipulating a separate definition of inventions in general and another one for patentable inventions, see Bunzō Takino, “Hatsumei No Teigi” (Definition of an Invention), *Hogaku shimpo*, Vol. 74, No. 11 and 12 (1967), p. 55; Takeshi Akiyama, “Hatsumei/Hakken/Shinkisei” (Invention/Discovery/Novelty), *Tokkyō Kanri* (Patent Management), Vol. 12, No. 1, p. 12.

6 Isay, *Patentgesetz und Gesetz betreffend der Schutz von Gebrauchsmustern*, 5. Aufl., S. 41., Elster, *Urheber und Erfinder, Warenzeichen und Wettbewerbsrecht*, 2. Aufl., S. 284. *Tokkyō Hō Seminā (1) Hatsumei* (Yuhikaku, 1969), p. 12, [Comment by Masuji Hara].

important. However, there is a question of whether such a definition should be stipulated in the Patent Act or whether it should be left to scholarly theories and court decisions. If it is stipulated in the Patent Act, the concept of an invention would be very clear, and it would be easier to determine the scope of the application of the Act. On the other hand, the concept of an invention would be fixed, so there is a risk that the Act would not be able to meet the new demands of the times. In particular, due to the recent technological innovation, the center of industry has dramatically shifted from the manufacturing sector to the tertiary sector, or from *hard* industries to *soft* industries, and some newly emerging technologies do not fit the concept of an invention in the conventional sense.⁷ In order to deal with such needs promptly, it may be better to leave the definition of inventions to scholarly theories and court decisions. Meanwhile, there is also a view that the requirement of the “laws of nature” should be deleted from the existing definition provision or that the definition provision itself should be deleted, but changing the definition provision could have unexpected side effects, so considerable care should be taken in the event of making such a deletion, unlike in the case of drafting a provision from scratch.⁸ Incidentally, revision of the definition provision of inventions was discussed upon the 2002 revision of the Patent Act, but it was shelved.

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The Japanese Patent Act has a definition provision on inventions, but its details are left to theories and court decisions. The following section discusses the content of that definition.

1.2.1.2. Utilization of the Laws of Nature

(1) Meaning of laws of nature

First of all, an invention must utilize the “laws of nature” (Article 2, paragraph (1), and Article 29, paragraph (1) of the Patent Act). Utilization of the laws of nature means the use of the principle of cause and effect underlying a natural phenomenon.⁹ The definition whereby an invention must utilize the laws of nature simply adopts a scholarly theory advocated in the 19th century. In those times, the system of patents for substances was not popular and the concept of selection inventions was still not clear. As a matter of course, the presently disputed technologies such as computer software and biotechnology

7 For instance, computer software and biological inventions constitute types of such new technologies. Of course, the question of whether or not it is appropriate to protect all of these new technologies by the Patent Act should be examined, but at the very least it is a fact that the Patent Act loses flexibility by including definition provisions on inventions.

8 Hiroaki Sakai, “Tokkyo Hō 2 Jō 1 Kō Ron” (Discussion on Article 2, paragraph (1) of the Patent Act) Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 143.

9 Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 13 [written by Ryūta Hirashima].

did not exist. Due to such changes in technology, today, it is necessary to interpret the concept of the laws of nature quite flexibly in order to meet the needs of the times.

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Article 2, paragraph (1) appears to give a positive definition of an invention, but in substance, it has very little positive meaning. The laws of nature in this context should only be interpreted as indicating that mere mental activities,¹⁰ pure and simple academic principles,¹¹ artificial arrangements,¹² etc. are excluded from inventions. The pure and simple mental activities of human beings do not utilize the laws of nature, so they do not constitute an invention by themselves, but inventiveness is not denied simply by the fact that a human mental activity or an artificial arrangement is included in an invention. A technical idea is regarded as an invention if it is found to utilize laws of nature by judging from the entire statement of the scope of claims.¹³ Incidentally, the fact that an invention must utilize a law of nature implies that an actual law of nature itself (e.g. the

10 For example, memorization techniques and methods of displaying and selling goods (these may contribute to greatly increasing sales, but only utilize people's psychology), melodies, rhythms, etc.

11 For example, mathematical principles such as the Pythagorean theorem, economic principles, legal principles, etc. In the Tokyo District Court Judgment, January 20, 2003, *Hanji*, No. 1809, p. 3/*Hanta*, No. 1114, p. 145 (the Balance Sheet by Fund case), which was a case relating to a utility model, the court held that "creation of a technical idea cannot be granted a utility model registration if the idea solely uses a principle or a law that involves human mental activity, a social science principle or law, or artificial arrangements (similarly, a utility model registration should not be granted not only when no part of the creation utilizes a law of nature, but also when only a very small part of the creation utilizes a law of nature and such part does not have a technical significance)," and concluded that "the device in question is a creation which utilizes a certain economic law or an accounting law and of which the subject matter is human mental activity per se, and it is not a creation utilizing a law of nature."

12 For example, rules of sport and games, cryptographic code books, etc.

13 In the Intellectual Property High Court Judgment, August 26, 2008, *Hanji*, No. 2041, p. 124/*Hanta* No. 1296, p. 263 (the Bilingual Dictionary case), the court held that the invention focuses on the fact that people have an especially high natural ability to distinguish consonants, and that it is a method for repetitively and continuously realizing the specific effect of finding the meaning of an English word without knowing the correct spelling, by making use of such a characteristic. On such a basis, the court concluded that the creation of a technical idea utilizing a law of nature is being indicated as a core means for solving the problem. In contrast, in the Intellectual Property High Court Judgment, June 14, 2007, court website (the Cosmology case), the court stated that the invention classifies a large number of pairs of words into four groups of ideas, namely, cosmology, beginning of life, birth of human beings, and civilization, according to the meanings of those words, and sorts out those pairs of words by listing them; the court held that, even if the laws of nature were taken into consideration in the process of classifying and sorting out those words, the invention as a whole merely classifies and sorts out words (pairs of words), and is not found to be utilizing the laws of nature. In the Intellectual Property High Court Judgment, March 6, 2013, *Hanji*, No. 2187, p. 71 (the Calendar of Great Figures case), the court held that "subject matter that does not utilize a law of nature, such as a law of mathematics or economics, an empirical rule based on a human psychological phenomenon (a law of psychology), or mere presentation of information does not constitute an invention." The court stated, with regard to a calendar that describes various matters about great figures, that "determination on whether or not the presented information is knowledge which a person should acquire as a member of society or learning that is useful for academic work is merely a selection based on human subjectivity which is unrelated to laws of nature." In the Intellectual Property High Court Judgment, June 24, 2008, *Hanji*, No. 2026, p. 123 (the Bidirectional Dental Therapy Network case), the court held that, even if an invention includes an act carried out by human mental activity, if the essence of the invention supports human mental activity or provides an alternative technical means, the invention constitutes a statutory invention. The court stated that the "means to determine the required dental restoration" and the "means to formulate an initial therapy plan including the design standards for the prepared specimen of the dental prosthetic material for the dental restoration" includes elements that are realized by human acts, and mental activities such as evaluation and determination are considered to be necessary for implementing those means, but in light of the purpose of the invention and the detailed explanation of the invention, which are written in the description, the invention in question is not directed at mental activity itself. The court further mentioned that, as a whole, the invention is understood to be one that comprises a "network server equipped with a database," a "communication network," a "computer installed at a dental therapy room," and "equipment that can display and process images," that functions based on a computer, and that provides technical means for supporting dental therapy.

universal law of gravitation) is not an invention.

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Court decisions also hold that cryptographic methods combining characters, numbers and symbols are not inventions for they do not utilize a law of nature,¹⁴ and an advertising method to display advertisements by moving them in rotation around a few sets of utility poles and billboards, using a catch on each pole, does not constitute an invention because it does not utilize elemental powers in any way.¹⁵ There is also a court decision in which the court ruled that an algorithm that merely indicates a method to solve a mathematical problem or a mathematical calculation procedure is not a creation of technical ideas utilizing the laws of nature.¹⁶

Given that a law of nature must be utilized, those things that are against the laws of

14 There are the following cases under the old Patent Act: the Tokyo High Court Judgment, February 28, 1950, *Gyōshū*, Vol. 1, No. 7, p. 1066 (the Alphabetic Single Cable Code Creating Method case), and the final appeal judgment on the same case, the Supreme Court Judgment, April 30, 1953, *Minshū*, Vol. 7, No. 4, p. 461; the Tokyo High Court Judgment, November 14, 1953, *Gyōshū*, Vol. 4, No. 11, p. 2716 (the Japanese-Character Single Cable Code Creating Method case). The concept of inventions is considered not to have changed between the old Act and the current Act, so they are valuable precedents even under the current Act. It should rather be understood that Article 2, paragraph (1) of the current Act was created through these precedents. While it may be clear in consideration of the period when these cryptography-related court decisions were handed down, the cryptographic methods mentioned here are classic ones that used random code tables. Such cryptographic methods merely utilize artificial rules and do not utilize a law of nature. However, current cryptographic technologies are completely different. In an information era, cryptographic technologies are indispensable for electronic money and e-commerce, and the issue of their patentability is the same as the issue of the patentability of software. In fact, many cryptographic technologies have been patented.

15 The Tokyo High Court Judgment, December 25, 1956, *Gyōshū*, Vol. 7, No. 12, p. 3157 (the Utility Pole Advertising Method case). In the Tokyo High Court Judgment, February 12, 1986, *Hanrei Kōgyō Shoyūken Hō 2001* (Law Report: Industrial Property Law 2001), p. 15/*Tokkyo Nyūsu* (Patent News) No. 6901 (the Electronic Mirrored Dressing Table case), the invention of an electronic mirrored dressing table that places a television behind it to enable a person to see his/her back was judged unpatentable for merely being a method of arranging a television unit without a technical means utilizing a law of nature. In the Tokyo High Court Judgment, July 31, 1951, *Gyōshū*, Vol., 2, No. 8, p. 1273 (the Spot Announcement Device case), it was held that a device to use the margins of a book as spaces for spot announcements to deliver entertaining content and advertisements cannot be protected as a utility model. In contrast, in the Tokyo High Court Judgment, May 26, 1999, *Hanji*, No. 1682, p. 118 (the Video Recording Media case), the court held that the invention in question, which is structured to record lyrics as characters and to record those characters that should be sung in a different color so as to distinguish them from other characters, and which actually provides such outcome, has a technical feature in the presentation of information with regard to the characters, and therefore the invention is patentable. In the Intellectual High Court Judgment, October 31, 2007, court website (the Medicine Bag with a Tear-off Line case), the court held that even though the invention partly includes an artificial arrangement, etc., it is regarded as utilizing the laws of nature as a whole.

16 The Tokyo High Court Judgment, December 21, 2004, *Hanji*, No. 1891, p. 139 (the Circuit Simulation Method case). The court held as follows: With regard to the “mathematical model of the circuit,” which is to be processed by the invention in question, the description in the scope of claims only mentions “non-linear simultaneous equation indicating circuit characteristics.” It merely formulates circuit characteristics as a nonlinear simultaneous equation based on a physical law, and makes no indication as to how the non-linear simultaneous equation reflects the electric properties of each element constituting an actual circuit. Moreover, the formulated model is a mathematical, non-linear simultaneous equation itself. Accordingly, the invention in question is not a “creation of technical ideas utilizing the laws of nature.” In the Intellectual Property High Court Judgment, February 29, 2008, *Hanji*, No. 2012, p. 97 (the Method to Generate Abbreviated Expression of Bit Group case), the court stated that an algorithm itself is a pure academic law, which does not utilize a law of nature, and even if the algorithm is computed by using an existing arithmetic unit, it does not add any technical idea that utilizes a law of nature.

nature are not inventions, as represented by a perpetual motion machine¹⁷
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If an inventor creates something that utilizes a law of nature, but he/she is not aware of that law, his/her creation is still regarded as an invention.¹⁸ Further, even if something is created through a mistaken understanding of a law of nature, if a certain result is derived therefrom, it would be an invention. In short, it is sufficient to have a certain effect achieved by a specific technical means that utilizes a law of nature, even if, in extreme cases, it may appear as the work of the devil to the inventor.

An invention based on the discovery of an unknown attribute of a known product and the product becoming suitable for a new use as a result of such discovery is called a use invention. In the case of chemical substances, it is often difficult to identify how they can be used by looking at their structure, so use inventions are used. On the other hand, usually, a new use is rarely found for the case where the product and its use are combined (even if a new use is found, it is often not novel and involves no inventive step) such as in the case of products in the machinery field. Conventionally, there had been disputes over the question of whether or not a use invention of a substance utilizes a law of nature. At present, however, there is no dispute about the fact that inventions of new uses for

17 The Tokyo High Court Judgment, April 4, 1952, *Gyōshū*, Vol. 3, No. 3, p. 563 (the Perpetual Motion Machine case); the Tokyo High Court Judgment, March 31, 1956, *Gyōshū*, Vol. 7, No. 3, p. 640 (the Self-Generator case); the Tokyo High Court Judgment, June 27, 1967, *Torikeshishū*, 1967, p. 441 (the Homopolar Direct Current Generator case); the Tokyo High Court Judgment, June 29, 1973, *Hanta*, No. 298, p. 255 (the Infinite Power Generating Method case). Masahiko Gotō “Eikyū Kikan No Yume To Genjitsu” (Dreams and Reality of Perpetual Motion) (Japan Institute of Invention and Innovation, 1988) describes in detail, while citing actual examples, that a perpetual motion machine is impossible as it goes against a law of nature, the energy conservation law. There is also an idea that an infeasible invention such as a perpetual motion machine can be patented, because it would cause no actual harm. 18 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 53; Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]). In the Osaka District Court Judgment, February 14, 1966, *Hanji*, No. 456, p. 56 (the Fused Alumina case), which was a case on prior user's right and thus cannot be generalized, the court stated that it is sufficient if a prior user is able to understand by experience the external causal relation for solving the problem and is able to have factual control, and the prior user does not need to have a theoretical understanding of the external causal relation. Also, in the Tokyo District Court Judgment, October 29, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 409 (the Drum Brake Shoe Supporting Mechanism case), the court held that even if the creator of a device lacked awareness or had an erroneous awareness of the causal relation or theoretical relation between the means for solving the problem and the action/effect, it does not affect its ability to be protected as a device. A similar view was indicated in the Tokyo District Court Judgment, September 28, 1993, *Torikeshishū*, 1993, p. 159 (the *Dokudami* Deodorizing Method case).

18 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 53; Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]). In the Osaka District Court Judgment, February 14, 1966, *Hanji*, No. 456, p. 56 (the Fused Alumina case), which was a case on prior user's right and thus cannot be generalized, the court stated that it is sufficient if a prior user is able to understand by experience the external causal relation for solving the problem and is able to have factual control, and the prior user does not need to have a theoretical understanding of the external causal relation. Also, in the Tokyo District Court Judgment, October 29, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 409 (the Drum Brake Shoe Supporting Mechanism case), the court held that even if the creator of a device lacked awareness or had an erroneous awareness of the causal relation or theoretical relation between the means for solving the problem and the action/effect, it does not affect its ability to be protected as a device. A similar view was indicated in the Tokyo District Court Judgment, September 28, 1993, *Torikeshishū*, 1993, p. 159 (the *Dokudami* Deodorizing Method case).

known substances are patentable.¹⁹ In Japan, use inventions are regarded as product inventions, but in Europe and the United States, they are basically regarded as process inventions. There is room for discussion as to whether they are product inventions or process inventions in theory.

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Use inventions that most frequently present a problem are medicinal use inventions. If a chemical substance (e.g., thalidomide) is publicly known as a hypnotic and sedative drug, but it is newly found that the substance is effective as a drug against multiple myeloma, it can be registered as a use invention. In this way, the second use or the third use of a medicine could become a use invention.²⁰ The Examination Guidelines as revised in 2005 set forth that a medicinal invention defined by combination of two or more medicines, or defined by dosage and administration, is also industrially applicable. Then, the Examination Guidelines as revised in 2009 set forth that an invention of a medicine with a new dosage and administration, which produces effects that exceed the expectations of experts, is to be protected as a *product* invention, and if there is a difference between the claimed medicinal invention and the cited invention in medicinal use of applying the medicine to a specific disease with a specific dosage and administration, the claimed invention is to be found to be novel. Basically, inventions of methods of therapy for humans are not regarded to be industrially applicable, so this must be an outcome of the effort to make inventions that are as close as possible to methods of

19 A textbook example of a use invention is an invention regarding an insecticide. Where a person discovers that a known chemical substance called DDT has an insecticidal effect, he/she can obtain a patent for it as an insecticide containing DDT as a major component or an insecticidal method using DDT. Also, it is possible to obtain a patent for a method of manufacturing a seasoning containing monosodium glutamate as its main ingredient, based on a discovery that the existing substance, monosodium glutamate, has an outstanding effect as a seasoning. For details on use inventions, see Shōji Kamon “Yōto Hatsumei Ni Tsuite” (On Use Inventions), Hara Masuji Hanji Taikan Kinen, *Kōgyō Shoyūken No Kihonteki Kadai Jō* (Essays in Honor of Retirement of Judge Masuji Hara: Basic Issues of Industrial Property Rights Vol.1), p. 145; Shōji Matsui “Iwayuru Yōto Hatsumei No Jittai To Sono Kōsatsu” (Actual Status of the So-Called Use Invention and Its Study), *Tokkyo Kanri* (Patent Management), Vol. 15, No. 3 (1965), p. 181; Shōji Matsui “Kagaku Busshitsu No Yōto Hatsumei To Tokkyo Ken” (Relation between a Use Invention of a Chemical Substance and a Patent Right), Ishiguro Junpei Sensei Tsuitō Ronshū, *Mutai Zaisanken Hō No Shomondai* (Essays in Memory of Professor Junpei Ishiguro: Various Problems in Intangible Property Law), p. 204; Sōta Asahina and Yasuo Tamura “Yōto Hatsumei” (Use Inventions), *Tokkyo Kanri* (Patent Management), Vol. 19, No. 11 (1969), p. 903; Nobuhiro Nakayama, “Busshitsu Tokkyo To Riyō Hatsumei” (Substance Patents and Use Inventions), Someno Koki Kinen Ronbunshū, *Kōgyō Shoyūken: Chūshin Kadai No Kaimei* (Essays in Honor of the Seventieth Birthday of Professor Someno: Industrial Property Rights: Study into Central Issues) (Keiso Shobo, 1989), p. 159; Hiroshi Yoshida, “Yōto Hatsumei Ni Kansuru Tokkyoken No Sashitome Seikyūken No Arikata: ‘Mono’ Ni Chakumomu Shita Handan Kara (Mono) Ni Chakumomu Shita Handan He” (Right to Seek Injunction Based on a Patent on a Use Invention: Shift from Determination Focusing on Infringing Goods to Determination Focusing on Infringers), *Chiteki Zaisan Hō Seisaku Gaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 16 (2007), p. 167. With regard to the examination of use inventions, the following three reports of the Institute of Intellectual Property are helpful: *Shuyō Koku Ni Okeru Yōto Hatsumei No Shinsa/Unyō Ni Kansuru Chōsa Kenkyū Hōkokusho* (The Examination and Implementation of Use Inventions in Major Countries) (2004); *Yōto Hatsumei No Shinsa/Unyō No Arikata Ni Kansuru Chōsa Hōkokusho* (Desirable Ways to Examine and Implement Use Inventions) (2005), *Yōto Hatsumei: Iryō Kanren Kōi O Chūshin To Shite* (Use Inventions: Focusing on Medical Practice) (2006, this report is published by Yushodo).

20 Since the sale of the medicine for the first use has already been permitted, there is a question of what kind of effect there is in acquiring a patent for the second use invention. A physician's act of using the medicine for the second use could become a problem, but since it is difficult to sue the physician in actuality, the patent may merely have an effect of ensuring that the second use be written on the label.

therapy for humans patentable (with regard to this point, see “1.3.1.1. Industrial Applicability (Principal sentence of Article 29, paragraph (1) of the Patent Act)”).

[99]

The utilization of a law of nature means that the invention abides by causality based on natural science, and that the invention must always be able to attain the same effect; in other words, be repeatable (reliable). An unrepeatable invention cannot be considered to have an objective existence since the same result cannot necessarily be obtained when a third party implements the invention. However, repeatability does not mean that the same effect can be achieved with a 100% probability, and if the effect can definitely be achieved with even a slight probability, the invention can be considered to be repeatable. Generally speaking, the probability would be lower for more pioneering inventions; for instance, the pearl culturing invention of Koukichi Mikimoto is said to have had a very small probability of success. Merely having a particular knack or proficient skills are generally regarded as unrepeatable. Strictly speaking some aspects are still unclear. A famous baseball player’s method of throwing a forkball is regarded as a typical example of an unrepeatable proficient skill. However, the throwing method utilizes physical phenomena, such as the spinning of the ball and air resistance. If a pitching machine is created by pursuing this principle, the machine will have repeatability and can be patentable subject matter, but if a human throws the ball, it will constitute a proficient skill and cannot be patentable subject matter.

Scholarly theories in Japan are divided into one deriving the repeatability requirement from the “utilization of the laws of nature” and one deriving such an outcome from the fact that an invention must be a “technical idea.” However, there is no use in such arguments. It is sufficient merely to conclude that repeatability is required for a “technical idea utilizing a law of nature.”

(2) Organisms

Repeatability is the most controversial issue for biological inventions. There is also a theory that denies the repeatability of biological inventions, because, unlike industrial products, organisms could develop individual specificity according to the environment and they are subject to mutation. The question of whether or not it is appropriate to protect a new organism itself under the Patent Act has been debated in relation to the Plant Variety Protection and Seed Act.²¹ It is true that organisms have individual specificity, but there is no reason to deny the repeatability of an invention, as long as the subject

21 Nobuhiro Nakayama, *Shokubutsu Tokkyo To Shubyō Hō* (Plant Patents and the Plant Variety Protection and Seed Act) (Kodansha, 1985). With regard to the Plant Variety Protection and Seed Act, see the following: Supervised by the Seeds and Seedlings Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries, *Shubyō Hō No Kaisetsu*, (Explanation of the Plant Variety Protection and Seed Act) (Chikyusha, 1983); Tatsuki Shibuya, *Shubyō Hō No Gaiyō* (Outline of the Plant Variety Protection and Seed Act) (Research Institute of Economy, Trade and Industry, 2014).

matter is a fixed specie or variety of organism.²² In the past, the identity of an organism could only be determined based on its shape, but today, it can be determined based on gene sequences, so there is even less reason to deny the patentability of biological inventions.²³ For details, see “1.3.3.1. Biological Inventions.”

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Meanwhile, the question of whether or not a patent should be granted for a new organism, particularly an animal, is often discussed as an issue of public order and morality, rather than an issue of the utilization of the laws of nature.

(3) Computer software²⁴

The question of whether an invention utilizes a law of nature is probably the most difficult as regards computer software.²⁵ Software is a system for creating and executing a computer program,²⁶ which can be boiled down to a method for using a computer (a procedure). While its core part is a computer program, it does not solely consist of a computer program. The system design specifications, flow charts, and manuals are also included in the software in a broad sense. A computer program is a set of instructions for processing information on a computer, and the question is whether or not it utilizes a law of nature. A computer program itself is similar to a mathematical formula merely expressing human mental processes, so conventionally, an application for a computer program (program list) would have been refused as not utilizing a law of nature.²⁷

[101]

22 Examination Guidelines (1993), Part IV, Chapter 2 “Biological Inventions.” the Tokyo High Court Judgment, August 7, 1997, *Chiteki Saishū*, Vol. 29, No. 3, p. 1042/*Hanji*, No. 1618, p. 10 (the Kurakata Yellow Peach Breeding Method case), and the final appeal judgment on the same case, the Supreme Court Judgment, February 29, 2000, *Minshū*, Vol. 54, No. 2, p. 709/*Hanji*, No. 1706, p. 112/*Hanta*, No. 1028, p. 173. This was a case in which the new variety was lost. It may be reasonable to say that the invention was unrepeatable at the time of the court judgment if the new variety had been lost, but the Supreme Court held that it is sufficient for the invention to be repeatable at the time of filing the patent application.

23 With regard to biotechnology, see Hidetaka Aizawa, *Baiotekunoroji To Tokkyo Hō* (Koubundou, 1994).²⁴ With regard to the history of protection of computer programs, see Hiroaki Sakai, “Konpyūtā Puroguramu Hogo Taiyō No Shiteki Hensen—Shihanseiki Ni Wataru Shinsa Kijun Tō Wo Furikaette” (Historical Changes in the Mode of Protection of Computer Programs: Looking Back at the Examination Guidelines, etc. over the Past Quarter-Century), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 154.

24 With regard to the history of protection of computer programs, see Hiroaki Sakai, “Konpyūtā Puroguramu Hogo Taiyō No Shiteki Hensen—Shihanseiki Ni Wataru Shinsa Kijun Tō Wo Furikaette” (Historical Changes in the Mode of Protection of Computer Programs: Looking Back at the Examination Guidelines, etc. over the Past Quarter-Century), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 154.

25 With regard to this issue, see Masanobu Katō “Sofutowea Kanren Hatsume No Hogo To Hatsume No Teigi (Tokkyo Hō Dai 2 Jō Dai 1 Kō) No Kaitei No Zehi Ni Tsuite (1)(2)” (Propriety of Protection of Software-related Inventions and Revision of the Definition of an Invention [Article 2, paragraph (1) of the Patent Act] (1)(2)), *Patent*, Vol. 54, No. 9 (2001), p. 49, No. 10, p. 45.

26 A computer program is “a set of instructions given to an electronic computer which are combined in order to produce a specific result” (Article 2, paragraph (4) of the Patent Act).

27 Examination Guidelines (1993), Part VII, Chapter 1: p. 6. Article 52 of the European Patent Convention stipulates that computer programs are not patentable, and the same applies to many European countries, but in fact a large portion of computer programs are being patented by writing the description in a specific way.

However, with the progress of computer program technology, it became unrealistic to regard software-related inventions as unpatentable. Accordingly, the JPO changed its practice over time as below, and came to interpret the concept of the laws of nature more broadly and to widely acknowledge the patentability of software-related inventions. Specifically, it started out by recognizing the patentability of such invention as a product or process utilizing software, and finally reached a conclusion whereby the patentability of a program itself should not be denied.

According to the “Examination Guidelines for Computer Software-related Inventions (Part 1)” published in December 1975, if the theory used for attaining a specific result (the causal relation of the method) did not utilize a law of nature, the computer program did not utilize a law of nature.²⁸ On the other hand, if the causal relation of the method utilized a law of nature, the computer program utilized a law of nature.²⁹ It further described that a claim statement in the form of a program as itself, a computer *action* itself, a programmed computer itself, or a storage medium on which a program is recorded was not acceptable. These Examination Guidelines only explained the invention of processes, and equipment inventions were explained in the Implementing Guidelines (1982) discussed below.

Since many devices came to be controlled by microcomputers, the “Implementing Guidelines for Inventions Relating to Microcomputer-applied Technology, Treatment of Operating System-related Technology in Examination” released in December 1982 clearly indicated that inventions of products (equipment) related to microcomputer-applied technology are patentable, and allowed for software inventions to be protected as equipment.

In “Part VII, Chapter 1 Computer Software-related Inventions” of the “Examination Guidelines for Patent and Utility Model in Japan” published in July 1993, the criteria on the utilization of the laws of nature were clarified. It said that if the information processing by the software utilized a law of nature, or if a hardware resource was utilized (excluding the mere use of a hardware resource), the computer program utilized a law of nature and was patentable, and cited many actual examples.³⁰ Based on this, subject matter that was not related to hardware resources came to be found to constitute an invention.

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In “Chapter 1 Computer Software Related Inventions, 1. Description Requirement

28 For example, a program for obtaining the circle ratio by using the Monte Carlo method; or a program for solving *shogi* (Japanese chess) problems.

29 For example, a program that pays attention to the properties of a rolling machine and the nature of the rolled material, and utilizes such properties to control the rolling machine to roll the material into a specific shape.

30 See Software Information Center, “Sofutowea Kanren Gijutsu No Hogo No Arikata No Kenkyū Hōkokusho” (Study Report on Ideal Protection of Software-related Technology) (1996).

for Patent Specifications, 1.1 Claims” of the “Implementing Guidelines for Inventions in Specific Fields” published in December 1997, “A computer-readable storage medium having a program recorded thereon or a computer-readable storage medium having structured data recorded thereon” is described along with the process category and product category. Applications filed in the form of medium claims had been refused in the past for the reason that they were not technical ideas, but according to descriptions in the implementing guidelines, medium claims became allowed.³¹ However, there remained a legal question of whether claims that had been regarded as unpatentable in the past could now be accepted by merely changing the implementing guidelines without legal revision. This question also applied when computer program patents came to be allowed as mentioned later.

The “Examination Guidelines for Patent and Utility Model in Japan” was revised in 2000, and “Part VII Examination Guidelines for Inventions in Specific Fields, Chapter 1 Computer Software-related Inventions” was added. It set out that when a software-related invention is expressed as a combination of multiple functions performed by the invention, the invention can be defined as an invention of a product by specifying such functions.³²

Since a computer program is intangible in substance, the concept of its assignment is not clear, unlike in the case of a tangible product. Therefore, upon the 2002 revision of the Patent Act, a provision was established to include an act of providing a computer program in the concept of assignment (the part in parentheses in Article 2, paragraph (3), item (i) of the Patent Act). While assignment of a medium of a computer program (product) can be conceived, it is difficult to conceive assignment of the computer program, which is intangible information. Because it was unclear whether or not mere provision (or transmission) of a computer program to another person constituted an infringement, the part in parentheses “a product (including a computer program, etc. ...)” was added in order to make it clear that an act of providing a computer program is included in an act of working a product invention.

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After the decision of the U.S. Court of Appeals for the Federal Circuit (CAFC) in the State Street Bank case (a decision that found a business method patent on financial

31 The Implementing Guidelines position a medium claim as a kind of product claim, and provide the following as descriptive examples: “A computer-readable storage medium having a program recorded thereon; where the program is to make the computer execute procedure A, procedure B, procedure C, ...”; “A computer-readable storage medium having a program recorded thereon; where the program is to provide function A, function B, function C, ... to the computer.”; and “A computer-readable storage medium having structured data recorded thereon; where the structured data comprises portion A, portion B, portion C, ...”

32 Such claims as “A program which makes a computer execute procedure A, procedure B, procedure C, ...” or “A program which makes a computer operate as means A, means B, means C, ...” or “A program which makes a computer realize function A, function B, function C, ...,” which had not been acceptable in the past, became acceptable.

services called “hub and spoke” to be valid) in 1998, expectations grew that business methods could also be patented in Japan, and a large number of patent applications on business methods that had conventionally been considered to have little involvement with the patent system were filed by the banking and securities industries, and there was a boom in such business method applications.³³ However, the revision to include computer programs in products does not mean that computer programs immediately constitute inventions, just as that products do not immediately constitute products. Since the definition of an invention (Article 2, paragraph (1) of the Patent Act) has not been revised, it should be noted that the Act only treats those programs that can be regarded as technical ideas utilizing the laws of nature in the same manner as product inventions.³⁴ In other words, a business method itself cannot be patented, and it is only treated as one kind of the software-related inventions which have been mentioned previously. Under the Patent Act, the business method itself does not matter, but the technical aspect of the method for solving the problem matters. As long as the business method provides a technical means as a whole, it can constitute an invention.³⁵ In reality, however, most applications on business methods are refused, and even if they are patented, hardly any of them can win in a lawsuit, so the boom of business method patents seems to have come to an end,³⁶ and the question of the scope of programs that should be protected under the Patent Act still remains.³⁷

The above suggests that there has been a gradual broadening of the scope for interpreting the concept of a law of nature. Now there are calls for clarifying the current status of the functioning of the utilization of a law of nature as a requirement and, furthermore, for determining once again whether such requirement is truly necessary at present.³⁸

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(4) Reconsideration of “utilization of the laws of nature”

Legal protection cannot be extended to all achievements of human mental activity. Nevertheless, unless legal protection is extended to certain kinds of achievement,

33 See Tokushū “Bijinesu Hōhō Tokkyo No Shomondai” (Special Feature “Problems Related to Business Method Patents”), *Jurist*, No. 1189 (2000).

34 As an opposite view, Hidetaka Aizawa, “Tokkyo Hō 2 Jō 3 Kō No Kaisei No Imisurumono” (Meaning of the Revision of Article 2, Paragraph (3) of the Patent Act), *Jurist*, No. 1227 (2002), p. 10 states that, as long as the revision has made computer programs subject to the working of inventions, computer software must be acknowledged as an invention, and makes the criticism that it is arbitrary to deny the claiming of computer software as a signal or carrier wave.

35 The Tokyo High Court Judgment, December 21, 2004, Hanji, No. 1891, p. 139 (the Circuit Simulation Method case).

36 With regard to business model patents, see Hidetaka Aizawa “Bijinesu No Hōhō To Tokkyo” (Business Methods and Patents), *Jurist*, No. 1189 (2000), p. 27 and Nobuyasu Ogata, “Bijinesu Moderu Tokkyo Ni Kansuru Jitsumujō No Mondai” (Practical Problems Related to Business Model Patents), *NBL*, No. 727 (2001), p. 36.

37 Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 19 [written by Ryūta Hirashima].

38 With regard to the definition of an invention, see Yoshiyuki Tamura, “Tokkyo Hatsumei No Teigi—Shizen Hōsoku No Riyō No Yōken No Teigi” (Definition of a Patented Invention: Definition of the “Utilization of Laws of Nature” Requirement), *Hōgaku Kyōshitsu* (Law Class), No. 252 (2001), p. 13.

incentives for investing in creation or R&D would be lost. Thus, achievements that should or should not be protected under the Patent Act must be distinguished from each other, and it can be concluded that the requirements of “utilization of the laws of nature” and “industrial applicability” were adopted under the Patent Act for that reason. The practical reason as to why the utilization of the laws of nature should be required is today no longer as clear as in the past. In the past, the adoption of the utilization of the laws of nature as a requirement could have had the function of distinguishing between science and technology, but today these two domains have blended together, and it is difficult to separate them. In the core industries in the 19th century, specifically in the fields of machinery, chemistry and electricity, the utilization of the laws of nature must have functioned as a marker for distinguishing between protectable and unprotectable subject matter. Nevertheless, today, even an invention that is itself practically computer software is regarded as a statutory invention depending on how the claims are described, so there is a call to review the significance of the utilization of the laws of nature. Is there truly no need to protect any of the technical ideas that do not utilize the laws of nature? Particularly with the development of computers, today it is not only humans that carry out acts of creation, but products identical to creations can be made without the intervention of humans. There may be a need to establish legislation for protecting not only the outcomes of humans' acts of creation, but also investments in certain cases. If so, the border between laws concerning creativity and the Unfair Competition Prevention Act may become ambiguous. It seems to be about time that we should look for a requirement that replaces the requirement of utilizing the laws of nature, but we still do not have one yet. For the time being, we should interpret the requirement of utilizing the laws of nature in a relaxed manner, and introduce new requirements in the Patent Act if there is a strong demand for them from society. There is a view that the requirement of the utilization of the laws of nature should be abolished,³⁹ but a sufficient study would have to be conducted on what kinds of side effects would arise if the existing requirement were to be abolished.

1.2.1.3. Technical Ideas

An invention must be a technical idea (Article 2, paragraph (1) of the Patent Act). A technique, or an “art,” is a concrete means for attaining a certain purpose, which needs to be feasible and repeatable.⁴⁰ In other words, the same result must be attained when a technician with only an average level of skills in that technical field (a person skilled in

39 Hiroya Kawaguchi, *Tokkyo Hō No Kōzō To Kadai* (The Structure of and Problems in Patent Law), p. 40.

40 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 46; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 55. Shigeru Yoshida, “Hatsumei No Honshitsu” (Essence of Invention) *Hara Masuji Taikan Kinen Jō* (Essays in Honor of Retirement of Judge Masuji Hara Vol. 1), p. 73.

the art)⁴¹ implements the art. Implementing an art requires objectivity,⁴² and a mere skill (knack), such as a musical performance technique and a sports technique, are not arts. The mere presentation of information⁴³ is not an art either.

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An invention is an idea that has put a concrete art into an abstract form, and it is intangible. At the same time, an invention is required to be concrete to some extent as long as a monopoly right is granted for it. For example, the mere presentation of a problem alone or the presentation of an idea without indicating a concrete method to solve a problem is not an invention.

The requirements of utilizing the laws of nature and an invention being a technical idea are virtually inseparable, and should be regarded as a combined requirement for an invention.

1.2.1.4. Creativity

An invention must be a “creation” of technical ideas. The mere finding of an already existing matter is a discovery, and not an invention. However, the difference between the two is a delicate one, as mentioned earlier. In addition, an inventor needs to create an invention by himself/herself, and any application of an invention created by another person will be refused as a misappropriated application (Article 49, item (vii) of the Patent Act), and will constitute a reason for invalidation if patented (Article 123, paragraph (1), item (vi) of the Patent Act). Although the status of a prior application had not been recognized for a misappropriated application, since a system was introduced upon the 2011 revision to enable the true right holder to claim back a misappropriated patent right, the patent system was revised to grant the status of a prior application for a

41 What kind of person should be specifically assumed as a person skilled in the art is an extremely difficult question, and it would not be easy to specifically indicate the technical contents of a person skilled in the art. The European Patent Convention uses the term "person skilled" (Article 83), and it is considered to refer to similar contents. See Ryō Shimanami, “Tokkyo Hō Ni Okeru Tōgyōsha No Gainen—Beikoku Baiotekunorojī Hatsumei Wo Sozai Ni Shite” (The Concept of the PHOSITA in Patent Law: Using U.S. Biotechnological Inventions as Materials), *Kōbe Hōgaku Nenpō* (Kobe Annals of Law and Politics), No. 18 (2002), p. 231.

42 In the Supreme Court Judgment, October 13, 1977, *Minshū*, Vol. 31, No. 6, p. 805/*Hanji*, No. 870, p. 58/*Hanta*, No. 355, p. 265 (the Veterinary Composition case), the court reasoned that “in light of the purpose of the patent system, it is reasonable to consider that the technical content must have a concrete and objective structure to the extent that a person with ordinary skills in the technical field can repeatedly work it and attain the intended technical effect; therefore an invention in which the technical content is not structured to meet the above level is incomplete, and cannot be considered to be an ‘invention’ as mentioned in Article 2, paragraph (1) of the Act.” Also, in the Supreme Court Judgment, February 29, 2000, *Minshū*, Vol. 54, No. 2, p. 709/*Hanji*, No. 1706, p. 112/*Hanta*, No. 1028, p. 173 (the Kurakata Yellow Peach Breeding Method case), the court mentioned that an invention needs to be repeatable, concrete, and objective.

43 The mere presentation of information refers to where there is no distinctive feature in the means of presenting information, but there is a distinctive feature (novelty) in the presented information. For example, it is not possible to obtain a patent for a “new phonograph record” by recording a new tune (new information) onto a phonograph record, which is a known medium already (means of presentation). If the phonograph record is a novel medium involving an inventive step, a patent can be obtained for the medium itself, but a tune has no patentability even though the information (tune) itself is new.

misappropriated application (Article 39, paragraph (6) of the Patent Act prior to the 2011 revision was deleted). If the status of a prior application is not granted as in the case prior to the revision, when the true right holder files an application for the same invention while a misappropriated application is pending before the JPO, the application will not be rejected, and when the true right holder subsequently requests the person who filed the misappropriated application to transfer the patent right, there is a risk that the true right holder will obtain overlapped patent rights for the same invention.

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There is also an argument over whether or not an art is required to be unprecedented and novel or uncommon in order to be creative, but such an argument is not useful. These requirements are examined in relation to novelty or the involvement of an inventive step, which are patentability requirements, and it is sufficient to treat the invention claimed by the party (subjective invention) as an invention before conducting such examination. A patent application that does not include anything new is refused not on the basis that it does not constitute an invention as set forth in the principal sentence of Article 29, paragraph (1) of the Patent Act, but on the basis that it lacks novelty or the involvement of an inventive step.⁴⁴ Such an invention may not be patentable, but there is no point in arguing over whether or not it falls under the general concept of an invention.

1.2.1.5. Advanced Art

The definition of an invention in Article 2, paragraph (1) of the Patent Act includes the term “advanced” (advancedness). This term is not so important for the definition of an invention, but was included merely to distinguish an invention from a device, which is the subject matter of utility models.⁴⁵ The definition of a device (Article 2, paragraph (1) of the Utility Model Act) is almost the same as the definition of an invention (Article 2, paragraph (1) of the Patent Act), only lacking the term “advanced.” Setting aside the question of how much difference there is between inventions and devices in an actual examination, these definitions theoretically suggest that utility models are registered even if they are at a lower level than patents.

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44 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 83; Sōtarō Watanabe, *Kōgyō Shoyūken Hō Yōsetsu (Summary of Industrial Property Law)*, p. 15; Kazuhiko Takeda, *Tokyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 117.

45 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 15.

1.2.1.6. Incomplete Inventions⁴⁶

An incomplete invention is an idea that has the appearance of an invention in light of the statement in the description, but where a method for solving the problem it poses is missing or unclear. A statutory invention must have a concrete and objective structure to the extent that a person with ordinary skills in the technical field can repeatedly work it and attain the intended technical effect. An invention which is not structured to meet the above level is incomplete, and cannot be considered to be an “invention” as mentioned in Article 2, paragraph (1) of the Act, nor an “invention” as referred to in the principal sentence of Article 29, paragraph (1) of the Act, which stipulates patentability requirements. It is difficult to distinguish specifically between complete inventions and incomplete inventions, and one can only learn to make the distinction through practical experience.⁴⁷ An idea that cannot constitute an invention, such as the rule of a game or an advertising method, is called a “non-invention,” which is different in concept from an incomplete invention.

If an invention is incomplete, it cannot be protected under the Patent Act. Often, an incomplete invention such as this cannot be worked by third parties just from looking at the description of the invention, and it is not useful for raising the general technological level of society.⁴⁸

An incomplete invention had been refused upon examination on the grounds that it does not correspond to an “invention” as set forth in the principal sentence of Article 29,

46 For details on this issue, see Supervised by Minoru Takeda, *Tokkyo Shinsa/Shinpan No Hōri To Kadai* (Legal Principles and Challenges of Patent Examination and Trials) (Japan Institute of Invention and Innovation, 2002), “Hatsumei No Mikansei” (Incomplete Inventions), p. 95 [written by Mayumi Saitō and Noriyuki Inoue].

47 A court decision indicating one criterion for the determination is the Tokyo High Court Judgment, June 21, 1984, *Hanji*, No. 1131, p. 135 (the Noxious Organism Control Agent case). In this decision, the court held that a description based on objective and concrete experimental data cannot be considered as an incomplete invention, even if it does not meet the desirable standard to be published as experimental data in an academic essay on experiment and research. This matter is determined based on the contents of the description of the invention. Also, see the Tokyo High Court Judgment, July 22, 1965, *Gyōshū*, Vol. 16, No. 8, p. 1387 (the Unique Colloid Manufacturing Method Process case); the Supreme Court Judgment, January 28, 1969, *Minshū*, Vol. 23, No. 1, p. 54 (the Atomic Energy Generator case); the Supreme Court Judgment, October 13, 1977, *Minshū*, Vol. 31, No. 6, p. 805/*Hanji*, No. 870, p. 58/*Hanta*, No. 355, p. 265 (the Veterinary Composition case); and the Tokyo High Court Judgment, April 11, 1991, *Hanji*, No. 1393, p. 129 (the Microwave Oven case).

48 If an incomplete invention were something that is only inches away from completion, it could be useful for raising the general technological level of society (e.g., the Supreme Court Judgment, January 28, 1969, *Minshū*, Vol. 23, No. 1, p. 54 [the Atomic Energy Generator case]). However, under the first-to-file system, there is a greater chance of people filing an incomplete invention in order to acquire the status of a prior application. To eliminate such applications, and to treat only completed inventions as inventions would contribute to fair technological development competition (Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* [Knowledge of Patents (8th ed.)], p. 66) and would comply with the purpose of the Patent Act. Further, the court stated that an invention that has merely been conceived is incomplete, and the conception of a certain technical matter must take a concrete shape, in the Tokyo High Court Judgment, April 27, 1976, *Torikeshishū*, 1976, p. 449/*Tokkyo To Kigyō* (Patents and Enterprises), No. 90, p. 19 (the Mahjong-Rule Pachinko case).

paragraph (1) of the Patent Act.⁴⁹ An incomplete invention, which is still not complete, will not be regarded as a statutory invention after amendment, in principle.⁵⁰ However, in the case of a deficiency in the description, an amendment could be made in the past as long as it did not change the gist of the description and drawings.⁵¹ Accordingly, it has been said that there is a reason for distinguishing between an incomplete invention and a deficiency in a description.

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The concept of an incomplete invention often appears in the chemical field. In the chemical field, there are frequently cases where the claim is described in a rather general manner but the working example in the description, which is backed by experiments, is narrower in scope.⁵² Chemistry is referred to as a *science of experiments*. Unless a chemical invention is backed by experiments, it is difficult to determine its feasibility. The conventional practice in Japan in such a case was to treat the part of the claim that goes beyond the scope of the working example or beyond the scope that can be worked easily by a person skilled in the art based on the working example, as an incomplete

49 This had been the long-established practice, but confusion occurred in that practice due to the Tokyo High Court Judgment, September 18, 1974, *Mutai Saishū*, Vol. 6, No. 2, p. 281 (the Veterinary Composition case). In this decision, the court mentioned that “no provisions in the entire Patent Act are considered to stipulate matters on the completion or incompletion of an invention claimed in a patent application, and no provisions are found to stipulate that a patent application can be refused based on the grounds that the invention is incomplete.” It stated that “regardless of whether it is appropriate or not to process the matter (as an incomplete invention), it should not be permissible to devise such a reason for refusal as incompleteness of the invention, of which substance is totally difficult to understand legally,” and held that an incomplete invention cannot be refused based on the grounds that it does not correspond to an “invention” as set forth in the principal sentence of Article 29, paragraph (1) of the Patent Act. In the final instance (the Supreme Court Judgment, October 13, 1977, *Minshū*, Vol. 31, No. 6, p. 805), the court reversed the High court judgment, stating that “the technical content must have a concrete and objective structure to the extent that a person with ordinary skills in the technical field can repeatedly work it and attain the intended technical effect; therefore an invention in which the technical content is not structured to meet the above level is incomplete, and cannot be considered to be an ‘invention’ as mentioned in Article 2, paragraph (1) of the Act,” so conventional practice regained its force. Incidentally, the above-mentioned Tokyo High Court Judgment merely stated that an invention cannot be refused on the grounds that it is incomplete, and it neither implies that a patent should be granted to an incomplete invention nor denies the refusal of an invention on the grounds of insufficient disclosure. In the text of the judgment, the court set forth that “it may be reasonable to construe that it is intended by law to process the matter based on the provision of Article 36, paragraph (4) or (5) of the Patent Act (Act of 1959),” but it shall be omitted because it is not directly related to the point at issue in this case.

50 In the Tokyo High Court Judgment, June 3, 1993, *Hanji*, No. 1493, p. 126 (the Rotor Fixator case), which reversed a JPO trial decision that had found an invention to be incomplete, the court stated that, generally, in the case where an invention is incomplete, there is no room for remedying the defect by making an amendment, unlike in the case of a deficiency in the description. However, if an invention is regarded as incomplete as a whole due to including an incomplete portion in its claims, it may be possible to amend it by deleting the incomplete portion to leave only the complete portion.

51 Under the current Act, whether or not an amendment is acceptable is determined by whether or not the amendment adds a new matter, but at the time this discussion was taking place, it was determined by whether or not the amendment changes the gist of the description and drawings. See “2.3.3. Admissible Scope of Amendment.”

52 A claim statement method called “Markush claim” is often used for inventions in chemical and pharmaceutical fields. It is a style of expression that states options as alternatives. For example, the claim specifies the invention by using options, such as “a compound selected from the group consisting of Group A, Group B, and Group C”; as a result, an enormous amount of compounds will be covered by the claim. Such compounds may include those that have not been supported by experiments.

invention,⁵³ and not to allow the inventor to back up the effect of the invention by adding experimental data, etc. through amendment, since this would be an act of making an incomplete invention complete.

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An invention in a field other than chemistry can also be treated as incomplete; for example, in the case where an invention that needs to secure safety does not take measures to avert danger.⁵⁴ In addition, an invention would be treated as an incomplete invention if the purpose of the invention could not be attained with the technical means stated in the description of the patent application.⁵⁵

However, since there is no concept of incomplete inventions in Europe and the United States, the concept was deleted from the Examination Guidelines for Patent and Utility Model in Japan upon its revision in June 1993. Since then, the incompleteness of inventions has been treated as an enablement requirement, and the number of inventions

53 The Tokyo High Court Judgment, January 27, 1977, *Mutai Saishū*, Vol. 9, No. 1, p. 16 (the Vinyl Acetate Manufacturing Method case); the Supreme Court Judgment, October 13, 1977, *Minshū*, Vol. 31, No. 6, p. 805/*Hanji*, No. 870, p. 58/*Hanta*, No. 355, p. 265 (the Veterinary Composition case); the Tokyo High Court Judgment, November 29, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 594/*Hanta*, No. 381, p. 170 (the Diamond Composition Method case); the Tokyo High Court Judgment, October 20, 1993, *Chiteki Saishū*, Vol. 25, No. 3, p. 622 (the MB-530A Derivative case); the Supreme Court Judgment, February 29, 2000, *Minshū*, Vol. 54, No. 2, p. 709/*Hanji*, No. 1706, p. 112/*Hanta*, No. 1028, p. 173 (the Kurakata Yellow Peach Breeding Method case).

54 The Supreme Court Judgment, January 28, 1969, *Minshū*, Vol. 23, No. 1, p. 54 (the Atomic Energy Generator case). The invention in question was an atomic energy generator (a nuclear reactor), but the court judged it to be an incomplete invention, stating that it lacked a concrete method sufficient for averting the great danger unavoidably pertaining to atomic fission, and that the danger is a unique one that cannot be prevented by ordinary means and methods applied in ordinary power plants. This decision has been subject to controversy. On the one hand, there is an opinion that such method of averting danger can constitute a separate invention, so the invention in question should be regarded as a complete invention as it is. On the other hand, some say that the invention of an atomic reactor has a technical challenge in extracting the energy safely, so an invention lacking a concrete method of securing safety should be regarded as an incomplete invention. There is also a view that such safety issue is not an issue over the completeness of an invention, but is an issue of industrial applicability, which is a patentability requirement. It is publicly known that energy occurs as a result of atomic fission, and the invention in question should be considered to be an invention of a device for solving the problem of safely extracting the energy without evoking an explosion. This invention, which was made by Jean Frédéric Joliot-Curie, was contributed to the French government, and was registered as patents in most countries around the world. In Japan, an application was filed by the French government in 1940. Although the application received a disposition of invalidation during World War II, it was restored under Article 7, paragraph (1), item (ii) of the Order Concerning Postwar Measures for Industrial Property Rights of the Allied Nationals on March 15, 1951. However, an examiner's decision of refusal was issued for the application on August 13, 1952. The plaintiff, who was dissatisfied with the decision, lodged an appeal, but a trial decision holding the appeal to be invalid was rendered. The duration of the patent had already expired in most countries, but the application in Japan was restored under the Order Concerning Postwar Measures for Industrial Property Rights of the Allied Nationals (wartime extension), and this had an extremely significant meaning in Japanese nuclear power policy. Also, though the term "incomplete invention" was not used, the court held that a socket for which safety has not been ensured is not qualified to be protected as a practical industrial device (terminology under the old Act) in the Tokyo High Court Judgment, May 28, 1968, *Hanta*, No. 225, p. 198 (the Multi-Way Plug case).

55 The Tokyo High Court Judgment, November 30, 1977, *Mutai Saishū*, Vol. 9, No. 2, p. 738 (the Course Rope Floats case). In the Tokyo High Court Judgment, June 3, 1993, *Hanji*, No. 1493, p. 126 (the Rotor Fixator case), the court denied that an invention was incomplete, but mentioned that, generally, an invention should be considered to be incomplete if it does not have a concrete and objective structure to the extent that a person skilled in the art can repeatedly work it and attain the intended technical effect.

refused on the grounds of incompleteness has decreased.⁵⁶ In the past, there was a practical benefit to distinguishing between an incomplete invention and a deficiency in a description, because while an incomplete invention could not be amended, a deficiency in the description (Article 36) could be amended as long as it did not change the gist of the description and drawings. Accordingly, it has been said that there is a reason for distinguishing between them. However, revising the conventional Examination Guidelines which allowed a broad scope of amendment as long as it did not change the gist of the description and drawings, the allowable scope of an amendment came to be strictly limited upon the 1993 revision of the Act, and adding new matter to the claim was prohibited. As a result, it became rarer for amendments of a deficiency in the description to be accepted, and now there is hardly any need to use the concept of incomplete inventions from the viewpoint of refusing inventions.⁵⁷ At any rate, incomplete inventions can be dealt with as deficiencies of the disclosure requirements (the enablement requirement and the requirement of support in description), so it is considered that there is little meaning in discussing incomplete inventions today.

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⁵⁶ Supervised by Minoru Takeda, *Tokkyo Shinsa/Shinpan No Hōri To Kadai* (Legal Principles and Challenges of Patent Examination and Trials) (Japan Institute of Invention and Innovation, 2002), “Meisaisho No Kisai Yōken” (Descriptive Requirements of a Patent Description), p. 138 [written by Yoshinobu Murofushi] sets forth a theory that an incomplete invention no longer needs to be grounds for refusal at present. In contrast, Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 63 states that it was too early to delete the concept from the Examination Guidelines, because the person who files an application first will enjoy an advantage even if the description were incomplete.

⁵⁷ The following judgments mentioned the incompleteness of an invention as the reason for the judgment after the 1993 revision: the Tokyo High Court Judgment, March 13, 2001, court website (the Vasodilatory Peptide case), and the Tokyo High Court Judgment, January 29, 2003, court website (the Imidazole case).

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1.2.2. Types of Inventions (Categories of Inventions) (Article 2, paragraph 3 of the Patent Act)¹

Inventions can be roughly divided into inventions of products and inventions of processes, and inventions of processes are further divided into simple process inventions such as a measuring process, an operation process, or a signal transfer method and inventions of processes for producing products. These categories have not been classified from a scientific viewpoint, but the Patent Act has established them in order to have inventions demonstrate respective effects that differ by category (with regard to the effects, see 7.2.2. Working (Article 2, paragraph (3) of the Patent Act)). Since an invention is a technical idea (Article 2, paragraph (1) of the Patent Act), a product invention is not the product itself, but a technical idea expressed in the form of a product. Because a computer program is regarded as a product under the current Act, a process for producing a computer program also constitutes a process for producing a product. An invention of a process for producing a product refers to an invention whereby a product is produced by implementing a process. Inventions of products and inventions of processes not only differ in respect of the expressions of the claims, but also in the legal effects of the patent rights as a result of such differences (Articles 2, paragraph (3), Articles 101 and 104, and Article 175, paragraph (2), items (ii) and (iii) of the Patent Act).² Since the effects of a patent right for an invention claimed in the form of a product extend to that product regardless of how the product was made, particularly in the case of a chemical substance, the inventor sometimes enjoys protection beyond the invention he/she actually made, and the relationship between the disclosure and the scope of right cannot be explained in some cases.³ However, because making the substance first is the important thing for a chemical substance, it is likely to have been considered not as a theoretical issue, but as a policy issue of extending sufficient protection.

Inventions of products are technical ideas materialized into the form of products, which basically involve no chronological elements. On the other hand, inventions of processes are inventions involving chronological elements (the sequential nature of

1 See Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (The Role of Disclosure Through Description under the Patent Act), p. 371; Masanobu Katō, "'Mono,' 'Hōhō' Toiu Hatumei No Kategorī Gainen No Kigen Ni Tsuite No Ichi Kōsatsu" (Study on the Origin of the Concept of "Product" and "Process" Invention Categories), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 136.

2 In the Supreme Court Judgment, July 16, 1999, *Minshū*, Vol. 53, No. 6, p. 957/*Hanji*, No. 1686, p. 104/*Hanta*, No. 1010, p. 245 (the Physiologically Active Substance Measuring Method case), the court held that the patentee of an invention of a process cannot demand an injunction to suspend the manufacture and sales of products for which a quality standard inspection was conducted by using said process.

3 See Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (The Role of Disclosure Through Description under the Patent Act), p. 378.

processes), which are “constituted by several sequential acts or phenomena aimed at a certain purpose.”⁴ Although the distinction between products and processes had been relatively strict in the past, since programs were stipulated as inventions of products (the part in parentheses in Article 2, paragraph (3), item (i)), it is no longer possible to distinguish clearly between the two solely based on chronological elements.⁵ Programs are, in substance, calculation methods, which involve strong chronological elements, and are considered to resemble processes in nature, but since they can be distributed via electronic telecommunication lines, they are categorized as products. In that sense, it may be possible to categorize inventions that cannot only be used, but can also be produced and distributed as product inventions, and other inventions as process inventions.⁶

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Since the type of invention affects the legal force of the patent, the type is not determined merely from how the claims are described by the applicant. Although the meanings of the terms are determined based on the statements of the scope of claims and the description, the category of the invention is ultimately determined based on the substance of the invention.⁷ However, in reality, it is often difficult to draw a clear line between inventions of products and inventions of processes. It is the applicant's own responsibility to choose the claim type, and the category of the invention would be first determined based on the claim statement.⁸ Even if an invention is claimed in the form of a product, a difficult problem arises when the invention is not defined by the structure or characteristics of the product, but is claimed as a manufacturing method. With regard to this point, see “8.6.3. Product-by-Process Claim.”

Chemical substances had been unpatentable until 1975, but they can be patented as inventions of products at present, and they constitute the most important field in inventions of products. Under the JPO's implementation standards, the mere confirmation of the existence of a certain chemical substance cannot be regarded as the “creation of technical ideas utilizing the laws of nature” (Article 2, paragraph (1) of the Patent Act),

4 The Tokyo High Court Judgment, May 21, 1957, *Gyōshū*, Vol. 8, No. 8, p. 1463 (the Radiation Shielding Method case).

5 Japan Patent Office, *Heisei 14 Nen Kaisei/Sangyō Zaisanken Hō No Kaisetsu* (2002 Revision: Explanation of Industrial Property Right Laws) (Japan Institute of Invention and Innovation, 2002), p. 14.

6 The following essay suggests that there is an influential theory which distinguishes between products and processes based on whether they can be distributed: Hiroshi Yoshida, “Yōto Hatsumei Ni Kansuru Tokkyōken No Sashitome Seikyūken No Arikata: ‘Mono’ Ni Chakumomu Shita Handan Kara ‘Mono’ Ni Chakumomu Shita Handan He” (Right to Seek Injunction Based on a Patent on a Use Invention: Shift from Determination Focusing on Infringing Goods to Determination Focusing on Infringers), *Chitēki Zaisan Hō Seisaku Gaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 16 (2007), p. 172. The essay mentions that selection inventions are processes, in essence.

7 The Tokyo High Court Judgment, April 14, 1959, *Gyōshū*, Vol. 10, No. 4, p. 774 (the Gas Cutting Burner case); the Supreme Court Judgment, July 16, 1999, *Minshū*, Vol. 53, No. 6, p. 957 (the Physiologically Active Substance Measuring Method case).

8 The Intellectual Property High Court Judgment, September 20, 2007, court website (the Holographic Grating case).

and some kind of utility needs to be clarified with regard to the chemical substance.⁹
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Also, when determining senior and junior applications, two inventions can be considered to be the same as long as the technical ideas are the same, even if one were an invention of a process and the other were an invention of a product according to the descriptions of the claim.¹⁰

The categories of inventions are limited to the above three types under the current Act, but this categorization has only been established for convenience, and is subject to change in the future. Computer programs are currently categorized as inventions of products (the part in parentheses in Article 2, paragraph (3), item (i) of the Patent Act), but programs are not theoretically products. Thus, it is theoretically possible to place computer programs in a new category.

⁹ In the Tokyo High Court Judgment, March 22, 1994, *Chiteki Saishū*, Vol. 26, No. 1, p. 199/*Hanji*, No. 1501, p. 132 (the Imidazole Herbicide case), the court held that, in order for a chemical substance patent to be established, it is not sufficient for the chemical substance itself to be merely confirmed and be producible, but its utility needs to be disclosed in the description. See Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 98.

¹⁰ The Tokyo High Court Judgment, October 5, 1977, *Hanta*, No. 364, p. 278 (the OF Cable Manufacturing Method case).

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1.3. Requirements for Patentability

1.3.1. Positive Requirements

1.3.1.1. Industrial Applicability (Principal sentence of Article 29, paragraph (1) of the Patent Act)

The Patent Act, of which the purpose is to contribute to industrial development (Article 1), only needs to protect industrially applicable inventions. Thus, it makes industrial applicability a requirement for registration in the main clause of Article 29 of the Act.

“Industry” in this context is a broad concept including not only engineering, but also agriculture, forestry and fishery, mining and commerce. The term “*kōgyō*” (industry/engineering) was used in the old Act, but its actual meaning was more broadly interpreted than its literal meaning. However, there was a risk that the true meaning could not be conveyed by using the term “*kōgyō*,” so the term was changed to “*sangyō*” (industry) in order to use a term closer to the actual meaning.¹ There is a theory which offers an interpretation whereby the service industry is excluded from “industry” here,² but that is unreasonable. In fact, it was the case that technical ideas utilizing the laws of nature had only been rarely used in the service industry. Recently, some business models have been considered patentable as software-related inventions, and industries such as finance and transportation are also entering the patent world. The question of whether a service can be a patentable invention and the question of whether the service industry should be excluded from the patent system are separate issues.

A question lies in the meaning of “applicability,” and this issue is the subject of many irreconcilable theories. According to some such theories, an invention with “applicability” means the following: an invention that can be utilized operatively, that is, utilized repeatedly and continuously;³ an invention that creates a new value when applied to a particular industry, and only such technology that is directly related to the manufacturing of products;⁴ or an invention which is not one than can only be utilized

1 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 81.

2 Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 68 states that “*sangyō*” (industry) does not include the service industry, such as insurance services, financial services, and medical services, though there are some exceptions.

3 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 153.

4 Hajime Kaneko and Yoshinobu Someno, *Kōgyō Shoyūken Hō* (Industrial Property Law), p. 89.

academically or experimentally.^{5,6}

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Where the theories are diverse as above, in order to decide the contents of this requirement, it is necessary to study the issue from a perspective of why industrial applicability is being required in the first place. The reason is because the purpose of the Patent Act is to “contribute to the development of industry” (Article 1 of the Patent Act) and inventions that are not industrially applicable are being excluded, accordingly. Because “industry” in this context is, as mentioned earlier, interpreted as a broad concept, “industrial applicability” must also be interpreted as a broad concept. From such viewpoint, a limited interpretation whereby the concept of applicability indicates inventions that are directly related to production is not only groundless, but also unfair. For instance, a measuring technique should not be refused for a lack of industrial applicability even if it is not directly related to production. In short, it is sufficient for the invention to contribute to the development of industry in the broad sense, and no unnecessary requirement should be imposed.⁷

There is also a question of the appropriate stage which the invention should have reached so that recognizing industrial applicability and patentability for the invention would benefit the development of industry. If a patent is granted for an invention in the stage where it is still unknown what the invention can be used for, it could hinder subsequent inventions.⁸

Although there are exceptions like the later-mentioned medical practice and biotechnology as special issues, an invention only needs to be applicable in one industry or another. In that sense, “industrial applicability” rarely presents a problem as a patent requirement. Even if a piece of apparatus or equipment is utilized only in universities (though such apparatus or equipment would be rare in reality), there are business operators who manufacture pieces of apparatus or equipment that are utilized in universities, so the Patent Act must provide an incentive for technological development to such business operators, too. Items that are unproductive and not industrial in themselves, such as playthings, can also be considered industrially applicable if their

5 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 81; Shirō Mitsuishi, *Tokkyō Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]), p. 133.

6 Some people indicate that the applicability requirement is also related to other patent or invention requirements, so it is difficult to consider it as an independent, positive requirement. (Mutai Zaisan Hō Kenkyūkai [Study Meeting on Intangible Property], *Hanrei Tokkyō/Jitsuyō Shin'an Hō* [Court Judgments relating to Patent and Utility Model Laws] [Shinippon-Hoki Publishing, 1980], p. 2096).

7 The Examination Guidelines, Part II, Chapter 1, 2. cites "inventions of methods of surgery, therapy or diagnosis of humans," "commercially inapplicable inventions," and "obviously impracticable inventions" as categories of inventions that are industrially inapplicable inventions.

8 There is a detailed description on this matter in Takeshi Maeda, *Tokkyō Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (The Role of Disclosure Through Description under the Patent Act), pp. 254 ff. The description indicates that the situation would also depend on such factors as whether the invention is of cumulative nature and whether the license negotiation costs are overly high.

production or sale has an industrial effect.⁹ The same applies to weapons.

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The most important element in practice is the safety of the invention. The question of whether or not safety has an industrial applicability requirement has not been clearly determined in court judgments, but it is not appropriate to impose the safety requirement strictly. The stricter the requirement the scarcer the protection of basic inventions in fields where safety is a prerequisite would become.¹⁰ For example, even a pharmaceutical with a side effect which is too strong to be certified by the Ministry of Health, Labour and Welfare should be regarded as patentable, in principle, if it has medicinal virtues. Otherwise, such inventions would not be filed and made public and, as a result, would not contribute to raising technological standards of society. It would, rather, comply with the purpose of the patent system to grant patents to such inventions in order to make them public and encourage the emergence of improved inventions for preventing side effects. The necessary and sufficient prevention of detriments from side effects can be ensured by regulation under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (the Act on Pharmaceuticals and Medical Devices; the Pharmaceutical Affairs Act until 2014). If the side effects are strong, the manufacturing and sale of the pharmaceutical will simply not be permitted, so there is no actual harm.

Even inventions which are faulty should not be denied industrial applicability unless the faults are so serious that the invention cannot be worked.¹¹

Applicability in the economic sense is not a factor for consideration. The economic value of an invention is affected by the social and economic conditions of the time, so it cannot constitute a patent requirement. For instance, the utility of an alternative energy resource in the economic sense is affected by the oil price and government assistance, but its industrial applicability can be recognized under the Patent Act.

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9 In the Tokyo High Court Judgment, December 15, 1956, *Gyōshū*, Vol. 7, No. 12, p. 3133 (the Bingo Game case), which is a case under the old Act, the court stated that even if a bingo game may be unproductive and non-industrial, it can hardly be said that the game device itself has no industrial effect (e.g., an industrial effect through manufacture or sale of the device).

10 However, if a certain kind of safety is indispensable for an invention, an invention lacking such safety can be regarded as being not industrially inapplicable. For example, in the following court judgment, the court held that an invention relating to an atomic energy generator “is not sufficient for creating an industrial technological effect as an energy generator, since it cannot be worked regularly and safely and is considered to be a technologically incomplete invention”: the Supreme Court Judgment, January 28, 1969, *Minshū*, Vol. 23, No. 1, p. 54 (the Atomic Energy Generator case). In the Tokyo High Court Judgment, May 28, 1968, *Hanta*, No. 225, p. 198 [the Multi-Way Plug case], the court held that “a device that lacks safety or includes danger on a justifiably expected basis should also have a measure for circumventing or preventing such factor in advance in the specific constitution of the device,” and an invention lacking such a measure cannot be approved as being practical.

11 In the Tokyo High Court Judgment, December 25, 1986, *Mutai Saishū*, Vol. 18, No. 3, p. 579 (the Bank Note case), the court rescinded a JPO trial decision which determined that a device consisting of a bank note with punch holes for those who cannot see was not practical, because the durability of the note would be reduced. (This case also involved an issue of offending public order and morals.)

The most controversial subject matter with regard to industrial applicability is medical practice on the human body.¹² According to the Examination Guidelines,¹³ medical practice is not considered as an “industry.” Inventions in which the human body is an essential constituent feature,¹⁴ specifically, surgical methods, treatment methods, and diagnostic methods for humans, are denied patentability for their lack of industrial applicability.¹⁵ However, the standard of not finding industrial applicability for medical practice in such manner not only lacks statutory grounds, but also appears to be odd from a commonsense viewpoint. It may be an interpretation somehow worked out for a major task of having to exclude medical practice from the patent system, but that major task itself needs to be given in-depth consideration.¹⁶ Also, if there is a need to exclude medical practice from the patent system, it should be solved by legislation, and not by interpretation.

There is a problem in asserting that medical practice is not an industry,¹⁷ and considering the advancement of regenerative medicine and genetic treatment technology in recent years, it does not seem appropriate to exclude all medical practice from the patent system.¹⁸ As there is intense development competition on a global level in these fields, advanced Japanese medicine could fall behind critically if the race is lost. In the past, the development of medical technology (particularly treatment methods) was mainly conducted outside the framework of the patent system in the form of medical research in universities and large hospitals. There were calls to use the findings in such a development not for the benefit of specific persons, but for the benefit of the public by making them open and available to the public. From among medical technology, medicines and therapeutic equipment are also often developed by private companies for profit, and patents function as incentives for technological development in those areas. However, such a scheme does not apply to medical research in universities, etc. It has also been considered inappropriate to drag medical research into an intensive development competition for profit. Therefore, there were indeed certain substantial grounds for the

12 See Ryōko Iseki, "Iryō Kōi No Tokkyo Hogo" (Patent Protection of Medical Practice), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chitekai Zaisan Hō Kōza I* (Lecture on Modern Intellectual Property Law I), p. 85.

13 Examination Guidelines, Part II "Requirements for Patentability," Chapter 1 "Industrially Applicable Inventions."

14 In the Tokyo High Court Judgment, December 22, 1970, *Hanta*, No. 260, p. 334 (the Ionic Toothbrush case), the court held that a process invention "the method to use an ionic toothbrush" lacked patentability since presence of a human body is an essential constituent element of the invention.

15 In the Tokyo High Court Judgment, April 11, 2002, *Hanji*, No. 1828, p. 99 (the Surgical Operation Optical Display case), the court held that the plaintiff's claim that medical practice should be patentable is worth consideration as a legislative approach, but industrial applicability cannot be recognized for doctors' practice as an interpretation of the current Act, since the necessary measures for recognizing patentability for such practice have not been taken.

16 With regard to advanced medicine and patents, see Advanced Medical Patent Exploratory Committee, Expert Study Group on Enhancement of Competitiveness, Intellectual Property Strategy Headquarters, "Sentan Iryō Bunya Ni Okeru Tokkyo Hogo No Arikata Ni Tsuite" (Patent Protection in Field of Advanced Medical Technologies), (May 29, 2009).

17 Hidetaka Aizawa, *Baiotekunorojī To Tokkyo Hō* (Biotechnology and Patent Law), p. 78.

18 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 116.

idea that the development of medical technology was not an “industry” requiring the incentive of patents. Nevertheless, achievements in other areas of academic research are naturally subject to patents even though the research is conducted in universities and other such institutions. There has been a strong trend for obtaining patents for the results of research from universities and for commercializing the technology, mainly in the United States, and a similar movement has also been active in Japan recently. It is not clear how the situation regarding the research and development of medical technology will change in the future. The recently spotlighted research into iPS cells, etc. is attracting worldwide attention as a technology directly linked to therapy, and it is in the middle of a fierce global patent race. It is strange that technology relating to matters so close to the human body is exposed to a patent race, but technology relating to the human body itself is denied patentability. Future research on medical and other technologies in universities and other such institutions is likely to involve large funds, so the idea of excluding only the development of medical technology from the scope of the application of the Patent Act may not continue to be appropriate in the future.¹⁹ Such discussions can take place in theory, but as this issue of medical practice involves various complex elements, conclusions should only be drawn from observing the future situation in the medical field, but as discussed below, it would be necessary to include medical practice in the patent system insofar as possible, through interpretation, for the time being.

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Under the above circumstances, a heated debate grew over medical practice. As a result, the Examination Guidelines were revised to regard most medical practices, other than methods of surgery, therapy or diagnosis of humans in the narrow sense, as being industrially applicable in practice (Examination Guidelines Part II, Chapter 1, 2.1.1.3). For example, a method for treating samples that have been extracted from the human body on the presumption that the samples are to be returned to the same body (e.g., a method of dialyzing blood)²⁰ is regarded as a “method of surgery, therapy or diagnosis of humans,” but such a method is not regarded as a “method of surgery, therapy or diagnosis of humans” if it is a method for manufacturing a medicinal product (e.g., a blood preparation, vaccine, genetically modified preparation and cell medicine) or a medical material (e.g., an artificial substitute or alternative for a part of the human body, such as an artificial bone, a cultured skin sheet, etc.) since it does not include a process of surgery, therapy or diagnosis by a doctor. In addition, methods for controlling the

¹⁹ Hidetaka Aizawa, *Baiotekunorojī To Tokkyo Hō* (Biotechnology and Patent Law), p. 178.

²⁰ A method of extracting one's own blood from the body and returning it to the same body after being processed, as in the case of dialysis treatment, is regarded as not being industrially applicable. However, this does not have a large meaning for companies since dialyzers are patentable. Still, an invention not of a dialyzer, but a dialysis process would be regarded as not industrially applicable, but to quite an extent, a patent can be obtained depending on how the claim is written.

operation of a medical device, medicinal inventions defined by the method for the therapy of humans such as methods of administering medicine, and methods for gathering various kinds of information by measuring structures and functions of the various organs of the human body (e.g., a method for an influenza test by extracting oral mucous membranes, or a method for capturing the image of the lung by X-ray irradiation to the chest) are regarded as being industrially applicable under the Examination Guidelines. Also, the Examination Guidelines on medicinal inventions were revised, and a medicinal invention specified by combination of two or more medicines, or specified by dosage and administration, which could not be registered as a treatment method, became registrable as a product invention.²¹ However, methods that include steps corresponding to methods of surgery or therapy of humans are still deemed to lack industrial applicability today. The revision of the Examination Guidelines represents the outcome of an effort to adapt to the recent trends without drastically changing the conventional interpretation.

[119]

Another reason for not approving a monopoly for medical inventions is for humanitarian considerations relating to the survival and dignity of human beings. Apart from a rightful cause that this kind of technology should be made widely available, there is also an indication that if a patent is granted for a treatment method, a doctor would have to request a license from the patentee even when the patient requires treatment urgently, and this could put the life and body of the patient in danger, and obstruct adequate, impartial and expeditious treatment.²² For the purpose of preventing confusion at the scene of treatment, inventions do not necessarily have to be regulated at an earlier stage by denying their patentability, but they could be regulated at a later stage by approving patentability, and then creating statutory non-exclusive licenses for the acts of doctors or by restricting the effect of the patent right in the same manner as for the acts of preparing medicines (Article 69, paragraph (3) of the Patent Act).²³ Since there are special circumstances regarding treatment methods wherein only doctors are allowed to give treatment under the Medical Practitioners Act, the practice of excluding certain acts of doctors from the effects of patents may have virtually the same effect as denying the patentability of the treatment methods. However, since the patent system is established based on the assumption that all technology is patentable,²⁴ necessary regulations on

21 Examination Guidelines, Part VII "Examination Guidelines for Inventions in Specific Fields," Chapter 3 "Medicinal Inventions."

22 The Tokyo High Court Judgment, April 11, 2002, *Hanji*, No. 1828, p. 99 (the Surgical Operation Optical Display case).

23 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 116. Even if patents were to be recognized for medical practice, most of the patentees would be pharmaceutical companies, etc. which invest enormous funds in research. The patentees would want to contain acts of other pharmaceutical companies, but basically they would not likely want to contain acts of individual physicians, so it would not be difficult to impose regulations at a later stage.

24 Article 28 of the TRIPs Agreement makes patents available for inventions in all fields of technology.

inventions should be imposed at a later stage. In any case, there is a need to explore a way to achieve a balance between technological development and humanitarian issues, and by excluding medical practice from industry a priori and uniformly denying its patentability, the status of medical technologies and other technologies may become uneven, which is inappropriate.²⁵

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Since inventions of treatment methods have the human body as their essential constituent feature, there seems to be a vague sense of ethical repulsion against granting a monopoly for those inventions. However, if the patentability of those inventions were to be denied from such a viewpoint, the matter should simply be discussed as grounds for unpatentability, and not as an issue of industrial applicability (see “1.3.2. Unpatentable Inventions [Article 32 of the Patent Act]”).

Incidentally, Article 52, paragraph (4) of the European Patent Convention denies the patentability of methods for treatment of not only humans, but also animals, by surgery or other methods based on a lack of industrial applicability, but patentability is recognized for such methods for animals in Japan. That must be because the value of animals in the ethical sense is different from that of humans.

In recent years, the industrial applicability of biotechnology-related inventions has drawn attention. In particular, in the case of an invention which merely elucidated the structure of DNA and whose specific use is unknown, the future application of its applied technology would be monopolized as long as that DNA is concerned, and could hinder the development of industry (the so-called "tragedy of the anticommons"). The question of the stage which the invention should have reached so that recognizing industrial applicability for the invention would benefit the development of industry is a difficult one.

1.3.1.2. Novelty (Article 29, paragraph (1) of the Patent Act)

A. Significance of Novelty

The purpose of the Patent Act is to contribute to the development of industry, so, however brilliant an invention may be, subjectively, if it is the same as existing technology, it does not contribute to society, and there is no meaning in creating an incentive for an invention by granting a monopoly right for it. To grant an exclusive right for such an existing invention may have the effect of granting a monopoly right to part of an existing industry. This would, similar to the case of a monopoly in medieval times, be disadvantageous for the development of industry. Accordingly, novelty of an invention is

²⁵ Since medical practice is becoming more and more sophisticated and complicated, treatment is no longer under the sole control of doctors. It is not rare for engineers of device manufacturers to take part in a medical setting to operate devices. The development competition has intensified, and it is becoming difficult to judge the extent of an activity which can be regarded purely as a doctor's medical act.

an important requirement for the invention to be patented.

Article 29 of the Japanese Patent Act stipulates to that effect, but instead of positively defining novelty, it mentions three grounds for lack of novelty and, negatively, provides that inventions to which these grounds are not applicable are novel. The specific grounds for lack of novelty are when the invention is publicly known, publicly worked or has been described in a publication, etc.

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B. Time and Location Criteria for Determination of Novelty

The time criterion for determination of novelty is not the date of filing, but the time of filing.²⁶ Therefore, if the content of an invention becomes publicly known through a presentation at an academic conference in the morning, and another applicant files an application for it in the afternoon of the same day, the novelty of the invention would have been lost, but if the timing of the presentation and that of the filing were reversed, the invention would be novel.

The criterion for determining the location of a novelty is in Japan or a foreign country. In the past, inventions described in a publication that was distributed anywhere in the world were considered to lack novelty, but those inventions which were publicly known or publicly worked in a foreign country were not considered to lack novelty. However, with the 1999 revision of the Act, inventions which were publicly known or publicly worked in a foreign country came to be considered to also lack novelty. This is because there is no rational reason to bar only inventions that are publicly known or publicly worked in Japan in an information era where economic globalization has made progress and where various pieces of information are transmitted around the world through a variety of media.²⁷

In Japan, an absolute novelty system had been adopted before the 1909 revision of the Act. This was because people considered that Japan's industry would be pressured if foreign companies were authorized to obtain patents for inventions that were publicly known outside Japan. However, conversely, if a Japanese company were to obtain a patent for an invention that was publicly known outside Japan, it could gain an advantage in the Japanese market. Thus, it is difficult to say which system is more beneficial for protecting Japan's industry.

C. Grounds for Lack of Novelty

a Publicly known inventions (Article 29, paragraph (1), item (i) of the Patent Act)

A patent is not granted for an invention that was publicly known prior to the filing of the patent application (a publicly known invention). While a publicly known invention

²⁶ In contrast, determinations of junior/senior applications (Article 39 of the Patent Act) and use of another person's industrial property (Article 72 of the Patent Act) are based not on the time of filing, but the date of filing.

²⁷ The European Patent Convention specifies the whole world as the location criterion for determining novelty (Article 54 of the Convention; it is referred to as absolute novelty or being publicly known in the world).

indicates an invention that is no longer secret, the question lies in its specific details. Thus, the details will be studied below, based on court judgments. Meanwhile, publicly known inventions and publicly worked inventions cannot always be distinguished clearly. Quite a number of court judgments state that the invention in question is categorized as a publicly known/worked invention after finding certain facts, and there is no practical benefit in distinguishing strictly between the two.

[122]

Specific examples in court judgments show that an invention is not publicly known if the inventor merely notifies a few people unofficially about the invention in order to request financial assistance.²⁸ Also, even if a supplier of a wooden form for the frame for a prototype unit were to see the prototype unit in the factory, the invention would not be publicly known, as long as the supplier were there under an agreement as to the duty of confidentiality.²⁹ In addition, an invention is not publicly known even if the person who created the drawings were to file an application and submit the drawings through a different company.³⁰ An invention is not publicly known, either, if a family member or the like sees the inventor creating and keeping a device within the house.³¹ However, a design drawing included in approved Draft No. 600 of the Bureau of Construction, Tokyo Metropolitan Government, which has been made available for viewing upon request, was determined as being publicly known.³² If equipment of which the structure and performance can be identified externally is assigned to another party without a confidentiality agreement, that equipment will no longer be a secret when it is delivered to the assignee, and it will be considered to be publicly known/worked.³³ An invention disclosed to another party under a confidentiality agreement is not regarded as publicly known, but since the status of whether an invention is publicly known is a factual status, if the confidentiality agreement is breached and the invention becomes open to unspecified people, it is regarded as being publicly known. Even where there is no explicit agreement on the duty of confidentiality, if a duty of secrecy under the fair and equitable principle is affirmed in light of the nature of the drawing delivered or the reason for the delivery, the drawing is not regarded as a publication open to unspecified third parties,

28 The Prewar Supreme Court Judgment, September 11, 1928, *Minshū*, Vol. 7, p. 749 (the Rotary Seat Mesh Drier case).

29 The Prewar Supreme Court Judgment, April 17, 1942, *Minshū*, Vol. 21, p. 374 (the Lady's Shoes Heel Forming Device case).

30 The Prewar Supreme Court Judgment, May 18, 1942, *Minshū*, Vol. 21, p. 560.

31 The Tokyo High Court Judgment, July 12, 1948, *Torikeshishū*, 1948-1958, p. 21 (the Hollow Combustion Improver case).

32 The Tokyo High Court Judgment, August 18, 1959, *Gyōshū*, Vol. 10, No. 8, p. 1552 (the Drainage Device case).

33 The Tokyo High Court Judgment, March 29, 1985, *Torikeshishū*, 1985, p. 391 (the Labeling Machine case).

and the invention is found to be novel.³⁴ These are all court judgments for individual cases in different circumstances, so it is difficult to derive an unambiguous standard from them.

At the same time, there is an argument over whether an invention needs to be actually known to the public³⁵ or whether it is sufficient for it to be available to become publicly known³⁶ in order for an invention to be “publicly known.” By a literal interpretation, if an invention were considered to be “publicly known” when it was merely available to become publicly known, it can be considered that an invention would be available to become publicly known if it fell under item (ii) or (iii) of Article 29, paragraph (1) of the Patent Act and the consistency between these provisions would become questionable. However, in reality, it is often difficult to prove that a third party has actually gained knowledge of the invention, so an invention has to be determined to be “publicly known” when the invention is available to become publicly known.³⁷ Incidentally, items (i) to (iii) of the paragraph all have the same effect, so there is no use in distinguishing strictly between each item.

[123]

b Publicly worked inventions (Article 29, paragraph (1), item (ii) of the Patent Act)

A patent is not granted for an invention that was publicly worked prior to the filing of the patent application (a publicly worked invention). The concept of “worked” is defined in Article 2, paragraph (3) of the Act. An invention is not considered to have been publicly worked if the invention is worked in public, but in a manner in which a person skilled in the art cannot know the contents of the invention. For example, if a test car runs in a manner in which anybody can see the car but a person skilled in the art cannot know the details of its engine, the invention of the engine is not considered to have been publicly worked. Also, even if a product using an invention has been sold, if third parties cannot

34 In the Tokyo High Court Judgment, December 25, 2000, court website (the Six-Roll Calendar case), the court stated that it is sufficient for the duty of secrecy to be “that which occurs when it is implicitly sought and expected to keep the information secret under social conventions or commercial customs, even without particular explicit instruction or request from the inventor’s side.” The Tokyo District Court Judgment, March 23, 2007, *Hanta*, No. 1294, p. 183 (the Molten Metal Supplying Container case).

35 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p.157; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 78; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 90; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 118; Toshio Hattori, *Tokkyo Hō Yōsetsu* (Introduction to Patent Law), p.71. The following are cases under the Design Act: the Tokyo District Court Judgment, September 17, 1973, *Mutai Saishū*, Vol. 5, No. 2, p. 280 (the Spray Gun case); the Tokyo High Court Judgment, April 23, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 281 (the Sandpaper case); the Tokyo High Court Judgment, May 30, 1979, *Torikeshishū*, 1979, p. 685 (the Electronic Organ case).

36 Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]), p. 142; Nobuo Mon’ya, ed., *Chūshaku Tokkyo Hō* (Annotated Patent Act), P 74 [written by Nobuo Mon’ya]. The Tokyo High Court Judgment, December 6, 1962, *Gyōshū*, Vol. 13, No. 12, p. 2299 (the Three-wheeled Motorcycle case). The following is a case under the Design Act: the Tokyo High Court Judgment, January 20, 1976, *Mutai Saishū*, Vol. 8, No. 1, p. 1 (the Pachinko Ball Counting Device case).

37 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 78 mentions that an invention needs to be actually publicly known to be determined as such, but if it is available to become publicly known, the invention is presumed to have become publicly known.

identify its technical contents through analysis, etc., the invention is not regarded as having been publicly worked.³⁸

Specific examples of publicly worked inventions in court judgments include the following. An invention that was applied to the flat concrete roof of a department store was considered to have been publicly worked.³⁹ Even where a lubricating oil controller installed in the motor of a three-wheeled motorcycle was not visible externally by being installed at the back of the chain case and covered by a case cover, the controller was determined to have been publicly worked by being made available to become known to the general public and being used in such a manner.⁴⁰ A shaved kelp manufacturing tool was determined to have been publicly worked where it had been viewed by many unspecified people including visitors to a store of the kelp manufacturer and seller as well as people passing by that store, and where its structure was simple and its technical contents could be easily understood from its appearance and the status of its use.⁴¹ In the case where an inventor transferred the ownership rights and related documents to a building, which was built by working the invention, to a public housing corporation, and an official of the corporation resided in the building to examine its habitability, the invention has been publicly worked.⁴² Where an invention was worked at a factory in a state where any person could visit and see the invention, and where no arrangement had been made to keep the invention secret, the invention was determined to have been publicly worked.⁴³

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As shown from the above, the distinction between publicly known inventions and publicly worked inventions is not necessarily clear, and it rather suits the actual situation not to distinguish strictly between items (i) and (ii) of Article 29, paragraph (1) of the Patent Act. For instance, there would be no need to reverse a trial decision that refused an invention by applying item (ii) where item (i) should have been applied, by filing a lawsuit against the trial decision, and to refuse the invention again by applying item (i) in

38 In the Tokyo District Court Judgment, February 10, 2005, *Hanji*, No. 1906, p. 144/*Hanta*, No. 1196, p. 209 (the Pharmaceutical Granular Preparation Containing Amino Acid case), the court held that where an inventor was selling a pharmaceutical granular preparation containing amino acid, but, due to the nature of said granular preparation, it was extremely difficult for a person skilled in the art to analyze the sold preparation and know the contents of the patented invention, the invention was not considered to have been publicly worked. The Tokyo District Court Judgment, June 17, 2005, *Hanji*, No. 1920, p. 121/*Hanta*, No. 1209, p. 284 (the Low-Frequency Therapy Equipment case; the court denied novelty in conclusion on the basis that a person skilled in the art could easily make the invention based on analysis results).

39 The Tokyo High Court Judgment, November 15, 1962, *Gyōshū*, Vol. 13, No. 11, p. 2034 (the Concrete Flat Roof case).

40 The Tokyo High Court Judgment, December 6, 1962, *Gyōshū*, Vol. 13, No. 12, p. 2299 (the Three-wheeled Motorcycle case).

41 The Tokyo High Court Judgment, August 15, 1986, *Mutai Saishū*, Vol. 18, No. 2, p. 264 (the Shaved Kelp Manufacturing Tool case).

42 The Tokyo High Court Judgment, June 18, 1974, *Mutai Saishū*, Vol. 6, No. 1, p. 170 (the Wall-type Building Construction Device case).

43 The Tokyo High Court Judgment, September 27, 1984, *Hanta*, No. 543, p. 177 (the Electric Arc Furnace case).

the re-trial. Incidentally, under the old Act (Act of 1921), provisions on publicly known inventions and publicly worked inventions were stipulated in the same item of the same Article (Article 4, item (i)), and the court used language such that an invention lacked novelty due to being publicly known/worked, treating these two without distinction. Even under the current Act, in which the provisions on publicly known inventions and publicly worked inventions are stipulated in separate items, it is considered difficult and impractical to distinguish strictly between the two. There is also a question of whether it is appropriate to stipulate them in two separate items, and such stipulation may have caused an unnecessary confusion in interpreting the provisions.

c Inventions described in a publication (inventions publicly known through literature) (Article 29, paragraph (1), item (iii) of the Patent Act)

A patent is not to be granted to an invention described in a distributed publication or made publicly available through an electric telecommunication line prior to the filing of a patent application, due to lack of novelty. The latter part was added upon the revision of the Act in 1999, because the Internet has become an important tool in collecting information, and it is inappropriate to grant a patent for an invention that has been made available to the public through the Internet. One point to note is that information distributed via the Internet can easily be altered, and there are ways to make such an alteration without leaving a trace, so it is often difficult to identify the date and time on which the invention was made publicly available and the contents of the invention as of that time. It would be necessary to establish the date and time with regard to necessary information, by using an appropriate certification organization, etc. In order to search information that had been published on a website that no longer exists, such services as “Wayback Machine”—a cache data viewing service run by a U.S. nonprofit organization, Internet Archive—are convenient. These services, which are useful for proving the existence of an old website, are actually being used in lawsuits and patent examinations. However, since these services are not always totally reliable, and there is a court judgment that has denied the credibility of such services,⁴⁴ they need to be used carefully.⁴⁵

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44 In the Intellectual Property High Court Decision, March 26, 2007, court website (the EIGOTOWN case), which was a case in which dates were disputed with regard to cancellation of a registered trademark not in use, the court held that, because the Wayback Machine sometimes displays contents that differ from the truth, it cannot be said that the display was available for viewing within three years prior to the registration of the request for a trial.

45 The 2000 Examination Guidelines, Part II, Chapter 5 “Treatment of Information Disclosed on the Internet as Prior Art (Applied to applications on January 1, 2000 and after)” states as follows: Since electronic information on the Internet, etc. can be easily altered, the issue will always arise as to whether the cited electronic technical information was published as it was at the indicated time of publication. The question of whether or not the electronic technical information became publicly available before the filing is determined based on the time of publication indicated on the cited electronic technical information, and if the information does not indicate the time of publication, such information should not be cited, in principle. Also, the examiner should not cite information on websites, etc., if there is only a small possibility of clearing the doubt that the cited electronic technical information was not published as it was at the indicated time of publication.

Under the old Act, inventions denied for loss of novelty due to being described in a publication were limited to those described in publications distributed within Japan; but under the current Act, inventions described in a publication distributed anywhere in the world are subject to this provision. Since the locational criteria for publicly known and publicly worked inventions were also expanded to include the whole world upon the 1999 revision of the Act, all grounds for lack of novelty are based on absolute novelty at present. This is because, in an information era where databases and search engines have developed, and a lot of information is distributed instantly across national borders, there is no longer any reason to distinguish between publications in and outside Japan.

There are many theories regarding the concept of a publication,⁴⁶ but the general idea is that it is an information communication medium, such as a document or a drawing, reproduced for the purpose of publishing its content to the public through distribution.⁴⁷ A publication needs to have been distributed, and an invention does not lose novelty if it is described in a publication which has yet to be distributed.⁴⁸

The term “publication” was directly inherited from the term used in Article 4 of the old Act when almost all publications were in a printed form. There were also views stating that non-printed media should be excluded from the scope of “publications” under the current Act. However, considering the state of the distribution of information today, more and more prior art documents are expected to be distributed in a digital form in the future, and there is no reason to exclude microfilms,⁴⁹ CD-ROMs, etc. from “publications.” Conventionally, many academic theories and court judgments had discussed the concept of “publications,”⁵⁰ but since all grounds for lack of novelty are now based on absolute novelty, even if a medium were denied being a “publication,” the invention described in publication distributed in the form of CD-ROM, etc. would likely have been accessible to the public in most cases, and therefore the invention is regarded as having been publicly known and lacking novelty as a result. Accordingly, there are hardly any practical benefits

46 For details, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 234 [written by Nobuhiro Nakayama].

47 The Supreme Court Judgment, July 4, 1980, *Minshū*, Vol. 34, No. 4, p. 570 (the West Germany Utility Model Description case).

48 In the Tokyo High Court Judgment, October 30, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 499/*Hanta* No. 373, p. 156 (the Belgian Patent Description case), the court stated that a printed publication needs to have been intended for distribution (distributability) to an unspecified or large number of people (openness).

49 In the following court judgments, microfilms were found to be publications: the Tokyo High Court Judgment, October 23, 1985, *Mutai Saishū*, Vol. 17, No. 3, p. 506 (the Second Leveling Rod case), and the final appeal judgment on the same case, the Supreme Court Judgment, July 17, 1986, *Minshū*, Vol. 40, No. 5, p. 961.

50 In, the Tokyo High Court Judgment, March 9, 1978, *Mutai Saishū*, Vol. 10, No. 1, p. 48 (the West German Utility Model Description case), and the final appeal judgment on the same case, the Supreme Court Judgment, July 4, 1980, *Minshū*, Vol. 34, No. 4, p. 570, the courts held that a medium can be considered to be a “publication” when the medium itself was not published, but hard copies thereof were distributed on request. Also, in the Tokyo High Court Judgment, July 29, 1993, *Chiteki Saishū*, Vol. 25, No. 2, p. 439/*Hanji*, No. 1494, p.148 (the Method of Assigning Elevators to Elevator Hall Calls case), a thesis was written in order to acquire a doctoral degree from a foreign university, and a small number of hardcover books of this thesis were produced, one of which was received by a university library and was made available for those who wished to inspect the book freely and receive copies on request. With regard to this case, the court held that such a book can be considered as a distributed publication.

in discussing the concept of a “publication” today.

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Novelty is lost when a publication is actually distributed or made publicly available through an electric telecommunication line. “Distribution” means that the publication is distributed in a form subject to public inspection or that it has become subject to public access, and there is no need to prove specifically that it has been inspected. For instance, if it is acquired by a library and becomes available to the public, the publication is regarded as having been distributed and its novelty is lost at the point when it was made accessible to the public, without there being any need to prove that it was actually inspected by someone.⁵¹

In addition, the description of an invention in a publication must be sufficient to the extent that a person skilled in the art can work the invention with no special consideration.⁵² It is enough to have the constituent elements of the invention described, and there is no need to have the purpose of the invention or its effects included in the description.⁵³

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D. Exceptions to Lack of Novelty

a Significance of providing exceptions

The novelty of an invention is determined based on the time of filing. However, the strict application of this standard to all cases could lead to an unfavorable result for technological development. For instance, it could have an effect of restraining people from presenting their inventions at academic conferences or exhibiting them at

51 In the Tokyo High Court Judgment, April 27, 1961, *Gyōshū*, Vol. 12, No. 4, p. 884 (the Tetrapod case), the court pointed out that the distribution of a publication refers to a state where the publication leaves the hands of the issuer and it is acquired or is made available to be acquired by a third party openly, and that the novelty of a publication is lost when it reaches the JPO’s industrial property library. Similar views are indicated in the following: the Tokyo High Court Judgment, October 22, 1964, *Hanta*, No. 172, p. 174 (the Quartz-Crystal Oscillator case); the Tokyo High Court Judgment, February 25, 1965, *Gyōshū*, Vol. 16, No. 2, p. 247 (the Nylon Yarn Manufacturing Method case); the Tokyo High Court Judgment, April 30, 1968, *Hanta*, No. 224, p. 264 (the Knitting Machine case); the Tokyo High Court Judgment, April 27, 1973, *Hanta*, No. 297, p. 261 (the Laminating Sheet case). In the Tokyo High Court Judgment, February 26, 1975, 1973 (Gyō Ke) No. 119 (the Pentylamine case), the court held that, where a German non-regular publication, which is distributed directly to subscribers by postal mail, is mailed to subscribers in the afternoon of the issue date, the issue date cannot be presumed to be the date of distribution. The court stated that until the publication is delivered to one of the subscribers, who is a member of the general public, it cannot be regarded as having been published.

52 The Supreme Court Judgment, January 29, 1963, *Torikeshishū*, 1963-1964, p. 19 (the Tetrapod case). Under the old Act, an invention needed to be described in the publication to the extent that “it can be worked easily,” but this has been deleted in the current Act. However, there is no reason to interpret the current Act differently from the old Act in this respect. Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 91; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p.85; Yoshirō Hashimoto, *Tokkyo Hō [Dai 3 Han]*, p. 194; Mutai Zaisan Hō Kenkyūkai (Study Meeting on Intangible Property), *Hanrei Tokkyo/Jitsuyō Shin’an Hō* (Court Judgments relating to Patent and Utility Model Laws) (Shinippon-Hoki Publishing, 1980), p. 309.

53 The Tokyo High Court Judgment, November 30, 1971, *Torikeshishū*, 1971, p. 67; the Tokyo High Court Judgment, January 23, 1973, *Mutai Saishū*, Vol. 5, No. 1, p. 1 (the Ice Melting Dew Prevention Method for Frozen Fish case); the Tokyo High Court Judgment, November 22, 1978, *Hanta*, No. 383, p. 145 (the Planograph Machine Humidifier case).

exhibitions, or imposing an excess burden on engineers who lack legal knowledge. In order to avoid such drawbacks, exceptions to a lack of novelty were stipulated in Article 30 of the Patent Act. Also, under specific conditions and during a specific period, a remedial measure is provided for inventions that have lost novelty, and this period is referred to as a “grace period.”

When these provisions on exceptions are applied, inventions are treated as not falling under paragraph Article 29, paragraph (1) or (2), that is, not having lost novelty or the inventive step, with regard to the application of the provisions of Article 29, paragraph (1) (novelty) and Article 29, paragraph (2) (inventive step) (Article 30, paragraph (1) of the Patent Act). Conventionally, the provisions indicated that, when an invention that has been presented at an academic conference, etc. falls under any of the items of Article 29, paragraph (1), it shall be deemed not to have fallen under “any of the items of said paragraph” (novelty). Therefore, only an invention identical to one that has been presented at an academic conference, etc. was exempted from lack of novelty, and no remedial measure was provided for an invention that was regarded as lacking an inventive step (Article 29, paragraph (2)). For example, a remedy was often not provided when the contents of an invention presented at an academic conference and the contents of an application for a patent therefor were slightly different. However, since a report at an academic conference and a patent application have different purposes, their contents are not always the same even when they concern the same invention. Also, a report at an academic conference is under time and other limitations, so it runs against the purpose of the system to require the contents of such a report to be identical to those of the patent application. Thus, the above-mentioned wording “any of the items of said paragraph” was revised to “paragraph (1) or (2) of said Article” upon the 1999 revision of the Act, and additionally it was provided that Article 29, paragraph (2) would not be applied either. As a result, a remedial measure also came to target an invention that was not identical to the invention presented at an academic conference, etc., but that could be easily arrived at by a person skilled in the art based on such presented invention. Subsequently, upon the 2011 revision, the provisions of Article 30 were drastically eased as discussed later.

These provisions on exceptions merely specify that, when an invention loses novelty or an inventive step against the will of the person who has the right to obtain a patent or due to an act carried out by the person who has the right to obtain a patent, that invention will be treated as not having lost novelty or the inventive step during a specific period, with no retroactivity of the filing date involved. Accordingly, even where a patent application can be saved under Article 30, if grounds for lack of novelty or an inventive step have occurred by an act of another person before the filing, the patent application would be refused. For example, if A presents an invention at an academic conference, and then B makes the same invention public before A files an application for that invention,

A's invention loses novelty by B's act, and A's application is refused without receiving application of Article 30. Meanwhile, if A presents an invention at an academic conference, and then B files an application for the same invention, after which A files an application for that invention, the invention claimed in B's application is refused on the basis that it became publicly known due to A's presentation at the academic conference. Since it was stipulated that a refused application has no status of a prior application (Article 39, paragraph (5)) upon the 1998 revision, B's refused application is deemed never to have been filed with regard to the relationship between senior and later applications, and A's application will be patented if B's invention is kept secret at the time of A's filing.

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In the case where a person having the right to obtain a patent assigns the right, his/her successor in title can also enjoy the application of Article 30 of the Patent Act.

b Grounds for exceptions to lack of novelty

Grounds for exceptions to lack of novelty were substantially expanded upon the 2011 revision. Conventionally, the following grounds were listed: testing, presentation in a printed publication, presentation through electric telecommunication lines, presentation at a study meeting (Article 30, paragraph (1) of the Patent Act before the revision), becoming publicly known against the will of the person having the right to obtain a patent (paragraph (2) of said Article), and being shown at an exhibition (paragraph (3) of said Article). Since the provisions before the 2011 revision had limitatively listed the grounds for exceptions, they were sometimes not adapted to the actual circumstances of the information era. For example, upon the 1999 revision, publication on the Internet became a ground for exception, but television broadcasting was not a ground for exception. Also, presentation at study meetings and exhibitions was limited to those of organizations designated by the JPO Commissioner, but the designation procedure was troublesome, and if the meeting or the exhibition happened not to be designated, the exception to lack of novelty did not apply.

With the 2011 revision, such individual grounds for exception to lack of novelty were abolished, and inventions which became publicly known against the will of the person who has the right to obtain a patent (Article 30, paragraph (1)) and inventions which became publicly known due to an act carried out by the person who has the right to obtain a patent (paragraph (2) of said Article) were uniformly made subject to remedy. Due to such general provisions, the scope of inventions able to be remedied was expanded, and the system proved to be very convenient for right holders.

In the past, there was a dispute over the definition of printed publications, etc., but the 2011 revision eliminated the need for any such discussion. Also, there was a question of whether or not an invention disclosed in the scope of claims or description that have

been published can be regarded as an invention which has been presented in a printed publication, but they were clearly excluded from such presentation under the revised Act (the part in parentheses in Article 30, paragraph (2)). It was clarified that the remedy cannot be extended to a case where an application for the invention was filed in a foreign country where the application was made public, and an application was also filed in Japan within six months from publication by invoking Article 30.⁵⁴

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Incidentally, grounds for exception to lack of novelty differ by country, so when intending to file an application in a foreign country, it is desirable to file the application as early as possible, regardless of the grounds for exception under the Japanese system.

c Procedure⁵⁵

In order to enjoy the application of exception to lack of novelty, one must file the patent application within six months from the date on which the invention became subject to the exception (Article 30, paragraphs (1) and (2)). If the patent application were construed to mean the first application, it would have the effect of extending the period for claiming priority to one year and six months, so in practice, the patent application is construed to mean the application filed in Japan, and this is considered to be an appropriate interpretation.⁵⁶

54 Based on the past court judgments, namely the Tokyo High Court Judgment, June 22, 1982, *Mutai Saishū*, Vol. 14, No. 2, p. 467 (the Horizontal Non-Iron-Core Induction Furnace case); the Tokyo High Court Judgment, May 29, 1986, *Mutai Saishū*, Vol. 18, No. 2, p. 192 (the Cyclic Amine case); the Tokyo High Court Judgment, June 30, 1987, *Mutai Saishū*, Vol. 19, No. 2, p. 216 (the Fuse Holder case), and later the Supreme Court Judgment, November 10, 1989, *Minshū*, Vol. 43, No. 10, p. 1116 (the Final Instance of the Cyclic Amine case), it was established in court precedents that being published in a Japanese or foreign patent gazette is not regarded as making a presentation as provided in Article 30, paragraph (1). The same view is indicated in the Supreme Court Judgment, February 16, 1993, *Hanji*, No. 1456, p. 150/*Hanta*, No. 816, p. 199 (the Bicycle Child Seat Design case). See Masao Uchiyama, “Jitsumu Kara Mita Tokkyo Hō Dai 30 Jō No Mondai Jō/Chū/Ge” (Study on Issues relating to Section 30 of the Patent Law from a Practical Perspective) (Vols. 1, 2 and 3), *Hatsumei* (Invention), Vol. 69, No. 7 (1972), p. 8, No. 8, p. 20, and No. 9, p. 24. This type of case often occurred when the substance patent was introduced with the 1975 amendment of the Patent Act, and the applicant, who filed an application for a substance patent abroad but had filed the invention as an invention of a process in Japan, tried to obtain a substance patent in Japan as well by applying Article 30 of the Patent Act.

55 For details, see Japan Patent Office, “Heisei 23 Nen Kaisei Hō Taiō Hatsumei No Shinkisei Sōshitsu No Rēgai Kitē No Tekiyō O Ukeru Tame No Shutsugannin No Tebiki” (Response to the 2011 Revision: Applicants’ Manual for Receiving Application of Provisions on Exception to Lack of Novelty), September 2011. For applications filed before the Act of 2011 became effective, see Japan Patent Office, “Hatsumei No Shinkisei Sōshitsu No Rēgai Kitē No Tekiyō O Ukeru Tame No Shutsugannin No Tebiki” (Applicants’ Manual for Receiving Application of Provisions on Exception to Lack of Novelty), October, 2006.

56 In the Tokyo High Court Judgment, March 13, 1997, *Chiteki Saishū*, Vol. 29, No. 1, p. 434/*Hanji*, No. 1611, p. 122 (the Treatment Agent for Blood Sludging case), the court held that, with regard to a patent application containing a priority claim which is filed in Japan as a subsequent filing, the filing date of the “patent application” referred to in Article 30, paragraph (2) means the date on which a patent application was filed in Japan, in light of the following reasons: (i) Article 4, Section B of the Paris Convention provides that a subsequent filing in another country shall not be disadvantaged based on an act, such as the publication of the invention, accomplished between the date of the first filing and the date of the subsequent filing, but it does not provide that the subsequent filing shall not be disadvantaged based on an act accomplished before the date of the first filing; and (ii) the provision of Article 30, paragraph (2) provides for exception to lack of novelty, and if the filing date of the “patent application” is construed to mean the filing date of the first application with regard to a patent application containing a priority claim, it would expand the period for exception to lack of novelty to one year and six months, which would give an unfair benefit to the person having the right to obtain a patent against the purpose of this provision.

Also, at the time of filing the patent application, the person seeking the application of the exception provision needs to submit a document stating thereof, and within 30 days therefrom, submit a document proving that the invention falls under grounds for exception (paragraph (3) of said Article). However, if the person was unable to submit the certificate due to reasons beyond his/her control, the person may submit the certificate within 14 days (where an overseas resident, within two months) from the date on which the reasons ceased to be applicable, but not later than six months following the expiration of the said time limit (paragraph (4) of said Article).

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d Problems

The exceptions under Article 30 of the Patent Act were basically established for the purpose of saving researchers, individual inventors, SMEs, and others, who lack knowledge of the Patent Act, from a situation where their invention becomes publicly known due to their lack of knowledge of the Act or on grounds not attributable to them. Such a measure, which grants a patent even to an invention that has become publicly known, is an exception to the first-to-file system and thus an unstable factor. Therefore, many European countries do not have a remedial measure identical to that of Japan. If that is still the case, today, when more than one century has passed since the establishment of the Patent Act, and the knowledge of the Patent Act has been diffused more widely, these exceptions should probably either be abolished or reduced conceptually.⁵⁷

In reality, however, as there is a trend of applying these exceptions more widely, presentation in a printed publication and presentation at a study meeting were introduced upon the 1959 revision and were further expanded upon the 2011 revision. It is a policy issue of whether legal stability should be secured by strictly applying the first-to-file principle, or to save the vulnerable, such as individual inventors.

1.3.1.3. Expanded Prior Application Status (Quasi-Publicly Known Inventions; Fictitious Publicly Known Invention) (Article 29-2 of the Patent Act)

At the time when the current Act (the Act of 1959) was enacted, an invention stated in the description of a prior application could be granted a patent in a later application, as long as it was not stated in the scope of claims of the prior application (Article 39, paragraph (1) prior to the 1970 revision). However, when the examination request system and the early publication system were introduced upon the 1970 revision, Article 29-2

⁵⁷ Upon the 1959 revision, there was an opinion insisting that the exception provisions should all be abolished. However, since the Paris Convention obligates its members to provide such exceptions with regard to exhibitions, those exceptions could not be abolished. Therefore, it was decided that the grounds for exception other than exhibitions should also be maintained (Explanation on the Council Report on Amendment of the Industrial Property System, p. 4)

was newly stipulated, and the scope of prior applications was expanded. As a result, an invention disclosed in the description came to eliminate later applications.

If the later application is filed after the laying open of the prior application, the prior application has become publicly known due to being described in the patent gazette, so the later application is refused (Article 29, paragraph (1), item (iii) of the Patent Act). However, if the later application is filed before the laying open of the prior application, the description of the prior application is not yet publicly known, because it is kept secret within the JPO. In such a case, the prior application, which was originally incapable of eliminating the later application even if it was described in the description of the prior application, is fictitiously considered to be publicly known in spite of the fact that it is kept secret, through the application of this Article, and the later application is refused. Specifically, even if a later application is filed before the prior application has been disclosed to the public, provided that the prior application has been published, an application claiming an invention or device identical to one disclosed in the description, scope of claims, or drawings (including foreign language documents) originally attached to the written application of the prior application for which a patent gazette or a utility model gazette has been published is refused (Article 29-2).⁵⁸ This is called the expanded prior application status or a fictitious publicly known invention (quasi-publicly known invention).

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The elimination of later applications is based solely on the description, etc. originally attached to the prior application, which do not include any additions made by amendment after the filing. Although the description, etc. that have been laid open do not necessarily coincide with the originally attached description, etc. since they may have been amended, only an invention disclosed in the originally attached descriptions, etc. is regarded as a fictitious publicly known invention, in order to avoid the procedure from becoming too complicated. The fictitious requirement is satisfied if the prior application is laid open or is pending before the JPO at the time of the issuance of the gazette containing the patent (utility model), and the fictitious publicly known status remains even if it is subsequently withdrawn, abandoned, or dismissed.

However, when the inventor of the prior application and the inventor of the later application are the same (the part in parentheses in Article 29-2) and when, at the time of filing the later application, the applicant of the later application and the applicant of the prior application are the same (the proviso to said Article), the later application is not refused as an exception. The former is intended for remedying later applications filed by the true inventor from misappropriated applications filed by others, and the latter is

⁵⁸ Article 184-13 provides for the case where a prior application is an application based on the Patent Cooperation Treaty (PCT).

intended to prevent a person's later applications from being refused based on a prior application filed by that person. A later application is refused only when it is identical to an invention disclosed in the description, etc. of a prior application on condition that it has been laid open, and not when an invention can be easily arrived at from such invention, that is, when an invention lacks an inventive step.

The reasons for the legislation of Article 29-2 were as follows.⁵⁹

First of all, the invention disclosed in the description or drawings of the prior application is due to be laid open to the public in the future, in principle,⁶⁰ so a later application does not provide anything new to society.

Secondly, this Article was related to the introduction of the request for examination system. Under the request for examination system, examinations are not always carried out in the order of filing, so in the earlier system that only recognized the effect of refusing later applications within the scope of claims of the prior application, the scope effective for refusing later applications did not become decisive until the scope of claims was determined after the completion of an examination of the prior application.. Therefore, the conventional system could not be continued. Accordingly, the early publication system was introduced concurrently in order to lay open to the public all the applications after one year and six months after filing, and Article 29-2 was introduced so as to expand the effective scope for refusing later applications from the scope of claims to the originally attached description, etc. Thereby, the effective scope for refusing later applications and the examination procedure were separated, and it became possible to determine the scope for refusing later applications even before the determination of the scope of claims of the prior application.

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Thirdly, under the conventional system, the applicant who filed the prior application was pressed to file applications for inventions that he/she did not intend to monopolize, merely for defensive purposes. Unless the applicant filed defensive applications for inventions that were not disclosed in the scope of claims, but were disclosed in the description or drawings, there was a risk that such inventions would be patented by later applicants. If the prior applicant does not have the prior user's rights in such a case, he/she might not even be able to work the invention in spite of having filed the application earlier. By also making inventions that are disclosed in the description and drawings of the prior application effective for refusing later applications, such wasteful defensive applications could be reduced and it would help to speed up examination.

For these reasons, the material scope of the prior application effective for refusing

59 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Shoyūken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 86.

60 The provision on the expanded prior application status is not applicable to any applications that do not go as far as becoming laid open to the public.

later applications was expanded. Nevertheless, the differences between Article 29-2 of the Patent Act and Article 39 (Prior application) of the Act, which regulates the relationship between prior and later applications, present problems.

First, the effective scope for refusing later applications is different in these two provisions. With regard to the scope of timing, the provisions of Article 29-2 of the Patent Act cover an application filed before the filing date of the later application, while Article 39 is also applicable to an application filed on the same date. As for the material scope, Article 29-2 covers inventions disclosed in the description, the scope of claims, and drawings originally attached to the application of the prior application (including foreign language documents of foreign language written applications), while Article 39 only covers inventions disclosed in the scope of claims.

Secondly, the conditions required for refusing later applications are different. In the case of Article 39, if the prior application has been withdrawn, abandoned, or dismissed, or if the examiner's decision of refusal or a trial decision of refusal becomes final and binding, that application is deemed never to have existed, and cannot eliminate a later application. However, Article 29-2 does not have such restrictions, and is applicable if the prior application has been laid open, etc.; while Article 29-2 is not applicable when the applicant who filed the prior application and the later application are the same person,⁶¹ Article 39 has no such limitation (paragraph (5)), but if the prior application is a misappropriated application, the application does not lose its prior application status (then Article 39, paragraph (6) was deleted by the 2011 revision).

Such differences exist in these two Articles, but in actuality, many cases of using prior applications satisfy the requirements of both, though most cases are processed under Article 29-2. In such cases, the later application can be refused under either of these provisions.

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The next problem is the relationship between the right of priority under Article 4, Section B of the Paris Convention and Article 29-2.

Article 4, Section B of the Paris Convention provides that an application containing a priority claim shall not be invalidated by a third party's act, such as a filing, accomplished in the interval between the filing of the first application and the filing of a subsequent application in another country enjoying the benefit of a right of priority, and that such third party's act shall not give rise to any third-party right or any right of personal possession. With regard to Article 29-2, the question of whether the filing date of an application containing a priority claim should be the filing date of the first application or

⁶¹ The identification of the same applicant or the same inventor throws up various problems in practice, but for details, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 279 [written by Haruo Gotō/Masaaki Arisaka]; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 216; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 171.

the date of the subsequent filing (the filing in Japan) is the subject of a theoretical dispute. In practice, the filing date does not retroact by making a priority claim, so for an invention which is disclosed in the description of an application filed in Japan and which is disclosed in the description of the first application, the filing date of the first application is regarded as the date on which the invention gained its fictitious publicly known status.⁶² Therefore, if, between the filing date of the first application of an application containing a priority claim and the filing date of its subsequent application, a third party were to file an application for an invention identical to that disclosed in the description, etc. attached to the first application, the subsequent application (Japanese application) is not refused based on the third party's filing.⁶³ In other words, the third party's application filed between the filing of the first application and the filing of the subsequent application will be refused, and the application containing a priority claim is patented. With regard to internal priority, the reference date is prescribed as the time of the filing of the earlier application under Article 41, paragraph (2), so there is no reason to adopt a different interpretation in the case of a priority claim under the Paris Convention.⁶⁴

1.3.1.4. Inventive Step (Article 29, paragraph (2) of the Patent Act)

A. Significance of the Inventive Step

The “inventive step” is a term used in patent studies and practices.⁶⁵ An invention which a person skilled in the art would have been able to make easily from the state of the art as of the time of filing the patent application⁶⁶ is called an “invention involving no inventive step.” Under the old Act (Act of 1921), there was no provision requiring an inventive step as an essential element of registration, but an invention that is found to involve no inventive step under the current Act was refused in practice, on the grounds

62 The Tokyo District Court Judgment, November 26, 1971, *Mutai Saishū*, Vol. 3, No. 2, p. 367/*Hanji*, No. 650, p. 52/*Hanta*, No. 271, p. 130 (the Vitamin B Manufacturing Method case); the Tokyo High Court Judgment, March 13, 1997, *Chiteki Saishū*, Vol. 29, No. 1, p. 434/*Hanji*, No. 1611, p. 122 (the Treatment Agent for Blood Sludging case). Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 271 [written by Haruo Gotō/Masaaki Arisaka], Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 316 [written by Hiroaki Sakai and Takashi Kawasaki].

63 In the Tokyo High Court Judgment, September 13, 1988, *Mutai Saishū*, Vol. 20, No. 3, p. 401/*Hanji*, No. 1296, p. 123 (the Electroconductive Textile Fiber case), the court mentioned that the reference date for the prior application status (the reference date for eliminating later applications) is the date of making the priority claim (the filing date of the first application) pursuant to the provisions of Article 4, Section B of the Paris Convention and Article 26 of the Patent Act. In the Tokyo High Court Judgment, July 19, 1990, *Mutai Saishū*, Vol. 22, No. 2, p. 402/*Hanji*, No. 1363, p. 133 (the Vinyl Chloride Aqueous Suspension Polymerization Method case), the court held that, even when an application filed in a foreign country has been withdrawn due to an examination not having been requested, the extinguishing of the effect of the priority claim does not retroact to a time before the laying open of the application, so the effect under Article 29-2 arises on the date of making the priority claim.

64 An opposite view is indicated in Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 173.

65 In positive law, the term “inventive step” is used in Article 33 (3) of the PCT (1970).

66 It means the highest technological level at the time of the filing (Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 107). It specifically indicates inventions that have become publicly known, etc. pursuant to Article 29, paragraph (1).

that the mere replacement of materials or a change of design did not constitute an “invention” as stipulated in Article 1 of the old Act. Upon the enactment of the current Act (Act of 1959), this practice was stipulated as Article 29, paragraph (2). In actuality, the involvement of an inventive step is determined according to the JPO's Examination Guidelines.⁶⁷ In that sense, the Examination Guidelines have great meaning, but since they are a kind of directive with no binding force on the court, they may be reversed by a court judgment.

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It is a self-evident truth that a patent should not be granted to an invention involving no inventive step. Although there are differences in expressions and available provisions, a similar patent requirement is also imposed in other countries.⁶⁸ Inventions involving no inventive step are expected to be made even without giving an incentive by granting an exclusive right, and the grant of an exclusive right for such inventions could obstruct the free business activities of third parties. It is desirable for the development of technology to let inventions involving no inventive step be freely used. However, it is extremely difficult to determine whether an invention involves an inventive step. Abstractly speaking, the inventive step is an issue of the point of balance between how broadly the inventive step should be recognized in order to provide an incentive to the inventor and whether it is appropriate to let the invention be freely worked.

The concept of the inventive step is quite ambiguous, so a variety of court decisions have been made concerning the involvement of an inventive step in an invention. This point of dispute, which is an important and frequently discussed point in a JPO examination⁶⁹ and patent infringement litigation, is a top-priority issue in practice. However, the inventive step often needs to be determined from a technological perspective, and it is an issue that is difficult to handle in a book on a legal system, so only the outline of the concept will be indicated here.⁷⁰

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67 The Examination Guidelines have been established by the JPO as guidelines for patent examiners. They are not legally binding, but since the actual examination is carried out according to the Examination Guidelines and they are made public, applicants file their applications by referring to these guidelines. Accordingly, the Examination Guidelines are an extremely important document in practice.

68 For systems in other countries, see Benkichi Jinbo, “Hatsumei No Shinposei Ni Tsuite” (Involvement of an Inventive Step in an Invention), Hara Masuji Hanji Taikan Kinen, *Kōgyō Shoyūken No Kihonteki Kadai Jō* (Essays in Honor of Retirement of Judge Masuji Hara: Basic Issues of Industrial Property Rights Vol.1), p. 227.

69 Lack of involvement of an inventive step was mentioned as the reason for refusal in about 83% of all notices of reasons for refusal issued in FY2008.

70 For details, see Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 257 [written by Kazuhiko Naitō, Taku Yamada, and Jirō Sakai]; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 110; Kazuo Masui and Yoshiyuki Tamura, *Tokkyo Hanrei Gaido [Dai 4 Han]* (Guide to Patent-related Law Cases [4th ed.]), p. 48; Masami Ichikawa, “Tokkyo Hatsumei No Shinposei No Handan Hōhō Ni Tsuite” (Method of Determining the Involvement of an Inventive Step in a Patented Invention), Toshisuke Kiyonaga and Ryūichi Shitara, *Gendai Saiban Hō Taikei 26 Chiteki Zaisanken* (Modern Trial Law System 26 Intellectual Property Rights), p. 135.

B. Person Skilled in the Art⁷¹

A person skilled in the art means “a person ordinarily skilled in the art of the invention” (Article 29, paragraph (2) of the Patent Act),⁷² and the existence of an inventive step is determined by whether or not the invention could easily be made by a person skilled in the art at the time of the filing of a patent application.⁷³ A person skilled in the art does not assume a specific engineer, but conceptually assumes an engineer with common knowledge in the relevant technical field. Sometimes, it is more reasonable to consider a person skilled in the art to be a group of engineers rather than a single engineer. For example, in the case of a business-related invention, we may assume a level of the entire group of computer experts and business experts.⁷⁴

The first question to be asked is about the meaning of “the art of the invention.” In recent years, technical fields have become more and more subdivided and specialized. On the other hand, technology can often be applied to other unexpected fields of technology.⁷⁵ The application of technology to a seemingly completely different technical field may be easy for a person skilled in the art in some cases, but difficult in others. Therefore, it is difficult to decide on a specific technical field a priori, and there is no other way but to accumulate judgments on individual cases taking into consideration the constitution, purpose, effects, etc. of the invention.⁷⁶

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C. Methods of Determination concerning Involvement of an Inventive Step

The only stipulated criterion for determining the involvement of an inventive step is whether or not a person skilled in the art would have been able to make the invention from publicly known art easily, so the provision itself is extremely abstract. Generally,

71 See Ryō Shimanami, “Tokkyo Hō Ni Okeru Tōgyōsha No Gainen” (The Concept of the PHOSITA in Patent Law), *Kōbe Hōgaku Nenpō* (Kobe Annals of Law and Politics), No. 18 (2002), p. 242.

72 Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 5 Han]* (Patent Law from the Ground Up [4th ed.]), p. 56 states that a person skilled in the art is not a person with an average skill in the relevant field of an art, but a person who has referred to and has an understanding of everything in that field of art. The Examination Guidelines state that “a person skilled in the art” means a person who has common general knowledge of inventions in a particular area as of the filing, is able to use ordinary technical means for research and development, is able to exercise ordinary creativity in selecting materials and changing designs, and is able to comprehend all technical matters for state of the art technology in the field of the claimed inventions.

73 The Tokyo High Court Judgment, February 18, 1965, *Gyōshū*, Vol. 16, No. 2, p. 194 (the Concrete Reinforcing Steel case); the Tokyo High Court Judgment, January 19, 1978, *Torikeshishū*, 1978, p. 285 (the Sintering Device case).

74 Yoshiaki Aita, “Hatsume No Shinposei” (Inventive Step of an Invention), supervised by Minoru Takeda, *Tokkyo Shinsa/Shinpan No Hōri To Kadai* (Legal Principles and Challenges of Patent Examination and Trials), p. 220; Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 5 Han]*, p. 56. The Examination Standards as revised in 2000 also state that “for some inventions, it is appropriate to consider these persons skilled in the art to be a ‘team of experts’ in several fields rather than individuals.”

75 For example, it is not rare for a non-stick frying pan to be developed from rocket technology, or a stealth aircraft to be developed from microwave oven technology.

76 In the Tokyo High Court Judgment, March 23, 1971, *Mutai Saishū*, Vol. 3, No. 1, p. 109 (the Dry-Cleaning Composition case), the court stated that the field of the art of a composition for dry-cleaning was not the art relating to laundry operations, but one relating to the dirt and stain removing effect of chemical agents or relating to the research, utilization, manufacture and development of such type of agents, but this is only one example of a court judgment.

the core of an invention is the constitution of the invention, so the presence of an inventive step is determined mainly based on its constitution, but also by considering comprehensively whether the cited invention (publicly known invention) contains suggestions (teachings, incentives, or more specifically, the presence of a statement of solution to the same problem), whether there is a close similarity in the problem to be solved, the function, or the operation, and whether there is a close similarity in the technical field, among other matters. It is determined by focusing on the constitution of the invention, or by focusing on the purpose and effect of the invention, or by evaluating them equally, depending on the specific cases, and it is difficult to set a general standard. The involvement of an inventive step is more likely to be found if the constitution of the invention is quite different from that of the prior art, but even where the constitution is similar, the inventive step is sometimes found based on the differences between the operation and effect of the invention.⁷⁷ Apart from the JPO's Examination Guidelines, there is an enormous number of trial decisions and court judgments regarding this matter, so a specific determination is made according to each of them. The determinations are not necessarily consistent, and they are different in each technical field.

An examination at the JPO is carried out according to the Examination Guidelines for Patent and Utility Model in Japan, and guidelines concerning the inventive step are provided as part of the examination guidelines by industry. However, under the Examination Guidelines as revised in 1993, the inventive step is determined by first identifying the technical scope of the claimed invention (identifying the gist of the invention), then identifying the cited invention (including well-known or commonly used art) closest to the claimed invention, and identifying where the two correspond or differ, and finally evaluating the differences (reasoning). If no difference is identified, the invention lacks novelty; in other words, the application is refused. If the differing composition is optimization, a design change, or a replacement by an equivalent, and it produces an effect exceeding the expectations of a person skilled in the art, the involvement of an inventive step is found, otherwise the involvement of an inventive step is denied. Also, if the differing composition is indicated in evidence, the involvement of an inventive step is determined mainly from the perspective of whether or not the cited invention contains a cause or motivation for making the claimed invention. Nevertheless, there was criticism that this criterion was too lax, and that inventions that cleared this inventive step test were often denied the involvement of an inventive step by the courts. Accordingly, in the Examination Guidelines as revised in 2000, not only the presence of "cause or motivation," but also the "selection of optimum materials or workshop

⁷⁷ For details, see Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 261 [written by Kazuhiko Naitō and Jirō Sakai]; Yoshiaki Aida, "Hatsumei No Shinposei" (Inventive Step of an Invention), Supervised by Minoru Takeda, *Tokkyo Shinsa/Shinpan No Hōri To Kadai* (Legal Principles and Challenges of Patent Examination and Trials), p. 217.

modification” and “mere aggregation” were mentioned as grounds for the lack of an inventive step, which resulted in a stricter determination and a higher rate of refusal of applications. The presence of “cause or motivation” is determined from the following perspectives: the relation of technical fields; close similarity of problems to be solved; commonality of working or functions; and implications in the cited inventions.⁷⁸

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Upon the 2003 revision of the Examination Guidelines, a revision was made to take into account the state of the art at the time of the filing of the application in question.⁷⁹

It is also possible to take into account a secondary consideration, such as the commercial success or non-working of an invention over a long time, as a factor supporting an inventive step. However, since commercial success does not result from the invention alone, but is also affected by other factors such as a sales force, design, product price, advertising, capital strength, and economic conditions, as well as luck, it can be treated as a secondary consideration only when the commercial success has resulted from the features of the patented invention.⁸⁰ In addition, the long-term non-working of an invention and the failure of others can sometimes be used as reference materials as well. In actuality, however, the commercial success or failure of other people has hardly ever proved to be a decisive factor in the determination.

The determination of whether an invention can be made easily is, essentially, ambiguous, and the determination became more difficult than before as new technology emerged and the description of the scope of claims became more complicated. The determination would have to rely on the empirical rules of the examiners, but even so, there is a need to make an effort for the criteria to become more objective, which is the reason that the above-mentioned Examination Guidelines have been created. The involvement of an inventive step is determined by following the above steps. The next part studies such a determination in distinctive types of cases.⁸¹

Meanwhile, the involvement of an inventive step is determined for each claim.

D. Types of Determination concerning Involvement of an Inventive Step

78 In the Intellectual Property High Court Judgment, January 28, 2009, *Hanji*, No. 2043, p. 117/*Hanta*, No. 1299, p. 272 (the Circuit Connecting Member case), the court stated that “in order to make a determination that a person ordinarily skilled in the art could have easily conceived of the relevant invention from the prior art, it is insufficient that it can be presumed that such person would have made an attempt by which he/she could reach the characteristics of the invention, but it is necessary that there is an implication or the like suggesting that he/she must have made such an attempt with the intention of reaching the characteristics of the invention.”

79 This revision was made in order to comply with the PCT guidelines.

80 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 126; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 144. The Examination Guidelines also state that commercial successes are analyzed so as to positively support the presence of the inventive step “insofar as the examiners are convinced by applicant-submitted assertions or proof that these facts are derived from the features of the claimed inventions, not from other factors such as sales promotion techniques or advertisements.”

81 The next part was written using the following literature as reference: Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 291 [written by Kazuhiko Naitō, Taku Yamada, and Jirō Sakai]; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 119; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 151.

1) Mere aggregation of technology, change of optimum materials, change of design, replacement/conversion

The mere aggregation of technology is determined as lacking the involvement of an inventive step, but if the invention has the unexpected effect of exceeding the total of the aggregated technology, the invention is recognized as involving an inventive step as a combination invention.⁸² This is the general theory, but there are certain technical fields where there are many inventions that combine publicly known art, and where the prior art contains suggestions on the overall combination.⁸³ In such cases, the question of whether or not the combination could be arrived at easily by a person skilled in the art must be carefully studied. One point to note is that an invention which is a mere aggregation often seems to be easy once it has been completed (i.e. Columbus' egg), but a determination must be made on whether it was easy for a person skilled in the art "at the time of filing". This point is being generally recognized, but such determination is a difficult task in reality, as if looking at a magic show after finding out the secret of the trick. In court, the task becomes even more difficult when a determination has to be made based on the state of the art ten or twenty years ago.

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An invention that changes an optimum material, changes a design, converts publicly known art to another technical field, or replaces part of a publicly known art with another known art is considered to involve an inventive step only if the change, conversion or replacement was difficult for a person skilled in the art, and its effect was difficult to predict. Conversely, even if no "cause or motivation" were found in the cited invention, the involvement of an inventive step is denied if the invention in question could easily be arrived at by a person skilled in the art.

2) Use invention

A use invention is based on finding that a new attribute of a product⁸⁴ can be put to a new use. If the use is novel, and the invention is highly effective with regard to that use, and the use was not easy for a person skilled in the art to find from known substances, the invention is found to involve an inventive step. The finding alone would merely be discovery and not an invention, but there is inventiveness in putting the product to a

82 In the Tokyo High Court Judgment, September 7, 1977, *Mutai Saishū*, Vol. 9, No. 2, p. 598 (the Three-dimensional Scratching Equipment case), the court held that even where an invention comprises the aggregation of multiple publicly known technologies, if it has a notable operation and effect through combination of the comprising technologies, the invention involves an inventive step.

83 In the Tokyo High Court Judgment, April 15, 1971, *Hanta*, No. 263, p. 239 (the Infrared Electric Kotatsu [a small table equipped with a heater] case), which is a well-known case, the electric kotatsu with an infrared lamp was publicly known, and the fact that infrared lamps for heating also had a medical effect was well known. Under such circumstances, the court dismissed a claim insisting that the invention had a particularly superior mode of operation and effect as an apparatus for medical and heating purposes by using a medical infrared lamp, and denied the inventive step of the invention.

84 The product would be a known product in most cases. Theoretically, even an unknown product could be claimed as a use invention, but normally, it would be claimed as a product invention in acquiring a patent.

specific use. For example, if a person were to newly find that DDT, which was a publicly known chemical substance, has an excellent insecticidal effect, it could constitute an invention of an insecticidal method using DDT or a DDT-based insecticide. A use invention is rarely established when the structure and use are combined with each other, such as in the case of a machine, but a use invention is made more frequently in the case of fields such as the chemical field where the use cannot be identified easily from the structure. Under Japan's Examination Guidelines, use inventions are categorized as product inventions. There is a criticism that a product invention defined by the use of the product cannot be clearly distinguished from a process invention, but if the use invention were categorized as a process invention, there would be less significance in recognizing use inventions due to the limited effects of a process invention. Thus, it is considered that the use invention was purposefully categorized as a product invention.⁸⁵ While a product-by-process claim is a claim defined in the form of a process of manufacturing (see 8.6.3. Product-by-Process Claim), a use invention is a claim defined in the form of use, which often becomes an issue in relation to the second use of medicines. If a medicine effective for a specific disease (e.g., thalidomide as a hypnotic and sedative drug) is publicly known, but it is found that the medicine is effective for another completely different disease (e.g., multiple myeloma), it is patented as a use invention. In that case, if the invention is claimed as a "medicine" effective against multiple myeloma, it can be considered to be a product invention. According to the principle of the scope of right of a product invention, the scope of right would seem to extend to that product in general, but since the chemical substance and its manufacturing method are already publicly known, the right cannot cover that scope. If so, the scope of right of a patent on a use invention would only cover use of the medicine against multiple myeloma, and the patent right would be effective only on an act of selling the medicine by labeling it as a medicine against multiple myeloma (this is also known as the labeling theory).⁸⁶ In that sense, the essence of a use invention is close to that of an invention of a process for producing a product.⁸⁷

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85 In the Intellectual Property High Court Judgment, March 23, 2011, Hanji, No. 2111, p. 100/Hanta, No. 1356, p. 217 (the Superoxide Anion Decomposer case), the court stated that there is room for a publicly known product to be patented as an "invention of a product," and that this is determined from the perspective of whether or not the discovery, etc. of the process (use) relating to the product can be regarded as a highly advanced creation of technical ideas, by examining, for each such invention on a case-by-case basis, the new substance, significance, and utility of the process (use) disclosed by the inventor, any possible influence on a third party that may arise if the invention is protected by a patent, and the balance with the public interest (in this case, however, the court held that the invention was not a new use, and that it lacked novelty). Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 256 [written by Hisao Shiomi].

86 Rather than being an issue of specific labels, it would be an issue of whether the medicine is sold as a product intended for such use.

87 Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (The Role of Disclosure Through Description under the Patent Act), p. 386.

3) Selection invention⁸⁸

A selection invention is an invention that has selected, as its constituent feature, subject matter expressed as a specific concept which is included, but not concretely disclosed, in an earlier patent.⁸⁹ With regard to the invention of a concept which is more specific than an invention expressed as a generic concept, it is often easy for a person skilled in the art to select an optimum element through experiments, and in such case, the invention expressed as a specific concept lacks an inventive step. However, since the earlier invention expressed as a generic concept has a broad scope of claims, a selection invention is regarded as involving an inventive step when the invention expressed as a specific concept that was not concretely disclosed in the earlier invention has the effect of a different nature or a conspicuous effect⁹⁰ that would not have been expected by a person skilled in the art.⁹¹

There is a question of whether a selection invention should be regarded as using the prior patent (Article 72) or whether a selection invention and a prior invention should be regarded as separate inventions solving separate technical problems, with no *use* relationship with each other. Academic theories are divided over this question. If a selection patent is considered as a patent that has added some kind of new effect to a prior patent, it would mean recognizing a use relationship,⁹² and the patent becomes subject to an arbitrary license (Article 92). In contrast, if a selection patent is considered to be a new invention that is not disclosed in the prior patent (a hole in the prior patent), a use

88 See Akito Sakurai, “Sentaku Hatsumei” (Selection Invention), Supervised by Minoru Takeda, *Tokyo Shinsa/Shinpan No Hōri To Kadai* (Legal Principles and Challenges of Patent Examination and Trials), p. 273.

89 The Tokyo High Court Judgment, September 8, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 309 (the Iron Group Element and Boron included Amorphous Alloy case).

90 In the Tokyo High Court Judgment, March 30, 1978, *Hanta*, No. 369, p. 393 (the Optical Brightener case), the court held that, in the case of claiming a selection invention, its working effect must be different in kind from that of the prior invention, or the same kind but outstandingly better than that of the prior invention to a sufficient extent that makes the selection invention deserve to be protected as a separate invention independent from the prior invention.

91 A famous case is the Tokyo High Court Judgment, October 31, 1963, *Gyōshū*, Vol. 14, No. 10, p. 1844 (the Insecticide case). In this case, the court held that an invention that was merely a more specific concept of an insecticide expressed by a general formula but which had a distinctive feature in its extremely low toxicity for warm-blooded animals, constitutes a “novel industrial invention” as referred to in the old Patent Act. Other judgments include the following: in the Tokyo High Court Judgment, September 18, 1970, *Mutai Saishū*, Vol. 2, No. 2, p. 457/*Hanta*, No. 225, p. 172 (the Hazardous Substance Restraining Composition case), the court held that, where a herbicidal component of which the active ingredient is a chemical compound expressed by a generic concept and a herbicidal, insecticidal, bactericidal, acaricidal component of which the active ingredient is a chemical compound expressed by a specific concept are identified and distinguished from each other, the two are regarded as separate inventions even where the latter is included in the chemical compound of a generic concept; in the Tokyo High Court Judgment, February 25, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 14/*Hanta*, No. 324, p. 229 (the Polyurethane Resin Stabilization Method case), the court held that an invention was not dramatically superior to the prior invention; in the Tokyo High Court Judgment, March 30, 1978, *Hanta*, No. 369, p. 393 (the Optical Brightening Agent case), after mentioning generalities about selection inventions, the court held that a person skilled in the art would have been able to predict the invention in question easily; in the Tokyo High Court Judgment, November 5, 1981, *Mutai Saishū*, Vol. 13, No. 2, p. 816 (the Penicillin case), the court held that the effect of the invention was not superior to that of the cited invention; and in the Tokyo High Court Judgment, September 8, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 309 (the Amorphous Metal Alloy case), the court held that the effect of the invention was not found to be remarkably superior.

92 In the Osaka District Court Judgment, January 24, 1975, *Hanta*, No. 323, p. 270 (the Edge Cutting and Transporting Equipment case), the court recognized a use relationship, and held that the selection invention could not be worked.

relationship will not be recognized. This question does not have an unambiguous answer, and it is a question of an interpretation of the scope of the prior patent.⁹³

4) Invention limiting numerical values, shape, etc./parameter invention

With regard to an invention (particularly a chemical invention) that has been made by limiting or changing the numerical values, shape, arrangement, etc. constituting publicly known technology or by limiting the scope thereof by using specific variables, it is often the case that a person skilled in the art can easily confirm the numerical values, etc. within that scope experimentally. Thus, such limiting of numerical values, etc. involves no inventive step, in principle. However, if the effect resulting from such change or limitation is different in nature from that of the publicly known art, or if the effect has the same nature but is noticeably superior, and a person skilled in the art would not have made the invention easily and would have had difficulty predicting its effects, the invention is found to involve an inventive step.⁹⁴ It can be considered as one type of selection invention.

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5) Chemical substance invention

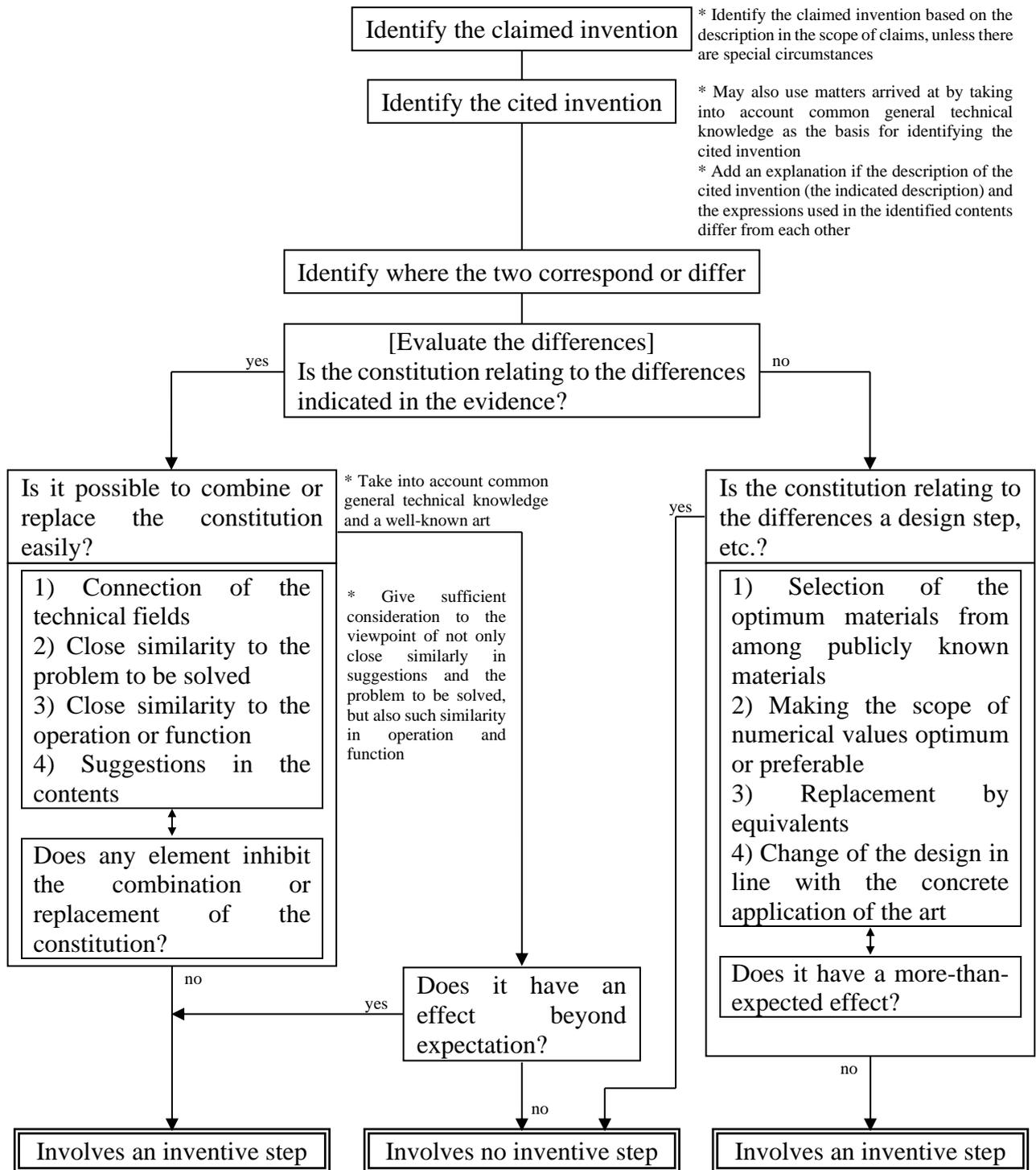
The involvement of an inventive step in a chemical substance is determined from its chemical structure and the use/property of the chemical substance. If the chemical structure of a chemical substance differs considerably from that of a publicly known chemical substance, that is sufficient for finding an inventive step. The inventive step is also recognized even where the chemical structure was similar to that of a publicly known substance, as long as it has an unpredictable property or its property is outstandingly superior.

⁹³ See Kiyoko Tamura, "Sentaku Hatsumei" (Selection Invention), Supervised by Minoru Takeda, *Tokkyo Shinsa/Shinpan No Hōri To Kadai* (Legal Principles and Challenges of Patent Examination and Trials), p. 291.

⁹⁴ For instance, in the Tokyo High Court Judgment, November 5, 1992, *Chiteki Saishū*, Vol. 24, No. 3, p. 980 (the Gas Treatment Method case), the court affirmed the involvement of an inventive step, stating that the limitation of numerical values had apparently made the invention better than the prior art, and the limitation had the technological significance of making the operation and effect of the art more prominent. In the Tokyo High Court Judgment, October 16, 1997, *Hanji*, No. 1635, p. 138 (the Projection Television case), the court found that the invention involved an inventive step, holding that, as a result of limiting the numerical values, the invention had gained a mode of operation and effect that go beyond and are different in nature from those attained by the cited invention.

[141]

Example of the Inventive Step Determination Procedure



* Also describe the reason why the combination or replacement of the constitution is not easy (element inhibiting combination)

Source: Japan Patent Office, “Heisei 18 Nendo Shinposei Kentōkai Hōkokusho” (Report of the Study Group on Inventive Step FY2006), p. 124.

[143]

1.3.2. Unpatentable Inventions (Article 32 of the Patent Act)

1.3.2.1. Act of 1959 (Before the 1975 revision)

Theoretically, there is no universal principle regarding what kinds of inventions should be patented. The basic rule is not to grant a patent if a monopoly for the invention through patenting is socially undesirable, but the determination mostly depends on the industrial policy of an individual country. The industry policy differs according to the times, and there was a strong demand for protecting domestic industry in the past. For instance, in Japan, when the technological level was lower than today, the Patent Act had provisions on unpatentable inventions until the 1975 revision. In recent years, the idea that patents should be granted to inventions in all kinds of technical fields is becoming more and more prevalent. In addition, the TRIPs Agreement obligates members to grant patentability for inventions in all fields of technology. While inventions that are likely to contravene public order and morality or be harmful to public health are unpatentable, this is regarded as being based on natural reasoning, rather than based on an industrial policy reason.

The old Act (Act of 1921) stipulated foods and beverages, luxury grocery items, medicines and their mixing methods, chemical substances, and inventions that were likely to contravene public order and morality or be harmful to public health as unpatentable inventions, and substances obtained by nuclear transformation were added to this list upon the 1959 revision (Article 32 of the Patent Act before the 1975 revision).

Foods, beverages and luxury grocery items are related to a very important field, the national diet, so they were unpatentable since a monopoly in this field could become a great obstruction in national life. Nevertheless, it is unlikely that people would starve if patents for foods, beverages and luxury grocery items were granted in reality, so they were excluded from unpatentable inventions upon the 1975 revision.

Medicines and their mixing methods are also closely related to people's health, so they were categorized as unpatentable since a monopoly for them was not desirable. In the case of medicines, the research and development cost is extremely high in contrast to the manufacturing cost. Therefore, if medicines or their mixing methods were treated as unpatentable, people would be able to manufacture new medicines that have been developed overseas by using a different method, and thereby produce medicines which have the same effect without investing vast development costs and be able sell those medicines at low prices. Conventionally, many developing countries had not recognized patents on medicines, based on a policy of providing medicines to people at a low cost. Conversely, if patents are not granted for medicines, companies' motivation for

developing new medicines will be diminished. There were fierce conflicts between developed countries and such developing countries over this issue, but in the end, inventions in all fields became patentable on the conclusion of the WTO's TRIPs Agreement in 1995, although there is a certain grace period. In the case of Japan, it was judged that it was no longer necessary to include medicines in unpatentable inventions, and they were deleted from the list upon the 1975 revision. However, in order to prevent confusion at medical treatment sites, it was stipulated that the patent rights should not be effective against the act of the preparation of medicines by a physician, etc. (Article 69, paragraph (3) of the Patent Act). If a monopoly produces an adverse effect, it would be sufficient to use the arbitrary licensing system (Article 93).

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Chemical substances (substances manufactured by a chemical method) had been made unpatentable in order to protect domestic industry, just as in the case of medicines. If a substance patent system were introduced at a stage when the domestic chemical industry is underdeveloped, it could allow competent foreign companies to monopolize patents on substances themselves, depriving the domestic industry of opportunities for growth. On the other hand, without a substance patent system, development efforts would be focused on inventing new manufacturing methods for the new substances developed by others, and the incentive for basic research and development directed toward developing new substances would be lost, which is unfavorable for industrial development. Accordingly, whether or not a substance patent system should be introduced in a particular country depends on the development status of that country's industry. If it is introduced when the level of technology is too low, it would stifle domestic industry, but if the introduction is delayed despite the fact that technology has developed to a certain level, it would be a disincentive for basic research. Since Japan introduced the substance patent system in 1975 when the domestic chemical industry had developed to a certain extent, the industry faced a great turning point, and the medical and chemical companies showed remarkable progress. As for the practice for obtaining a chemical substance patent, it is not enough to be able to merely confirm the existence of the substance, but its manufacturing method and utility must also be described in the application.

Nuclear transformation refers to the transformation of an atom into a different atom by nuclear fission, nuclear change or atomic fusion using an atomic furnace or other equipment. Substances obtained by nuclear transformation in this context mean the elements and chemical compounds manufactured by such nuclear change and their intermediate products. The methods and equipment (e.g. atomic furnaces) for

manufacturing them were not unpatentable in the past.¹ However, with the establishment of the TRIPs Agreement in 1995, inventions in all fields of technology became subject to patents. As the system for making substances obtained by nuclear transformation unpatentable conflicted with the TRIPs Agreement, this provision was deleted upon the 1994 revision.

[145]

1.3.2.2. Public Order and Morality / Public Health

The 1994 revision of the Patent Act abolished all the categories of unpatentable inventions that had been based on fields of technology, only to leave inventions that are likely to contravene public order and morality or be harmful to public health as unpatentable (Article 32 of the current Act). Since it has been considered to be a matter of course to treat inventions that are likely to contravene public order and morality or be harmful to public health as grounds for unpatentability, a provision to this effect has been in place since the establishment of Article 4, paragraph (3) of the Patent Monopoly Act of 1885. Grounds for unpatentability are also provided as grounds for patent invalidation (Article 123, paragraph (1), item (ii)).

However, what has not been clarified is why such a provision is required. The prevailing theory asserts that such an invention should not be patented because the working of the invention is likely to contravene public order and morality or be harmful to public health. This may be based on the idea that there is no need to allow the exclusive working of an invention that contravenes public order and morality or is harmful to public health as a patented product, and considering that a patent has a de facto advertising power as if it has been given a special endorsement by the government, the distribution of such patented product would compromise the authority of the patent system. Nevertheless, this view is questionable.

First, the grant of a patent merely means that the examiner could not find any reason to refuse that application (Article 51 of the Patent Act), and it is not the grant of an endorsement by the government. Also, the grant of a patent does not necessarily guarantee that the invention can actually be worked (e.g. in the case of medicines), and an invention that has been refused can be worked as long as it is not prohibited under other laws and regulations. The working of inventions that are likely to contravene public order and

¹ Many countries have some kind of regulations with regard to nuclear energy, not just under patent law and not merely for industrial reasons, but for national defense purposes. The Japanese Atomic Energy Basic Act also has the following provisions on nuclear energy-related inventions: the provisions on the arbitrary license system under Article 93 of the Patent Act may be applied when necessary in the public interest (Article 17); contracts on the outflow of such inventions to foreign countries shall be concluded in accordance with government regulations (Article 18); and the government may provide financial incentives or prize money for patent applications relating to nuclear energy (Article 19).

morality or be harmful to public health is not desirable, but it is not the role of the Patent Act to act as a deterrent.² Conversely, making such inventions unpatentable would allow anybody to work the inventions, in principle. Specifically, they are often cases relating to medicines with strong side effects,³ virility enhancing appliances,⁴ and birth control devices. These cases do not need to be treated as patentability issues, and even if their patent registrations were refused, it would have no effect whatsoever in deterring the working of those inventions. Therefore, it would be enough to have other laws and regulations deal with the question of whether or not the working of those inventions should be allowed. Also, there is no need to deny the patentability of inventions that are not likely to contravene public order and morality or be harmful to public health in themselves, but it may have such an effect depending on how they are used.⁵ It is sufficient to regulate such inventions by other laws and regulations, depending on the mode in which the invention is worked.

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Secondly, if a determination were to be made concerning public order and morality or public health, the JPO and courts would be involved in issues which require a very subjective and delicate determination, and which would consume a considerable amount

2 This point is indicated in Keita Satō, *Jurist*, No. 940 (1989), p. 116 (Commentary on the Tokyo High Court Judgment, December 25, 1986, *Mutai Saishū*, Vol. 18, No. 3, p. 579 [the Banknote case]).

3 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 141 states that the invention of a medicine that is likely to cause an unacceptable disease due to its side effects is harmful to public health. However, the question of whether the manufacture and sale of medicines having such side effects is a question for the Law on Pharmaceuticals and Medical Devices (the Pharmaceutical Affairs Act until 2014), and not a question to be decided by the Patent Act. For example, there is such case as thalidomide, which is a hypnotic and sedative drug with extremely serious side effects, but which was later be found to be effective for other diseases (Hansen's disease and multiple myeloma) and was approved.

4 In the Tokyo High Court Judgment, December 14, 1965, *Hanta*, No. 191, p. 223 (the Virility Enhancing Appliance case), the court held that the virility enhancing appliance in question was harmful to public health and was likely to disturb public order and morality, and in any case, it was found that the invention was not fit to be granted a patent right, which is an exclusive dominion, or to be given national protection.

5 In the Tokyo High Court Judgment, December 15, 1956, *Gyōshū*, Vol. 7, No. 12, p. 3133 (the Bingo Game case), the court held that the invention of a game device, a bingo game, could not be considered likely to contravene public order and morality merely "based on the reason that the device could be used for an illicit act." Textbooks often cite a banknote counterfeiting machine as an example of an invention that contravenes public order and morality. Setting aside whether a machine dedicated to banknote counterfeiting actually exists, it is simply the fact that if the Bank of Japan uses the machine, the product is a regular banknote, but if any other party prints banknotes with it, it is counterfeiting. Such an invention deserves a patent as a printing machine. Meanwhile, Tatsuki Shibuya, *Tokkyo Hō* (The Patent Act), p. 125 states that this matter has an aspect of being decided depending on the choice of the purpose of the invention, and that the invention would not be patented if it is filed as a banknote counterfeiting machine, but would not be an unpatentable invention if it is amended as a precise printing machine. It is strange for the Patent Act, which protects technical ideas, that the nature of contravening public order and morality is determined by the title of the invention and not the technical contents of the invention, even if they are the same invention. However, since nobody would file an application under such a title as "banknote counterfeiting machine" or a "vest for smuggling," this does not present a problem in actuality. In the Tokyo High Court Judgment, December 25, 1986, *Mutai Saishū*, Vol. 18, No. 3, p. 579 (the Bank Note case), the court reversed the trial decision which stated that a device which is a banknote having punch holes for those who cannot see to identify the note could not be registered based on the likelihood that it would contravene public order and morality, because "it would tempt illegal acts, if third parties in good faith were to copy this device" (constituting the crime of "alteration of banknotes"). Then, the court stated that "the possibility of the government working this invention is not nil, and even if someone were to punch holes in a banknote that has not been punched by taking a tip from this device, that and the question of whether or not the invention contravenes public order are completely different issues." Since the refusal to grant a patent and the prohibition of working the invention are separate issues, this court decision is justifiable.

of time and labor. A determination on obscenity, for instance, has extremely difficult aspects, and the concept of obscenity changes with time, so the JPO will be saddled with an enormous burden. There is no need for the patent system to assume such burden, and the JPO is not considered to be an appropriate organ to determine the concept of obscenity. Even if an invention were refused on the grounds of being likely to contravene public order and morality or be harmful to public health, it would only mean that under the Patent Act the invention would be available for any person to work, and it does no good in maintaining public order in society. Since the JPO's efforts in determining whether or not the working of an invention contravenes public order and morality or is harmful to public health have hardly any meaning in actually preventing such harmful working of an invention, the consumption of the time and labor in the making of such determinations is not meaningful. There are also instances like the case of saccharine where its use was first banned as being carcinogenic, but then ban was lifted later as being low in carcinogenicity, or where technology for making saccharine harmless was developed later. It is impossible for the JPO to make a determination by predicting such future changes of status.

Thirdly, the following point should also be taken into consideration. There is a view that a patent should not be granted for a medicinal invention that has a strong side effect or an invention that uses a hazardous substance like PCB (in particular, dioxin), since such an invention would be harmful to public health. However, an invention should not be judged as being likely to be harmful to public health merely for such reasons as having a strong side effect.⁶ One must not overlook the positive side of granting a patent so that even a medicine with a strong side effect could serve as the basis for new technological development by publishing the invention. In addition, if such a medicine were rejected merely for the reason that its side effect was strong, it would be difficult to obtain basic patents for new medicines, which would run contrary to the purpose of the Patent Act. Even if such a medicine were patented, it could not be manufactured or sold without the approval of the Ministry of Health, Labour and Welfare. Since a medicine is not likely to produce harmful effects (likely to be harmful to public health) through the mere administrative disposition of granting a patent, there is no reason to deny the granting of a patent for such an invention.

As long as Article 32 of the Patent Act exists, its provisions cannot be ignored in making an interpretation, but it would seem to be better to apply the provisions in a

⁶ In the Tokyo High Court Judgment, November 27, 1958, *Gyōshū*, Vol. 9, No. 11, p. 2486 (the Internal Iodine Preparation Manufacturing Method case), the court reversed the trial decision which held that the invention could not be patented because an injection of calcium iodate is harmful. The court ruled that it was unreasonable to state that the invention was likely to be harmful to public health by judging that all of the products obtained by the method of the claimed invention were harmful. Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 87 mentions that the JPO used to refuse any invention that has polychlorinated biphenyl (PCB) listed in its description, but such interpretation and practice are incorrect.

restrained manner.⁷ Considering the above points, it would be enough to exclude inventions from patentable inventions only if the grant of a right to a monopoly to such inventions were likely to contravene public order and morality or be harmful to public health. Even if the provisions of Article 32 were to be applied for the reason that the working of the invention would contravene public order and morality or be harmful to public health, an invention should only be unpatentable when it is apparent that it has such harmful effects and where it cannot be used in any other way but to bring about such harm, as in the case of an opium pipe.

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One notable point is that although an invention that contravenes public order and morality or is harmful to public health is not laid open to the public at present (Article 64, paragraph (2) of the Patent Act), there will be a risk of such inventions becoming laid open if Article 32 were deleted or applied in a restricted manner. An applicant is not prohibited from publishing his/her invention even if it were refused for the reason that it contravenes public order and morality. Nevertheless, if the JPO applies Article 32 in a restrictive manner and determines that the invention does not contravene public order and morality, even an invention that cannot be published according to another law or regulation would be published as long as a patent application for it has been filed. Such a situation is not desirable, so it may be necessary to make inventions unpatentable if the publication of those inventions is likely to contravene public order and morality or be harmful to public health (e.g., a stimulant manufacturing method). However, prohibiting the publication of an invention itself may, in some cases, conflict with academic freedom or freedom of thought, and not many inventions are considered to be inventions of which the publication itself should be prohibited.⁸ Also, as it is thus difficult to prevent the inventor from publishing an invention that contravenes public order and morality even if the invention is unpatented, the significance of making such an invention unpatentable is small. Nevertheless, while such an invention would not be published by operation of law if it were not granted a patent due to contravening public order and morality, it would be purposely published by the State if it were granted a patent. This is indeed not desirable, so making such inventions unpatentable is considered to be reasonable to some extent. The basic problem is the conflicting arguments over whether it is appropriate for the state

7 Naoki Koizumi, “*Baiotekunorojī Seikabutsu No Hōteki Hogo No Hitsuyōsei*” (Necessity of Legal Protection for Biotechnological Achievements), *Jurist*, No. 990 (1991), p. 19 mentions that the “industrial property system should not take on a policy aim that cannot be attained by that system alone and obstruct technological development as a result.” For a similar opinion, see Hidetaka Aizawa, *Baiotekunorojī To Tokkyo Hō* (Biotechnology and Patent Law), p. 50. In contrast, Makoto Saitō, “Shiken No Fuyo To Kōhō Jō No Kisei: ‘*Baiotekunorojī To Hō*’ Ni Kansuru Oboegaki (Grant of Private Rights and Regulations under Public Statutes: Memorandum on ‘Biotechnology and Law’)”, *Tsukuba Hōsei*, Vol. 15 (1992), p. 172, which, while avoiding being decisive, states that the provisions on public order and morality under the Patent Act can fulfill their intended functions to some extent.

8 Possible examples include the method of growing marijuana and the method of manufacturing bombs. Nevertheless, such information floods the Internet nowadays, so there is little need to treat this issue under the Patent Act.

power to lend a hand in such publication, and whether it is meaningful for the JPO to expend the time and labor to make determinations on whether or not inventions contravene public order and morality. In short, it is the conflict between an opinion insisting that the State should not take part in a disposition to grant a right of monopoly for an invention that contravenes public order and morality and an opinion insisting that examination on the contravention of public order and morality is not only practically meaningless, but also overly burdensome.

Inventions that are expected to present a great problem in the future in terms of the relation between public order and morality and patents are biological inventions. In Europe, there are heated debates on whether patents for new animals should be recognized and bioethical issues concerning inventions using fertilized human embryos or the like. There are views which hold that the creation of a new animal is blasphemous and that such inventions should not be patented from the viewpoint of animal protection. Also, some countries oppose patenting inventions relating to embryo-stem cells, which are made by destroying human embryos on the basis that they run against bioethics (e.g., EU). However, even if the grant of a patent were prohibited, the Patent Act cannot prohibit the working of such inventions. If blasphemous acts were to be prohibited by the State, there is no meaning to making such inventions unpatentable, but they need to be prohibited by another law or regulation. The limitations of the Patent Act should be recognized.

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Unlike the case of an opium smoking device, which clearly contravenes public order, this issue is largely related to subjective elements, especially religious and ethnic consciousness, which need to be treated delicately. Thus, it would be better for the Patent Act not to be involved in making a determination on this matter. The rights and wrongs of creating a new animal should be discussed separately from the Patent Act, and if the State judges it necessary to regulate such technology, an independent regulation should be established. It would only impose a futile burden on the Patent Act to try to determine such matters through the interpretation of the Patent Act. The Patent Act has been legislated for an industrial policy purpose, so to bring in such an issue would only induce unnecessary confusion and be waste of time. It is necessary to recognize the limitations of the Patent Act as an economic law, and to interpret it so that it can fulfill its functions fully. To bring ethical, consciousness-related or religious issues into the Patent Act is like driving the Patent Act into a maze.

As the Patent Act has the effect of promoting technology, it is also considered contradictory to grant a patent for a particular technology when the State hopes to prevent the development of that technology. However, if the study or working of such technology is regulated by another law or regulation, such as in the case of the creation of human clones, the grant of a patent for such technology would not have the effect of promoting

the technology. Therefore, it would not cause actual harm. On the other hand, there would be significant merit in the Patent Act having no need to debate such an issue. There is also a problem in having the JPO, determine whether or not an invention is favorable or not.

Incidentally, Article *4quater* of the Paris Convention stipulates that a patent cannot be refused or invalidated based on the reason that it is restricted under domestic law.⁹ This implies that regulation under domestic law and patent protection are not necessarily the same, but there is an international consensus that any invention which is likely to contravene public order and morality or be harmful to public health can be rejected regardless of this provision of the Convention.

⁹ This provision was added upon the Lisbon amendment in 1958. It seems to have mainly assumed government monopoly goods.

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1.3.3. Inventions of which Patentability Becomes a Problem (Inventions in Specific Fields)¹

Patents are granted for inventions in all fields of technology, in principle (Article 27 of the TRIPs Agreement). The Patent Act was likely to have been initially legislated with inventions like industrial products in mind, but no such limitation appears in the provisions. However, recent technological development has resulted in the emergence of inventions that do not necessarily comply with the conventional patent system, and the patentability of those inventions has become a problem. The following part shall discuss the most notable types of such inventions: “biological inventions” and “computer software-related inventions.”

1.3.3.1. Biological Inventions²

A. Point of Issue

Conventionally, in practice, organisms were considered to be nothing but “creatures,” and that did not satisfy patentability requirements. However, today, nobody denies the patentability of biological inventions in general, but such cases are examined individually to see if they fulfill the requirements under the Patent Act. Biological inventions can be roughly divided into the following two genres.³

The first includes inventions of organisms themselves. These include both the inventions of the genetically-novel organisms themselves⁴ (inventions of products) and the inventions of their breeding methods (inventions of processes of manufacturing products⁵).

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The second includes inventions of novel production methods or uses of organisms, though the organisms themselves are not genetically novel. Many inventions have been

1 See the Examination Guidelines, Part VII “Examination Guidelines for Inventions in Specific Fields.”

2 For a comprehensive study on this issue, see Hidetaka Aizawa, *Baiotekunorojī To Tokkyo Hō* (Biotechnology and Patent Law). Another reference is Special Feature “Baiotekunorojī Seikabutsu No Hōteki Hogo” (Legal Protection for Biotechnological Achievements), *Jurist*, No. 990 (1991), p. 13. For research on JPO trial decisions and court decisions relating to biotechnology, see Institute of Intellectual Property, *Baiotekunorojī No Hōteki Hogo Ni Kansuru Chōsa Hōkokusho* (Investigation Report on the Legal Protection of Biotechnology) (1990).

3 See Yūsuke Hiraki, “Iwayuru Shokubutsu Tokkyo Ni Tsuite (Sono 1)” (So-called Plant Patents (Part I)), *Tokkyo Kanri* (Patent Management), Vol. 23, No. 5 (1973), p. 504.

4 For example, patents have been granted to new plants in the classification of Artemisia: Pentayomogi and Hexayomogi (Patent Publication No. 1983-3646; Patent Publication No. 1983-3647).

5 Conventionally, these inventions were refused, because no completely identical organisms can be reproduced. However, more inventions of breeding methods for specific plant varieties and multiplication methods of plant varieties have come to be patented with the release of the 1965 Examination Guidelines by Type of Industry, “*Biseibutsu To Hakkou Seisanbutsu* (Microorganisms and Fermentation Products),” the 1975 Examination Guidelines by Type of Industry, “*Shokubutsu Shin-Hinshu* (New Plant Varieties),” and the 1993 Examination Guidelines (Part VII, Chapter 2, “Biological Inventions”).

patented in this genre. They include methods for processing organisms posteriori (e.g., a method of producing seedless grapes by using phytohormone "gibberellin") and methods for manufacturing antibiotics by using organisms.

The first genre is the area that often involves patentability issues. In contrast, for a long time now many inventions have been patented for the second genre, and patentability is not a problem in this area. Since some aspects specific to organisms need to be taken into consideration in the first genre, those aspects are discussed below.

In recent years, it is not the inventions of organisms themselves, but inventions at the gene (DNA) level or at the protein level that have dramatically increased due to the development of biotechnology. Although such subject matter originally exists within the human body, etc., it is not refused merely on the grounds of being the discovery of a product of nature. Instead, if such subject matter is artificially and individually extracted, and is found to have a specific function, it is regarded as patentable given that it has been created through human intervention. However, such invention is often refused for a failure to satisfy the disclosure requirement if a disclosure is not made in the description in such a manner as to enable a person skilled in the art to work the invention without an excessive burden (Article 36, paragraphs (4) and (6)). However, with the development of biotechnology, some of such upstream patents, like reach-through claims,⁶ have come to exert a powerful influence over downstream patents, which could negatively affect industrial development. Thus, various questions remain to be solved in the future, such as whether or not such inventions should be patentable, and if they were to be patentable, what requirements the inventions should satisfy in order to be patented, and how the effects of such patent rights should be restricted.⁷

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B. Repeatability

An invention must utilize a law of nature to be a statutory invention (Article 2,

⁶ Reach-through claims refers to claims of not the final product, but claims that include the outcome obtained through a certain screening method in the scope of the right. In the Intellectual Property High Court Judgment, May 10, 2010, court website (the Antiplatelet Agent Screening Method case), the court held that the claims of the method of manufacturing an antiplatelet pharmaceutical composition, comprising "a process for detecting ADP receptor P2T (AC) antagonists" and "a drug formulation process," did not satisfy the enablement requirement. Such claims include compound candidates that might be gained through a screening method, and since genes are not replaceable, if reach-through claims are allowed for a research tool using a new disease-related gene, the act of developing a new drug by using that gene could constitute patent infringement. This is practically equivalent to covering chemical compounds that can be identified by a basic screening method, and it would be the same as claiming for medicines which are yet to be developed, which poses a risk of impeding the future development of technology.

⁷ With regard to this issue, see Hisao Shiomi, "Idenshi Kanren Hatsumei To Tokkyo Seido" (Gene-Related Inventions and the Patent System), *Jurist*, No. 1405 (2010), p. 111.

paragraph (1) of the Patent Act), which means that it must be repeatable.⁸ The point in question is the phase at which repeatability should be examined in the case of organisms. Since organisms have a self-multiplication function, a once-raised organism can itself be reproduced by multiplication. Nonetheless, an invention of an organism itself does not focus on such a multiplication process. As a matter of course, there are inventions related to multiplication processes (such as an invention of a cultivation method), but they can be regarded as the same as ordinary inventions, and they are unrelated to inventions of the genetically-novel organisms discussed here. Be it the invention of a product or the invention of a process relating to an organism, the point to be questioned should be the breeding process of that new organism, so the repeatability in that process should be examined.

The conventionally prevalent idea was that the breeding of an organism was not repeatable, and thus did not constitute an invention utilizing a law of nature, and this idea had also been supported by the Examination Guidelines in and before 1975. Indeed, in many cases, the probability of success in breeding exactly the same organism is small, and it is true that a large number of individual differences exist depending on the environment, etc. even if a genetically-identical organism could be created. However, since repeatability is synonymous with the utilization of a law of nature, it should not be determined based on whether the breeding is practically or economically repeatable, but on whether it can be repeated in theory. An invention would be repeatable if it could be confirmed in theory that the breeding of the organism could be repeated with a fixed probability. In other words, the causality only needs to be clear for an invention to be repeatable. This causality is clear in some cases⁹ and not in others¹⁰ as regards new organisms, and the latter cases are determined as being unrepeatable.

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C. Creativity

An invention needs to be the result of a creative act in order to be a statutory invention (Article 2, paragraph (1) of the Patent Act). A mere discovery is not a statutory invention. Therefore, a unique variety of organism that was accidentally found on a roadside is a mere discovery, which cannot be patented. In contrast, the breeding of a new organism using a biotechnology such as genetic engineering or cell fusion is creative.

⁸ See “1.2.1.2. Utilization of the Laws of Nature.” Since Article 36, paragraph (4), item (i) of the Patent Act provides that the detailed explanation of the invention must be stated in such a manner that it enables a person skilled in the art to work the invention, there is an idea that repeatability is an issue of disclosure (Hidetaka Aizawa, *Baiotekunorojī To Tokkyo Hō* (Biotechnology and Patent Law), p. 58). Nevertheless, theoretically, repeatability is the nature of the subject matter, while disclosure is an issue of whether the subject matter (the invention) is described clearly and sufficiently. Thus, they are separate issues. In practice, however, it is often difficult to discriminate between the two, and there seems to be no use in distinguishing between the application of the repeatability requirement and that of the disclosure requirement.

⁹ For instance, a case of breeding a new variety by using a biotechnology such as genetic engineering or a case of breeding a new variety by using Mendel’s law.

¹⁰ For instance, a case of merely grafting a bud variation and a case of merely making a selection.

Creativity will also be recognized, in principle, for a case where a new organism was bred by repeated crossbreeding based on Mendel's law.

D. Procedural Issues

Even if genetically-novel organisms could be patented in theory either as inventions of products or inventions of processes, various problems could occur in the specific procedures for obtaining the patent.

A patent examination is conducted based on filed documents, so the determination of all of the patentability requirements, including novelty and the involvement of an inventive step, is solely dependent on the documents. However, unlike the invention of an industrial product, the invention of an organism often cannot be examined by such document-based procedure alone, due to great individual differences. Also, the fact that the genetic structure has yet to be elucidated for all of the genes of organisms makes the examination more difficult, but as elucidation of genes makes progress, there would be more cases in which determination would be made based on genetic identity. This was one of the reasons why not many inventions of this kind had been patented in the past. Incidentally, the Examination Guidelines set forth that the plant should be specified by, for example, a combination of any of the species, the distinctive gene of the plant, characteristics of the plant, etc. and may be further specified by the process for creating the plants. At the same time, the Guidelines indicate that, as to an invention of a process for creating a plant, the process for creating the plant should be described in the claim step by step. They also state that, in the case where a selection is made, the characteristics or the like necessary for the selection should be additionally described, and where conditions such as environmental ones are necessary for creating the plant, such conditions should be also described.

Next, there is a question of whether the technological content of the invention of an organism can be disclosed in the patent description to the extent required for a person skilled in the art to work the invention easily. In the case of inventions which have used biotechnology in recent years, it may be possible to disclose the technology to the extent that a person skilled in the art can work the invention by looking at the description, in the same manner as for inventions of industrial products. However, for many organism-related inventions, a person skilled in the art cannot work the invention easily merely by looking at the description.¹¹ This issue is resolved for inventions relating to microorganisms¹² by adopting the deposit system. Specifically, an invention relating to

¹¹ In the case of F1 (first filial generation) in particular, it is difficult to work the invention by merely looking at the description unless one obtains the parent organisms. However, if a cell culture is possible, the same kind of organism could be created easily at least with regard to multiplication.

¹² Examination Guidelines Part VII, Chapter 2 "Biological Inventions" defines "microorganisms" as meaning yeasts, molds, mushrooms, bacteria, actinomycetes, unicellular algae, viruses, protozoa, etc. and further includes undifferentiated animal or plant cells as well as animal or plant tissue cultures.

a microorganism is deemed to have been disclosed by depositing the microorganism with an institution designated by the JPO, and attaching a certificate thereof to the application, except in the case where a person skilled in the art can obtain the microorganism easily (Article 27-2 of the Patent Act Enforcement Ordinance). A person who intends to work an invention relating to the deposited microorganism for testing or research may be furnished with a sample of the microorganism under specific conditions (Article 27-3 of the Patent Act Enforcement Ordinance). This system is adopted internationally (Article 2(viii) of the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and Regulations). However, different countries have different timings for the furnishing of samples.

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E. Issue of Contravention of Public Order and Morality

The creation of a new organism always involves the problem of the contravention of public order and morality, but this issue has been discussed in detail in “1.3.2. Unpatentable Inventions (Article 32 of the Patent Act),” so it will be omitted here.

F. Relationship with the International Convention for the Protection of New Varieties of Plants

The International Convention for the Protection of New Varieties of Plants¹³ to which Japan accedes had provided that the same plant variety must be protected by a single form of protection, and overlapping protection was prohibited. Therefore, the relationship between Japan’s Patent Act and the Plant Variety Protection and Seed Act presented an issue.¹⁴ However, since this provision prohibiting overlapping protection was deleted in the Convention as amended in 1991, which was also ratified in Japan, the problem of the violation of the Convention by the overlapping protection under the Patent Act and the Plant Variety Protection and Seed Act was resolved, and this overlapping protection issue became an issue of domestic legislation policy. While the Plant Variety Protection and Seed Act was fundamentally revised at the time of the amendment of the Convention, the revised Plant Variety Protection and Seed Act does not have any provisions concerning overlapping protection. Also, the Patent Act does not have any such provisions either. Accordingly, it is construed that overlapping protection is not prohibited under current law.

Today when biotechnology is making progress, a provision prohibiting overlapping protection is considered to be unnecessary. There is a great difference between a patent

¹³ This is referred to as the UPOV (Union internationale pour la protection des obtentions végétales) Convention. The Convention entered into force and the Union was inaugurated in 1968. The Convention was amended in 1978, and this facilitated accession by Japan and the United States. Therefore, Japan signed the Convention in 1979 and ratified it in 1982. Later, in 1991, the Convention was drastically amended. Japan ratified the amended Convention in 1998 and concurrently made a fundamental revision of the Plant Variety Protection and Seed Act (Act No. 83 of 1998).

¹⁴ The specific point of issue was how a registered patent for a new variety of *Artemisia*, *Pentayomogi*, should be treated in relation to the provision of the UPOV Convention prohibiting overlapping protection.

right and a breeder's right under the Plant Variety Protection and Seed Act. While a breeder's right is registered for a specific variety,¹⁵ a patent right is often granted for an invention having either a broader scope¹⁶ or a narrower scope¹⁷ than a specific variety. In such case, there is no problem in allowing both registrations. If any problem should occur in the future, a provision merely needs to be established to coordinate the two rights.

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1.3.3.2. Computer Software-Related Inventions

A. Point of Issue

Most parts of the modern social structure are managed by computers, and those computers are operated by software.¹⁸ Today, most of the investment in computers is dedicated to software. While software development takes an enormous amount of time and is very costly, software can be very easily reproduced or counterfeited at a low cost. A considerable amount of capital investment would usually be required for counterfeiting a general industrial product, but little investment is required for reproducing software, so software is extremely vulnerable to infringement if it is not protected under intellectual property law.

Software is also protected by copyright law. Upon the 1980 revision of the U.S. Copyright Act, computer programs were included in protected works. Subsequently, they were also stipulated as protected works in Japan's Copyright Act as revised in 1985. It seemed that copyright law was the mainstream of legal protection for software. In recent years, however, there has been growing recognition that copyright protection is not sufficient for protecting software, and protection under patent law has gained increased recognition, leading to an increasing number of people obtaining patents for software-related inventions.

Conventionally, the Patent Act had been thought to be unsuitable for protecting software. The main reasons were as follows:

- 1) software does not utilize a law of nature;
- 2) the time-consuming patent examination does not suit the short life cycle of software;
- 3) software counterfeiting is often difficult to discover, and the patent publication system is likely to induce infringements instead;
- 4) patent-related procedures are too detailed to deal with the frequent upgrading of

¹⁵ For instance, it is registered for a specific variety such as Koshihikari rice that is resistant to a certain disease.

¹⁶ For instance, it is granted for a claim such as a rice plant resistant to a certain disease.

¹⁷ For instance, it is granted for a claim such as DNA which is resistant to a certain disease.

¹⁸ "Software" could be boiled down to a use method or a calculation method for a computer. It includes not only the program itself, but also the system design drawings, flowcharts, and manuals. For details, see Nobuhiro Nakayama, *Sofutoweia No Hōteki Hogo* (Legal Protection of Software), p.4.

software;

5) most software does not involve an inventive step; and

6) the JPO cannot cope with the great number of applications under its present processing capacity.

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The appropriateness of these reasons may be subject to detailed study, but the point about the law of nature in (i) should be the only one that presents a theoretical problem regarding the patentability of software. The points from (ii) through (vi) are practical problems, so they may serve as reasons for inconvenience in using the patent system, but not as theoretical grounds for denying patentability.

B. Utilization of Laws of Nature

The question regarding the patentability of a software-related invention is whether or not it utilizes a law of nature. The details of this issue are as already mentioned in “1.2.1.2. Utilization of the Laws of Nature.” Not all of the results of people’s mental creative activities are protected, and the Patent Act limits the scope of protected inventions by the concept of the utilization of laws of nature. This approach might have been reasonable 100 years ago, but today, when new technology is emerging, this requirement of utilizing the laws of nature should be once again reviewed according to the present status of technology. The direct application of conventional standards could prevent new technology from being protected but, on the other hand, excessive expansion of a standard would even allow for a monopoly that runs counter to the benefits to society in general, and could obstruct industrial development. It is important to decide on a new patentability standard when new technology emerges.¹⁹

C. Effect of the Patent on a Computer Software-Related Invention

Since a medium claim had not been recognized in the past, a software-related invention used to be registered either in the form of a product or a process. Thus, many infringing parties often only stored the software part of the invention on a storage medium and sold it, without infringing the entire claim, which was expressed in the form of a product or a process. An argument arose about whether such an act constitutes an indirect infringement, but it became possible to describe an invention as a “storage medium having a program recorded thereon” in the scope of claims in 1997, so the act of producing and selling such storage medium came to constitute a direct infringement, instead of an indirect infringement. Later, with the 2002 revision of the Patent Act, it became possible to register a computer program in the form of a product, and the provision of a computer program was included in the concept of an assignment; thus, problems were reduced.

¹⁹ Kiyokazu Yamagami, “Sofutowea Kanren Hatsumeï No Tokkyosei: Tokuni Hatsumeï De Arukoto No Yōken Ni Tsuite” (Patentability of Software-related Inventions: Focusing on the Requirements for Statutory Inventions), *Hongō Hōsei Kiyō* (Hongo Journal of Law and Politics), No. 3 (1994), p. 357.

With regard to the patentability of computer programs, see "1.2.1.2. (3) Computer software."

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In the future, however, businesses that allow users to use software online are expected to develop. Particularly, as in the case of cloud computing, a business model in which a user does not need to store the program on his/her computer, but only obtains the results by accessing the host computer online is expected to gain more popularity. Then there would be a question of whether or not such user's act constitutes an infringement, especially when the host computer is located overseas. Also, though it would depend on how the scope of claims is described, there would be a question of how one person's act should be evaluated when the working of an invention is completed by the acts of multiple persons (e.g., an online payment system). As software-related inventions involve many unsolved problems, they will likely continue to be subject to discussions in the future.

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1.4. Legal Status before Registration

1.4.1. Nature of the Right to Obtain a Patent

A patent right becomes effective upon registration (Article 66, paragraph (1) of the Patent Act), but one kind of right takes effect prior to registration. This right is called the “right to obtain a patent” under the Patent Act (Article 33 of the Patent Act). The right to obtain a patent has two aspects, one as a right to demand an administrative disposition of granting a patent from the State and the other as a property right.¹

In order for a patent right to be established, an examiner’s decision and registration, which are administrative dispositions, are required. Theoretically, the patent system can be designed to carry out no substantive examination and no registration, as in the case of copyright law, but most countries around the world have a system that registers patents after carrying out substantive examination. A system whereby an ownership-style private right becomes effective through an administrative disposition is a unique system for property law, and that disposition can be considered to be a special kind of administrative disposition; rights are granted through an administrative disposition in order to improve convenience and stability. An administrative disposition of patent (a decision to grant a patent and patent registration) has a different purpose from that of ordinary administrative dispositions, and when considering a patent right after registration in particular, the focus should be placed on its aspect as an ordinary property right. An inventor has a right to file a patent application, which is an inherent right, and the State does not have discretion on whether or not to register patents.

The Patent Act merely provides stipulations on transfers (Article 33, paragraph (1)), the creation of a pledge (paragraph (2) of said Article), effectiveness against a third party (Article 34), provisional exclusive license (Article 34-2), and provisional non-exclusive license (Article 34-3) regarding the right to obtain a patent. Therefore, the whole picture of the right that the inventor originally acquires (the inventor’s right or the invention right) needs to be made clear by academic theories and court decisions.

The inventor’s right is originally obtained by the inventor upon completion of the invention (with regard to the inventor's right for an employee invention, see "1.1.3.

¹ Conventionally, the nature of the right to obtain a patent was subject to two conflicting theories: one that viewed it as a civil right and one that viewed it as a private right. However, there seems to be no use in a discussion that determines the nature of the right a priori. The first thing to do is to decide on the specific content of the right to obtain a patent. It would be sufficient to say that the legal nature of the right has aspects both as a civil right and as a private right (Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 136). Also, in the Tokyo District Court Judgment, July 5, 1955, *Kamin*, Vol. 6, No. 7, p. 1303 (the Solid Boiler Compounds case), the court stated that "an inventor’s right is a right to claim a patent, while at the same time it is one mode of the right to obtain a patent, which is a substantive right which enables the inventor to freely use or assign to other persons his/her own invention."

Employee Inventions (Article 35 of the Patent Act)"), but in order to gain protection under the Patent Act, the inventor must file a patent application for the invention, to have the patent registered after examination. However, the content of an invention at the time of the completion of the invention, that of the scope of patent claims at the time of the filing, and that of the scope of patent claims that was registered may not necessarily coincide with each other. What had been considered as one invention could be divided into multiple applications or filed in the form of multiple claims. Conversely, what had been considered as multiple inventions could be filed as a single application. The description and drawings can be amended after the filing, or an application may be divided into multiple applications (Article 44 of the Patent Act). In addition, it is possible to convert an application between a patent application, utility model application, and a design application (Article 46 of the Patent Act, Article 10 of the Utility Model Act, and Article 13 of the Design Act).

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This indicates that the content of an invention is always subject to change from the time of the completion of the invention until the patent registration, and even after the registration, it may further change through correction. Therefore, the relation between the invention and the registration is different from that between the occurrence of the cause and the recording or registration thereof in a change to a real right. It is not appropriate to assume the subsequent processes at the time of the completion of the invention, but the completed invention should be viewed retrospectively from the registered patent. If so, it would not be necessary to discuss how many inventions or rights to obtain a patent there were or whether it was a right to obtain a patent or a right to obtain a utility model at the time of the completion of the invention. All of these matters only need to be determined based on the registered patent.

1.4.2. Details of the Right to Obtain a Patent

1.4.2.1. Creation of a Right

The right to obtain a patent is originally acquired by the inventor upon the completion of the invention (an employee invention (Article 35) is an exception). As a matter of course, whether or not a patent can be granted for the invention, that is, the patentability of the invention, is not determined until the examination has been completed. The Patent Act calls this right the "right to obtain a patent," because it only has stipulations regarding the filing of patent applications, but this right does not only enable the acquisition of a patent, and should more appropriately be called the inventor's right considering the actual substance of the right.

1.4.2.2. Enforcement of a Right

The inventor and his/her successor in title can work their invention, make a profit from the invention, or assign the invention as long as the act is not prohibited by a law or regulation and it does not infringe on another person's right. It is only natural that they can work their own invention unless they prejudice another person's right, whether or not the invention is patentable. They may also have another person work the invention, which is a factual issue similar to know-how licensing, and which is different from patent licensing. In other words, although a person having the right to obtain a patent can work the subject invention by himself/herself, the person is not guaranteed the exclusive working of the invention, he/she cannot stop another party's acts,¹ and he/she cannot work the invention even by himself/herself if the working infringes on a third party's right. In short, no special right is created in relation to the working of an invention, even if a person has the right to obtain a patent for it.

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1.4.2.3. Provisional Exclusive License and Provisional Non-exclusive License (Articles 34-2 and 34-3 of the Patent Act)

(1) Use of a Right before Registration

In the past, no license could be granted under the Patent Act for a right to obtain a patent. Of course, as long as the invention was kept secret, it was possible to license know-how, but that did not have the same effect as an exclusive license or non-exclusive license being granted as provided under the Patent Act. Specifically, there was no way to make the license on know-how effective against third parties, so when the right to obtain a patent was transferred to a third party, the licensee could not duly assert against the new right holder, and in the event that the holder of the right to obtain a patent went bankrupt, the licensee faced the risk of having the license contract cancelled by the bankruptcy trustee.

However, with the acceleration of the speed of the economy, there has been a growing need to use the right before registration, in order to make a profit from the research and development results quickly. In particular, venture companies and universities (technology licensing organizations) which do not have many assets other than technology are facing the need to collect or raise funds by granting licenses on or

¹ The Tokyo District Court Judgment, July 5, 1955, *Kamin*, Vol. 6, No. 7, p. 1303 (the Solid Boiler Compounds case). This is a case where the court denied a claim for prevention of a nuisance based on a right prior to publication of the patent application.

collateralizing the right before patent registration. With the 2004 revision of the Trust Act, intellectual property was added to property entrustable as a business trust, and with the 2006 revision of the Trust Act, it became possible to securitize a beneficial interest. These systems are also useful for liquidating intellectual property. For a similar purpose, a system for the establishment of a provisional exclusive license and grant of a provisional non-exclusive license was introduced with the 2008 revision of the Patent Act.²

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(2) Basic Concept of the System

In the actual economy and in society, the right to obtain a patent had been functioning as one kind of property even before registration, and there were problems in the absence of a system for using such a right. However, except for the right to claim compensation (Article 65), the right before registration had no substance, and it was only an expectant right in that a patent right is likely to be obtained in the future. In particular, before laying open an application, that is, before receiving provisional protection, the holder of the right to obtain a patent has no exclusive right, right to claim damages, or right to claim compensation against the working of the invention by a third party, and even after laying open the application, he/she has no right if the application fails to be registered.

Therefore, in 2008, in order to make it possible to license the right to obtain a patent at the filing stage, the system of a provisional exclusive license and provisional non-exclusive license, which requires patent registration as a condition precedent, was established.

Given that the right to obtain a patent is not a right to seek an injunction, before the registration, a person who was working an invention by receiving a license from an owner of the right to obtain a patent will not receive a demand for an injunction from the assignee of the right to obtain a patent. However, with regard to working of the invention after the laying open of the application, the licensee may receive a claim for compensation on the condition that the patent becomes registered and may be accused of infringing on the patent after registration. Thus, upon the 2008 revision, it was provided that a registered provisional exclusive license and a provisional non-exclusive license are effective against a third party acquirer so as to ensure that the licensee will not receive a claim for compensation or a demand for an injunction from the third party acquirer after the patent registration. In this manner, it became possible to grant a license for the right for a pending patent application, not in the form of a know-how license, but as a license that has significance under the Patent Act.

² Kōtarō Kimura, “Tokkyo Raisensu Keiyaku O Meguru Sho Mondai” (Practical Issues in Patent Licensing), *Chizai Kanri* (Intellectual Property Management), Vol. 59, No. 6 (2009), p. 615; Minoru Takeda, “Shin Tsūjō Jisshiken Tō Tōroku Seido No Gaiyō” (Outline of the New Registration System for Non-exclusive Licenses, etc.), *L&T* (Law & Technology), No. 40 (2008), p. 13.

(3) Provisional Exclusive License (Article 34-2 of the Patent Act)

With the 2008 revision of the Patent Act, it became possible for a person having the right to obtain a patent to establish a provisional exclusive license for the patent right to be acquired based on the right to obtain a patent, within the scope of the matters disclosed in the description, scope of claims, or drawings originally attached to the application (Article 34-2, paragraph (1) of the Patent Act). This is an exclusive license for which a condition precedent is a registration establishing the patent right in question. It is not an exclusive right since the patent right has not yet been established, but the licensee can obtain the power to duly assert against third parties with regard to a right that would become an exclusive license if the patent is registered, and he/she can obtain an outcome whereby the license will not be cancelled by a bankruptcy trustee in the case of bankruptcy (Article 56, paragraph (1) and Article 53, paragraph (1) of the Bankruptcy Act). A provisional exclusive license must be registered in order to be effective against third parties (Article 34-4), and when the patent is registered, the JPO registers an exclusive license for any provisional exclusive license, *ex officio*, at the time of the establishment of the patent right.

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While a right for a pending patent application sometimes changes its scope by amendment, the applicant's intent would be to establish an exclusive license for the patent right that is finally established, and even if an exclusive license were established on the right after the amendment, the amendment is made within the scope of the matters disclosed in the description, scope of claims, or drawings originally attached to the application (Article 17-2, paragraph (3) of the Patent Act), so there is no risk of causing any unexpected harm to third parties as there is no risk for the broadening of the scope. Accordingly, it was provided that registration of a provisional exclusive license that was made before amendment will continue to be effective after the amendment to the extent permitted by the contract granting the license (Article 34-2, paragraph (2) of the Patent Act). Based on a similar idea, it was provided that, in the case of division, a provisional exclusive license is also deemed to have been established on the new patent application to the extent permitted by the contract granting the license³ (Article 34-2, paragraph (5) of the Patent Act).

A provisional exclusive license may be transferred only where the business involving the working of the relevant invention is also transferred or where the transfer occurs as a result of general succession, apart from the case where the consent of the patentee is obtained (Article 34-2, paragraph (3) of the Patent Act). This is similar to the

³ However, division has a slight problem. Where Invention A was stated in the original scope of claims and Invention B was stated in the original description, but both Invention A and Invention B came to be stated in the scope of claims as a result of a division, the extent to which a provisional exclusive license would be effective is unclear. Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 468 [written by Kōtarō Kimura].

case of an exclusive license (Article 77, paragraph (3) of the Patent Act). If a provisional exclusive license is jointly owned, no joint owner may assign said joint owner's own share or grant the provisional exclusive license without the consent of all the other joint owners (paragraph 5 of said Article).

If an applicant can freely waive or withdraw his/her application, it could undermine the provisional exclusive licensee's interests. Therefore, just as in the case of the waiver of a patent right (Article 97 of the Patent Act), an application cannot be waived or withdrawn without the consent of the provisional exclusive licensee (Article 38-2 of the Patent Act).

With regard to a provisional exclusive license, the provisions of Article 33, paragraphs (2) through (4) are applied *mutatis mutandis* (Article 34-2, paragraph (8) of the Patent Act). In fact, provisions on security rights should also be established, but only provisions on licenses were revised. In particular, venture companies need to acquire loans by putting up their rights before patent registration as security, so the establishment of a right of pledge on the right to obtain a patent is subject to future discussions.

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(4) Provisional Non-exclusive License (Article 34-3 of the Patent Act)

Upon the 2008 revision, it became possible for a patent applicant to establish a provisional non-exclusive license based on the right to obtain a patent, to the extent of the matters stated in the description, scope of claims, or drawings originally attached to the application for the patent right to be acquired (Article 34-3, paragraph (1)). The nature of a provisional non-exclusive license is that it is a non-exclusive license of which a condition precedent is a registration establishing the patent right in question. By operation of law, the licensee can obtain the power to duly assert against third parties, and obtain an outcome whereby the license will not be cancelled by the bankruptcy trustee in the case of bankruptcy (Article 56, paragraph (1) and Article 53, paragraph (1) of the Bankruptcy Act). Before the 2011 revision, only registered provisional non-exclusive licenses were effective against third parties (Article 34-5 before the revision), but as the registration system for non-exclusive licenses was abolished and non-exclusive licenses became effective against third parties by operation of law, provisional non-exclusive licenses also became effective against third parties by operation of law (Article 34-5 after the revision). Incidentally, the revision Act also applies to provisional non-exclusive licenses that existed since before the enforcement of the revision Act (Article 2, paragraph (3) of the Supplementary Provisions), so all non-exclusive licenses became effective against third parties without registration.

With regard to the amendment and division of a patent application, a provisional non-exclusive license continues to be effective after the amendment or division, in the same manner as a provisional exclusive license. It more or less resembles a provisional

exclusive license in other aspects as well.

Before the 2011 revision, when there was a registered provisional non-exclusive licensee, the applicant was able to waive or withdraw his/her patent application only with the consent of said licensee (Article 38-2 before the revision), but since the non-exclusive license registry was abolished, the consent of a non-exclusive licensee became unnecessary when waiving or withdrawing a patent application (Article 38-2). Therefore, it is desirable to decide on waiver and withdrawal by contract in advance between the patent applicant and the provisional exclusive licensee.

Content of a provisional non-exclusive license is partially non-disclosed for the same reason as that for a non-exclusive license due to the risk of undermining the interests of interested parties, but since the registration system for non-exclusive licenses and its registry were abolished upon the 2011 revision, the problem of disclosure was dissolved.

1.4.2.4. Right to File a Patent Application (Right to Obtain a Patent) (Articles 33 and 34 of the Patent Act)

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(1) Transferability

The right to file a patent application, which is part of the inventor's right, can be transferred (Article 33, paragraph (1) of the Patent Act). It seems natural that the right can be transferred since the right is a property right, but historically this has not always been a self-evident truth,⁴ so there is significance in stipulating this fact in a provision.

The transfer of the right to file a patent application does not have to be in a particular form if it is carried out before the filing of the patent application, and only needs to be agreed on between the parties concerned, but the patent application needs to have been filed in order to make the transfer effective against third parties (Article 34, paragraph (1) of the Patent Act). After the filing of the patent application, the transfer of the right to obtain a patent must be reported to the JPO Commissioner in order to make it effective against third parties (paragraph (4) of said Article).

The systems of provisional exclusive license and provisional non-exclusive license were introduced with the 2008 revision, and it was provided that, where the right to obtain a patent is jointly owned, no joint owner may establish a provisional exclusive license or grant a provisional non-exclusive license without the consent of all the other joint owners (Article 33, paragraph (4) of the Patent Act). The fact that the consent of all the other joint owners is needed is the same as in the case of a jointly owned patent right.

Transfers are only recognized for property rights, so the inventor's right to be

⁴ In Britain, the transfer of the right to file a patent application had not been recognized since the Statute of Monopolies of 1624, but it was finally recognized in the Patent Act as amended in 1949. The United States, which inherited British law, still does not recognize the transfer of the right to obtain a patent.

credited, which is a personal right, cannot be transferred. Therefore, whoever the applicant is, the inventor always has the right to give his/her name as the inventor in the filing documents, etc. (Article 36, paragraph (1), item (ii) of the Patent Act).

(2) Establishment of a Security Right

A. Pledge

It is provided that the right to obtain a patent cannot be made subject to a pledge (Article 33, paragraph (2) of the Patent Act). However, the legislative purpose of this provision is not necessarily clear, and there remain some questions regarding its appropriateness, so various different theories exist regarding this matter.⁵

The reasons for the provision under the current Act are assumed to include the fact that there is no method to publicly announce the right to obtain a patent and that there is no provision as to the consent of the pledgee regarding the amendment of the description or drawings of the pending patent application after establishing the right of pledge.⁶ However, these kinds of arguments are unconvincing from a legislative viewpoint. It is desirable to promote discussions toward at least allowing for the establishment of a pledge on the right to obtain a patent after an application has been filed.⁷ Since transfers are allowed for the right to obtain a patent, there should be no problem in allowing the establishment of the right of pledge if provisions on the method for making a public announcement and the method for making an amendment of the pending application were stipulated. With the 2008 revision of the Patent Act, provisions on a provisional exclusive license and a provisional non-exclusive license were introduced, paving the way for using the right prior to patent registration. Provisions on the establishment of the right of pledge should also be introduced in the future, in order to pave the way for inventors to obtain loans.⁸

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B. Mortgage

There is no provision in the Patent Act concerning the establishment of a mortgage on the right to obtain a patent, so there is no method for making a public announcement. Thus, such establishment is not possible.

C. Mortgage by Transfer

The current Patent Act merely stipulates that the right to obtain a patent cannot be made subject to a pledge, and does not particularly prohibit its use in a mortgage by

5 For the various theories and problems, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 313 [written by Nobuhiro Nakayama].

6 Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 147; Hisao Iijima, *Jurist*, No. 197 (1960), p. 83.

7 Takashi Hashiba, “Tokkyo O Ukeru Kenri No Shichiire Ni Tsuite” (Pledge of the Right to Obtain a Patent), Book Commemorating the Sixtieth Birthdays of Jō Onogi and Hideo Saitō, *Teitōken No Jikkō Ge* (Exercise of a Mortgage, Vol. 2) (Yuhikaku, 1972), p. 386.

8 Institute of Intellectual Property, “*Chiteki Zaisanken Tanpo Kachi Hyōka Shuhō Kenkyūkai Hōkokusho*” (Report by the Study Group on the Assessment Method of the Security Value of Intellectual Property Rights) (1995).

transfer, so a mortgage by transfer is construed as being allowed.

While the old Act stipulated that the right to obtain a patent “could not be used as security,” there was a court decision that held that the establishment of a mortgage by transfer was effective.⁹ Given that the current Act only prohibits pledges, it is considered that a mortgage by transfer is not prohibited under the current Act. There are no theoretical grounds for prohibiting the establishment of a security interest on the right to obtain a patent, and from the viewpoint of paving the way for using the right to obtain a patent as an asset for obtaining loans, it is, rather, desirable to work toward allowing the use of the right as security as far as possible under the framework of the current Act.

D. Foundation Mortgage and Enterprise Mortgage

The specific factors that can constitute a foundation for a foundation mortgage are stipulated in the respective mortgage laws. Article 11, paragraph (5) of the Factory Mortgage Act and Article 2, paragraph (6) of the Mining Mortgage Act provide that industrial property can constitute a foundation. However, the meaning of industrial property in this context is not necessarily clear. Whether or not the right to obtain a patent is included in such industrial property is a matter of interpretation.¹⁰

The significance of a foundation mortgage is in handling the entirety of a company actually in operation as one group of assets, without breaking up the individual assets of the company, and using that as security. Therefore, it would be meaningless if a factory or a mine could not be operated solely based on the constituents of the foundation. If the right to obtain a patent or know-how could not constitute the foundation, it could become a serious obstacle for the operations of the company, so these factors should also be construed to be included in the industrial property rights constituting a foundation. Since industrial property rights in the broad sense include the right to obtain a patent, there would be no problem in interpretation either.

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However, as the constituents of a foundation must be described in the foundation inventory, the right to obtain a patent needs to be an objective asset. Know-how, which has a considerable overlap with the right to obtain a patent, is traded as an objective

⁹ The Tokyo District Court Judgment, April 8, 1952, *Kamin*, Vol. 3, No. 4, p. 471 (the English Typewriting Practicing Machine case). In the Tokyo District Court Judgment, September 24, 1956, *Kamin*, Vol. 7, No. 9, p. 2593 (the Super Bearing case), the court stated that one reason for denying the right of pledge was that the novelty of the invention would be lost by exercising the right of pledge, and held that a mortgage by transfer can be recognized due to being free of such an outcome.

¹⁰ Under the old Act, there were theories stating that the right to obtain a patent could not constitute a foundation, because the Act stipulated that it “could not be used as security” (Yasukazu Kagawa, *Shintei Kōjō Oyobi Kōgyō Teitō Hō* (Newly Revised Factory and Mining Hypothecation Law) (Minato Shuppansha, 1965), p. 122).

asset,¹¹ so the right to obtain a patent needs to be objectified by a similar method. However, at least the right to obtain a patent during the pendency of the application could be regarded as an objective asset.

The Enterprise Mortgage Act makes the total assets of a stock company subject to an enterprise mortgage in order to secure its company bonds (Articles 1 and 2 of the Enterprise Mortgage Act), and the right to obtain a patent is included in such total assets.

(3) Compulsory Execution

Under the Civil Execution Act, there is no provision specifying a right to obtain a patent as a seizure-prohibited object. However, Article 131, item (xii) of said Act¹² mentions “any object pertaining to an invention or a copyright work that has yet to be made public” as a seizure-prohibited movable.¹³ According to this, objects relating to unpublished¹⁴ inventions (e.g. a machine that has not been made public) cannot be seized, but since unpublished inventions themselves are not movable property, their seizure is not directly prohibited by this provision.

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The right to obtain a patent is not an object, so compulsory execution against it would mean a compulsory execution against another property. This interpretation is supported by some theories,¹⁵ but denied by others.¹⁶

The grounds for the theory recognizing compulsory execution include the fact that it is not specifically prohibited under the Civil Execution Act, and that it is only natural that assignable property is subject to compulsory execution. On the other hand, the grounds for the theory denying compulsory execution include the fact that the invention would be made public by the compulsory execution, and there is no method for making a

11 Ken'ichirō Ōsumi, “Nouhau To Sono Jōto” (Know-how and Its Transfer), *Business Law Articles Commemorating the Seventieth Birthday of Professor Komachiya*, (Yuhikaku, 1964), p. 1 states that know-how is also made subject to a contribution in kind upon the incorporation of a company. (An opposite view is indicated in Mokichi Hasebe, “Iwayuru ‘Nouhau’ No Genbutsu Shusshi Ni Tsuite” (Use of ‘Know-how’ for Investment in Kind), *Junkan Shōji Hōmu* (Business Law Affairs [issued every ten days]), No. 191 (1960), p. 4).

12 A similar provision was stipulated in Article 570, paragraph (1), item (xii) of the Code of Civil Procedure before the 1979 revision, and the provision in the Civil Execution Act is a colloquial version thereof.

13 A similar provision is stipulated in Article 75, paragraph (1), item (xi) of the National Tax Collection Act, except that “*mono* (things or objects),” which is written in kanji in the Civil Execution Act is written in hiragana in the National Tax Collection Act. However, the literal provisions seem to imply that the Civil Execution Act targets tangible objects, but the National Tax Collection Act targets subject matter that is not limited to “*mono*.”

14 The meaning of “unpublished” in this context is not quite clear. There is no doubt that if one describes an invention in a publication without filing a patent application for it, the invention is published. However, if an object relates to a filed invention, there is a question of when it is deemed to be published: when the application is filed, when the application is laid open, or when the patent is registered. By considering the general meaning of “published,” an invention probably should be regarded as being published when it is laid open to the public, but a system of distinguishing the seizability between before and after the laying open of the application is questionable. It should be appropriate to make at least an “object” relating to a pending application subject to compulsory execution.

15 Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]*, p. 195; Bunzō Takino, *Kōgyō Shoyūken Hō* (Industrial Property Law), p.30.

16 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 140; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 148; Hajime Kaneko and Yoshinobu Someno, *Tokkyo/Shōhyō* (Patent/Trademark), p. 25; Hisao Iijima, *Jurist*, No. 197 (1960), p. 84.

public announcement; as well, the denial can be analogized from the fact that the right is prohibited from being put into a pledge, and can also be assumed from the purport of Article 131, item (xii) of the Civil Execution Act.

Compulsory execution against the right to obtain a patent poses difficult problems in reality. For instance, there is a need to resolve issues such as specifying the subject of a compulsory execution, determining the actual execution method, dealing with the fact that an invention has been published as a result of compulsory execution, and dealing with the inventor's right to be credited. On the other hand, since the main purpose of a provision to prohibit the seizure of certain property is to secure the minimum standard of living and to protect the religious feelings and reputation of the obligor, it is unfair not to recognize the seizure of a property when it is the general property of the obligor. Prohibiting the seizure of the right to obtain a patent means that the right will remain the property of the obligor and that it will not be included in a bankruptcy estate (Article 34, paragraph (3) of the Bankruptcy Act), which is inappropriate. The right to obtain a patent, as well as know-how, which has a considerable overlap with that right, are actually being traded as property, so there is no reason to prohibit seizure of only the right to obtain a patent.

For these reasons, compulsory execution against the right to obtain a patent should, basically, be allowed. The only question is the actual method. Interpretation should be made in the direction of recognizing compulsory execution, but if there are any difficulties, legislative measures should also be put in place to solve the problem.

The right to obtain a patent is categorized as “[an]other property right” under the Civil Execution Act, so a compulsory execution would be conducted in the same manner as the execution against a claim (Article 167, paragraph (1) of the Civil Execution Act). According to the Act, the execution court can order the transfer of the right to the obligee at a price specified by the court in lieu of an auction, or can order its realization through a reasonable method (Article 161, paragraph (1) of the Civil Execution Act). Although this provision would not have had the right to obtain a patent in mind, it would be reasonable to apply it to the right to obtain a patent. Use of the order to transfer the right to the obligee could prevent a situation where an invention has been published due to compulsory execution.

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Next, the subject of a compulsory execution must be specified. There would actually be considerable difficulty in specifying the subject of a compulsory execution with regard to the right to obtain a patent before the filing of the application, just as in the case of know-how. As there are no means of making a public announcement, the situation would inevitably be unstable. The obligee cannot file the patent application merely by seizing the right to obtain a patent, but he/she would be able to file the application if the

court orders the obligor to transfer the right to obtain a patent to the obligee at the price specified by the court. Thus, there is a high degree of difficulty and instability involved, but this does not serve as a reason for denying the compulsory execution itself. The issue of specifying the subject of a compulsory execution is, to a certain extent, likely to be resolved through the accumulation of actual practices.

The Patent Act does not have any provisions concerning such a disposition for the right to obtain a patent after the filing of the application, so it would be processed by the same method as in the case of the right before the filing. However, since the procedure is already pending before the JPO in such a case, there should be a provision about a public announcement procedure. The right to obtain a patent may change its form even after filing by amendment or division. In that sense, legislation may be quite difficult, but it is necessary to get it settled in some way.

1.4.2.5. Inventor's Right to be Credited

The inventor acquires the inventor's right to be credited upon completion of the invention. The inventor's right to be credited is a moral right, which cannot be assigned to another party. In the course of the application procedure, the inventor's right to be credited is materialized in the form of having his/her name described in the application (Article 36, paragraph (1), item (ii) of the Patent Act), the patent gazette for laying open the application (Article 64, paragraph (2), item (iii) of the Patent Act), the certificate of patent (Article 66, item (iv) of the Patent Act Enforcement Ordinance), and other documents.¹⁷ Therefore, it only has a latent existence before filing.

The inventor's right to be credited is an extremely weak right compared to the moral rights of the author under the Copyright Act. Describing the name of a person who is not the inventor in the filing documents as the inventor is neither a reason for a refusal of the patent application (not listed in the reasons for refusal under Article 49) nor a reason for invalidation after the patent registration (i.e. it is not listed as a reason for invalidation in Article 123, paragraph (1) of the Patent Act). The filing of a patent application by a person who does not have the right to file the application is regarded as a misappropriated application, which constitutes a reason for invalidation (Article 123, paragraph (1), item (vi) of the Patent Act), but the application is invalidated because it has been filed by a person who does not have the right to obtain a patent, and not because of an error in the inventor's name. For example, in employee invention disputes, the inventor's right to be credited sometimes becomes an issue, but in most cases, the employer has the right to file a patent application. In such a case, an application that gives the name of a person other

¹⁷ These are domestic law provisions corresponding to Article 4*quater* of the Paris Convention.

than the true inventor is not regarded as a misappropriated application, and it does not constitute grounds for invalidation. However, there can be a case where it will constitute a tort based on the employer's infringement of the inventor's right to be credited.

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While an application is pending before the JPO, the applicant can amend the name of the inventor (Article 17, paragraph (1)). Accordingly, the true inventor can request the applicant to put in place an amendment procedure to change the name of the inventor in the application based on the inventor's right to be credited, which is his/her moral right.¹⁸ Nevertheless, after the examiner's decision of refusal becomes final and binding, the true inventor cannot request an amendment procedure to change the name of the inventor based on the inventor's right to be credited.¹⁹ Since the inventor's right to be credited is a moral right recognized under the Patent Act, as long as the examiner's decision of refusal has been made, there is no longer room for recognizing the inventor's moral right. Meanwhile, after a patent registration, however, the erroneous description of the name of the inventor does not constitute grounds for correction (Article 126, paragraph (1) of the Patent Act), so the inventor cannot request a trial for correction, and the erroneous name will remain as it is. There is also a view that the inventor can request a correction from the JPO based on a declaratory judgment to the effect that he/she is the true inventor,²⁰ but this would be difficult given that the current Act limitatively lists grounds for correction, setting aside the possibility of recognizing such a request by revising the current Act.²¹ Nevertheless, since the inventor's right to be credited is considered as one kind of moral right, an infringement of the right could constitute a tort.²²

18 In the Osaka District Court Judgment, May 23, 2002, *Hanji*, No. 1825, p. 116 (the Santoku Rare Earth case), the court held that, if the inventor's right to be credited has been infringed, the true inventor may request the infringer to stop the infringement based on the inventor's right to be credited, which is his/her moral right, and ordered the applicant to put in place an amendment procedure with the JPO (this was a case where no request for an examination had been filed as of the time of the conclusion of oral arguments).

19 The Tokyo District Court Judgment, September 11, 2014, court website (the Slope Measurement Device case). In this case, the plaintiff, who is written as one of the inventors in the application, claimed that the invention was the plaintiff's sole invention, and sought against the applicant of the application a primarily claim seeking an amendment of the application and a secondary claim seeking the declaration of the fact that the invention is the plaintiff's sole inventor, as well as compensation based on a tort of infringement of the inventor's right to be credited. In this case, an examiner's decision of refusal was issued against the application, and became final and binding. In the Intellectual Property Judgment, March 11, 2015, court website, which was the second instance of this case, the appeal was dismissed.

20 Ryūichirō Sengen, *Tokkyo Hō Kōgi [Dai 4 Han]* (Lecture on Patent Law [4th ed.]), p. 153. Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 186; Ryō Shimanami, Tatsuhiro Ueno, and Hisayoshi Yokoyama, *Tokkyo Nyūmon* (Introduction to Patents), p. 58.

21 A declaratory judgment does not obligate the JPO to allow correction. Also, Article 126 expressly provides that "such correction shall be limited to the following." Thus, it would not be permissible to make a correction other than the corrections limitatively listed in that Article, merely based on a declaratory judgment alone. There is also a possibility to include the correction of the name of the inventor in the grounds for correction under Article 126 by revising the Act.

22 The Osaka District Court Judgment, February 18, 2010, *Hanji*, No. 2078, p. 148/*Hanta*, No. 1339, p. 193 (Anti-CD20 Monoclonal Antibody case).

1.4.2.6. Relationship with Third Parties

The right to obtain a patent is, although there is an exception for employee inventions (Article 35, paragraph (3)) after the 2015 revision, originally acquired by the inventor upon the completion of the invention, in principle, and then, after the filing, the laying open, and examination of the application, the patent right is finally established by registration. During this process, the contents of the right to obtain a patent change in each phase. This part studies the right to obtain a patent in relation to third parties.

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The right to obtain a patent itself has no effect in the elimination of third parties,²³ and the mere working of an invention by a third party does not constitute a tort.²⁴ However, an invention is often kept secret until the laying open of the application, so to that extent, if the invention satisfies the requirements for a trade secret as provided under the Unfair Competition Prevention Act, it could be protected as a trade secret, and an infringing act committed in relation to such trade secret could constitute a tort.²⁵ However, when an application is laid open, a right to claim compensation from a person who works the invention without authorization after the laying open of the application and before the registration arises after the registration (Article 65 of the Patent Act). Since there was a major revision to the true inventor's right to request the transfer of the patent after patent registration upon the 2011 revision, see "7.4. True Right Holder's Right to Seek Transfer of a Patent (Article 74 of the Patent Act)."

1.4.3. Requirements for Effectiveness Against Third Parties

It is clear from the provisions of the statute that the right to obtain a patent can be assigned, but the requirements for its effectiveness against third parties change in each phase from when the right arises to the lapse of the right upon patent registration. The following part reviews such changes in each phase.

1.4.3.1. Before Filing

As for the right to obtain a patent before the filing of a patent application, there are

23 The Tokyo District Court Judgment, July 5, 1955, *Kamin*, Vol. 6, No. 7, p. 1303 (the Solid Boiler Compounds case).

24 In the Tokyo District Court Judgment, July 24, 1968, *Hanta*, No. 229, p. 231 (the Hard Substance Crushing Device case), the court stated that this fact was a very apparent truth under the Japanese Patent Act.

25 For unjust enrichment, see Masanobu Ono, "Tokkyo Tōroku Mae No Hatsumei Shingai Kōi To Futō Ritoku" (Infringement of an Invention and Unlawful Gain Before Patent Registration), Taniguchi Tomohei Kyōju Kanreki Kinen, *Futō Ritoku/Jimu Kanri No Kenkyū (1)* (Essays in Honor of the Sixtieth Birthday of Professor Tomohei Taniguchi: Study on Unjust Enrichment/Management Without Mandate (1)) (Yuhikaku, 1970), p. 228.

no means of making a public announcement before the filing since the application is not pending before the JPO, and the right is not effective against third party acquirers of the right to obtain a patent unless the patent application is filed (Article 34, paragraph (1)). Possession is regarded as the means of making a public announcement for tangible goods, but since inventions are intangible goods, a concept of possession similar in sense to that for tangible goods cannot be applied. Therefore, the mere working of an invention or the owning of it cannot be considered as the basis for presuming a legitimate title to the right, and therefore the fact of working the invention does not have the function of a public announcement, so that is not appropriate as a requirement for effectiveness against third parties.

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When the two assignees of a double assignment file an application on the same date, only the one selected through consultation shall be the right holder (Article 34, paragraph (2) of the Patent Act).¹ Since the earlier and later applications are determined based on the date (Article 39 of the Patent Act), the same treatment was applied in the case of double assignment.

1.4.3.2. After Filing

The succession to the right to obtain a patent after filing has no effect without notification to the JPO Commissioner (Article 34, paragraph (4) of the Patent Act).² The old Act (the Act of 1921) had stipulated that such notification was required for making the succession effective against third parties (Article 12, paragraph (3) of the old Act). This revision was made along with a revision to make the registration of a transfer of a patent right, which had been a requirement for making the transfer effective against third parties, a requirement for the transfer to take effect.

If the two assignees of a double assignment of the right to obtain a patent make a

1 The provision of Article 34, paragraph (2) of the Patent Act is described from the approach of effectiveness against third parties. However, it is a matter of whom the JPO determines and registers as the right holder, so it is basically not a matter of effectiveness against third parties. For details, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 328 [written by Nobuhiro Nakayama].

2 In the Tokyo High Court Judgment, November 17, 1983, *Hanji*, No. 1108, p. 128 (the Facsimile Transmitter Using Telephone Line case), the court stated that, even if a person who has succeeded to the right to obtain a patent files litigation for rescinding a trial decision, and subsequently makes a notification of the succession to the JPO Commissioner, the litigation will be unlawful due to being filed by a person who is not eligible to be a plaintiff in an action for rescinding a trial decision, and such a defect will not be amended by a subsequent notification. Meanwhile, in the Tokyo High Court Judgment, December 24, 1985, *Mutai Saishū*, Vol. 17, No. 3, p. 659/*Hanta*, No. 586, p. 81 (the Colored Wood and Its Manufacturing Method case), the court held that, if a request for a trial against an examiner's decision of refusal is filed by a person who has acquired the right to obtain a patent from the addressee of the examiner's decision of refusal through specific succession, within the period for making such a request as prescribed in Article 121, paragraph (1), and a notification of the succession is made to the JPO Commissioner within that period, the defect that the trial has been requested by a person who is not the addressee of the examiner's decision of refusal will be amended, but if the notification of the succession is made after that period, such defect will not be amended, and the request for the trial will be unlawful.

notification about the succession on the same date, only the one selected after consultation between them shall be the right holder, which is the same as in the case before the filing (Article 34, paragraph (6) of the Patent Act).

A notification of change of the name of the applicant can be made independently by the successor to the right in compliance with a specific format.³ Nevertheless, the JPO Commissioner may order the submission of a document proving that the person making the application is the successor in title,⁴ if necessary (Article 5 of the Patent Act Enforcement Ordinance).

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In the case of an ordinary succession, notification is not required for the succession to take effect (Article 34, paragraph (4) of the Patent Act), but the right is transferred concurrently with the occurrence of grounds for succession. However, the successor in title must notify the JPO Commissioner without delay (paragraph (5) of said Article). A delay in the notification does not give rise to any special legal effect, but, in practical terms, it could be detrimental in that the JPO would continue to contact the former right holder regarding the right.

1.4.4. Joint Ownership of the Right to Obtain a Patent (Article 38 of the Patent Act)

The joint ownership of a right to obtain a patent occurs in the case of a joint invention, in the case of inheritance, or in the case where one person's share of the right to obtain a patent has been transferred.

In the case of joint ownership, the application must be filed by all the joint owners (Article 38 of the Patent Act). An application filed by only one of the joint owners will be refused (Article 49, item (ii) of the Patent Act) or will serve as a reason for invalidation even if a patent has been granted (Article 123, paragraph (1), item (ii) of the Patent Act). Also, the system was revised with the 2011 revision so that, if one or some of the joint owners acquire the patent, the other joint owners can request the transfer of their shares in the patent (Article 74, paragraph (1)).

A person's share of a jointly owned right can be freely assigned under the Civil Code, but a person cannot assign his/her share of the right to obtain a patent without the

³ In the Tokyo District Court Judgment, June 29, 1988, *Mutai Saishū*, Vol. 20, No. 2, p. 260 (the Chureza case), which was a case under the Trademark Act, the court stated that a request cannot be made to carry out the procedure for changing the name of the patent applicant, because the procedure does not adopt a system requiring requests to be filed by both parties. Since it is sufficient for a court judgment to order the minimum necessary, it does not need to go so far as to order a procedure for changing the name of the applicant. The demandant only needs to receive a declaratory judgment and put the procedure in place independently.

⁴ For instance, a written sales agreement, a certified copy of the register concerning a merger of juridical persons, a declaratory judgment of the right to demand a transfer, etc.

consent of the other joint owners⁵ (Article 33, paragraph (3) of the Patent Act). This is based on the same reason as that for a similar restriction on the assignment of a share of a jointly owned patent right (Article 73, paragraph (1) of the Patent Act).

The fact that a person's share cannot be assigned freely means that neither the establishment of a mortgage by transfer nor compulsory execution by a third party can be carried out without the consent of the other joint owners.

1.4.5. Lapse of the Right to Obtain a Patent

The right to obtain a patent lapses in the cases mentioned below. The term “lapse” is used here for convenience, but apart from the original meaning of “lapse,” it also refers to a case of confirming that no right existed in the first place or a case where the right to obtain a patent changed into a full right, that is, a patent right.

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1) Registration of establishment of a patent right

The right to obtain a patent lapses upon patent registration, but rather than actually being lapsed, it can be considered as attaining its original purpose and being sublimed into a fuller right.

2) Examiner's decision of refusal becoming final and binding

There are various reasons for receiving an examiner's decision of refusal (Article 49 of the Patent Act). They include cases where the right to obtain a patent did not exist in the first place or where the right lapsed before patent registration. In some cases, the application is a misappropriated application, although the claimed invention has patentability. The reason becomes clear in the end when the examiner's decision of refusal becomes final and binding.

3) Absence of an heir

There is a stipulation providing that a patent right lapses when nobody claims the right as an heir (Article 76 of the Patent Act), but there is no such provision concerning the right to obtain a patent. According to a principle of the Civil Code, property without an heir belongs to the national treasury (Article 959 of the Civil Code), but there is no benefit in having the right to obtain a patent belong to the national treasury. It is more reasonable to have the right lapse in the same manner as a patent right so that anybody can work the invention, and such is the prevalent interpretation.

4) Loss of eligibility to enforce the right

When a foreign national having an individual eligibility to enforce patent-related

⁵ In a separate issue there are cases where other joint owners cannot express an objection to a joint owner's act of having assigned his/her share of the right to obtain a patent under the good faith principle among the joint owners. The Osaka District Court Judgment, July 25, 2000, court website (the Chain Cover case).

rights later loses such eligibility due to the abrogation of a treaty or for any other reason, the right to obtain a patent also lapses.

5) Waiver

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§2. Obtaining a Patent

2.1. Filing

2.1.1. Significance of Filing

The inventor (in the case of an employee invention, the employer under certain conditions; Article 35, paragraph (3) of the Patent Act) originally acquires the right to obtain a patent upon completion of the invention. As the Patent Act has no provision on the actor eligible to be a patent applicant, it is construed that an inventor with eligibility to enforce rights can be an actor according to the provisions of the Civil Code. A minor or an adult ward can also file an application through his/her statutory representative (Article 7, paragraph (1) of the Patent Act), and a person under curatorship can file an application with the consent of a curator (paragraph (2) of said Article). A foreign national can file an application as long as he/she is provided under Article 25 to be eligible to enjoy rights. With regard to certain procedures with the JPO, an association or foundation which is not a juridical person but for which a representative or an administrator has been designated can file a request for examination, a request for a trial for patent invalidation, a request for a trial for invalidation of registration of a patent term extension, etc. in its name, but cannot file an application (Article 6 of the Patent Act).

Filing for a patent is an act of submitting an application to the JPO Commissioner, seeking a decision to grant a patent, as an objective indication of an intention to obtain a patent. The filing of a patent application prompts the JPO to start the procedures, and after various procedures have been put in place, the invention is registered and becomes patented. In spite of also being intellectual property, a copyright is originally acquired by the creator upon the creation of the work without requiring any procedures or formalities (the non-formality principle), but a patent is different in that it comes into effect through an administrative disposition.

The right to obtain a patent is a right under positive law. However, its content is ambiguous at the time of the creation of the invention, and the object for which a patent is sought is clarified through the act of filing. A patent right, being a right to a monopoly of a technical idea, has a big influence on third parties, so its content needs to be clear. Thus, the principle of documentary proceedings is adopted.

An overseas resident,¹ unless otherwise provided for by Cabinet Order,² cannot undertake a procedure nor institute an action against an administrative disposition except through a representative domiciled or resident in Japan (patent administrator) (Article 8, paragraph (1) of the Patent Act). This provision was established because it is cumbersome for the JPO to put in place a procedure directly with an overseas resident. With regard to an international patent application, an applicant who is an overseas resident may, prior to the National Processing Standard Time, undertake procedures without being represented by a patent administrator (Article 184-11, paragraph (1) of the Patent Act).

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The right to obtain a patent is materialized through filing and its content changes according to the procedure until the patent is registered, and is sublimated into a patent right, attaining its purpose upon the patent registration.

1 An overseas resident refers to a person domiciled or resident (or, in the case of a juridical person, with a business office) outside Japan (Article 8, paragraph (1)).

2 An overseas resident (or, in the case of a juridical person, its representative) who has a patent administrator can undertake procedures such as an exception when the overseas resident (or the representative) is staying in Japan (Article 1 of the Patent Act Enforcement Order).

2.1.2. Filing Documents (Article 36 of the Patent Act)

2.1.2.1. Introduction

The method of preparation of filing documents had been stipulated in the Patent Act Enforcement Ordinance under the old Act, but as it was considered to be a matter that should be provided by the Act, it is currently stipulated in Article 36 of the Patent Act.

In order to obtain a patent right, a person must file a patent application by submitting an application stating the prescribed items to the JPO Commissioner (Article 36 of the Patent Act). Today, a patent application is often filed on-line instead of on paper, but the basic concept is the same as in the case of a paper application. Applicants are not allowed to submit the actual invented product nor file an application orally (principle of documentary proceedings). The application must also include formal matters such as the domiciles and the names of the applicant and the inventor (paragraph (1) of said Article).

The description, scope of claims,¹ drawings (where required), and abstract are to be attached to the application (paragraph (2) of said Article). The description functions as a technical document disclosing the content of the invention and the scope of claims has the function of defining the scope of the right. The description and the scope of claims are subject to the later-discussed requirements (the enablement requirement, support requirement, etc.). The abstract is required under the PCT and also in the United States and Europe, but it is merely for quickly understanding the contents of the description, and it cannot be taken into consideration in determining the technical scope (Article 70, paragraph (3) of the Patent Act). The description system was adopted for the first time in the world as a statutory law in the British Patents Act of 1852. Since then, it has been adopted by various countries, and it is now an indispensable part of the patent system.

Conventionally, a patent application had to be filed in Japanese, and an application containing a priority claim needed to have attached to it a Japanese translation thereof. Since translating the filing documents within such a short space of time was extremely burdensome for foreign applicants, and any amendments were strictly restricted, the applicants were often at a disadvantage owing to mistranslations. Thus, with the 1994 revision, such an application came to be treated as a legitimate application if the applicant attached a document in a foreign language² and drawing(s) (where required) which contain any descriptive text in the said foreign language to the application which had been prepared in Japanese, in lieu of the description, scope of claims, drawings (where

¹ In the past, the scope of claims was to be stated as part of the description, but it was separated from the description upon the 2002 revision of the Patent Act.

² Article 25-4 of the Patent Act Enforcement Ordinance provides that the foreign language shall be English, and at present, English is the only accepted language.

required) and abstract (Article 36-2, paragraph (1) of the Patent Act).³ The applicant needs to submit the Japanese translation within one year and two months from the filing date (paragraph (2) of said Article), if the translation is not submitted within the time limit, the patent application is deemed to have been withdrawn (paragraph (3) of said Article). With the 2011 revision, where the period for the procedure has passed and where there are reasonable grounds, it became possible to submit the translation of the foreign language documents and the foreign language abstract thereof to the JPO Commissioner within two months from the date on which the grounds ceased to exist (paragraph (4) of said Article). The translation of foreign language documents is deemed to be the description, scope of claims and drawings submitted with the application (paragraph (6) of said Article), and the examination is carried out based on the translation and the right comes into effect. However, the determination on earlier/later applications is made based on the foreign language documents (the part in parentheses in Article 29-2 of the Patent Act). If the addition of a new matter does not remain within the scope of the matters stated in the foreign language documents, a foreign language written application is refused (Article 49, item (vi) of the Patent Act), or a patent granted therefor is invalidated (Article 123, paragraph (1), item (v) of the Patent Act). When amending the description, scope of claims or drawings for the purpose of correcting an incorrect translation, the applicant must submit a statement of correction for the incorrect translation (Article 17-2, paragraph (2) of the Patent Act). The scope of matters that can be amended covers the matters described in the translation (paragraph (3) of said Article). The scope of matters that can be corrected after patent registration covers the matters described in the foreign language documents (Article 126, paragraph (5) of the Patent Act).

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The method of writing a detailed explanation of the invention is strongly dependent on actual business practice, and the method differs for each technical field. For instance, a chemical substance patent must be backed by working examples to a certain extent, in order to eliminate mere paper inventions. However, the extent to which the invention must be exemplified involves detailed problems in practice. The details thereof shall be left to discussions in other books.⁴

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3 With regard to the foreign language written application system, see Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 367; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 242.

4 For details, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 380 [written by Yoshirō Hashimoto]; Yoshirō Hashimoto, *Tokkyo Hō [Dai 3 Han]* (Patent Act [3rd ed.]), p. 30; Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 611 [written by Kazuhiko Naitō and Taku Yamada]; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), pp. 251 ff.

2.1.2.2. Description⁵

A description is a document indicating the technical content of the invention. Specifically, the description must state (i) the title of the invention, (ii) a brief explanation of the drawing(s), and (iii) a detailed explanation of the invention (Article 36, paragraph (3) of the Patent Act). The title of the invention is needed for patent searches, and it must indicate the content of the invention concisely. When an application contains a priority claim under the Paris Convention, relevant documents need to be attached thereto (Article 43 of the Patent Act), and when the application is filed by an agent, a document proving the authority of representation needs to be submitted (Article 4-3 of the Patent Enforcement Ordinances). In addition, in order for the provisions on exception to lack of novelty to be applied, a document to that effect needs to be submitted (Article 30, paragraph (3) of the Patent Act).

It is provided that the statement of the detailed explanation of the invention in a description must be “clear and sufficient to enable a person ordinarily skilled in the art⁶ of the invention to work the invention” “as provided by Order of the Ministry of Economy, Trade and Industry” (Article 36 (4), item (i) of the Patent Act; this is called an “enablement requirement”). Meanwhile, Article 24-2 of the Patent Act Enforcement Ordinance (Order of the Ministry of Economy, Trade and Industry) provides that it must be described by stating “the problem to be solved by the invention and the means for solving the problem and any other matters necessary for a person of ordinary skill in the art of the invention to understand the technical significance of the invention,” and obligates the applicant to describe matters necessary for understanding the significance of the invention.

The statement of the detailed explanation of the invention does not fix the scope of a right, but it does have an important role in disclosing the content of the technology. It will be an important task for companies to utilize this database, filled with valuable technical documents, as effectively as possible in the future.

2.1.2.3. Scope of Claims

Since an invention is an intangible technical idea and expressed literally, its scope or outer limits are ambiguous and essentially unclear, unlike in the case of a tangible object. Therefore, if the content of an invention were only described ambiguously, the effective scope of the patent right would also be unclear, leading to low foreseeability.

⁵ Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act) discusses this issue in the most detailed and informative manner.

⁶ For the concept of a person ordinarily skilled in the art, see “1.3.1.4. Inventive Step (Article 29, paragraph (2) of the Patent Act), B. Person Skilled in the Art.”

For both third parties and the patentee, this would result in legal instability of the right and induces unnecessary conflicts. So, in order to clarify the concept of a patented invention and the effective scope of the right, a statement of the “scope of claims” is obligated (Article 36, paragraphs (2), (5), and (6) of the Patent Act). The scope of protection of a patent right is the portion of the technical idea disclosed by the applicant which the applicant describes in the scope of claims. The scope of claims is not only subject to the determination of novelty, involvement of an inventive step, etc. by the JPO, but also plays an important role in determining the technical scope of the patented invention, and indicating the scope of a right to third parties (Article 70, paragraph (1) of the Patent Act), similar to a borderline between parcels of land. However, regardless of requiring applicants to describe the scope of claims as clear-cut as possible, ambiguousness cannot be completely wiped away as long as the invention, which is technology, is expressed in writing, so there are endless disputes over the interpretation of the scope of claims. Yet, the presence of the system to require description of the scope of claims undoubtedly contributes better to the stability of rights than having no such system.

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In the Act of 1987, the provision set forth that only matters indispensable for the constitution of the invention for which the patent is sought should be stated in the scope of claims (Article 63, paragraph (5), item (ii) at the time).⁷ However, such description requirement ran contrary to the international trend, and did not suit the recent diversification of technology. Because the method of defining an invention by its constitution had limitations, and there were cases where it was more desirable to define the invention by its operation, function, property, or method of movement, a revision was made in 1994 to provide that the patent applicant “must state all matters that the applicant finds to be necessary for defining the invention for which the patent is sought” (Article 36, paragraph (5) of the Patent Act), making it possible to state matters according to the diversity of the technology, instead of only matters indispensable for the constitution of the invention. As a result, it became relatively easier for claims that define the characteristics of an invention by its physical structure or specific motion, but by function, action, nature, method, use, or the like,⁸ claims that define a product invention by its manufacturing method (product by process claims; see “8.7.3. Product-by-Process Claim

7 That was stipulated in Article 36, paragraph (5) from 1959 to 1985, in Article 36, paragraph (4) from 1985 to 1987 due to the deletion of the paragraph on the patent of addition, in Article 36, paragraph (4), item (ii) from 1987 to 1990 due to the introduction of the multiple claim system, in Article 36, paragraph (5), item (ii) from 1990 to 1994 due to the addition of the paragraph on the abstract, and in Article 36, paragraph (6), item (ii) from 1994 to the present. Attention should be paid to the fact that such frequent revisions had changed the position of this provision. The transition of the provisions of Article 36 is listed later.

8 A claim that is stated not by the specific constitution of the invention, but by the function performed by the invention, such as the claim “a DNA that codes for a protein containing activated A.”

(PBP Claim)”), claims using alternatives for defining the invention,⁹ and claims described by a generic or comprehensive concept to be accepted. This revision brought greater flexibility to claim drafting, but in reverse, it could make the scope of right unclear and could impede legal stability, so the description requirements were made stricter as discussed later. Incidentally, in infringement cases in the past, the scope of a right tended to be strictly bound by the statement of the scope of claims in the claim interpretation, owing in part to the word “only” in the provision. However, it became easier to adopt the doctrine of equivalents in terms of the wording of the provision with the 1994 revision.

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As a description requirement for the scope of claims, the patent applicant must state all matters that the applicant finds to be necessary for defining the invention for which the patent is sought, separately for each claim, but in this case, an invention specified by a statement in one claim may be the same invention specified by a statement in another claim (Article 36, paragraph (5) of the Patent Act).

Under the current Act, it has become possible to describe the scope of claims more flexibly than before, so the applicant needs to describe it based on the applicant’s own judgment and responsibility. In other words, the applicant can, based on the applicant’s own responsibility, extract an invention described in the detailed explanation of the invention arbitrarily, choose and describe the matters necessary for defining the invention in the scope of claims, and make it the applicant’s scope of right. The examiner is not required to examine whether or not all of the matters described in the detailed explanation of the invention are described in the scope of claims.

The provisions of Article 36, paragraph (4), item (i) and paragraph (6) of said Article provide for matters that have a great effect on third parties, such as the publication of the invention, and the clarity requirement, enablement requirement, and support requirement for the invention, so violation of these provisions constitutes a reason for refusal (Article 49, item (iv)) and a reason for invalidation (Article 123, paragraph (1), item (iv)). In contrast, the violation of paragraph (5) does not constitute a reason for refusal (not provided as a reason for refusal in Article 49) or a reason for invalidation (not provided as a reason for invalidation in Article 123, paragraph (1)).

2.1.2.4. Required Drawings

Although drawings are requisites for a utility model application (Article 5,

⁹ Such claims are called Markush claims. They are claims that recite multiple alternatives to define a part of the constituent features, such as “selected from the group consisting of A, B and C,” and are frequently used in the chemical and pharmaceutical fields. As a matter of course, the scope of the claim would be vast, so there would be a question of whether the invention fulfills the enablement requirement and the support requirement in all the fields covered by the claim.

paragraph (2) of the Utility Model Act), they only need to be attached if needed in the case of a patent application to assist the explanation of the invention. They are sometimes unnecessary for chemical inventions. The attached drawings are explained in detail in the “detailed explanation of the invention,” so this part merely needs to state whether each drawing is a plan view, an elevation view, or a section view, and explain the reference letters representing the major parts of the drawings (Form 29, Article 24 of the Patent Act Enforcement Ordinance).

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2.1.2.5. Abstract (Article 36, paragraphs (2) and (7) of the Patent Act)

The attachment of the abstract was obligated upon the 1990 revision (Article 36, paragraph (2) of the Patent Act).¹⁰ The abstract made it easier to understand the outline of the invention and made it easier to use the publications of unexamined applications. When there is a deficiency in the abstract, the applicant is ordered to make an amendment (Article 17, paragraph (3) of the Patent Act), and if no amendment is made, the application is dismissed (Article 18, paragraph (1) of the Patent Act). However, since an abstract only has the effect of indicating the outline of the invention for the convenience of users, and does not affect the technical scope of the invention, such deficiency does not constitute a reason for invalidation after patent registration.

2.1.2.6. Description Requirements

(1) Description requirements in general

The Act provides that the following are required: the applicant must state matters in the description in such a manner to enable a person ordinarily skilled in the art of the invention to work the invention (the enablement requirement; Article 36, paragraph (4), item (i) of the Patent Act); in the statement of the scope of claims, the invention for which a patent is sought must be stated in the detailed explanation of the invention (the support requirement; paragraph (6), item (i) of said Article); the invention must be clear (the clarity requirement; item (ii) of said paragraph); the statement must be concise (the conciseness requirement; item (iii) of said paragraph); and the statement is composed in accordance with Ordinance of the Ministry of Economy, Trade and Industry (item (iv) of said paragraph). Inventions which are not identical with each other, but have a certain relationship (inventions fulfilling the requirements of unity) can be filed in a single application (Article 37),¹¹ and the contents of the claims may overlap with each other.

¹⁰ However, the attachment of an abstract had already been obligated for PCT applications before the revision.

¹¹ For details on the revision Act of 1987, see Hiroaki Niihara, *Kaisei Tokkyo Hō Kaisetsu*.

The method of specifying the scope of claims is an issue related to the fundamentals of the acquisition of a right, and the adoption of a system different from that in other countries was not favorable from the viewpoint of the globalization of the patent system, but the adoption of the multiple claim system, which is almost the same as the system adopted in Europe and the United States, marked a large step forward in terms of the globalization of the patent procedure system.

(2) Enablement requirement (Article 36, paragraph (4), item (i))¹²

The enablement requirement is a requirement that the statement in the “detailed explanation of the invention” column of the description must be such that a person ordinarily skilled in the art of the invention (a person skilled in the art) can work the invention stated in the scope of claims without carrying out excessive trial and error or sophisticated experiments. A patent is granted in return for laying open the technology to the public, and if the description is such that a person skilled in the art cannot easily work the invention, it cannot be regarded as the laying open of the technology in the practical sense. Rather, it would be virtually equivalent to keeping the invented contents secret, and would not contribute to raising the level of technology in society. Violation of the enablement requirement serves as a reason for refusal of the application (Article 49, item (iv) of the Patent Act) or as a reason for invalidation even if a patent were granted (Article 123, paragraph (1), item (iv) of the Patent Act).

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The Patent Act prior to the 1994 revision had stipulated that the detailed explanation of the invention must “state the purpose, constitution, and effect of the invention” (Article 36, paragraph (5), item (ii) of the Patent Act at the time). However, what is important in a description is that the content of the invention is disclosed to the extent that a person skilled in the art can easily work the invention, and it is sometimes more reasonable to allow freedom in how it should be stated and make it possible to flexibly respond to the diversification of technology, rather than always requiring a statement of the purpose, constitution and effect of the invention. Thus, the provisions were amended as mentioned below (Article 36, paragraph (4), item (i)). The point is that it is sufficient for a third party who reads the description to be able to clearly identify and work the patented invention, and a description of the purpose, constitution, and effect of the invention is not necessarily required.

Furthermore, the 1993 revision strictly restricted the amendment of claims, and prohibited the addition of new matters to claims, so the purpose and effect could no longer

¹² With regard to details of the enablement requirement, see Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 621 (written by Kazuhiko Naitō and Ryūgo Akahori), and Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act), p. 54.

be added in a later amendment, in principle. As a result, it became unreasonable to require that the purpose, constitution, and effect of the invention should be stated in all patent applications. What is more, Article 29 of the WTO's TRIPs Agreement (which entered into force in 1995) only provides that the Member States should require an applicant to "disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art," while the European Patent Convention also has a similar stipulation. In addition to such situation in other countries, the foreign language applications that were introduced in Japan with the 1994 revision of the Patent Act could face a complex situation where the description requirements would differ between applicants in and outside Japan. Because of these reasons, upon the 1994 revision, the stipulation was revised to require the statement in the detailed explanation of the invention to be "clear and sufficient to enable a person ordinarily skilled in the art of the invention to work the invention" (Article 36, paragraph (4) at the time; current Article 36, paragraph (4), item (i)). Specific contents of this requirement are stipulated by an Ordinance of the Ministry of Economy, Trade and Industry (Article 36, paragraph (4), item (i) of the Patent Act).¹³ If the enablement requirement is applied too strictly on a promising invention (particularly a pioneer invention), the patent right on the invention would lose its value, but if it is applied too loosely, a right to a monopoly would be granted even to parts that were not actually invented, so it is important to achieve a balance between the two. Treatment of this issue has changed over time (changes in the provisions of Article 36 are discussed later).

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The enablement requirement applies to all of the claims, and it is required that the invention can be identified from a single claim. If a part of the claim statement includes a part of the invention that cannot be worked by a person skilled in the art without excessive experiments or trial and error, the enablement requirement is not satisfied.¹⁴ As can be seen in cases of Markush claims at times, if the claims are stated in a too general or abstract manner, the claims could include parts that cannot be worked, and the entire

13 For the 1994 revision, see Ken'ichi Kumagai, *Chikujō Kaisetsu Kaisei Tokkyo Hō* (Clause-by-Clause Explanation of the Revised Patent Act), p. 174; Legislative Affairs Office, General Affairs Division, General Affairs Department, Japan Patent Office, *Heisei 6 Nen Kaisei Kōgyō Shoyūken Hō No Kaisetsu* (Explanation of the 1994 Revision of Industrial Property Acts), p. 100 and p. 106.

14 In the Tokyo District Court Judgment, November 26, 2008, *Hanji*, No. 2036, p. 125/*Hanta*, No. 1303, p. 289 (the High Purity Acarbose case), the claim was "a purified acarbose composition which has an acarbose content of about 93wt% or more," and the court held that the description failed to meet the requirement that "the object, structure and effect of the invention must be stated in a manner to enable a person ordinarily skilled in the art to which the invention pertains to easily work the invention" with regard to an acarbose composition with a purity exceeding 98wt%. Meanwhile, in the Intellectual Property High Court Judgment, September 2, 2009, court website (the case of Polypeptide That Binds to Hepatitis C Virus Antibody), the court stated that "in light of the fact that a patent right is a system whereby, in the case of a product invention, the patentee can exclusively hold the right to work the invention with regard to the 'the product' defined in the scope of claims in return for laying it open to the public, the description, which supports the laying open of the invention, must naturally be stated to the extent that the invention can be worked with regard to the entirety of 'the product,' and it should not be construed to be sufficient to state a description to the extent that the invention can only be worked with regard to a part of 'the product.'"

invention could be refused.

The term “working” under the Patent Act refers to the act of “producing or using”¹⁵ in the case of a product invention, and in order to be regarded workable, the claims need to be stated in such a manner that a product that fulfills the constituent features of the invention can be produced¹⁶ and can be concretely used, or in other words, that the intended operation and effect can be achieved. In the case of an invention of a chemical substance, including a pharmaceutical, it is construed that mere clarification of the presence of a substance is not enough, and some kind of utility must be clarified in order to satisfy the enablement requirement.¹⁷

In the case of a process invention, the term “working” refers to an act of “using the process” (Article 2, paragraph (3), item (ii)), and in the case of an invention of a process for producing a product, it refers to an act of “using the process” and “using the product produced by the process” (Article 2, paragraph (3), item (iii)). In order for such inventions to be regarded workable, the claims must be stated in such a manner that the intended operation or effect can be achieved by using that process in the case of a process invention, and that the product can be produced by the process and the product can be concretely used in the case of an invention of a process for producing a product.

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Meanwhile, there are complicated problems regarding biological inventions, so detailed explanations are provided in the Examination Guidelines (Examination Guidelines “Part VII, Chapter 2, 1.1.2.1 (1) 2)). The same applies to software-related inventions (Examination Guidelines “Part VII, Chapter 1 “Computer Software-Related Inventions”).

(3) Support requirement (Article 36, paragraph (6) item (i) of the Patent Act)

The support requirement is a requirement that the statement in the scope of claims must be such that “the invention for which the patent is sought is stated in the detailed explanation of the invention” (Article 36, paragraph (6), item (i)). According to an

15 The provisions also include “transferring, etc.,” but since a product that can be produced and used can also be transferred as a matter of course, it does not become an issue with regard to the enablement requirement in practice.

16 Except in a case where a person skilled in the art can easily produce and use the product based on the level of technology at the time by looking at the description, a description cannot be regarded as satisfying the enablement requirement without including a statement of the manufacturing process of the product. For some inventions, the use of an invention is often obvious for a person skilled in the art.

17 In the Intellectual Property High Court Judgment, October 17, 2005, 2005 (Gyō Ke) No. 10013 (the Nucleic Acid and Protein case), which is a judgment concerning a gene-related patent, the court held that it is necessary to state information such as the pharmacological data and show utility in the description. Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act), p. 66 states that the utility requirement is not an additional requirement imposed only on pharmaceuticals and chemical substances, but that it is no different from determination of the ordinary enablement requirement. With regard to pharmaceuticals and chemical substances, the utility requirement is not an additional requirement, but in more cases than for other inventions, it would be unclear whether or not the invention can be worked unless its utility is shown.

Intellectual Property High Court Grand Panel judgment,¹⁸ the support requirement “should be determined by the following scheme: claim recitations are first compared with the detailed description of the specification; then the fulfillment is determined according to whether the claimed invention was described in the detailed description of the invention, whether the claimed invention can be regarded as though the skilled person in the art could have figured out the invention based on its recitations, or whether the claimed invention can be regarded as though the skilled person could have figured it out based on common technical knowledge at the filing date given that the recitations were not included nor suggested [in the detailed description of the specification].” The scope of claims frequently states matters described in the detailed explanation of the invention or working examples in a more general manner, and this support requirement often comes into question in the context of the extent to which such generalization should be allowed. This is because, while the scope of claims demarcates the scope of the invention for which the patent is sought, if its substance is not described in (supported by) the detailed explanation of the invention, the invention cannot be worked based on the claim statements alone, and it would mean granting a patent for an invention that has not been laid open in effect. In other words, whereas the enablement requirement is a description requirement for the detailed explanation of the invention requiring the statement to be such that enables a person skilled in the art to work the claimed invention without bearing excessive burden, the support requirement is a description requirement for the scope of claims requiring that the claimed invention is substantially supported the description. These two requirements are separate requirements with different objectives, but in

¹⁸ In the Intellectual Property High Court Grand Panel Judgment, November 11, 2005, *Hanji*, No. 1911, p. 48/*Hanta*, No. 1192, p. 164 (the Polarizing Film Manufacturing Method case), the court stated that the support requirement is needed because “a monopolistic and exclusive right will arise for an undisclosed invention, and it will deprive the general public of the benefits of free use and will cause the likelihood of inhibiting the development of industry, which goes against the aforementioned purpose of the patent system.” This judgment had a considerable effect on subsequent patent practice.

practice, their relationship is close to being two sides of the same coin.¹⁹

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The support requirement in the formal sense had been considered to be required from the past,²⁰ but it was sufficient for the matters stated in the scope of claims to be formally stated in the detailed explanation of the invention, and it was considered sufficient to directly copy statements from the detailed explanation of the invention to the claims. Whether or not the statements were described in such a manner that allows for the invention to be actually worked was determined based on the enablement requirement in practice. However, with the 1994 revision of the Patent Act, freer statements such as functional claims, parameter claims, and Markush claims became permissible. Accordingly, it became possible to describe a broad scope of claims specified by functions or effects, which led to an increase in applications whose technical scope of the invention was abstract, equivocal, and unclear, and giving rise to applications whose scope of claims was not substantially supported by the description. Thus, with the 2003 revision of the Examination Guidelines,²¹ not only a formal correspondence between the scope of claims and the detailed explanation of the invention, but also a substantial

19 See Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act), p. 81. In contrast, in the Intellectual Property High Court Judgment, January 28, 2010, *Hanji*, No. 2073, p. 105/*Hanta*, No. 1334, p. 152 (the Flibanserin case), which was a case on a use invention of a pharmaceutical, the court stated that “interpreting and determining compliance with the provisions of Article 36, paragraph (6), item (i) of the Act by a method that is totally the same as that of determining compliance with the requirement under Article 36, paragraph (4), item (i) of the Act, apart from the purpose of Article 36, paragraph (6), item (i) of the Act, that is, ‘eliminating the granting of an excessively extensive exclusive right compared to the technical matters disclosed in the detailed explanation of the invention,’ could end up with determining the same matter doubly. If it is permitted to make an interpretation based on the relationship in which the requirement under Article 6, paragraph (6), item (i) of the Act is not fulfilled whenever the statement of the detailed explanation of the invention does not fulfill the requirement provided for in paragraph (4), item (i) of said Article, there will be no meaning to establishing the provisions of paragraph (4), item (i) of said Article as a separate, independent requirement for patentability, in addition to paragraph (6), item (i) of said Article.” The court held that it should be considered sufficient to formally understand the technical matters stated and disclosed in working examples, etc. in the “detailed explanation of the invention,” and that the aforementioned Intellectual Property High Court Grand Panel Judgment (the Polarizing Film Manufacturing Method case) was a case of excessively broad claims on a parameter invention and differs from this case. In the Intellectual Property High Court Judgment, February 10, 2011, court website (the Adhesive case), the court stated that “the determination in the JPO decision to the effect that the patent ... does not fulfill the enable requirement and should be invalidated has no relation to the error in the determination concerning the support requirement in the JPO decision and is reasonable; therefore, the determination in the JPO decision to the effect that the Patent does not comply with the support requirement” is inevitably rescinded. Justice Toshiaki Imura, who was the presiding judge for the judgment in the Flibanserin case, indicated the same view also in his article, “Hatsumeji Toha Nanika, Shinkisei, Shinposei, Kisaioōken” (What is an Invention? Novelty, Inventive Step, Description Requirements), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza II* (Lecture on Modern Intellectual Property Law II), p. 26. See Seiji Ōno, “Paramēta Tokkyo Jiken” (Parameter Patent Case), *Jurist*, No. 1475 (2015), p. 20.

20 The provision “the invention for which the patent is sought is stated in the detailed explanation of the invention” had existed from the past (before the 1994 revision), so in that sense, the support requirement is considered to have existed at least formally (however, the term “support requirement” did not exist then).

21 Examination Guidelines for Patent and Utility Model in Japan, Part I, Chapter 1, 2.2.1.2(2).

correspondence between them became necessary.²² Specifically, an application is regarded as being in violation of the support requirement in such cases as follows: where matters corresponding to the claims stated in the scope of claims are not stated or suggested in the detailed explanation of the invention; where the invention defined in the claims exceeds the contents stated in the detailed explanation of the invention (such as the case where it cannot be read from the detailed explanation of the invention that all of the claims stated in the form of Markush claims have the intended effect); where, due to a lack of consistency in the terminology, the correspondence between the claims and the detailed explanation of the invention is unclear (this is also violation of the clarity requirement); or where the specific means for solving the problem is not stated in the detailed explanation of the invention.²³ In other words, the invention stated in the scope of claims must not only be formally stated in the detailed explanation of the invention, but be substantially disclosed (supported) therein so as to enable a person skilled in the art to solve the problem to be solved by the invention or enable a person skilled in the art to recognize that the problem to be solved by the invention can be solved based on common technical knowledge at the filing date even if such statement or suggestion were not included in the detailed explanation of the invention. In the chemical field in particular, applications are often filed by stating a broad scope of claims, so the support requirement of whether such contents are substantially indicated in the detailed explanation of the invention bears an important meaning. The statement in the scope of claims needs to be backed by experiment data, etc. in the description, but the specific extent to which the statement needs to be backed by such materials presents a big problem in practice. The support requirement itself had been considered as a natural requirement historically, but since substantial support became a requirement, many applications have been refused due to the violation of this requirement, and it has become an important requirement in practice.

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The subsequent supplementation of experiment results (certified experiment

22 The Intellectual Property High Court Grand Panel Judgment, November 11, 2005, *Hanji*, No. 1911, p. 48/*Hanta*, No. 1192, p. 164 (the Polarizing Film Manufacturing Method case; a case concerning a parameter patent). In this judgment, the court endorsed the Examination Guidelines revised in 2003, and mentioned that whether or not the scope of claims substantially corresponds to the detailed explanation of the invention (whether the scope of claims is supported) should be considered. This judgment can be regarded to have changed the support requirement from a formal requirement to a substantive requirement.

23 With regard to this issue, see Hisao Shiomi, “Tokkyo Hō Ni Oite Kaiji Yōken (Jisshi Kanō Yōken/Sapōto Yōken) Ga Hatasu Yakuwari” (The Role of Disclosure Requirement (Enablement and Support Requirements) under Patent Law), *Chiteki Zaisan Hō Seisaku Gaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 16 (2007), p. 131; Ryūta Hirashima, “Tokkyo Shutsugan Ni Okeru Hatsumei Kaiji To Jikkō Teki Hogo No Chōwa” (Harmonization between Disclosure of Invention in Patent Application and Effective Protection), *Jurist*, No. 1316 (2006), p. 23; Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō/Ge*, p. 658 (written by Kazuhiko Naitō and Kentarō Itō); Kōtarō Kimura, “Sapōto Yōken” (Support Requirement), *Jurist*, No. 1443 (2012), p. 70; Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act), p. 72.

results) is not permitted if it only serves to remedy a lack of fulfillment of the support requirement with regard to the scope of claims that had not been supported previously,²⁴ but the supplementation of experiment results is not always rejected. For example, the supplementation of experiment results for confirming that the working examples are compatible with the contents of the invention or for confirming the effects that can be predicted by a person skilled in the art are likely to be permitted in many cases.²⁵ In short, supplementation of experimental results that would practically expand the scope of claims to even cover matters that had not been supported until then would not be permitted. This issue is not only relevant to addition of experimental results, but to amendments in general. The strict interpretation of the support requirement would result in insufficient protection for pioneer inventions, but a loose interpretation would have the adverse effect of unjustly expanding the scope of a monopoly, so their balance is important.

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The support requirement has the function of eliminating inventions of which the statements in the scope of claims are too broad compared to those in the detailed explanation of the invention, whereas the enablement requirement has the function of eliminating inventions that cannot be worked based on the statements in the description, so, conceptually, the two should require different determinations. However, since the support requirement has shifted from formal determination to substantive determination, they can practically be considered to have a relationship similar to two sides of the same coin. Both requirements are designed to realize the philosophy of the Patent Act to only grant a monopoly for the part of an invention that has been substantively disclosed to society, and while the support requirement approaches from the aspect of the scope of claims, and the enablement requirement approaches from the aspect of the detailed explanation of the invention, they are considered to overlap in many respects in actuality. In practice, there has been a growing number of cases in which the court has used both violation of the support requirement and violation of the enablement requirement as the basis for its judgment, and the distinction between the two requirements is becoming

24 While there are many court judgments, in the Tokyo High Court Judgment, October 8, 2003, court website (the Artificial Nipple case; a case on internal priority), the court denied the priority on the basis that the addition of a working example exceeded the technical matters disclosed in the original description, etc. In the Intellectual Property High Court Grand Panel Judgment, November 11, 2005, *Hanji*, No. 1911, p. 48/*Hanta* No. 1192, p. 164 (the Polarizing Film Manufacturing Method case), the court stated that “under the objective of the patent system in which [sufficient] disclosure is assumed for any granted patent, it is not allowed that the [scope of the] detailed description is expanded or generalized to what is recited in the claims for the purpose of satisfying the support requirements by submitting experimental data after the filing date, wherein the data is new matter that not disclosed in the detailed description,” and did not allow addition of experimental data. Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 665 (written by Kazuhiko Naitō and Kentarō Itō).

25 In the Intellectual Property High Court Judgment, October 17, 2005, court website (the Nucleic Acid and Protein case), the court held that neither the enablement requirement nor the support requirement were fulfilled, but the court stated that the two requirements can be considered to be issues on two sides of the same coin. It is often the case that the claimed invention is neither supported nor workable.

unclear.²⁶

Incidentally, with regard to the support requirement, the patent applicant bears the burden of proof.²⁷

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(4) Clarity requirement (Article 36, paragraph (6), item (ii) of the Patent Act)²⁸

Since the statement in the scope of claims demarcates the scope of the right, an unclear statement would make the scope of the right unclear and would impede legal stability. Therefore, with the 1994 revision, it was required that the invention for which a patent is sought must be clear, and that each single claim must clearly define the invention for which a patent is sought.²⁹ Before the revision, it was provided that “only matters indispensable for the constitution of the invention” must be stated (Article 36, paragraph (5), item (ii) of the Patent Act at the time), and clarity had been secured by this provision. However, upon the 1994 revision, this provision was deleted, and it was provided that the applicant must “state all matters that the applicant finds to be necessary for defining the invention for which the patent is sought” (Article 36, paragraph (5)). Accordingly, the clarity requirement and the conciseness requirement came to be stipulated independently.

Meanwhile, due to a Supreme Court judgment rendered on product-by-process claims, it is expected that product-by-process claims will be judged to be in violation of the clarity requirement in an increasing number of cases in the future. For product-by-process claims, see “8.7.3. Product-by-Process Claim (PBP Claim).”

(5) Conciseness requirement (Article 36, paragraph (6), item (iii) of the Patent Act)

Article 36, paragraph (6), item (iii) requires the statement for each claim to be concise. Whereas the scope of claims has an important function to demarcate the right, a redundant claim statement, such as that with many overlapping parts, would obstruct

26 In the Intellectual Property High Court Judgment, July 15, 2010, *Hanji*, No. 2088, p. 124/*Hanta*, No. 1337, p. 236 (the Sunscreen Composition case), the court held that it is permitted to take into account an experiment result, etc. that was supplemented after the filing of the application as a premise of determining whether the invention has an inventive step, as this case is not a case where taking into account such result, etc. harms the equity between the applicant and third parties.

27 The Intellectual Property High Court Grand Panel Judgment, November 11, 2005, *Hanji*, No. 1911, p. 48/*Hanta*, No. 1192, p. 164 (the Polarizing Film Manufacturing Method case).

28 See Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act), p. 45.

29 In the Intellectual Property High Court Judgment, August 31, 2010, *Hanji*, No. 2090, p. 119/*Hanta*, No. 1341, p. 227 (the case of an Absorbent Article with an Elastic Top Sheet), the court stated that “whether or not the invention for which a patent is sought is clear should be determined from the viewpoint of whether the statement in the scope of claims is so unclear that it could cause unexpected detriments to third parties, by taking into consideration not only the statement in the scope of claims, but also the statements in the description and drawings attached to the written application, and based on the common technical knowledge of a person skilled in the art at the time of the filing.” The court further mentioned that it is not permissible to determine the clarity of an invention based on whether its functions, characteristics, and technical significance in relation to the problem to be solved and the operation and effect are indicated. These matters should be determined in relation to the enablement requirement; otherwise, it would overlap with Article 36, paragraph (4).

interpretation. Thus, the conciseness requirement is regarded as an independent requirement, along with the clarity requirement, and violation of the conciseness requirement constitutes a reason for refusal (Article 49, item (v) of the Patent Act) and a reason for invalidation (Article 49, item (v)).

(6) Obligation to disclose information on prior art documents (Article 36, paragraph (4), item (ii) of the Patent Act)

Upon the 2002 revision, it was provided that, where an applicant has knowledge of any invention(s) relating to said invention (the claimed invention) that has been known to the public through publication³⁰ at the time of the filing of the patent application, he/she must state the name of the publication, etc. in the detailed explanation of the invention. While such efforts were only required before the 2002 revision, it was made mandatory with the revision. This obligation does not require the applicant to conduct new searches, but it is sufficient to state the name, etc. of the publications he/she knows at the time of the filing.³¹ If prior art documents are not disclosed appropriately, the examiner can notify the applicant thereof, and give the applicant an opportunity to submit a written opinion (Article 48-7 of the Patent Act). This notice is not a notice of reasons for refusal, but an advance notice which is given prior to refusal. If the failure to disclose prior art documents is directly stipulated as a reason for refusal, the examiner would always have to examine the disclosure requirement, and that would cause a delay in examination.³² Following such notice, if the statement still remains insufficient after making an amendment or submitting a written opinion, the application is refused (Article 49, item (v) of the Patent Act). However, the system of disclosing prior art documents has been introduced in order to contribute to expeditious examination and to benefit third parties in making the document searches easier, and it does not directly link to a defect in the right. Therefore, an insufficient statement such as this does not constitute a reason for invalidation (not listed in Article 123, paragraph (1) of the Patent Act). Another possible approach would be to obligate applicants to disclose prior art documents and to make violation thereof a reason for refusal and a reason for invalidation, but this was shelved due to the risk of imposing an overly heavy burden on applicants and inviting an excessive number of requests for trials for patent invalidation.

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30 Inventions known to the public through publication refer to inventions that were described in a distributed publication, or inventions that were made publicly available through an electric telecommunications line (the part in parentheses in Article 36, paragraph (4), item (ii)).

31 With regard to the specific issue of what is meant by “has knowledge of,” see Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 611 (written by Kazuhiko Naitō and Taku Yamada). This becomes an issue for example in the case of an application filed by a juridical person, the case of an application with multiple inventors, or the case where the right to obtain a patent has been assigned.

32 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 119.

(7) Other requirements (Article 36, paragraph (6), item (iv) of the Patent Act)

The statement of the scope of claims must be composed in accordance with Ordinance of the Ministry of Economy, Trade and Industry (Articles 24-3 ad 24-4 of the Patent Act Enforcement Ordinance) (Article 36, paragraph (6), item (iv) of the Patent Act). The Patent Act Enforcement Ordinance provides for the detailed form, etc. of the scope of claims, such as the method of line breaks and numbering, and the method of citing references (Form 29-2 of the Patent Act Enforcement Ordinance).

(8) Transition of the provisions of Article 36 of the Patent Act

The provisions of Article 36 of the Patent Act were revised several times, and their transition is extremely complicated. New provisions were added, and the positions of some provisions were moved around. Since it is not easy to follow the transition of each individual provision, substantially important amended provisions of each law revision are listed below for convenience.

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Act of 1959 (came into effect in April 1960)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

- (i) the name and domicile or residence of the applicant(s) for the patent, and in the case of a juridical person, the name of the representative;
- (ii) the date of submission;
- (iii) the title of the invention; and
- (iv) the name and domicile or residence of the inventor(s).

(2) The description stating the following matters and drawings (where required) shall be attached to the application:

- (i) the title of the invention;
- (ii) a brief explanation of the drawing(s);
- (iii) a detailed explanation of the invention; and
- (iv) the scope of claims.

(3) When intending to obtain a patent of addition, how the invention for which the patent of addition is sought is related to the original invention shall be stated in the description.

(4) In the detailed explanation of the invention as provided in paragraph (2), item (iii) of the preceding paragraph, the purpose, constitution, and effect of the invention shall be stated to such extent as to enable any person ordinarily skilled in the art to which

the invention pertains to work the invention.

(5) In the statement of the scope of claims as provided in paragraph (2), item (iv), only matters indispensable for the constitution of the invention stated in the detailed explanation of the invention shall be stated.

(6) When filing a patent application for two or more inventions under the same application pursuant to the provisions of the proviso to Article 38, the scope of claims set forth in paragraph (2), item (iv) shall be stated by dividing it into sections for each of the respective inventions.

The 1975 Revision (came into effect in January 1976)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

(i) the name and domicile or residence of the applicant(s) for the patent, and in the case of a juridical person, the name of the representative;

(ii) the date of submission;

(iii) the title of the invention; and

(iv) the name and domicile or residence of the inventor(s).

(2) The description stating the following matters and drawings (where required) shall be attached to the application:

(i) the title of the invention;

(ii) a brief explanation of the drawing(s);

(iii) a detailed explanation of the invention; and

(iv) the scope of claims.

(3) When intending to obtain a patent of addition, how the invention for which the patent of addition is sought is related to the original invention shall be stated in the description.

(4) In the detailed explanation of the invention as provided in paragraph (2), item (iii) of the preceding paragraph, the purpose, constitution, and effect of the invention shall be stated to such extent as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention.

(5) In the statement of the scope of claims as provided in paragraph (2), item (iv), only matters indispensable for the constitution of the invention stated in the detailed explanation of the invention shall be stated; provided, however, that this does not preclude the applicant from also stating the embodiment of the invention.

(6) The statement of the scope of claims under the provisions of the preceding paragraph shall be made as provided for by Ordinance of the Ministry of International Trade and Industry.

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The 1985 Revision (came into effect in November 1985)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

(i) the name and domicile or residence of the applicant(s) for the patent, and in the case of a juridical person, the name of the representative;

(ii) the date of submission;

(iii) the title of the invention; and

(iv) the name and domicile or residence of the inventor(s).

(2) The description stating the following matters and drawings (where required) shall be attached to the application:

(i) the title of the invention;

(ii) a brief explanation of the drawing(s);

(iii) a detailed explanation of the invention; and

(iv) the scope of claims.

(3) In the detailed explanation of the invention as provided in item (iii) of the preceding paragraph, the purpose, constitution, and effect of the invention shall be stated to such extent as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention.

(4) In the statement of the scope of claims as provided in paragraph (2), item (iv), only matters indispensable for the constitution of the invention stated in the detailed explanation of the invention shall be stated; provided, however, that this does not preclude the applicant from stating together the embodiment of the invention.

(5) The statement of the scope of claims under the provisions of the preceding paragraph shall be made as provided for by Ordinance of the Ministry of International Trade and Industry.

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The 1987 Revision (came into effect in January 1988)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

(i) the name and domicile or residence of the applicant(s) for the patent, and in the case of a juridical person, the name of the representative;

(ii) the date of submission;

(iii) the title of the invention; and

- (iv) the name and domicile or residence of the inventor(s).
- (2) The description stating the following matters and drawings (where required) shall be attached to the application:
- (i) the title of the invention;
 - (ii) a brief explanation of the drawing(s);
 - (iii) a detailed explanation of the invention; and
 - (iv) the scope of claims.
- (3) In the detailed explanation of the invention as provided in item (iii) of the preceding paragraph, the purpose, constitution, and effect of the invention shall be stated to such extent as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention.
- (4) The statement of the scope of claims as provided in paragraph (2), item (iv) shall comply with each of the following items:
- (i) the invention for which a patent is sought is stated in the detailed explanation of the invention;
 - (ii) the statement is a paragraph or paragraphs in which only matters indispensable for the constitution of the invention for which a patent is sought are stated (hereinafter referred to as a “claim” or “claims”); and
 - (iii) the statement is composed in accordance with Ordinance of the Ministry of International Trade and Industry.
- (5) The provisions of the preceding paragraph do not preclude the statement of the scope of claims where an invention specified by a statement in one claim is the same invention specified by a statement in another claim.

The 1990 Revision (came into effect in December 1990)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

- (i) the name and domicile or residence of the applicant(s) for the patent, and in the case of a juridical person, the name of the representative;
 - (ii) the date of submission;
 - (iii) the title of the invention; and
 - (iv) the name and domicile or residence of the inventor(s).
- (2) The description, drawings (where required), and abstract shall be attached to the application.
- (3) The description as provided in the preceding paragraph shall state the following:
- (i) the title of the invention;
 - (ii) a brief explanation of the drawing(s);

(iii) a detailed explanation of the invention; and

(iv) the scope of claims.

(4) In the detailed explanation of the invention as provided in item (iii) of the preceding paragraph, the purpose, constitution, and effect of the invention shall be stated to such extent as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention.

(5) The statement of the scope of claims as provided in paragraph (3), item (iv) shall comply with each of the following items:

(i) the invention for which a patent is sought is stated in the detailed explanation of the invention;

(ii) the statement is a paragraph or paragraphs in which only matters indispensable for the constitution of the invention for which a patent is sought are stated (hereinafter referred to as a “claim” or “claims”); and

(iii) the statement is composed in accordance with Ordinance of the Ministry of International Trade and Industry.

(6) The provisions of the preceding paragraph do not preclude the statement of the scope of claims where an invention specified by a statement in one claim is the same invention specified by a statement in another claim.

(7) The abstract as provided in paragraph (2) shall state a summary of the invention disclosed in the description or drawings, and any other matters as provided by Ordinance of the Ministry of International Trade and Industry.

[192]

The 1994 Revision (came into effect in July 1995)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

(i) the name and domicile or residence of the applicant(s) for the patent, and in the case of a juridical person, the name of the representative;

(ii) the date of submission;

(iii) the title of the invention; and

(iv) the name and domicile or residence of the inventor(s).

(2) The description, drawings (where required), and abstract shall be attached to the application.

(3) The description as provided in the preceding paragraph shall state the following:

(i) the title of the invention;

(ii) a brief explanation of the drawing(s);

(iii) a detailed explanation of the invention; and

(iv) the scope of claims.

(4) The statement of the detailed explanation of the invention as provided in item (iii) of the preceding paragraph shall, in accordance with Ordinance of the Ministry of Economy, Trade and Industry, be clear and sufficient as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention.

(5) The scope of claims as provided in paragraph (3), item (iv) shall state a claim or claims and state for each claim all matters necessary to specify the invention for which the applicant requests the grant of a patent. In such case, an invention specified by a statement in one claim may be the same invention specified by a statement in another claim.

(6) The statement of the scope of claims as provided in paragraph (3), item (iv) shall comply with each of the following items:

(i) the invention for which a patent is sought is stated in the detailed explanation of the invention;

(ii) the invention for which a patent is sought is clear;

(iii) the statement for each claim is concise; and

(iv) the statement is composed in accordance with Ordinance of the Ministry of International Trade and Industry.

(7) The abstract as provided in paragraph (2) shall state a summary of the invention disclosed in the description or drawings, and any other matters as provided by Ordinance of the Ministry of International Trade and Industry.

[193]

The 1998 Revision (came into effect on June 1, 1998)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

(i) the name and domicile or residence of the applicant(s) for the patent; and

(ii) the name and domicile or residence of the inventor(s).

(2) The description, drawings (where required), and abstract shall be attached to the application.

(3) The description as provided in the preceding paragraph shall state the following:

(i) the title of the invention;

(ii) a brief explanation of the drawing(s);

(iii) a detailed explanation of the invention; and

(iv) the scope of claims.

(4) The statement of the detailed explanation of the invention as provided in item (iii) of the preceding paragraph shall, in accordance with Ordinance of the Ministry of

Economy, Trade and Industry, be clear and sufficient as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention.

(5) The scope of claims as provided in paragraph (3), item (iv) shall state a claim or claims and state for each claim all matters necessary to specify the invention for which the applicant requests the grant of a patent. In such case, an invention specified by a statement in one claim may be the same invention specified by a statement in another claim.

(6) The statement of the scope of claims as provided in paragraph (3), item (iv) shall comply with each of the following items:

(i) the invention for which a patent is sought is stated in the detailed explanation of the invention;

(ii) the invention for which a patent is sought is clear;

(iii) the statement for each claim is concise; and

(iv) the statement is composed in accordance with Ordinance of the Ministry of International Trade and Industry.

(7) The abstract as provided in paragraph (2) shall state a summary of the invention disclosed in the description or drawings, and any other matters as provided by Ordinance of the Ministry of International Trade and Industry.

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The 2002 Revision (came into effect on July 1, 2003)

(Patent applications)

Article 36 (1) A person requesting the grant of a patent shall submit an application to the Commissioner of the Patent Office stating the following:

(i) the name and domicile or residence of the applicant(s) for the patent; and

(ii) the name and domicile or residence of the inventor(s).

(2) The description, scope of claims, drawings (where required), and abstract shall be attached to the application.

(3) The description as provided in the preceding paragraph shall state the following:

(i) the title of the invention;

(ii) a brief explanation of the drawing(s); and

(iii) a detailed explanation of the invention.

(4) The statement of the detailed explanation of the invention as provided in item (iii) of the preceding paragraph shall comply with each of the following items:

(i) in accordance with Ordinance of the Ministry of Economy, Trade and Industry, the statement shall be clear and sufficient as to enable any person ordinarily skilled in the art to which the invention pertains to work the invention; and

(ii) where the person requesting the grant of a patent has knowledge of any

invention(s) (inventions as provided in Article 29(1)(iii), hereinafter the same shall apply in this item) related to the said invention, that has been known to the public through publication at the time of filing of the patent application, the statement shall provide the source of the information concerning the invention(s) known to the public through publication such as the name of the publication and others.

(5) The scope of claims as provided in paragraph (2) shall state a claim or claims and state for each claim all matters necessary to specify the invention for which the applicant requests the grant of a patent. In such case, an invention specified by a statement in one claim may be the same invention specified by a statement in another claim.

(6) The statement of the scope of claims as provided in paragraph (2) shall comply with each of the following items:

- (i) the invention for which a patent is sought is stated in the detailed explanation of the invention;
- (ii) the invention for which a patent is sought is clear;
- (iii) the statement for each claim is concise; and
- (iv) the statement is composed in accordance with Ordinance of the Ministry of Economy, Trade and Industry.

(7) The abstract as provided in paragraph (2) shall state a summary of the invention disclosed in the description, scope of claims or drawings, and any other matters as provided by Ordinance of the Ministry of Economy, Trade and Industry.

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2.1.3. Multiple Claim System (Second Sentence of Article 36, paragraph (5) of the Patent Act)

From the establishment of the Japanese patent system until before the enactment of the Act of 1921, the multiple claim system had been adopted for specifying the scope of claims in the same manner as many other countries. However, Japan adopted the single claim system,¹ which was a system unique to Japan, in the Act of 1921, under which two inventions having a particularly close relationship could be included in a single application as an exception, and the system was maintained in the Act of 1959 (Article 38 of the Patent Act before the 1987 revision). However, because the multiple claim system was prevalent in other countries, in 1975, Japan adopted an irregular multiple claim system which allowed the applicant to describe embodiment claims in addition to indispensable features claims (the proviso to Article 36, paragraph (5) at the time)² as part of Japan's globalization effort to join the Patent Cooperation Treaty (PCT). This was never intended to be more than a transitional system. After the public became familiar with the multiple claim system, a fully-fledged multiple claim system (an improved multiple claim system) whereby the applicant can describe multiple claims in a single application and which was the global mainstream, was adopted upon the 1987 revision (Article 36, paragraphs (4) and (5) at the time; Article 36, paragraph (5) of the current Act).

Under the current multiple claim system, an invention can be described in multiple claims by using free expression, either in the form of independent claims or dependent claims, as long as they fulfill the requirements of unity of invention (Article 37). The validity (novelty, inventive step, etc.) of the invention is determined independently for each patent claim, the determination of invalidity is also made for each claim (Article 123, paragraph (1)), and a correction can also be made for each claim (Article 126, paragraph (3)). In addition, an invention specified by a statement in one claim may be the same invention specified by a statement in another claim, in other words, claims with overlapping contents could also be registered (the second sentence of Article 36, paragraph (5) in the current Act). As a result, it became easier to state the scope of claims, and there was no longer any need for an overlapping examination of the respective claims.

1 Article 38 of the old Patent Act Enforcement Ordinance had provided that “only matters indispensable for the constitution of the invention shall be stated in a single claim,” but the phrase “in a single claim” was deleted in the Act of 1959, and there was no longer a statutory binding to use the single claim construction. However, the single claim system was used in practice. The phrase “in a single claim” seems to have a meaning to deny the practice at the time requiring the scope of claims to be stated in a single sentence without using a period. See Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 124.

2 As an exception to the one application for one invention system, there was the following provision: “provided, however, that this does not preclude the applicant to additionally state the embodiment of the invention.”

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2.1.4. Unity of Application (Article 37 of the Patent Act)

Two or more inventions can be filed in a single application if they can be categorized as a group of inventions that satisfy the requirements of the unity of invention. Specifically, two or more inventions are categorized as a group of inventions that satisfy the requirements of the unity of invention if they have a technical relationship as specified in Ordinance of the Ministry of Economy Trade and Industry (Article 25-8 of the Patent Act Enforcement Ordinance)³ (related inventions), and such inventions can be filed in a single application. Even if an application has been refused on the basis of the violation of the unity requirement, the reason for refusal is likely to be resolved by dividing the application in many cases.

With the adoption of the unity system, the number of inventions in a single application expanded to match western levels (Article 37 of the Patent Act),⁴ and it became possible to file multiple inventions in a single application. This system is useful for applicants as they can collectively file a single application for multiple related inventions, and can also carry out transactions of rights more easily. In addition, it makes it easier for third parties to acquire information on related inventions, and efficient for the JPO as it can examine all the related inventions together. Further, with the 2003 revision, the requirements for close similarity, which had been stipulated in Article 37, were moved to Ordinance of the Ministry of Economy, Trade and Industry. It is up to the applicant to choose between filing a single application or multiple applications for multiple inventions.

The requirements of unity were not inevitable in theory, but were adopted for the convenience of applicants, the JPO's examination processing and third party searches. However, as a result of the adoption, it became possible to deal with the increasing complexity and sophistication of inventions. Since unity is a requirement adopted for

³ Article 25-8 of the Patent Act Enforcement Ordinances provides as follows:

(i) The technical relationship designated in Ordinance of the Ministry of Economy, Trade and Industry, as referred to in Article 37 of the Patent Act, means a technical relationship in which two or more inventions, due to having an identical or corresponding special technical feature, relate with each other so as to form a single, general inventive concept.

(ii) The special technical feature prescribed in the preceding paragraph means a technical feature that clearly indicates the contribution that the invention makes to prior art.

(iii) The presence or absence of the technical relationship prescribed in paragraph (1) shall be determined irrespective of whether the two or more inventions are described in separate claims or described as alternatives in a single claim.

⁴ Even the principle of one application for one invention cannot serve as a standard for making a concrete decision on the scope of an application, because the content of one invention is not necessarily definite. Many countries had a stipulation on one application for one invention (e.g., Germany, the United Kingdom, and the United States), but as the concept of one invention was broader than that in Japan, it was practicably quite different from the one application for one invention system in Japan. This suggests that it was also possible to gain the same outcome as the 1987 revision by switching from the concept of one invention, but since changing Japan's long-established concept of one invention could cause confusion, the legislation was enacted to allow for the filing of one application for two or more inventions under certain conditions; that is, to abandon the one application for one invention system.

convenience, its violation is not a substantive defect. Therefore, the violation constitutes a reason for refusal (Article 49, item (iv) of the Patent Act), but not a reason for invalidation (not listed as a reason for invalidation in Article 123, paragraph (1) of the Patent Act). This is because, even if a patent in violation of the requirements of unity existed, it would hardly affect third parties.

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The scope of two or more inventions that can be filed in a single application is quite broad, and according to Ordinance of the Ministry of Economy, Trade and Industry, many inventions that are related to each other from a common-sense viewpoint can be filed in a single application. This contributes to achieving international harmonization as well as to reducing the burden of filing and examination.

With the 2006 revision, an act of making an amendment in violation of unity after receiving a notice of reasons for refusal became a reason for refusal (after receiving the final notice of reasons for refusal, the amendment is dismissed) (Article 49, item (i) of the Patent Act). In other words, it was provided that amendment of the scope of claims must fulfill the unity requirements (Article 17-2, paragraph (4) of the Patent Act), and this is known as the prohibition of a “shift amendment.”⁵ This limitation is not applied to an amendment that is made before receiving the first notice of reasons for refusal or to the amendment of the description and drawings (said paragraph of said Article).

Shift amendment refers to an amendment of the scope of claims made after receiving an examination which does not satisfy the requirements of unity of invention, and such amendment will be refused. It means that, after an examination, the examined invention and the amended invention must have identical or corresponding special technical features. Specifically, any amendment that would change an already-examined invention into another invention with different technical features is not permissible. Conversely, a shift amendment can be made before the first notice of reasons for refusal is served. Before the 2006 revision, an amendment of the scope of claims made upon receiving the first notice of reasons for refusal did not necessarily have to fulfill the requirements of unity, so by making a shift amendment, it was possible to circumvent the requirements of unity, and to receive examinations for two inventions in effect. However, this was prohibited because it would be unfair on those who had abided by the requirements of unity from the start and those who had made a shift amendment, and if the technical features of an invention were changed after refusal, it would increase the examination workload. However, even where a shift amendment is not allowed, an application can be divided in many cases; in such a case, the virtual difference would be

⁵ The requirements are extremely complicated in practice. See Article 25-8 of the Patent Act Enforcement Ordinance and Examination Guidelines for Patent and Utility Model in Japan “Part I, Chapter 2 Requirements for Unity of Invention.”

the difference in workload and the examination fee.
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2.1.5. Effect of Filing (Article 39 of the Patent Act)

The inventor originally acquires the right to obtain a patent upon completion of the invention, and the act of filing is regarded as a concrete indication of the inventor's intent to obtain a patent. The right to obtain a patent comes into objective existence through filing, and the right then takes on various legal effects. When the patent application is received by the JPO, the application is pending before the JPO, and a patent application number is given to the application, after which the applicant is notified thereof (Article 28 of the Patent Act Enforcement Ordinance). As for the effect of the filing, the filing date becomes fixed, the requirements such as novelty and inventive step will be determined based on the time of the filing, and the period for laying open the application and other periods will be calculated based on the filing date. Any procedure that is unlawful and not amendable is dismissed (Article 18-2, paragraph (1) of the Patent Act). When an application is dismissed, it loses its status as a prior application (Article 39, paragraph (5)).

Conventionally, a substantive examination had been conducted for all applications received, but with the 1970 revision, only those applications for which a request for examination was made within seven years from the filing date came to be examined (the system of request for examination of application). Later, with the 1999 revision, the period for requesting an examination was shortened to three years (Article 48-2 and Article 48-3, paragraph (1) of the Patent Act).¹

The most notable effect of filing is that it creates the status of a prior application, and empowers the application to eliminate later applications (Article 39, paragraph (1) of the Patent Act). In the past, an application could not acquire the status of a prior application if it was withdrawn or dismissed, but the status of a prior application was recognized if it was abandoned. However, since it is not appropriate to give an undisclosed application the status of a prior application, it was stipulated upon the 1998 revision that, if an application has been waived, withdrawn, or dismissed or when an examiner's decision of refusal or a trial decision of refusal has become final and binding for an application, the application is deemed never to have been filed, and it does not

¹ Upon the 2014 revision, it was provided as follows: "If ... there are reasonable grounds for failing to have filed a request for the examination of the patent application ..., the applicant of the patent application may file a request for examination only within two months from the date on which the grounds ceased to be applicable, but not later than one year following the passage of the period prescribed in said paragraph" (Article 48-3, paragraph (5)).

acquire the status of a prior application right (Article 39, paragraph (5) of the Patent Act).² Therefore, when an applicant who has waived his/her application files an application again, unless the waived application had been laid open, his/her later application will not be refused based on his/her prior application.

As an exception to the provisions on the status of prior application, if an examiner's decision of refusal or a trial decision of refusal becomes final and binding due to a failure to reach an agreement by consultation with regard to applications filed on the same date, the status of prior application remains in force (the proviso to Article 39, paragraph (5) of the Patent Act). Also, conventionally, a misappropriated application did not acquire the status of a prior application (Article 39, paragraph (6) of the Patent Act before the 2011 revision), but the true right holder's right to request the person who filed the misappropriated application to transfer the patent right was stipulated (Article 74) upon the 2011 revision. In line with this, misappropriated applications came to acquire the status of a prior application (Article 36, paragraph (6) was deleted, and subsequent paragraphs were moved up). As a result, the status of prior application is also recognized for the application for a patent that has been transferred to the true right holder.

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2.1.6. Division and Conversion of an Application

2.1.6.1. Division of an Application (Article 44 of the Patent Act)

When an application which is pending before the patent office contains more than once invention, the Paris Convention allows the applicant to divide it into two or more applications later (Article 4, Section G of the Paris Convention). In Japan, too, an applicant may extract one or more new patent applications out of a patent application containing two or more inventions (Article 44, paragraph (1) of the Patent Act), and the divided applications are examined independently.

Division can be used when an applicant receives a notice of reasons for refusal stating that the application does not satisfy the requirement of the unity of application, or that it lacks the involvement of an inventive step, to remove such defect, as well as when an applicant intends to divide an application so as to dispute the claim which is subject to a reason for refusal in a trial against an examiner's decision of refusal, and to acquire a

² The withdrawal of an application is an indication to the JPO of the applicant's intent to cancel the filing procedure, while the waiver of an application is an indication to the JPO of his/her intent to waive the application. In the past, it had been said that there was meaning in distinguishing between the two because a withdrawn application does not acquire the status of a prior application but a waived application does. However, in the 1998 revision, it was stipulated that neither a withdrawn application nor a waived application acquires the status of a priority application. Therefore, there is no longer any meaning in undergoing the trouble of distinguishing between the two.

patent registration at an early stage for the remaining claims. At the time when a one application for one invention system had been adopted, the division of an application provided a remedy in many cases, but as the system was abolished with the 1987 revision, the need for the division decreased accordingly. It is also possible to divide a divided application further.

The divisional application is treated as a new separate application from the original application, and even if the original application were to become extinct due to a waiver, withdrawal, dismissal, or receipt of an examiner's decision of refusal, the divisional application is not affected, and the procedure taken for the original application does not automatically apply to the divisional application. However, exceptions are recognized for such procedures that help simplify the procedure for the divisional application and that do not affect third parties.¹ Specifically, statements or documents which have been submitted for the original application in relation to the exception for lack of novelty, priority claim based on a patent application, etc., or priority claim under the Paris Convention are deemed to have been submitted along with the divisional application (Article 44, paragraph (4) of the Patent Act).

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The filing date of a divisional application retroacts to the filing date of the original application, in principle (Article 44, paragraph (2) of the Patent Act). Therefore, the novelty, involvement of an inventive step, and the status of a prior application are determined based on the time and date of the filing of the original application. However, since there are harmful effects in recognizing the retroaction in all aspects, there are exceptions. The filing does not retroact (the proviso to Article 44, paragraph (2) of the Patent Act) with regard to the exceptional expansion of the scope of a prior application (Article 29-2 of the Patent Act), the time limit for submitting a translation in relation to foreign language documents (Article 36-2, paragraph (2) of the Act), submission of a document for seeking application of exception to lack of novelty (Article 30, paragraph (3) of the Patent Act), and priority (Article 41, paragraph (4) and Article 43, paragraph (1) of the Patent Act).

According to conventional court decisions, the invention to be claimed in the divisional application did not always need to be included in the scope of claims of the original application, but it was sufficient if two or more inventions were included in the

¹ In the Tokyo High Court Judgment, February 28, 1983, *Mutai Saishū*, Vol. 15, No. 1, p. 210 (the Illumination Device case), the court held that a procedure for the division of an application taken during the pendency of litigation for revocation of a trial decision given in a trial against an examiner's decision of refusal will not violate the provisions of Article 44, paragraph (2) of the Patent Act and be unlawful even if the trial decision becomes final and binding, retroactive to the time before the procedure for the division of an application due to the withdrawal of the action.

scope of claims, the description, or the drawings.² With the 1993 revision, however, the addition of any new matter upon amendment was prohibited. Therefore, a similarly strict restriction should be imposed on division as well, in order to achieve balance,³ and in that respect, the above-mentioned Supreme Court decision should be considered as having been corrected.⁴ There is no express restriction on division as that for amendment, but practically speaking, the division of an application has a similar function to making an amendment. Therefore, under the current Act where making an amendment is strictly restricted, it is necessary to construe the Act so that division will not be used as an evasive mechanism for an amendment. Specifically, the filing date of a divisional application that adds any new matter will be the date on which the divisional application was filed, without retroacting to the filing date of the original application. As a result, if the original application has been laid open, the divisional application could be refused due to lack of novelty, and if not, it could be refused for being a later application unless the original application has been waived, etc.

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Incidentally, for the case where a reason for refusal has already been notified in the examination of the original application and where the reason which the applicant has already recognized remains applicable, the 2006 revision provided that the examiner will notify the applicant to that effect in the notice of refusal when issued for the first time for the divisional application, and that such notice will be treated as the “first notice of refusal”

2 In the Supreme Court Judgment, December 18, 1980, *Minshū*, Vol. 34, No. 7, p. 917/*Hanji*, No. 991, p. 71/*Hanta*, No. 433, p.83 (the Half-size Movie Film Recording Device case), the court held that even if a divisional application were to relate to an invention disclosed not in the scope of claims, but in the detailed explanation of the invention or the drawings, if a person skilled in the art can understand precisely and work easily all of the technical matters that constitute the gist of the invention, the division is permissible. The same view is indicated in the Supreme Court Judgment, March 13, 1981, *Hanji*, No. 1001, p. 41/*Hanta*, No. 441, p. 86 (the Butadiene Polymerization Method case). The idea behind the Supreme Court decision is assumed to be that a patent right is granted in return for laying open an invention, so even a matter that is not described in the scope of claims should be subject to division if it has been disclosed in the description or drawings. The Tokyo High Court Judgment, August 30, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 420 (the Permanent Magnet Manufacturing Device case); the Tokyo High Court Judgment, April 17, 1986, *Tokkyo To Kigyō* (Patents and Enterprises), No. 210, p. 47 (the Variable Safe Ball Receiver Opening Device case).

3 Examination Guidelines for Patent and Utility Model in Japan “Part V, Chapter 1 Division of Application” states as follows: “Whether or not matters described in the description, claims or drawings of a divisional application are within the scope of matters described in ‘the description, claims or drawings of the original application immediately prior to being divided’ or in the ‘description, claims or drawings of the original application as of the filing’ shall be determined in the same way as a determination on a new matter.”

4 In the Tokyo District Court Judgment, December 21, 1999, court website (the Ear Hanging Equipment for Cultured Shellfish case), the court stated that the division of an application needs to be carried out within the amendable scope of the original application, because, the retroactive effect of the filing date of the divisional application induces an improper result where it becomes possible in practical terms, to make an impermissible amendment by using the method of the division of an application. Also, in the Tokyo District Court Judgment, April 23, 2004, *Hanji*, No. 1877, p. 116/*Hanta*, No. 1187, p. 321 (the Clasp case), the court denied infringement as a result of interpreting the scope of claims in such a manner as to satisfy the requirements of a divisional application, taking into consideration the background that the claim had been patented through a division of application. In the Intellectual Property High Court Judgment, May 30, 2007, *Hanji*, No. 1986, p. 124/*Hanta*, No. 1254, p. 298 (the Ink Tank case), the court determined that, because an element that is stated as an indispensable structure in the original description of the original application is not stated as an indispensable structure in the divisional application, the filing date does not retract to the time of the filing of the original application, but is the actual filing date of the divisional application, and held that the invention lacks novelty and thus there is a ground for invalidation.

subject to the same amendment restrictions as those for the first notice of refusal (the part in parentheses in Article 17-2, paragraph (5) and Article 50-2 of the Patent Act). This measure aims to prevent the abuse of dividing the same invention repeatedly in anticipation of extending the time for granting a patent or for having another examiner make a different determination by filing a divisional application for an invention for which a notice of reasons for refusal has been issued in the original application, without changing the content of the invention.

The conventional Examination Guidelines had imposed a requirement whereby a divisional application and the original application after the division should not be the same, and if they were judged to be the same, the divisional application was refused through the application of Article 39, paragraph (1) (exclusion of a later application).⁵ With the 1994 revision of the Examination Guidelines, this requirement was deleted, and Article 39, paragraph (1) was no longer applicable to such cases. If a divisional application and the original application were found to be the same, they were deemed to have been filed on the same date (Article 39, paragraph (2) of the Patent Act), and if the original application were withdrawn, the divisional application survived. In particular, as the 1998 revision provided that a waived, withdrawn, dismissed, or refused application would lose the status of prior application (Article 39, paragraph (5) of the Patent Act), a divisional application would no longer receive an examiner's decision of refusal because it was identical to the original application even where the applicant has withdrawn the original application or received an examiner's decision of refusal therefor.

The division can be made within the following periods: the permitted time or time limit for amendments to the description, scope of claims or drawings attached to the application (Article 44, paragraph (1), item (i) of the Patent Act); within 30 days from the date of the service of a certified copy of the examiner's decision to grant a patent⁶ (item (ii) of said paragraph); and within three months⁷ from the date of the service of a certified copy of the examiner's initial decision of refusal (item (iii) of said paragraph). The latter two were added upon the 2006 revision in order to loosen the period during which a division can be made.⁸ The purpose of item (ii) is to eliminate a possibly detrimental effect whereby, if no amendment is allowed and no opportunity for a division is given after the examiner's decision to grant a patent, applicants may secure the opportunity for a division after such decision by intentionally adding a matter that would constitute a

5 The Tokyo High Court Judgment, December 2, 1986, *Mutai Saishū*, Vol. 18, No. 3, p. 507 (the Optical Transmission Device case); the Tokyo High Court Judgment, September 10, 1997, *Chiteki Saishū*, Vol. 29, No. 3, p. 819/*Hanji*, No. 1615, p. 10 (the Kilby case).

6 Here, the examiner's decision to grant a patent means the initial decision to grant a patent, and does not include a decision in a pretrial reexamination or that given in a further examination carried out after requesting a trial against an examiner's decision of refusal (the part in parentheses in Article 44, paragraph (1), item (ii) of the Patent Act).

7 The period was 30 days in the Act as revised in 2006, but it was changed to three months with the 2008 revision.

8 For the 2006 revision, see Yoshinori Ishibashi, "Bunkatsu Shutsugan Seido No Kaisai" (Amendment to System of Divisional Application), *Patent*, Vol. 60, No. 9 (2007), p. 3.

reason for refusal. Item (iii) was introduced so as to reduce the burden on the applicant and the JPO. Conventionally, an applicant needed to request a trial against the examiner's decision of refusal in order to divide an application after an examiner's decision of refusal, but if the division becomes possible after such a decision, requests for such a trial would be unnecessary. After a trial has been requested, an amendment can be made when a notice of reasons for refusal is given, therefore a division will be allowed only in such a case. If a divisional application cannot be filed under Article 44, paragraph (1), item (ii) (division within 30 days from the date on which a certified copy of an examiner's decision to the effect that a patent is to be granted is served) or item (iii) (within three months from the date on which a certified copy of an examiner's initial decision to the effect that the application is to be rejected has been served) due to reasons beyond the applicant's control, the applicant may file the new patent application within 14 days (if the applicant is an overseas resident, within two months) from the date on which the reasons ceased to be applicable, but not later than six months following the passage of the period (Article 44, paragraph (7) of the Patent Act). It should be noted that the period stipulated in the Act before the 2006 revision applies to applications filed on or before March 31, 2007.

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2.1.6.2. Conversion of an Application (Article 46 of the Patent Act)

An applicant may convert the form of his/her application from a patent application to a utility model application or a design application or the reverse, if the original application is pending before the JPO and it is the same applicant both before and after the conversion, and as long as the requirements for the resulting application are met (Article 46, paragraph (1) of the Patent Act; Article 10, paragraph (1) of the Utility Model Act; Article 13, paragraph (1) of the Design Act). When an application has been converted, the original application is deemed to have been withdrawn (Article 46, paragraph (4) of the Patent Act; Article 10, paragraph (5) of the Utility Model Act; Article 13, paragraph (4) of the Design Act). Since an applicant may find it difficult to decide which application he/she should file, and he/she may wish to convert it later, being able to convert any of the three forms of application is convenient for him/her. Furthermore, the conversion cannot expand the application beyond the statements in the initial application (prohibition of addition of new matters), so no unexpected harm is caused to third parties either. An application that has already been registered, withdrawn, or waived is no longer pending before the JPO, so it cannot be converted. The conversion is allowed because patents and utility models are creations of technical ideas, and designs can also have an aspect as technical creations in consequence.

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The conversion can be made within the following periods: when converting a utility model application into a patent application, within three years from the filing (Article 46, paragraph (1) of the Patent Act)⁹; and when converting a design application into a patent application, within three months from the date of service of a certified copy of the examiner's initial decision of refusal or within three years from the filing (paragraph (2) of said Article). Meanwhile, a request for examination may be filed even after the period for requesting examination of application (three years from the filing date) has passed, if filed with respect to a new patent application arising from the division of a patent application (Article 44, paragraph (1)), a patent application in question in the conversion of an application (Article 46, paragraph (1) or (2)), or a patent application based on a utility model registration (Article 46-2, paragraph (1)), but only within 30 days after the relevant division or conversion of the patent application, or the filing of the patent application based on the utility model registration (Article 48-3, paragraph (2)). If an applicant who intends to convert an application is unable to do so within the above period due to reasons beyond the applicant's control, the applicant may file the new patent application within 14 days (if the applicant is an overseas resident, within two months) from the date on which the reasons ceased to be applicable, but not later than six months following the passage of that period (Article 46, paragraph (5)). In order to protect third parties without knowledge in such a case, the Act provides for a statutory non-exclusive license (Article 48-3, paragraph (8)).

The most notable effect of the conversion is that the filing date retroacts to the filing date of the original application (Article 46, paragraph (6) of the Patent Act). However, the filing date does not retroact with regard to the submission of a document for seeking application of exception to lack of novelty or the procedure for making a priority claim, and the date of the conversion is used (Article 46, paragraph (6) and Article 44, paragraph (4) of the Patent Act). This is because, if retroaction is recognized for these procedures, the period may have already passed by the time of the conversion. If the content of the application is not the same, the retroaction of the filing date is not recognized. The date does not retroact either with regard to the provisions on the expanded scope of a prior application (Article 29-2 of the Patent Act) for the new application (the proviso to Article 44, paragraph (2) of the Patent Act).

Until the 1985 revision, there was a system of patent of addition (Article 31 of the Patent Act; missing under the current Act due to deletion), and an application could also be converted between that for an independent patent and that for a patent of addition (Article 45 of the Patent Act; missing under the current Act due to deletion), but no such

⁹ As the Utility Model Act currently adopts a de facto non-substantive examination system, an application is registered in a short period of time, and will not be pending before the JPO for three years from the filing. Since no conversion is allowed after registration, the later-mentioned patent application based on a utility model registration is often used.

conversion exists today because the system of patent of addition has been abolished.

2.1.6.3. Patent Applications Based on Utility Model Applications (Article 46-2 of the Patent Act)

In the past, the number of utility model applications used to exceed that of patent applications, but the number gradually decreased and, especially after the non-substantive examination system was adopted, the decrease accelerated unexpectedly, and the utility model system was nearly unrecoverable. It could have been possible to adopt a measure to abolish the Utility Model Act, but measures were taken under the 2004 revision to bolster the Act instead, and the system of patent applications based on utility model registration was introduced as part of such measures. The measure enables an applicant first to register a utility model right by a simple procedure, and later to shift to a more powerful patent right of a longer duration. It had already been possible to file a utility model application first and then convert it into a patent application by using the conversion system (Article 46 of the Patent Act). However, because the Utility Model Act adopted a de facto non-substantive examination system, a utility model right was registered within a few months of the filing, and the period for converting the application often passed quickly, so the system was difficult to use. On the other hand, the system of patent applications based on utility model registration, which is a system for filing a patent application after utility model registration, could be used as an alternative means of conversion in practice.

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A patent application can be filed based on utility model registration under the following requirements: three years have yet to lapse from the filing of the utility model application¹⁰ (Article 46-2, paragraph (1), item (i) of the Patent Act); a petition requesting the utility model technical opinion has not been filed¹¹ (item (ii) of said paragraph); 30 days have yet to lapse from the date of receipt of the initial notice pertaining to a petition requesting the utility model technical opinion that has been filed by a non-right holder (item (iii) of said paragraph); and where a utility model registration invalidation trial has been requested, the initial time limit for submitting a written answer

10 While a patent examination can be requested within three years from the filing, if applicants were allowed to file a patent application based on a utility model registration even after three years from the filing of the utility model application, there was a risk that the system might be used to evade the three-year period for requesting a patent examination. However, if an applicant is unable to convert the application within three years due to reasons beyond the applicant's control, the applicant may file the new patent application within 14 days (if the applicant is an overseas resident, within two months) from the date on which the reasons ceased to be applicable, but not later than six months following the passage of that period (Article 46, paragraph (5)).

11 If a patent application can be filed for a utility model for which a technical opinion has been requested, it will double the examination burden on the JPO in practice.

has yet to expire¹² (item (iv) of said paragraph).

If a patent application has been filed based on a utility model registration, the utility model right must be waived (the second sentence of the principal sentences of Article 46-2, paragraph (1) of the Patent Act). A procedure for filing a patent application and concurrently waiving the utility model right (registration of cancellation) is provided for in an Ordinance of the Ministry of Economy, Trade and Industry. The content of this patent application must fall within the scope of the matters stated in the description, scope of claims or drawings attached to the utility model application, and its filing date retroacts to the filing date of the utility model application, in principle (paragraph (2) of said Article). The period for requesting an examination and the matters for which the filing date does not retroact are the same as those for the conversion of an application. Also, when certain parties have an interest in the utility model registration, a patent application cannot be filed based thereon without the consent of such parties (paragraph (4) of said Article).

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2.1.7. International Applications

2.1.7.1. Significance of International Applications

As every country had a separate, independent patent system in the past, a person who intended to acquire a patent right in various countries needed to file an application and undergo a patent examination in each country. While a patent needs to be filed as quickly as possible under the first-to-file system, it was difficult to file applications in many countries simultaneously in different languages. Since technology has no national borders, the need for the international harmonization of the patent system had been recognized a long time ago. In 1883, the Paris Convention for the Protection of Industrial Property was established, and priority claim became recognized, which made filing in foreign countries easier.

Recently, however, there has been a growing need to acquire patents in many countries amid the trend for economic globalization, and the economic burden to that end has also been increasing. Conventionally, an application containing a priority claim under the Paris Convention was only permitted a one-year grace period, and the cost of the filing was no different from that of filing individual applications. In order to remedy this inefficiency, an international patent application system, the Patent Cooperation Treaty (PCT), was established in 1970.

¹² If it is possible for a patent application to be filed after a utility model registration invalidation trial has proceeded to some extent, the trial proceeding would be wasted.

The PCT is intended to increase efficiency in the filing procedures, which had been carried out separately in the relevant countries in an overlapped manner, by recognizing an application that has been filed in a member country according to a specific formality as a national application in other member countries. As a future challenge, the possibility of establishing a substantive patent law treaty (SPLT) is being explored. Ideally, a world united patent law and world united patent office should be established, but that is too much to hope for in the immediate future.

2.1.7.2. Application Containing a Priority Claim under the Paris Convention (Paris Route)

The Paris Convention for the Protection of Industrial Property was established in 1883. It is a union treaty centered on the principle of the independence of patents, national treatments, and the priority system. With the principle of the independence of patents alone, an applicant would need to file an application individually in each country. However, an enormous amount of work was required to be able to file an application quickly in each country with different languages, laws and procedures, putting a considerable burden on applicants in terms of workload and costs. Thus, the Paris Convention set up a provision whereby, if a national or a person who is deemed to be a national (Article 3 of the Paris Convention) of a member country makes a regular filing or files the first application in a member country, and files an application based on it in another member country within one year¹ from such filing, the subsequent filing will not be invalidated by reason of any acts accomplished in the interval (Article 4 of the Paris Convention). This is called the priority system. A regular national filing, which is to be defined by the national law of each country, is any filing that is adequate for establishing the date on which the application was filed in the country concerned, whatever may be the subsequent fate of the application (Article 4, Section A, paragraph (3) of the Paris Convention). Even a waived, withdrawn, or refused application can constitute a regular national filing. Also, with the establishment of the WTO Agreement in 1995, it became possible for a national who is not a national of a Paris Convention member country, but who is a national of a WTO member country, to make a priority claim (Article 43-2 of the Patent Act).

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A priority claim can only be made based on a first application, and cannot be based on a divisional application or a converted application. If the latter two applications were

¹ Upon the 2014 revision, it was provided as follows: “excluding if there are reasonable grounds for failing to file the patent application within one year from the filing date of the earlier application and the patent application is filed within the period provided by Ordinance of the Ministry of Economy, Trade and Industry” (Article 41, paragraph (1), item (i)).

allowed, it would be possible to evade the one-year priority period. An application containing a priority claim cannot be used as the basis for another priority claim. After a priority arises, the first application filed in a foreign country and another application filed in the second country (Japan) are independent, and even if the first application has been assigned to another party, it does not affect the application in Japan.

The Paris Convention provides that any subsequent filing shall not be invalidated by reason of any acts accomplished in the interval (between the first filing date and the filing date in the second country), and such acts cannot give rise to any third-party right or any right of personal possession (Article 4, Section B of the Paris Convention). Although not expressly stipulated, the filing date of the subsequent application is not construed so as to retroact to the filing date of the first application, unlike in the case of the later-mentioned PCT application. However, if the application filed in the second country includes elements that were not included in the first application, the applicant can enjoy the benefits of priority based on the subsequent application with regard to such elements (Article 4, Section F of the Paris Convention). A country's obligation under the convention is only to treat the subsequent filing as if it were the first national filing, to the extent mentioned above.² Specifically, it will be sufficient to recognize the retroaction of the filing date for the following: the reason for becoming publicly known (Article 29), the prior application status (Article 39), products which are in existence in Japan prior to the filing of the patent application (Article 69, paragraph (2), item (ii)), dependent inventions (Article 72), prior users' rights (Article 79), non-exclusive licenses after the expiration of the duration of a design right (Articles 81 and 82), the presumption of a producing process (Article 104), and independent patent requirements (Article 126, paragraph (5)). For other matters, the filing date in Japan will be regarded as the filing date. The treatment concerning Article 29-2 (expanded scope of prior application) is subject to argument, and the treatment differs by country. As for the interpretation in Japan, considering the purpose of the convention, the filing date of the first application (priority date) should be construed to be the filing date under Article 29-2.³ The first application and the subsequent application need to have the same contents, but it is

2 In the Tokyo High Court Judgment, March 13, 1997, *Chiteki Saishū*, Vol. 29, No. 1, p. 434/*Hanji*, No. 1611, p. 122 (the Treatment Agent for Blood Sludging case), the court stated that the provisions on exception to lack of novelty (Article 30, paragraph (2) of the Patent Act) should be considered as being based on the application filed in Japan. Otherwise, the remedial period (six months according to Article 30, paragraph (1) of the Patent Act) is very likely to have lapsed by the time the application is filed in Japan, and this runs counter to the purpose of the law.

3 The Tokyo High Court Judgment, July 19, 1990, *Mutai Saishū*, Vol. 22, No. 2, p. 402/*Hanji*, No. 1363, p. 133 (the Vinyl Chloride Aqueous Suspension Polymerization Method case). In the case where an application containing a priority claim was withdrawn due to the expiration of the period for requesting an examination, the applicant filed an application in a foreign country, after which the JPO rendered a trial decision whereby the invention claimed in said application before being laid open was the same as the invention disclosed in the description initially attached to the prior application, and therefore it cannot be patented. The court held that, because the extinction of the effect of the priority claim does not retroact to before the laying open of said application, it is not exempted from the application of Article 29-2, paragraph (1).

sufficient for this identicalness to be determined not only from the scope of claims, but also from the description, drawings, etc. (Article 4, Section H of the Paris Convention).

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The national procedure for filing an application containing a priority claim is left to the national law of each country. While the specific procedure is stipulated in Articles 43 and 43-2, there are no substantive provisions, so according to the provisions of Article 26 (effect of treaties), the provisions of the convention apply.

2.1.7.3. Application under the Patent Cooperation Treaty (PCT Route)

Before the establishment of the PCT, many applications filed in foreign countries used the Paris route. However, applicants had to bear a considerable burden because an application had to be filed in each country, conforming to the procedure under the national law of each country, including the preparation of the description, etc., and the priority period of one year was short in light of the language and geographical barriers. In order to reduce this burden and to reduce the examination-related administrative work of national patent offices, the PCT was established in 1970. Japan ratified the treaty in 1978, and Japanese nationals became eligible to file international applications under the PCT. This treaty is a special agreement as recognized under Article 4 of the Paris Convention, and it is treated as a regular filing under the Paris Convention (Article 8 of the PCT). Therefore, a PCT application can serve as the basis for a priority claim under the Paris Convention. An applicant can submit a written application according to the PCT to enjoy the effect of having filed a national application in all PCT member countries (Article 4(1)(ii) of the PCT; deemed designation of all member countries⁴) simultaneously (Article 11(3) of the PCT). Apart from such procedural provisions, the PCT also has its own examination system. The JPO currently serves as a receiving office, an international searching authority, and an international preliminary examining authority. International filing under the PCT is divided into the international phase and the national phase.

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1) International phase

A resident or a national⁵ of a Contracting State can file an international application with a receiving office (the national patent office of that country or the WIPO, in principle) according to the prescribed form and in a language recognized by the receiving

4 Until the 2002 amendment of the PCT (effective as of 2004), an applicant could secure the filing date only for the countries he/she designated, but under the current PCT, the effect extends to all member countries (Article 4). If an applicant does not desire a patent registration in any of the member countries, he/she only needs to refrain from following the subsequent national procedure.

5 When there are two or more applicants, it is sufficient for at least one of the applicants to be a resident or a national of a Contracting State (Rule 19.2 of the PCT Regulations).

office (Japanese and English, in the case of the JPO). An international searching authority (the JPO and some other national patent offices are designated) carries out a search for all applications, in order to see whether an application has been filed for a similar invention in the past (international search). The authority prepares an international search report (search report; a list of citations that may affect the patentability of the invention in question) and a written opinion of the international searching authority on the patentability (the authority's opinion on novelty, inventive step, and industrial applicability), and sends it to the applicant. With this, the applicant can obtain information for determining whether to withdraw the application or to proceed to the subsequent procedure. After having received the international search report, the applicant is entitled to one opportunity to amend the scope of claims within a prescribed time limit (Article 19 of the PCT). Further, if the applicant demands a preliminary examination, he/she may receive an international preliminary examination report (examination for a preliminary determining novelty, inventive step, and industrial applicability). While an international search only lists related documents, an opinion on novelty, inventive step, and industrial applicability is indicated in an international preliminary examination (written opinion of the international preliminary examining authority), though it does not bind national patent offices (Article 33(1) of the PCT).

If an application is not withdrawn, the documents are also sent to the International Bureau, and the international search report concerning the international application is published, but the international preliminary examination report is not published. An applicant who has filed an international application can secure the filing date in all member countries. The International Bureau sends the search report to the patent offices of the member countries, and each national patent office may use the report as a reference for examination, though it is not binding. It is also possible to file a PCT international application within 12 months from the filing date of the basic application by making a priority claim under the Paris Convention.

While the priority period in the Paris route is one year, and filing applications in many countries within this period results in a heavy workload, in the PCT route, the filing date can be secured in all member countries by one international application, and the applicant need only submit a translation within 30 months from that date. Compared to the Paris route, using the PCT route, an applicant only needs to move to the national procedure within 30 months from the priority date, and during that time, he/she can make a careful study of the countries in which he/she should enter the national phase by referring to the international search report, etc.

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The Act on International Applications under the Patent Cooperation Treaty (Act No. 30 of 1978) was established in Japan for handling procedures for the national phase.

2) National phase

PCT international filing is an international procedure, and when an international applicant wishes to acquire a patent in certain countries by referring to the international search report, etc., he/she needs to follow the procedures in each country to enter the national phase. In order to move to a national procedure, an applicant needs to submit to the patent office of the desired country a translation in the language recognized by that country and pay a fee within 30 months from the priority date. When filing an application directly in each country, the applicant needs to make amendments and put in place other procedures in individual countries, but in the case of a PCT application, the effect of a procedure put in place at the international phase extends to all Contracting States, in principle, so the procedures can be managed more easily. After that, each country carries out an examination according to that country's own patent law. Since national patent offices can avoid overlapping examinations to some extent due to the existence of the international search report, the written opinion of the international searching authority and the international preliminary examination report, their examination workload will also be reduced.

A patent that has been established through a national examination procedure is a patent of that country, and does not have the same nature as an international patent. The national phase procedure is stipulated in Chapter IX of the Patent Act (Articles 184-3 through 184-20, etc.)

2.1.8. Internal Priority System (Article 41 of the Patent Act)⁶

As technology becomes ever more complicated, people find it more convenient to be able to acquire one comprehensive patent right for inventions that satisfy the requirement of unity of invention, and they have a strong desire to make an application more complete or more comprehensive through ex post facto supplementation. When the invention of an improvement was made at a later date, there had been no option but to make an amendment or to file a separate application, but the amendment was sometimes not accepted due to being regarded as an addition of new matters,⁷ and later applications were sometimes refused for not being able to acquire prior application status as a result of the applicant's own patents.

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⁶ For details on the internal priority system, see Haruo Gotō, *Kokusai Shutsugan To Kokunai Yūsenken* (International Applications and Internal Priority); Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 445 [written by Haruo Gotō/Masaaki Arisaka].

⁷ With the 1993 revision, the addition of a new matter was prohibited, making the amendment more difficult, but at the time when the internal priority system was introduced, an amendment had been allowed unless it changed the gist of the invention.

Thus, in the 1985 revision, an internal priority system was established (Article 41 of the Patent Act).⁸ The system allows the filing date of a later application filed based on a prior Japanese application to retroact to the filing date of the prior application, in principle. The Paris Convention has a priority system and the claiming of partial priority and multiple priorities is also recognized (Article 4, Section F of the Paris Convention). The internal priority system is a result of introducing a similar system on a national level. While the system under the Paris Convention was established to reduce the time and labor consumed for filing foreign applications, the internal priority system was legislated for a different purpose, but the contents of the two systems are similar to each other.

It is possible to make a more comprehensive application by combining multiple applications into one or by adding a new matter to an application under the Paris Convention. On the other hand, in the past, an act of filing such further application with the JPO based on an application originally filed in Japan entailed the risk of being regarded as an amendment to add new matters or the risk of the original application being regarded as having prior application status. Thus, there had been a de facto inequality between Japanese applicants and foreign applicants.⁹ There was also the inconvenience of not being able to make a priority claim by self-designation¹⁰ in a PCT (Patent Cooperation Treaty) application. In order to remedy this situation, Japan also adopted the internal priority system,¹¹ which had also been introduced in many other countries, upon the 1985 revision of the Patent Act. A PCT application designating Japan is deemed to be an application that was filed in Japan on the filing date of the PCT application (Article 184-3, paragraph (1) of the Patent Act), and is subject application of the provisions of the internal priority system. This system has facilitated the filing of comprehensive or systematic patent applications, and has made the patent system more suited to modern industry with its advancing technology.

In order to make an internal priority claim, the prior application (either a patent or

8 This provision was introduced as Article 42-2 in 1985, moved to Article 41 in 1993, and was later revised into its present form due to the abolition of the system for the publication of examined applications, abolition of the opposition system, and introduction of the three-dimensional trademark system.

9 It was not a problem if a Japanese applicant first filed the application with another member country of the Paris Convention, and then filed the application in Japan, by making a priority claim based thereon, but since such a procedure was labor-consuming and troublesome, there was a de facto inequality between Japanese applicants and foreign applicants. However, some pharmaceutical companies seem to have filed foreign applications first, and then filed the applications in Japan by making a priority claim (Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 250).

10 Self-designation is an act of filing a PCT application naming Japan as the designated country by making a priority claim based on an application originally filed in Japan. (According to Article 8(2)(b) of the PCT, the requirements for and effects of the priority claim are dependent on the national law of each country.)

11 Some countries stipulate the system as an internal priority system, but similar functions are performed by the provisional specification system in the United Kingdom and by the continuation-in-part system in the United States.

utility model application, but not a design application) must be pending before the JPO,¹² and the applicants for the prior and later applications must be the same (in the case of a joint application, the names of all the applicants must be the same), the later application must be filed within one year from the filing of the prior application, and the prior application must not relate to a converted or divisional application (Article 41, paragraph (1), item (ii) of the Patent Act). This requirement is to avoid the JPO's examination burden pertaining to the determination of whether or not the division or conversion satisfies the requirements, and for avoiding third parties' burden in carrying out searches.¹³

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The effect of the internal priority claim is mostly the same as the effect of the claim for priority under the Paris Convention, and the determination of the patentability of any invention disclosed in the description, scope of claims, or drawings (foreign language documents in the case of a foreign language written application) originally attached to the prior application on which the internal priority is based is deemed to have been made at the time of filing the prior application (Article 41, paragraph (2) of the Patent Act).¹⁴ A priority claim is not recognized for any new matters added to the description, scope of claims, or drawings of the later application; these matters are determined based on the time of the filing of the later application (said paragraph of said Article). Priority is determined for each claim, so the basic time taken for determining patentability may differ for each claim. The determination on whether or not the invention is the one stated in the application for the prior application would be the same as a determination on whether or not an amendment is acceptable. Otherwise, the internal priority system would provide a loophole for the prohibition to add new matters as an amendment. In other words, the internal priority system can be regarded to be similar to amendment, and it should not be used as a means to circumvent amendment, so the principle of prohibiting

12 An application is not pending before the JPO if the prior application has been waived, withdrawn or dismissed, or an examiner's decision or a trial decision has become final and binding (Article 41, paragraph (1), items (iii) and (iv) of the Patent Act). An internal priority claim cannot be recognized for an application that is no longer pending, because that would be the same as recognizing the revival of a once-extinguished application. Incidentally, after filing an application by making an internal priority claim, the application is no longer affected even if the prior application is no longer pending before the JPO.

13 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 18 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 147.

14 While the provisions under the Paris Convention are more ambiguous due to being matters agreed upon where national laws differ, the provisions under the Japanese Patent Act clearly stipulate the effect of an internal priority claim. The specific matters for which the date or time of filing retroacts are set forth in Article 41, paragraph (2) of the Patent Act. They are as follows: novelty/inventive step (Article 29), expanded scope of prior application (the main clause of Article 29-2), exception to lack of novelty (Article 30, paragraphs (1) and (2)), status of the prior application (Article 39, paragraphs (1) through (4)), limitations of patent right (Article 69, paragraph (2), item (ii)), relationship of conflicts with another party's patent right, etc. (Article 72), prior users' rights (Article 79), presumption of the production process (Article 104), and the principle of the independence of a patent in a trial for correction (Article 126, paragraph (7)). The time of filing of the later application serves as the basis for other matters, such as the calculation of the period for requesting an examination and the duration of the patent. In other words, the internal priority has the effect not of an overall retroaction of the filing time/date, but of a restrictive retroaction regarding the matters listed in the provisions. Under the Paris Convention, the filing date does not retroact to that of the first application with regard to exception to lack of novelty (Article 30 of the Patent Act).

addition of matters needs to be applied to this system as well.

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The prior application on which a priority claim is based will be deemed to have been withdrawn when the period specified by Ordinance of the Ministry of Economy, Trade and Industry lapses from the filing date of the prior application, unless the prior application has been waived, withdrawn or dismissed, or the examiner's decision or decision on the trial or appeal for the prior application has become final and binding (Article 42, paragraph (1)), and the priority claim is deemed to be withdrawn at the same time (paragraph (3) of said Article). As the main purpose of the internal priority system is to allow for the establishment of a new, comprehensive patent right that incorporates the newly made invention of an improvement, recognizing its coexistence with the prior application would only induce overlapping examinations. Accordingly, it was decided that the prior application should be deemed to have been withdrawn, and this provision was put in place in order to prevent two applications with the same content from both being pending examination. However, if no other measure is taken, the prior application will lose its prior art effect (Article 29-2), which would substantially undermine the effect of the internal priority system. Accordingly, it was provided that the prior application will be deemed to have been laid open when an application containing an internal priority claim was laid open, etc. (Article 41, paragraph (3) of the Patent Act), thereby recognizing a prior application status for the prior application. However, the applicant may not withdraw the internal priority claim after the lapse of the period specified by Ordinance of the Ministry of Economy, Trade and Industry from the filing date of the prior application (Article 42, paragraph (2) of the Patent Act).

With the introduction of the provisional exclusive license system (Article 34-2 of the Patent Act) and provisional non-exclusive license system (Article 34-3) upon the 2008 revision, it was provided that a priority claim cannot be made without the consent of the provisional exclusive licensee or the registered provisional non-exclusive licensee, if such licensee exists (the proviso to Article 41, paragraph (1) of the Patent Act). This is because the prior application will be deemed to have been withdrawn and it will affect the interest of the provisional exclusive licensee or the registered provisional non-exclusive licensee. However, the consent of a provisional non-exclusive licensee became unnecessary since the registration system and the registry of provisional non-exclusive licenses were abolished with the 2011 revision. As an alternative measure, a provisional non-exclusive licensee is deemed have been granted a provisional non-exclusive license for the application containing an internal priority claim (Article 34-3, paragraph (5)).

If the prior application contains a priority claim under the Paris Convention, the applicant cannot make a further internal priority claim. This is because if cumulative claims were recognized, it would have the same effect, in practice, as recognizing an

extension of the one-year time limit for the priority claim under the Paris Convention.¹⁵
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The following are some specific methods for use of the internal priority claim.

(i) There is the case of merging an invention that was made after the filing of the prior application and that can be merged (that fulfills the unity requirements) into one application. An example is the case where an inventor first invents a certain product, and then invents a “process of manufacturing that product,” or makes an invention of a process first, and then invents “machines, instruments or equipment used directly for the working” of that invention.

(ii) It can be used for extracting a generic concept. This is a case where a person files applications for individual ideas, and later summarizes them into a generic concept and files a new single application for it. However, it should be noted that internal priority cannot be claimed for an application for a more specific concept that does not comprise an invention of the generic concept.

(iii) It can be used for supplementing working examples. This method, which is of particular importance in the field of chemistry, is a case where a person conducts experiments and adds working examples after filing an application for the generic concept that had not been exemplified by working examples. Such supplementation is rarely approved as an amendment, but there are cases where internal priority can be used. However, it should be noted that the addition of working examples could make the invention exceed the technical scope of the prior application in some cases.¹⁶

These are all methods of use that add something to the prior application, but it is also possible to transfer the content of the prior application “as is” into a later application. As the duration of a patent containing an internal priority claim is calculated based on the filing date of the later application, it has the effect of extending the base date for calculating the time of the extinction of the patent right by up to one year. Such mode of use may not have been originally intended by the legislators, but it is not prohibited.

¹⁵ Cumulative priority claims are also prohibited under the Paris Convention. Georg Bodenhausen, *Chūkai Pari Jōyaku* (Guide to the Application of the Paris Convention for the Protection of Industrial Property as Revised at Stockholm in 1967) (AIPPI Japan, 1976), p. 31; Yoshirō Hashimoto, *Tokkyo Kankei Jōyaku [4 Han]* (Patent Related Treaties [4th ed.]), p. 43.

¹⁶ The Tokyo High Court Judgment, October 8, 2003, court website (the Artificial Nipple case) was a case where a new claim was added to the original claim, and a new working example was also added. In this case, the court held that, even if the scope of claims of the subsequent application is the same as that of the prior application, if the gist of the invention of the subsequent application exceeds the scope of the technical matters stated in the prior application as a result of adding a new technical matter (working example), the priority claim will not be effective with regard to the portion in excess (a case where the subsequent application was judged to be unpatentable since there is a risk that an application stating an invention comprising the added working example has been filed between the filing of the prior application and the filing of the subsequent application). This case suggests that one must be careful when making a supplementing-type priority claim.

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2.2 Laying Open of the Application (Article 64 Onward of the Patent Act)

2.2.1. Reasons for and Significance of Introducing the System of Laying Open the Application

In the past, basically all patent applications had been examined, and those for which a decision of publication of examined application was given were published. However, as companies could not find out about their competitors' applications until the publication of the examined applications, they risked making overlapping investments, and their business activities could be destabilized with the sudden emergence of publication of examined patent applications. Thus, with the 1970 revision, the system of laying open an application was introduced along with the system for requesting an examination, whereby all applications pending before the JPO are laid open to the public one year and six months after their filing dates, excluding those for which a gazette containing the patent has already been issued (the first sentence of Article 64, paragraph (1) of the Patent Act),¹ those that may contravene public order and morality, those for which a request for laying open the application has been filed (the second sentence of said paragraph of said Article), and the later-mentioned patent applications under the US-JP agreement and patent applications indirectly subject to the US-JP agreement) (Article 64 onward of the Patent Act). In the case of a foreign language written application, the application is laid open in a foreign language (Article 64, paragraph (2), item (vi) of the Patent Act).

If an applicant works an invention claimed in the application prior to laying it open to the public, there is a risk that the invention may be counterfeited, but no measure was available to address this issue in the past. Accordingly, with the 1999 revision, it was provided that an applicant can file a request to lay open his/her application even before one year and six months from the filing date (Article 64-2, paragraph (1) and Article 64, paragraph (1) of the Patent Act), so as to give rise to a right to claim compensation. A request for laying open an application cannot be withdrawn (Article 64-2, paragraph (2) of the Patent Act).

With regard to an international patent application under the Patent Cooperation Treaty (PCT), an early publication system has been adopted from the past. In order to achieve a balance with domestic law, even where an international application had been published internationally before one year and six months from the filing date, the right to claim compensation only arose one year and six months from the filing. However, this was also revised in the 1999 revision so that the right to claim compensation will arise

¹ Due to the huge examination backlog, patents were not registered within one year and six months from the filing date in reality, but with the introduction of the preferential examination system, patents are registered quickly.

after international publication (Article 184-10 of the Patent Act). The one-year-and six-month period is more or less the common period among the countries adopting this system. The laying open is implemented through the publication of unexamined patent applications containing the matters specified in Article 64, paragraph (2) of the Patent Act.

The laying open of an application is a compulsory publication, and is conducted regardless of whether or not the application will be examined. Originally, the patent system had granted the right to a monopoly in return for publishing the invention, but the system of laying open the application has caused a slight change to that principle. In other words, the direct link between the grant of a right of monopoly and the publication has become more vague, and the patent system has come to focus more on the merits of promoting industry brought about by the laying open of the application. Meanwhile, a system for the right to claim compensation was established in order to deal with any of the detrimental effects suffered by the applicant caused by compulsory publication.

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The significance of introducing the system of laying open the application includes the following.

1) Conventionally, in Japan, delays have been observed in examinations due to the rapid increase in the number of patent applications, and in some cases the delay of patent examinations has a critically adverse effect on the patent system. Examinations were expected to speed up through the introduction of the system of laying open applications and the system for requesting examinations. With the introduction of these procedures, a person could search other people's published applications at an early stage, and refer to the results to determine whether or not to request an examination for his/her own application, or if he/she had not yet filed an application, determine whether or not to file such an application. In this way, the introduction of these procedures would help to keep down the number of applications to be filed and the number of applications to be examined.

2) Since inventions would be published at an early stage, the introduction of such a system would contribute to improving the technical standards of society and have the effect of reducing any overlap in research investment by allowing people to find out the status of other people's technology at an early stage.

3) With the system for requesting examinations, which has been introduced concurrently, an examination is only conducted when requested by an applicant or a third party, and the timing of the examination can be freely selected as long as it is within three years from the filing date. In this way, the applicant would be able to manipulate the timing of publication of the technology intentionally. By laying open applications within one year and six months from the filing date, fairness can be maintained, wasteful

examinations can be prevented, and examinations will be sped up. With this measure, applications are no longer examined in the order of filing.

4) The early publication of inventions would facilitate examinations of the seniority status of applications as well as information gathering, so more adequate examinations could be conducted. After the laying open of an application, anybody is allowed to offer information as long as the application is pending before the JPO (Article 13-2 of the Patent Act Enforcement Ordinance); therefore it is easier to gain the cooperation of third parties, and because the application is no longer a secret, it is easier to make a request for an investigation to the relevant administrative organs, etc. (Article 194, paragraph (2) of the Patent Act).

5) The system of laying open applications is adopted by many countries, even by the European Patent Convention and the PCT, so adoption of the system was essential for Japan for achieving international harmonization. Even if Japan had not adopted the system and applications were kept secret in Japan until the publication of examined applications, as long as many other countries adopted the system of laying open applications, information on the applications would often be leaked in the patent gazettes of other countries; so in many cases there would be no point in keeping the inventions secret. In particular, many Japanese companies also filed foreign applications for important inventions, and there was no sense in only keeping such applications secret in Japan until the publication of examined applications.

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Meanwhile, the secret patent system has been adopted in most countries, and was also adopted in Japan before World War II, but the system is no longer adopted in Japan, so all applications except for those that are likely to contravene public order and morality or be harmful to public health are laid open to the public. Nevertheless, the protocol of agreements between the Japanese government and the United States government which facilitate the exchange of technical knowledge and patent rights for defense purposes (the so-called 1956 Agreement; Treaty No. 12 of 1956) stipulates that when technical knowledge provided to the other government for defense purposes is subject to a secret patent in the country that provided the knowledge, the patent application in the other country shall be treated in a similar manner (Article 3 of the agreement). As Japan has no secret patent system, this was basically a provision for protecting U.S. secret patents in Japan, and as long as the patent in the United States is kept secret, the patent cannot be published in Japan either. This agreement was not implemented in practice for a while, but due to strong demands from the United States in 1988, detailed procedural regulations for the implementation were created. According to the regulations, this provision shall be applied to the following: (i) a U.S. secret patent application that has been provided to the Japanese government in order to have a patent or utility model application filed for it in

Japan (a patent application under the US-JP agreement), and (ii) a national application filed by an interested party in the private sector who has learnt about the content of a U.S. secret patent application from the Japanese government and a Japanese government official that has received materials on a U.S. secret patent application for defense purposes, which would disclose the patent application under the US-JP agreement (a patent application indirectly subject to the US-JP agreement). After the JPO receives such an application and examines its formalities, it suspends the entire procedure concerning the application, and does not lay open the application to the public while the application is kept secret in the United States. The JPO resumes the procedure when it receives a notice from the United States government that the application is no longer secret. Accordingly, the provision on the laying open of an application under the Patent Act is considered to have been virtually revised to that extent. In terms of formality, treaties have a higher priority than laws, so the Patent Act can be regarded as having been revised by the treaty. Since the system of laying open the application did not exist at the time of the conclusion of this agreement, there were fewer problems then than at present.

When an invention identical to that claimed in a patent application under the US-JP agreement or a patent application indirectly subject to the US-JP agreement (prior application) is filed as an unrelated later application, as the procedure for the prior application is suspended pursuant to the agreement, the later application could be published and registered first. If the secrecy of the prior application is unlocked later, the prior application will be processed in the same way as an ordinary application, so a patent will be granted for it as long as it has patentability. In such a case, the later application will include a reason for invalidation due to the effect of the patent application under the US-JP agreement or the patent application indirectly subject to the US-JP agreement (prior application) (pursuant to Article 123, paragraph (1), item (ii) of the Patent Act, violation of the provision of Article 39 (prior application) constitutes a reason for invalidation). When the patent granted for the later application is invalidated, the patentee of the later application merely obtains a non-exclusive license based on use prior to the demand for an invalidation trial (Article 80, paragraph (1), item (i) of the Patent Act). Such an incidence is likely to be rare in reality, considering the number of applications on U.S. secret patents filed in Japan, the time taken until the secrecy is unlocked, the time required for examination, and other factors.

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2.2.2. Effects of Laying Open an Application

Due to the introduction of the system of laying open an application, the direct link between the publication of the invention and the grant of a right to a monopoly grew

vague, and applicants faced the disadvantage of having the invention published before obtaining a right for it. Therefore, a need arose to recognize the special effects of laying open the application. These effects are reviewed below.

2.2.2.1. Right to Claim compensation (Article 65 of the Patent Act)

Before the 1994 revision, the Patent Act adopted a system of the publication of examined applications, and recognized the right to seek an injunction from the time an examined application was published (Article 52 of the Patent Act before the 1994 revision). However, the system has been abolished under the current Act, and although an application is laid open to the public without completing the examination in one year and six months from the filing date, the right to seek an injunction becomes effective after the examination has been completed and a patent is registered (Article 66, paragraph (1) of the Patent Act). Considering that about half of the applications are later refused, it is not legislatively reasonable also from a policy viewpoint to recognize the right to seek an injunction regarding laid-open applications for which examinations have not been completed. Without taking any measures, however, inventions are made public with the laying open of applications, making it possible for third parties to copy the inventions. This has the risk of making applicants suffer damage, and makes them hesitate to file applications. Accordingly, it was stipulated that an applicant may claim, against a person who worked the applicant's invention after it has been laid open, the amount of compensation equivalent to the amount the applicant would be entitled to receive for the working of the invention if the invention were patented (Article 65, paragraph (1) of the Patent Act). The right to claim compensation may not be exercised until after patent registration (paragraph (2) of said Article)

A claim for compensation can only be made against a person who knowingly works an applicant's invention (Article 65, paragraph (1) of the Patent Act). With regard to a claim for compensation, provisions on patent infringement (Article 101, Articles 104 through 104-3, Article 105-2, etc. of the Patent Act) are applied *mutatis mutandis* (Article 65, paragraph (6)). It should be noted that, since the 2004 revision, it has become possible to invoke a defense of invalidation against a claim for compensation (Article 104-3 of the Patent Act).

The provisions on presumption of negligence (Article 103 of the Patent Act) are not applied *mutatis mutandis* because the exercise of the right to claim compensation requires that a warning has been given or that the claimee knowingly worked the invention. Such a requirement means that third parties working the invention are not obligated to search publications of unexamined applications. This is because the scope of a patent right may still change before the patent registration, and it is too harsh on third

parties to require them to search an enormous amount of documents before the patent right becomes effective. Therefore, when an applicant claims compensation, he/she needs to give a warning thereof, indicating the content of the laid-open invention, to the person who worked the invention, except where that person has knowingly worked the invention (Article 65, paragraph (1) of the Patent Act). If further changes are made to the content of the claim due to an amendment after the warning, the applicant would need to give a warning again, in principle, because the amendment would retroact to the filing date, and the application would be treated as if it had been laid open with the amendment included. However, if the scope of the claim has merely shrunk, the product worked by the third party falls within the scope of claims both before and after amendment, and the second warning is not considered to be necessary.¹ Since amendments are strictly restricted at present, there are fewer cases where the second warning becomes an issue.

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The amount of compensation is “the amount the applicant would be entitled to receive for the working of the invention” (Article 65, paragraph (1) of the Patent Act). This wording is the same as under the provision for compensation that can be claimed against infringement (Article 102, paragraph (3) of the Patent Act), and would be interpreted in the same manner.

The exercise of a right to claim compensation does not preclude the exercise of a patent right (Article 65, paragraph (4) of the Patent Act). In other words, the right to seek an injunction and the right to claim damages after patent registration are not affected by exercising the right to claim compensation, and even if a third party pays compensation, it does not make that party’s working of an invention after patent registration lawful. Paying compensation means that, during the period from the laying open of an application until patent registration, the party will be treated in the same way as if receiving a license, and it does not mean that the party will acquire a license similar to a prior user’s right after the patent registration.

There is a question of whether an act of using, etc., after patent registration, a product manufactured during the laying open of the application would constitute an infringement. If a person manufactures a product during the laying open of the application by paying compensation for it, and uses it after patent registration, such an act should not be regarded as infringement. Where, originally, an applicant does not have the right to claim damages before patent registration, and a third party’s act of working an invention

¹ The Supreme Court Judgment, July 19, 1988, *Minshū*, Vol. 42, No. 6, p. 489/*Hanji*, No. 1291, p. 132/*Hanta*, No. 681, p. 117 (the Ground Strap case; a utility model case); the Osaka District Court Judgment, May 31, 1989, *Mutai Saishū*, Vol. 21, No. 2, p. 470 (the Pillar Protecting Tool case). However, Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 969 [written by Hiroaki Sakai and Tadashi Terasaki] states that, since it is not always easy to determine whether or not a product falls under the scope of claims, one approach would be to consider that a notice should be given to the other party advising that the intention to warn is continuing even after there has been a change to the subject matter as a result of amendment.

is lawful, the Act specially recognized the claim for compensation. Thus, as long as a third party pays compensation, the third party's act during the period from the laying open of an application until patent registration should not present a problem under law. The amount of compensation is the amount equivalent to a license fee, and in practice, it is the same as having acquired a license for manufacturing the product during that period, and an act of using, after the expiration of the license, a product, which has been manufactured during the license period, should be construed to be subject to application of the exhaustion theory as far as that product is concerned.²

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If an application is granted a patent, there is no need to pay compensation to a party who has the status of being able to duly assert against the rights pertaining to the application during its pendency (a prior user, the employer in the case of an employee invention, a provisional exclusive licensee, a provisional non-exclusive licensee, etc.).

Next, there is the issue of the legal nature of the right to claim compensation. This point has not been clearly set forth in the legislative process.³ There are roughly two theories. One is to consider that, because an unexamined application cannot be regarded as a right, a third party's act does not constitute a tort; therefore, the right to claim compensation is a special right to make a claim that has been exceptionally recognized under the Patent Act.⁴ The other theory considers that, because a patent applicant already has certain rights (the right to obtain a patent) even before the examination of the application, the third party's act constitutes a tort as an infringement of those rights;

2 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]* (Knowledge of Patents [8th ed.]), p. 256; Shigetoshi Matsumoto, *Tokkyo Hatsumei No Hogo Han'i [Shinpan]* (Scope of Protection of a Patented Invention [New ed.]), p. 93. As an opposing view, Japan Patent Office ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 215 states that the product can be used by paying compensation until the registration of the establishment of the patent right, but its use after the registration constitutes infringement. However, if exhaustion is not recognized, considerable inconveniences are likely to occur.³ For discussions concerning the legislation process, see Kyōnosuke Sasaki, "Hoshōkin Seikyūken No Hōteki Seikaku Ni Tsuite" (Legal Nature of the Right to Demand Compensation), *Kigyō Hō Kenkyū* (Study on Business Law), Vol. 183 (1970), p. 4.

3 For discussions concerning the legislation process, see Kyōnosuke Sasaki, "Hoshōkin Seikyūken No Hōteki Seikaku Ni Tsuite" (Legal Nature of the Right to Demand Compensation), *Kigyō Hō Kenkyū* (Study on Business Law), Vol. 183 (1970), p. 4.

4 Yoshirō Hashimoto, *Tokkyo Hō [Dai 3 Han]* (Patent Act [3rd ed.]), p. 84; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]* (Industrial Property Law [New and Expanded Edition]), p. 190; Yasushi Aoki and Tsuneteru Aragaki, *Shinpan Tokkyo Tetsuzuki Hō*, p. 154; Haruo Gotō, *Kaisei Tokkyo Hō No Kaisetsu* (Explanation of the Revised Patent Act), p. 160. Shigetoshi Matsumoto, *Tokkyo Hatsumei No Hogo Han'i [Shinpan]* (Scope of Protection of a Patented Invention [New ed.]), p. 90 states that an applicant has the legal benefit of having his/her secrets protected, and it is unfair to neglect the protection of a right because an examination has not been carried out.

therefore, the right to claim compensation is a right to claim damages.⁵

In general, information can be freely used by anybody. Therefore, legal grounds would be required to claim some protection for certain information. In order to exercise the right to seek an injunction or the right to claim damages regarding technical information, the right must be exercised based on the Patent Act. A patent right can only be exercised after it has been registered, so during the period from laying open the application to registration, there is basically no right that is effective against third parties. All applications are laid open one year and six months after the filing date, as a rule, without any protection, so without taking any measures, the inventions become available for free working by third parties. Under the old Act, an applicant could keep the technology as a trade secret until the publication of the examined application, so, it is rather harsh on the applicant to have the invention compulsorily laid open without compensation. Accordingly, there was a need to establish a special provision under the Patent Act concerning the working of an invention by a third party after the laying open of an application.

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Certain rights centering on the right to obtain a patent exist even before patent registration (Articles 33 and 34 of the Patent Act), but they cannot serve as the basis for claiming damages as a result of a tort. An infringement on the right to obtain a patent could constitute a tort, but that is an issue determined by the mode of the tort. Even if the technology subject to a right to obtain a patent was worked by a third party, that is not enough to regard such act as a tort. After the laying open of the application, in particular, a third party can lawfully learn the content of an invention, so the third party's working of the invention does not constitute a tort, in principle.

If the working of an invention by a third party after the laying open of the application were considered to constitute a tort on the basis that the inventor has the right to obtain a patent even before laying open the application, the same should apply for the working by a third party who has somehow learned about the content of the application before the laying open of the application. However, the right to claim compensation is

5 Osamu Takura, "*Hoshōkin Seikyūken To Tokkyo O Ukeru Kenri*" (The Right to Demand Compensation and the Right to Obtain a Patent), *Tokkyo Kanri* (Patent Management), Vol. 22, No. 1 (1972), p. 8; Osamu Takura, "*Kaisei Tokkyo Hō Ni Okeru Hoshōkin Seikyūken Ni Tsuite*" (The Right to Demand Compensation under the Revised Patent Act), *Kigyō Hō Kenkyū* (Study on Business Law), Vol. 183 (1970), p. 14. Another similar theory considers that an invention is a kind of property right, and a certain substantive right is recognized for it even before examination, so the right to claim compensation is the right to claim damages in relation to the infringement of that right (Kyōnosuke Sasaki, "*Hoshōkin Seikyūken No Hōteki Seikaku Ni Tsuite*" (Legal Nature of the Right to Demand Compensation), *Kigyō Hō Kenkyū* (Study on Business Law), Vol. 183 (1970), p. 4). In the meantime, Tomoko Takii, "*Kaisei Tokkyo Hō Ni Okeru Hoshōkin No Seikaku* (Nature of Compensation under the Revised Patent Act)," *Kigyō Hō Kenkyū* (Study on Business Law), Vol. 183 (1970), p. 21 states that the revised Act is based on a view that the working of an invention by a third party after the laying open of the application is legitimate, but the right to claim compensation should be considered to be the same as the right to claim damages, and it would be sufficient to allow its exercise at the time of publication of the examined application.

not recognized for the right to obtain a patent before the laying open of the application. If an act of a third party were in such a mode as to constitute a tort or to violate the Unfair Competition Prevention Act, it can simply be handled under the respective laws. There might be a case where the act does not correspond to either of them, for instance, the case where an applicant leaks the content of the technology by negligence and a third party who saw it works the invention, but there is no measure available to deal with such a case. However, unless some restriction is imposed on at least the working of the invention by a third party after the laying open of the application, the patent system cannot be maintained. Therefore, the right to claim compensation should be considered as having been specially established under the Patent Act in order to prevent applicants from suffering any detrimental effects, while securing the social benefit of having the inventions published at an early stage. Accordingly, such an act by a third party should not be considered as a tort. It should be construed that the provisions on the tort (Articles 719 and 724 of the Civil Code) are applied *mutatis mutandis* to the case of exercising the right to claim compensation (Article 65, paragraph (5) of the Patent Act). Even though the right to claim compensation is a right specially recognized under the Patent Act, Article 724 (Restriction of Period of Right to Demand Compensation for Damages in Tort) of the Civil Code is applied *mutatis mutandis*, so the prescription is three years, although the prescription runs from the day on which the establishment of the patent right is registered (Article 65, paragraph (6) of the Patent Act).

Furthermore, if the right to claim compensation were considered to be a right to claim damages, it would not be possible to exercise the right against a person who has developed the technology independently. If the applicant were to suffer any damage, it would be damage caused by having the invention compulsorily laid open and having the invention copied by a third party as a result; but a person who has developed the invention independently has created the same technology autonomously from the applicant, so there is no causal relation between them. Nevertheless, the Patent Act does not stipulate any restrictions on the parties from whom compensation can be claimed, so compensation can actually be claimed regardless of whether or not the third party has developed the invention independently, as long as information on the invention has been provided to the third party by, for example, issuing a warning.⁶

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2.2.2.2. Investigation Commissioning System (Article 194, paragraph (2) of the Patent Act) **and Information Offering System** (Article 13-2 of the Patent Act Enforcement

⁶ This theory is subject to opposition. An opposing theory is introduced in Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]* (Summary of Patent Law [13th ed.]), p. 405.

Ordinance)

Since the laying open of applications basically publishes all applications, and unlocks the secrecy of the applications to that extent, the JPO Commissioner or the examiner may commission related administrative agencies or other organizations to conduct the investigation necessary for an examination (Article 194, paragraph (2) of the Patent Act). In addition, anybody may voluntarily offer information while the application in question is pending before the JPO, regardless of whether or not a request for examination has been made and even without being requested to do so by the JPO Commissioner or the examiner (Article 13-2 of the Patent Act Enforcement Ordinance). This is a mere offer of information, so the provider of the information does not have the right to receive a report on the result. As a result of these measures, the JPO can obtain materials and raise the quality of its examinations.

2.2.2.3. Special Provisions on International Applications

The Patent Cooperation Treaty (PCT) provides that the publication of an international application must have the same effect as the publication of an unexamined national application (Article 29(1) of the PCT). Therefore, the right to claim compensation also arises with regard to the publication of an international application. Nevertheless, as the PCT stipulates that special provisions can be established in national law concerning the time when the international publication comes into effect due to the difference in language (Article 29(2) of the PCT), the Japanese Patent Act stipulates that the right to claim compensation arises after national publication with regard to applications in a foreign language (Article 184-10 of the Patent Act).

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2.3. Amendment

2.3.1. Introduction

An amendment refers to an act of making a supplementation or revision of any illegitimacy in proceedings with the JPO, or any deficiency in the documents while the case is pending before the JPO.¹ It is divided into a formality amendment and substantive amendment. Sometimes, an amendment is made voluntarily (Article 17, paragraph (1) of the Patent Act), but in other cases, an amendment is made by order (paragraph (3) of said Article). The JPO Commissioner may order an amendment (Article 17, paragraph (3) of the Patent Act) when the applicant violates the provision on the capacity to proceed or on the authority of representation, when the proceeding violates the prescribed formality, or when fees which are due are not paid (Article 18, paragraph (2) of the Patent Act). If the applicant fails to make an amendment, the Commissioner may dismiss the procedure (Article 18, paragraph (1) of the Patent Act). The Commissioner is not required to order an amendment in these cases, and does not need to give an order when the deficiency is slight.

When an amendment cannot be made due to an unlawful procedure, such as where the application to be amended is not identifiable or where the name of the applicant is missing, the procedure is dismissed after being received. In such a case, the person who undertook the procedure must be given a notice of the reason for the dismissal and an opportunity to submit a document giving an explanation, while designating an adequate time limit (Article 18-2 of the Patent Act). In the case where there was a material and irreparable defect, such as a failure to attach the description, the application had been found to be unacceptable under conventional practice, although there was no express provision on such a case.² However, after the 1996 revision, such an application had been dismissed after receiving the filing documents. This revision was made in order to clarify the legal basis of the disposition as well as to provide a procedural guarantee. When the procedure is dismissed, the application is deemed not to have been filed.

While an amendment can be carried out at any time while the application is pending

¹ Before the 1970 revision, it had been stipulated that an amendment can be made while a case is pending examination, a trial, or a retrial, and under the system where all applications were examined, any application filed was regarded as “pending in examination.” However, with the adoption of the system for requesting an examination, an application could no longer be regarded as pending in examination before an examination was requested. In order to make an amendment possible in such case as well, the wording was revised to “pending before the JPO”.

² Article 10-2 of the Ordinance for Enforcement of the Patent Act of 1921 had provided for a disposition of non-acceptance, but no provision exists under the current Act. A detailed explanation on the disposition of non-acceptance can be found in Note (1) of the former edition, *Industrial Property Law, Volume 1, Patent Act* [2nd, Revised and Enlarged Edition], p. 295. The explanation is omitted here, because such a disposition is no longer being issued due to the establishment of Article 18-2 upon the 1996 revision.

before the JPO, in principle (the first sentence of Article 17, paragraph (1) of the Patent Act), there are restrictions on the period and contents of an amendment with regard to the amendment of the description, scope of claims, drawings, and abstract, which are the most important documents that can be amended, due to their relationship with third parties and relationship with the first-to-file system (the proviso to Article 17, paragraph (1) of the Patent Act).

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Although it is more desirable for the filing documents to be complete from the beginning, the filing procedure is complicated, and as the first-to-file system requires the applicant to file the application as soon as possible, it is often difficult to prepare complete documents from the start. Allowing no amendment after the filing is too severe for the applicants and runs counter to the appropriate protection of inventions. It would diminish inventors' motivation to file applications, resulting in a risk that there is a smaller chance of technology being published. The more pioneering the invention is, the more difficult it is to require a complete description, scope of claim, drawings, and abstract upon filing, and this may lead to offering insufficient protection. Therefore, many countries that adopt the substantive examination system recognize amendments after filing, and Japan also allows such amendments to a certain extent. With regard to the period and content of an amendment, it is essential that the amendment does not obstruct an expeditious procedure for granting patents, that fairness is maintained among applicants, and fairness is maintained between the applicant and third parties. These matters are not determined theoretically, and policy-oriented determinations are made while also watching the status of filings and current international trends.

As an amendment has a retroactive effect,³ an unlimited amendment would run contrary to the first-to-file principle and harm the interests of third parties. Also, it could make the procedures more complicated and increase the JPO's burden unnecessarily. Therefore, an amendment can be made during the period from the filing until the completion of an examination and while it is pending in a trial or a retrial, as a rule, but an amendment of the description, scope of claims, drawings, and the abstract attached to the application is restricted in respect of the amendable period and scope according to the progress and status of the filing procedure. After patent registration, an amendment cannot be made since the procedure is no longer pending before the JPO, so the applicant may request a trial for correction (Article 126 of the Patent Act) or may request a correction in an invalidation trial (Article 134-2 of the Patent Act). The part below

3 Although there is no provision on the retroactive effect, amendment would be meaningless if the retroactive effect is not recognized, so it is regarded as a matter of course. According to Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 133 [written by Haruo Gotō/Masaaki Arisaka], the establishment of a provision on the retroactive effect was considered when legislating the current Act, but it was decided to address this matter through the interpretation of the Act.

reviews the crucial part of the amendment, which is an amendment of the description, scope of claims, drawings, and the abstract, according to the progress and status of the filing procedure.

Conventionally, the admissible scope of an amendment in Japan was broader compared with that of other countries. This was considered to be because Japan had adopted the single claim system, in which it was often difficult to disclose a complete claim upon the initial filing. However, due to the present adoption of the multiple claim system, which has made it relatively easier to disclose a comprehensive claim from the beginning, and the internal priority system, there is less need to recognize the broad scope of an amendment as in the past. In addition, as the recognition of the broad scope of an amendment had caused a considerable delay to examinations in the past, there was a need to take some drastic measures. Furthermore, while a third party needs to pay attention to the amendments of other people's applications because the right to claim compensation arises after the laying open of the applications, monitoring alone was creating an excessive workload due to the enormous number of applications filed today. Such a workload was expected to be reduced by restricting the scope for amendments. Accordingly, the amendment system was drastically revised in 1993 and 1994, greatly restricting the scope for which amendments could be made.⁴

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In a report by the Industrial Property Council in 1992, the Council recommended a revision of the amendment system and a shift from the pre-grant opposition system to the post-grant opposition system. Some of the recommendations from this report (rectification of amendment, simplification of the trial system, etc.) were accomplished in the aforementioned 1993 revision. Despite the fact that a shift of the opposition system was recommended in the report, the government retained it as a diplomatic resort for negotiations with the United States and was waiting for the right timing to make a revision. The post-grant opposition system was finally established upon the 1994 revision (came into effect on January 1, 1996), and the system of the publication of examined applications was abolished in line therewith. Since the publication of examined applications (more precisely, the service of a certified copy of a decision to the effect that examined applications should be published) had granted the applicant a right of provisional protection, which had a similar effect as a patent right, the publication served as an important process that divided the period and scope in which an amendment could

4 For explanations on the revised provisions, see Legislative Affairs Office, JPO, "Tokkyo Hō/Jitsuyō Shin'an Hō No Kaisei Ni Tsuite (1)" (Amendment of the Patent Law/Utility Model Law (1)), *Hatsumei* (Invention), Vol. 90, No. 7 (1993), p. 24; Yoshinobu Murofushi/Makoto Kamogari, "Kaisei Tokkyo Hō Ni Okeru Hosei No Toriatsukai Ni Tsuite" (Handling of Amendment in the Revised Patent Act), *Patent*, Vol. 46, No. 5 (1993), p. 73; Fumiaki Ōtsuka, "Tokkyo Hō Oyobi Jitsuyō Shin'an Hō No Kaisei" (Amendment of the Patent Law and Utility Model Law), *Patent*, Vol. 46, No. 6 (1993), p. 9; Ken'ichi Kumagai, "Tokkyo Hō/Jitsuyō Shin'an Hō No Kaisei Ni Tsuite" (Amendment of the Patent Law/Utility Model Law), *Jurist*, No. 1029 (1993), p. 111.

be made. The 1993 revision restricted the admissible scope for amendment, and the 1994 revision simplified the admissible period for amendment, establishing a new amendment system as a result.

Before the 1993 revision, an applicant could dispute the dismissal of an amendment in a trial against an examiner's ruling to dismiss an amendment, and if the amendment were judged to be illegal in a trial, the application only returned to its original status prior to the amendment. After the revision, however, a ruling dismissing an amendment cannot be made subject to appeal (Article 53, paragraph (3) of the Patent Act), and there is no way to dispute the dismissal independently, so the applicant will receive an examiner's decision of refusal (Article 49, item (i) of the Patent Act), and if dissatisfied, dispute the case in a trial against the examiner's decision of refusal. However, where a request for a trial against an examiner's decision of refusal (Article 121, paragraph (1) of the Patent Act) has been filed, this shall not apply to the appeal made in the proceeding in the said trial (the proviso to Article 53, paragraph (3) of the Patent Act). The demandant of the trial may dispute over the illegality of the ruling to dismiss amendment in litigation for rescinding the trial decision.⁵

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2.3.2. Period for Amendment

The applicant for a patent may amend the description, scope of claims, or drawings attached to the application, before the service of the certified copy of the examiner's decision notifying that a patent is to be granted, but when the applicant receives the notice of reasons for refusal provided for in Article 50, he/she may make an amendment only in the cases specified in said Article (Article 17-2, paragraph (1) of the Patent Act).

Before the Act revised in 1994 (the part that entered into force in 1996),¹ a right of provisional protection similar to a patent right had been granted after the publication of the examined application. Therefore, an amendment of the description (the "description" at the time included the "scope of claims," but the two were separated upon the 2002 revision) and drawings after the publication of the examined application had been strictly limited both in terms of period and content, in relation to third parties. Since the patent system grants a monopoly for an invention, the scope of that right to a

⁵ The Tokyo High Court Judgment, February 25, 1970, *Mutai Saishū*, Vol. 2, No. 1, p. 32/*Hanta*, No. 248, p. 159 (the Drawer Partitioning Equipment case).

¹ The first notice of reasons for refusal refers to reasons that are pointed out to the applicant for the first time. Therefore, even if a notice is formally the second notice, if a reason for refusal which should have been pointed out in the first notice failed to be included in the first notice, or if a reason for refusal in the first notice was inappropriate, and an appropriate reason for refusal is notified again, it is treated as the first notice of reasons for refusal. There can be cases where the applicant is subsequently notified of yet another reason for refusal, and makes amendment in response to it.

monopoly must be fixed at some point in relation to third parties. Before the introduction of the system of laying open applications, the time of the publication of the examined application was recognized as the first time the invention became public, and it was also the time of the commencement of the right to a monopoly, so the publication of the examined application carried a very important meaning.

However, with the abolition of the system of publication of examined applications and the introduction of the system of laying open applications, a gap occurred between the time of laying open an application and the time of the commencement of the right to a monopoly. Therefore, the allowable period and scope of amendment inevitably became complicated. There is still a gap between the time of laying open an application and the time of the commencement of the right to a monopoly, but the amendment system was simplified as a result of the abolition of the system of publication of examined applications. Before the 1993 revision, an applicant could dispute a ruling to dismiss an amendment at a JPO trial (Article 122 before the 1993 revision). Thus, the examiner was unable to issue a decision of refusal of the application until 30 days had passed from the service of a certified copy of a ruling to dismiss an amendment (Article 53, paragraph (3) before the 1993 revision), and if a trial had been requested against a ruling to dismiss an amendment, any examination was suspended until the trial decision became final and binding (paragraph (4) of said Article before the 1993 revision), so it was one of the causes that delayed examination. When an applicant receives a notice of refusal, he/she can make amendments as many times as he/she wants, but because an examination needs to be redone every time, and this causes a delay in examinations, and it is unfair for those who make the effort to prepare a complete description from the start, the current Act provides that an applicant can only make an amendment against the final notice of refusal to an extent that does not waste the examination which has already been conducted (the specific scope is discussed in “2.3.3. Admissible Scope of Amendment”).

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Prior to the 1994 revision, there was restriction on the period for amendment after one year and three months from the filing date. If amendments on an “as required” basis were admitted after the laying open of the application, the examination procedure would have to stop each time an amendment was made, and this would increase the examination workload and would delay examinations, as well as increasing the monitoring workload of third parties, so this restriction was established in order to facilitate the implementation of the procedure. However, after the introduction of the system of foreign language written applications, where an application containing a priority claim under the Paris Convention has been filed from another country, an amendment could only be made within one year and three months from the filing date of the first application. Since such an application was often filed immediately before the expiration of the priority period,

the applicant only had three months for making an amendment in practice, and could only make an amendment at the time of making a request for an examination. Therefore, there were calls for the relaxation of the restriction on the period for amendments. However, if the restriction were relaxed only for the applications containing a priority claim, there would be impartiality between national applicants and foreign applicants. Therefore, with the 1994 revision, the time limit of one year and three months from the filing date was abolished, and, in principle, it became possible to amend the description and drawings attached to the application before the service of a certified copy of the examiner's decision notifying that a patent is to be granted (Article 17-2, paragraph (1) of the Patent Act), and amendment after receiving a notice of reasons for refusal became subject to a severe restriction as discussed later (the proviso to said paragraph).

For cases where a notice of reasons for refusal has been given under Article 50, the period for an amendment of the description, scope of claims, and drawings is restricted (the proviso to Article 17, paragraph (1) and Article 17-2, paragraph (1) of the Patent Act), and an amendment can only be made in the cases shown in 1) through 5) below. An amendment is only allowed during periods where amendment may truly be necessary in consideration of the third party burden of carrying out searches and the JPO's examination burden and in order to achieve equity between applicants who repeatedly make amendments and those who do not. Specifically, if a notice of reasons for refusal or a decision of refusal has been given, an amendment can be made only during the following periods (the proviso to Article 17-2, paragraph (1) of the Patent Act):

1) Where the applicant has received the first notice of reasons for refusal (the notice of the reasons for refusal indicated to the applicant for the first time), an amendment can be made within the time limit designated thereby (Article 17, paragraph (1), item (i) of the Patent Act). In this case, an amendment can be made freely unless it adds new matters (Article 17-2, paragraph (3)) or it is a shift amendment (paragraph (4) of said Article). The designated time limit is 60 days for applicants residing in Japan and 30 days for applicants residing in a foreign country.

2) Where the applicant has received a notice of reasons for refusal, and subsequently received a notice advising that the disclosure of information on prior art documents is insufficient (Article 48-7 of the Patent Act), an amendment can be made within the time limit designated thereby (Article 17, paragraph (1), item (ii) of the Patent Act) (added upon the 2002 revision). This provision was introduced upon the 2002 revision in line with a revision to obligate applicants to state information on inventions that have been known to the public through publication which the applicant knows at the time of the filing. Similar to the case of item (i) above, the addition of new matters and shift amendments are prohibited.

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3) Where the applicant has received the final notice of reasons for refusal (usually, it is the second notice of reasons for refusal, which need to be notified based on the amendment made in response to the first reasons for refusal), an amendment can be made within the time limit designated thereby (Article 17, paragraph (1), item (iii) of the Patent Act). Similar to the case of item (i) above, the addition of new matters and shift amendments are prohibited. In addition, an amendment of the scope of claims is limited to the deletion of claims, correction of errors, clarification of an ambiguous statement, and restriction of the scope of claims where the industrial applicability and the problem to be solved as regards the invention stated in the claims prior to the amendment are identical with those after the amendment (Article 17-2, paragraph (5)). This provision is intended to prevent wasting the results of an examination which has already been conducted.

4) Where the applicant files a request for a trial against an examiner's decision of refusal, an amendment can be made at the time of filing the request for a trial (Article 17, paragraph (1), item (iv) of the Patent Act). This provision was established to meet a demand from those engaged in patent practice whereby, even when an amendment has been made in response to the final reasons for refusal, but a decision of refusal has been given, and a request for a trial against that decision has been filed, they want yet another opportunity to make an amendment in response to the examiner's final determination. Before the 2008 revision, an amendment could be made within thirty days from the day on which a JPO trial was requested, but since the time limit for filing a request for a trial against an examiner's decision of refusal was extended to three months from the service of a certified copy of the reasons for refusal, with the 2008 revision, it became necessary to make an amendment at the time of filing a request for a trial.

5) Where a trial for patent invalidation that has been filed, the demandee (patentee) can amend the corrected description, scope of claims, or drawings attached to the written request for correction within the time limit designated in Article 17-5, paragraph (2). The demandant of a trial for correction can make an amendment within the period up until a notice of the conclusion of the proceedings is issued. The time restriction is stricter for a trial for invalidation than for a trial for correction (Article 17-5, paragraph (3) of the Patent Act). This is because a trial for invalidation adopts an adversarial system, and if a free amendment were allowed, the subject matter of the proceedings would change and the proceedings would take longer.

6) The abstract, which was introduced upon the 1990 revision to facilitate access by third parties, is unrelated to the scope of protection, so it can be amended only within one

year and four months from the filing date as in the past (Article 17-3 of the Patent Act;² Article 11-2-2 of the Patent Act Enforcement Ordinance). However, when a request for laying open the application has been made within one year and three months from the filing date, no amendment can be made after the application has been laid open (the part in parentheses in said Article of the Patent Act Enforcement Ordinance).

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2.3.3. Admissible Scope of Amendment

Inadmissible amendments had been dealt with by establishing complex stipulations, so as to prevent the applicant from being disadvantaged within an extent that would not cause unfair damage to third parties, through taking various measures. Accordingly, the provisions under the Patent Act have become complicated. Further, there have been drastic changes in relation to this matter upon the 1993 and 1994 revisions, so the related transitional measures are also complicated.

Before the 1993 revision of the Act, an amendment made before the publication of the examined application that was found to change the gist of the application¹ after the patent registration did not invalidate the patent, but the patent application was deemed to have been filed upon submission of the written amendment (Article 40 of the Patent Act before the 1993 revision). In short, by moving the filing date to a later date, the patent could remain effective without damaging third parties who had worked the invention since before the amendment unfairly. However, due to such change of the filing date, the determinations on novelty, inventive step, prior use, etc. would also be made based on the time the amendment was made. Therefore, if the invention had become publicly known during the period from the filing to the amendment, the patent could become invalidated, and the application could also become publicly known by laying open the applicant's own

2 With the 1994 revision, the one-year-three-month restriction was lifted for amendment of the description (which included the scope of claims at the time) and drawings, but the conventional provisions were maintained for amendment of the abstract. Upon the 2014 revision, the period for amendment was delegated to Ordinance of the Ministry of Economy, Trade and Industry.

1 Before the 1993 revision, the Patent Act used the phrase “change of the gist” but it did not have a definition therefor. Thus, there was confusion as to what should be regarded as an amendment that changes the gist of the application. Before the publication of the examined application, an increase, decrease, or change of the scope of claims within the extent of the statements in the description (which included the scope of claims at that time) or drawings originally attached to the application was not considered to be a change of the gist of the application. Meanwhile, the Examination Guidelines had set forth that when, as a result of amending the description or drawings, the technical matters stated in the scope of claims no longer fell within the extent of the statements in the description or drawings originally attached to the application, the amendment was considered to have changed the gist of the description. Conversely, as long as the amendment was made within the same scope as the invention that was disclosed in the description, etc. at the time of the filing—that is, within a scope that does not change the essence of the invention—even the addition of new matter was allowed. For details on prohibition of addition of new matters under the Examination Guidelines, see Takeshi Maeda, *Tokkyo Hō Ni Okeru Meisaisho Ni Yoru Kaiji No Yakuwari* (Role of Disclosure Played By a Description under the Patent Act), p. 89.

application.²

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This point was substantially revised upon the 1993 revision of the Act. Under the revised Act, an inadmissible amendment made before the publication of the examined application (amendment to add new matters) was not dismissed, but was regarded as constituting a reason for refusal. An amendment in response to the final notice of reasons for refusal was dismissed, and if it were not dismissed due to a mistake, it constituted a reason for invalidation (Article 123, paragraph (1), item (i) of the Patent Act). With regard to an amendment in response to the final notice of reasons for refusal, the scope of the amendment was not only subject to the prohibition of adding new matters, but it was also severely restricted in other respects (Article 17-2, paragraph (5) of the Patent Act).

With regard to an inadmissible amendment after the decision of the publication of the examined application, no change was made upon the 1993 revision of the Act, and the patent was deemed to have been granted as if the patent application had not been amended (only the place of the provision changed from Article 42 before the 1993 revision to Article 40 after that revision). However, the admissible scope of amendment was changed after 1993 as mentioned earlier (it was changed from a prohibition to change the gist of application to a prohibition to add new matters). As the system for the publication of examined applications was abolished by the 1994 revision, Article 40 of the Act that had stipulated that the above measure should be deleted, and the provision was made consistent with the contents of the measures for amendment before the publication of the examined application.

With regard to the admissible scope of an amendment, before the 1993 revision of the Act, there was no restriction on the scope of an amendment that could be made prior to publication of the examined application, as long as it did not change the gist of the application (Article 41 before the 1993 revision). However, the 1993 revision prohibited an amendment that adds new matters, from the viewpoint of the international harmonization of patent systems. Prohibition against adding new matters is a restriction that consistently applies to both amendment and correction. Specifically, an amendment of the scope of claims became allowed only with regard to matters that are expressly stated in the description and matters that are obvious from the statement in the description. Since the single claim system had been adopted as the method for stating the scope of claims in the past, it was difficult to acquire a patent for the complete invention, so the broad scope of an amendment had been recognized. Even after the multiple claim system was adopted in 1988, the scope of an amendment remained unrevised until 1993.

² In the Tokyo High Court Judgment, November 29, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 594 [the Diamond Composition Method case], the court held that a patent was invalidated because the application had become publicly known by a description in a printed publication as a result of the change of the filing date to a later date.

In the Act revised in 1993, an examination is carried out first with regard to all the reasons for refusal listed in Article 49, and the first notice of reasons for refusal is issued based on the result. An amendment of the description, scope of claim, and drawings in response to that notice is allowed, in principle, as long as no new matter is added (an amendment is admitted in Article 17-2, paragraph (1) of the Patent Act and its scope is stipulated in paragraph (3) of said Article). It is provided that, except in the case of submitting a statement of correction regarding an incorrect translation, any amendment of the description, scope of claims or drawings shall be made within the scope of the matters described in the description, scope of claims or drawings originally attached to the application (Article 17-2, paragraph (3) of the Patent Act). This principle, which was introduced with the Act as revised in 1993,³ is referred to as a “prohibition against adding new matters.” This is because, if an amendment to add new matters were recognized, it would encourage the corrupt practice of filing an ill-prepared description first and making an amendment later, causing impartiality between an applicant who files an under-prepared application and makes an amendment later and an applicant who makes efforts to prepare a sufficient description from the start, and a possible risk of causing unexpected damage to third parties who have taken actions on the assumption of the scope of the invention disclosed at the time of the filing. In addition, the recognition of the wide scope of an amendment would delay the examination procedure, and also Japan’s conventional system was peculiar in relation to the rest of the world as many advanced countries did not allow amendments adding new matters.⁴ Then again, it is difficult to file a complete application from the start, so an excessively strict restriction on an amendment is disadvantageous for pioneer inventions, and there are strong calls from applicants for a chance to make amendments. How these aspects should be balanced in the amendment system is a difficult policy question.

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New matters in this context were strictly interpreted under the Examination Guidelines at the time of the 1993 revision, and the amendable limit was “matters that can be derived directly and unambiguously from the original description, etc.”⁵ However,

3 As a similar provision, Article 34(2)(b) of the PCT provides “The amendment shall not go beyond the disclosure in the international application as filed.” Article 17-2, paragraph (3) of the Patent Act was stipulated with reference to this provision of the PCT.

4 The Intellectual Property High Court Grand Panel Judgment, May 30, 2008, *Hanji*, No. 2009, p. 47/*Hanta*, No. 1290, p. 224 (the Solder Resist case); the Intellectual Property High Court, January 28, 2010, *Hanji*, No. 2089, p. 128/*Hanta*, No. 1329, p. 218 (the case of a Heat Storage Type Floor Heating System Using Midnight Electric Power).

5 According to the Implementing Guidelines for amendment of Description and Drawings (1993), amending the “elastic body” that is stated in the description into “rubber” is not admissible because, as “elastic body” includes not only “rubber,” but also “springs,” “rubber” is not derived directly and unambiguously from “elastic body.” However, if “rubber” were stated as an example of “elastic body” in the detailed explanation of the invention at the time of the filing, such amendment is admissible. Such determination on amendment has an advantage of shortening the examination time and reducing variations in the determination among the examiners, but it lacked specific appropriateness.

this was criticized for being too formal and strict, and failing to protect inventions appropriately, so upon the 2003 revision of the Examination Guidelines, it was provided that it is admissible to make an amendment not only to “matters explicitly stated in the originally attached description, etc.” but also to “matters obvious from the statement in the originally attached description, etc.” that are not explicitly stated.⁶ The gist of this statement is that an amendment can only be made to the extent of the contents originally disclosed at the time of the filing, and that the amendment must not introduce new technical matters.⁷

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The content of an amendment that can be made in response to the final notice of reasons for refusal⁸ or in requesting a trial against an examiner’s decision of refusal is limited to be within a scope that does not have to waste the examination carried out up to that point and that does not require the search of a new prior art. There is no problem in terms of the procedure, because the applicant has already been given an opportunity to respond at the time of the first refusal, and the system is expected to contribute to preventing the repetition of examination and amendment, and to promoting efficient and expeditious examinations. Meanwhile, a trial is a procedure for disputing the appropriateness of the examination, so no new amendment is allowed in a trial. Specifically, an “amendment of the scope of claims” can only be made in the following

6 Amending “elastic body” into “rubber” would be regarded as a proper amendment if “rubber” is obvious to a person skilled in the art from the statement of “elastic body.”

7 In the Intellectual Property High Court Grand Panel Judgment, 2008, May 30, *Hanji*, No. 2009, p. 47/*Hanta*, No. 1290, p. 224 (the Solder Resist case), the court held that “We can understand that, by stipulating that any amendment must be made ‘within the scope of the matters stated in the description or drawings attached to the application,’ the Act aims to have the applicants disclose their inventions sufficiently from the time of the filing, so as to ensure the expeditious grant of rights, to secure fair treatment between applications which disclose inventions insufficiently and those that disclose the inventions sufficiently from the start, and to make sure that third parties who have acted on the premise of the scope of the invention disclosed at the time of the filing do not suffer any unexpected disadvantage, while also, by consistently setting the same requirements for any correction to be made after the grant of the patent right, the Act aims to make sure that the invention is sufficiently disclosed at the time of the filing, thereby substantively ensuring the principle of the first-to-file system.” The court further stated that “with regard to ‘the matters stated in the description or drawings,’ given that an invention, which is an advanced creation of a technical idea, is disclosed to third parties as a condition for obtaining a monopoly through a patent right, the ‘matters’ in this context should be premised to be technical matters concerning the invention which were disclosed by the description or drawings, but ‘the matters stated in the description or drawings’ are technical matters that can be derived by a person skilled in the art by comprehensively reading all the statements in the description or drawings, so when an amendment does not introduce new technical matters in relation to the technical matters so derived, such amendment is regarded as having been made ‘within the scope of the matters stated in the description or drawings.’ This was a case concerning a correction, but since prohibition of adding new matters is a principle that is consistently adopted for both an amendment and a correction, it also applies to amendment.

8 The final notice of reasons for refusal is “a notice of reasons for refusal notifying only reasons for refusal necessitated by amendments made in response to a ‘non-final notice of reasons for refusal’” (Examination Guidelines Part IV, 4.3.3.1), and it is usually the second notice of reasons for refusal. This means that, after the applicant makes an amendment on the reason for amendment given in a non-final notice, the application is refused yet again based on the same reason. Refusal based on a reason that differs from that given in the non-final notice of reasons for refusal is not a final notice of reasons for refusal.

cases (Article 17-2, paragraph (5) of the Patent Act);⁹ as a matter of course, no new matters can be added:

1) Deletion of a claim(s) (Article 17-2, paragraph (5), item (i) of the Patent Act). This is admissible because it does not require a new examination. Formality amendments that are required in line with the deletion of a claim, such as changing the citation number, are, of course, admissible.

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2) Restriction of the scope of claim(s) (limited to cases where the restriction is to restrict the matters required to identify the invention stated in a claim(s), and the industrial applicability and the problem to be solved by the invention as stated in the said claim(s) before the amendment are identical to those after the amendment) (Article 17-2, paragraph (5), item (ii) of the Patent Act).¹⁰ This amendment is admitted so as to enable the effective use of the results of an examination which has already been conducted. In the case of restricting the scope of claims, the invention after the restriction must be one that can be independently patented (independent patent requirement; Article 17-2, paragraph (6) and Article 126, paragraph (7) of the Patent Act).

3) Correction of errors (Article 17-2, paragraph (5), item (iii) of the Patent Act). An amendment which is formally a correction of an error but which substantively expands the scope of claims is inadmissible.¹¹

4) Clarification of an ambiguous statement (Article 17-2, paragraph (5), item (iv) of the Patent Act). However, if this clarification is allowed with no limit, it could cause a delay in an examination, so any amendment is limited to clarification in relation to matters stated in the notice of reasons for refusal.

When an amendment against the final notice of reasons for refusal is found to be unlawful (violation of Article 17-2, paragraphs (3) through (6)) before the service of the examiner's decision to the effect that a patent is to be granted, the examiner must, instead of giving a notice of reasons for refusal and giving the applicant an opportunity to submit a written opinion while designating an adequate time limit (the proviso to Article 50),

9 In the Intellectual Property High Court, September 20, 2007, court website (the Holographic Grating case), the court held that an amendment aimed at changing the original claim for an "invention of a product" into a claim for an "invention of a process" falls under none of the items in Article 17-2, paragraph (4) (Article 172, paragraph (5) of the current Act), because it means a claim for rights that have an effect that differs from that of the rights for an "invention of a product."

10 In the Intellectual Property High Court Judgment, April 25, 2005, court website (the Fire-Resistant Structure case), the court held as follows: It is reasonable to construe that the provision of Article 17-2, paragraph (5), item (ii) provides for an amendment in such a mode that, by restricting a claim(s) by limiting the matters required to identify the invention stated therein, the claim(s) is maintained as it is as an amended claim(s). It does not intend an amendment in such a mode as to add a new claim by deleting a claim, or to add a new claim by dividing the invention stated in a claim into two or more claims.

11 See the following judgments, although they are cases concerning a trial for correction: Supreme Court Judgment, December 14, 1972, *Minshū*, Vol. 26, No. 10, p. 1888 (the Phenothiazine Derivative Manufacturing Method case); Supreme Court Judgment, December 14, 1972, *Minshū*, Vol. 26, No. 10, p. 1909 (the Small Rice Crackers Manufacturing Method case).

make a ruling to dismiss the amendment (Article 53, paragraph (1)).

Since an appeal cannot be filed independently against a ruling dismissing an amendment, an applicant who is dissatisfied with the ruling needs to dispute it in a trial against the examiner's decision of refusal (Article 53, paragraph (3) of the Patent Act). The purpose is to prevent the repetition of an examination. As a result of the restriction of the admissible scope of an amendment and the abolition of a trial against a ruling dismissing an amendment, the examination procedure has been streamlined and expedited.

Specifically, an amendment made during a period for amendment (Article 17-2, paragraph (1), items (i) and (iii) of the Patent Act) is dismissed (Article 53, paragraph (1) of the Patent Act), if the amendment is found to be one that adds new matters (Article 17-2, paragraph (3) of the Patent Act), one that violates the requirement of unity (shift amendment) (paragraph (4) of said Article), a non-statutory change of the contents of the invention (one that deviates from the admissible scope of an amendment) (paragraph (5) of said Article), or one that violates the independent patent requirement (paragraph (6) of said Article). As a result of the dismissal, the amendment is deemed never to have been made. If a notice of reasons for refusal has already been given, the examiner's decision of refusal will be rendered at the same time, in an ordinary case (Article 49, item (i)). Among the matters stipulated as reasons for refusal, the only matter that is also stipulated as a reason for invalidation is the addition of new matters. The other matters are stipulated as reasons for refusal so as to meet the requirements of examination practice, and they do not constitute substantive defects that are grave enough to invalidate a patent.

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With the 2006 revision, an amendment after the issuance of a notice of reasons for refusal whereby the contents of the invention underwent a considerable change before and after the amendment was prohibited. Specifically, an amendment that changes the content into an invention that does not fulfill the requirements of unity (Article 37 of the Patent Act) with the invention disclosed in the examined claims (the so-called "shift amendment") is not admissible (Article 17-2, paragraph (4) of the Patent Act).¹² Before the revision, it was possible for an applicant to shift the scope of claims into another invention after receiving the first notice of reasons for refusal, and to receive an examination for a substantively different invention, and the shift amendment had been used quite frequently.¹³ However, today, there are many cases where an amendment is dismissed as a result of being regarded as a shift amendment. A shift amendment is

12 See Takashi Tomizawa, "Iwayuru 'Shifuto Hosei No Kinshi' No Shinsa Kijun Ni Tsuite" (Regarding Examination Standards for the So-Called "Prohibition of Shift Amendment"), *Patent*, Vol. 60, No. 9 (2007), p. 12.

13 It had been pointed out that, if a shift amendment was allowed, there would be a disparity between those who made a shift amendment and those who filed their applications by making a claim based on a well-focused invention from the start. It has also been indicated that applicants can save application fees by, in effect, filing two applications in a single application procedure by making a shift amendment.

prohibited after the notice of reasons for refusal has been given, but it is admissible before the notice of reasons for refusal as long as it does not add new matters (Article 17-2, paragraph (4)).

In the case of making an amendment at the same time as filing a request for a trial against an examiner's decision of refusal, the scope of such an amendment is also under the same restriction as that for an amendment against the final notice of reasons for refusal (Article 17-2, paragraph (5)).

The period for filing a divisional application is limited to within the period for making an amendment of the description, etc. If a reason for refusal that has been notified for the original application has not been resolved in the divisional application, an amendment is subject to the same restriction as an amendment made in response to the final notice of reasons for refusal, because the reason for refusal has already been notified (Article 50-2 of the Patent Act).

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2.4. Examination¹

2.4.1. Substantive Examination System and Non-substantive Examination System

There are two methods of granting a patent: a substantive examination system and a non-substantive examination system (notification system). The substantive examination system not only conducts a formality examination, but also a substantive examination, and grants a patent if an application is judged to satisfy the patentability requirements including novelty and inventive step. On the other hand, the non-substantive examination system registers the application merely through a formality examination, and any disputes on the patentability are examined ex post at the court.

The substantive examination system has an advantage that the patent right is highly credible and legally stable because the validity of the patent has been examined by the JPO, but it has a detriment that the examination consumes considerable labor and time.

The non-substantive examination system has the advantage of granting the right speedily, but many registered patents would naturally include reasons for invalidation, so the right would be not as stable legally and would increase the number of infringement cases. As a result, the value of the patent right as a property right would be considerably reduced.

Traditionally, the non-substantive examination system had been adopted by France since the French Revolution, but an increasing number of countries are shifting from the non-substantive examination system to the substantive examination system, and now most of the world adopts the substantive examination system. Since the delay of examinations is the detriment of the substantive examination system, Japan takes various measures to rectify the defect, such as the adoption of the system for early publication of applications, adoption of the system for requesting an examination, the introduction of computers, and international worksharing activities for examination of applications. Even so, the number of applications has notably increased worldwide due to recent technological progress and the surge in the number of applications filed in China, and the examination burden is a problem faced by patent offices around the world. Thus, how this burden can be reduced is an important issue to be discussed in the future.

Incidentally, as regards the utility model system, a non-substantive examination system was adopted in principle upon the 1993 revision. This system has also been adopted by the Act on the Circuit Layout of Semiconductor Integrated Circuits (Act No. 43 of 1985).

¹ For the legal nature of examinations, see Kaoru Kobashi, “Tokkyo Fuyo Tetsuzuki No Sai Kōsatsu” (Reconsideration of the Patent Granting Procedure), Nakayama Nobuhiro Kanreki Kinen, *Chūteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 161.

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2.4.2. Formality Examination

For each and every patent application that is filed, an examination is conducted first on whether or not the filed documents satisfy the formality requirements. If the filed documents have a considerable deficiency and lack the essential requirements for an application, the Commissioner does not make a disposition to refuse the receipt thereof, but dismisses the procedure while notifying the applicant of the reason therefor and giving the applicant an opportunity to provide an explanation (Article 18-2 of the Patent Act).

If an application is deficient in formality, the person undertaking the procedure before the JPO can make an amendment voluntarily (Article 17, paragraph (1) of the Patent Act), or the JPO Commissioner can give an order to make an amendment (paragraph (3) of said Article). If no amendment is made in response to an order to amend, the JPO Commissioner can dismiss the procedure (Article 18, paragraph (1) of the Patent Act). When an amendment is made, its effect retroacts to the filing date, and the application is deemed not to have had a defect from the start.

Before the 2014 revision, an action seeking to overturn a disposition to dismiss a procedure could only be filed after undergoing an opposition (Article 184-2 of the Patent Act before the revision). However, as Article 184-2 of the Patent Act before the revision was deleted in response to amendment of the Administrative Appeal Act, it became possible to directly file such action with the court without undergoing an opposition (Article 8, paragraph (1) of the Administrative Case Litigation Act).

When the formality examination is completed, all the applications are laid open to the public, in principle, one year and six months after the filing date (Article 64, paragraph (1) of the Patent Act). As an exception, if an application contravenes public order and morality, its description, scope of claims, drawings, and abstract are not laid open, and only information including the name and domicile of the applicant and the application number is published in the patent gazette (the proviso to paragraph (2) of said Article). Also, though this is not based on the provisions of the Patent Act, patent applications under the US-JP agreement and patent applications indirectly subject to the US-JP agreement are neither laid open to the public nor examined until the secrecy is unlocked, pursuant to the Japan-US agreement on detailed procedural regulations for the implementation (1988) of the agreement between the Japanese government and the United States government which facilitates the exchange of technical knowledge and patent rights for defense purposes (Treaty No. 12 of 1956). This does not mean the introduction of a secret patent system, but merely a measure for not laying open or examining the application. With regard to this issue, see “2.2.1. Reasons for and Significance of Introducing the System of Laying Open the Application.”

2.4.3. System of Request for Examination (Deferred Examination System) (Article 48-2 of the Patent Act)

Conventionally, a substantive examination has been conducted for all the applications that have undergone a formality examination, but the system for requesting an examination was adopted upon the 1970 revision of the Patent Act, and a substantive examination came to be conducted only after a request therefor had been made (Article 48-2 of the Patent Act). The applicant does not always wish to have all of the filed applications registered. If an application were filed for a defensive purpose to obstruct registration by other parties, it is sufficient to be able to prevent others from acquiring the patent, and an application may no longer need to be registered due to changes in technology or due to the applicant's relationship with his/her competitors. If an examination does not have to be conducted for such applications, the number of applications to be examined would decrease, which could speed up the examination of other applications and raise examination quality.

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Conventionally, a request for examination could be filed within seven years from the filing date, but it was revised to within three years upon the 1999 revision (Article 48-3, paragraph (1) of the Patent Act). When a request for examination is not filed within three years, the application is deemed to have been withdrawn (paragraph (4) of said Article). At the time when the system for requesting an examination was introduced, the seven-year period was a standard period worldwide. Later, however, the European Patent Office and the United Kingdom revised the period to two years, China and Russia to three years, and South Korea and Canada to five years. Germany still adopts a seven-year period for requesting an examination (Section 44(2) of the German Patent Law), but since applicants are encouraged to file a request at an early stage by being required to pay a fee for maintaining the application even without requesting an examination, a high percentage of applicants request an examination in the initial year. In Japan, however, before the 1999 revision, most applicants had requested examinations in the seventh year, which meant that third parties were bearing a large burden in monitoring the situation of requests for examination and amendment, and the relationship between rights remained unstable for a long time. This became a problem with a situation where an examination was requested and a patent was granted quickly for an invention in major foreign countries, but an examination for the same invention had not even started in Japan. There is no decisive factor for determining the period for requesting an examination, because industries and individual companies have different interests. From 2001, the period for requesting an examination was shortened to three years, but because of this, temporarily,

there was a sharp increase in the requests for examination (often referred to as a “bump in requests”), and this led to a delay in carrying out examinations. The after effects lingered for quite some time. Today, however, the effect of the shortening of the period has diminished, and the bump in requests has been cleared.

With regard to the division or conversion of an application, or a patent application based on utility model registration, the filing date retroacts. Thus, three years may have already passed by the time of filing such an application. In order to prevent the inconvenience where a division, etc. is possible, but a request for examination is not possible, it is provided that an examination can be requested for 30 days from the day on which such an application was filed (Article 48-3, paragraph (2) of the Patent Act).

Any person can make a request for an examination (Article 48-3, paragraph (1) of the Patent Act), as long as he/she pays the fee therefor (Article 195, paragraph (2) of the Patent Act).¹ Even so, however, the examination procedure is undertaken by the applicant, and a request for an examination by a third party only triggers the examination. Once a request for an examination has been made it cannot be withdrawn (Article 48-3, paragraph (3) of the Patent Act). This is because there is no merit in allowing for the withdrawal of a request for an examination alone, as an application can be withdrawn even after requesting an examination.

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Applications are examined in the order the request for examination has been made. However, the preferential examination system exists as an exception. While the right to claim compensation arises upon the laying open of an application, a claim cannot be exercised until after patent registration (Article 65, paragraph (2) of the Patent Act), and there are cases where the effectiveness of a patent would be lost unless an act is suspended quickly. Also, a third party who has received a warning may want to escape from an unstable situation quickly where the registrability of the relevant application continues to be unknown. Thus, where it is recognized that a person other than the applicant is working the invention as a business after the laying open of the application, the Commissioner of the Patent Office may, where it is deemed necessary, cause the examiner to examine the patent application in preference to other patent applications (Article 48-6 of the Patent Act). On such an occasion, the applicant or the third party working the invention can submit a written explanation of the circumstances describing the status of working the invention, etc. to the JPO Commissioner (Article 31-3 of the Patent Act Enforcement Ordinances), but if a preferential examination is not permitted, they cannot file an appeal against this measure. This is because, the applicant is not granted the right to claim a preferential examination, but the preferential examination is carried out at the discretion

¹ Under the Patent Act, the fee is 168,600 yen per case plus 4,000 yen per claim. However, there is a measure to reduce or exempt the fee for a person with insufficient funds (Article 195-2 of the Patent Act).

of the JPO Commissioner.²

Also, in order to minimize any detrimental effects from a delay in an examination, it is allowable in practice to carry out an accelerated examination, upon the request of the applicant. According to the Guidelines for the Accelerated Examination and Accelerated Appeal Examination for Patent Applications (2013), an application that satisfies any of the following requirements is subject to an accelerated examination:

- 1) Applications filed by SMEs, individuals, universities, public research institutes etc.;
- 2) Internationally-filed applications;
- 3) Working-related applications;
- 4) Green-technology related applications; or
- 5) Applications relating to the support for post-earthquake-disaster reconstruction (for the time being, starting on August 1, 2011; extension of the period to be considered as necessary).

An accelerated examination can only be requested by the applicant or his/her representative, and no third party may file such a request.

² For example, if an applicant intentionally has a third party work his/her invention in order to receive a preferential examination, the JPO Commissioner may refuse to carry out such preferential examination. For matters that should be considered in determining the need for a preferential examination, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 570 [written by Haruo Gotō/Masaaki Arisaka].

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2.4.4. Examination Procedure and Registration

2.4.4.1. Examiners

Patent applications are filed first with the JPO Commissioner (Article 36, paragraph (1) of the Patent Act), and the Commissioner shall direct the examination of the patent applications by an examiner (Article 47, paragraph (1) of the Patent Act). An examiner must, though this requirement is not as strict as for a court judge, avoid interventions by others and implement his/her duties independently.¹ To that end, the qualifications of an examiner are stipulated by Cabinet Order (paragraph (2) of said Article)² and there is a provision on the exclusion of examiners with regard to the procedure for granting a patent (Article 48 of the Patent Act). There are various theories concerning the independence of examiners, but it should be construed that they serve as an administrative authority that gives administrative dispositions independently from the JPO Commissioner with regard to examinations.³

2.4.4.2. Examination Procedure

An examination is conducted entirely through documents (documentary examination system). The examiner does not investigate the actual invented product or conduct an on-site investigation. However, the examiner sometimes holds interviews with the applicant (or his/her representative).⁴ The examination is conducted by a single examiner.

An examiner determines whether or not the application relating to the invention

1 Katsumi Takabayashi, “Tokkyo Chō Shinsakan/Shinpankan No Hōteki Seikaku” (JPO Examiners - the Legal Nature of Examiners), *Gakkai Nenpō* (Annual of Industrial Property Law), No. 12 (1989), p. 35.

2 Article 4 of the Patent Act Enforcement Order stipulates the qualifications of an examiner.

3 The Tokyo District Court Judgment, August 30, 1976, *Hanji*, No. 845, p. 46 (the Waste Textile Separating Device case) is a case where the plaintiff demanded revocation of a notice which stated that retroaction of the filing date cannot be recognized for a divisional application, by making the JPO Commissioner the defendant. It became an issue as to whether or not the JPO Commissioner was eligible to be a defendant. The court rejected the demand by denying the eligibility of the JPO Commissioner as a defendant, stating that an examiner does not exercise the examination power of the JPO Commissioner on his/her behalf, but serves as an administrative authority having the power to give administrative dispositions independently from the Commissioner. In the second instance of the same case, the court dismissed the appeal, denying the nature of the notice as an administrative disposition, without mentioning the nature of an examiner as an administrative authority (the Tokyo High Court Judgment, November 15, 1978, *Hanta*, No. 383, p. 146). The same view is indicated in Katsumi Takabayashi, “Tokkyo Chō Shinsakan/Shinpankan No Hōteki Seikaku” (JPO Examiners - the Legal Nature of Examiners), *Gakkai Nenpō* (Annual of Industrial Property Law), No. 12 (1989), p. 35; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai* (Annotations on the New Patent Act, Rev. ed.), p. 34. (However, while mentioning that examiners serve as administrative authorities, the author denied the independent nature of their duties; p. 242 of the same book.) An opposite view is indicated in Yasushi Aoki and Tsuneteru Aragaki, *Shinpan Tokkyo Tetsuzuki Hō* (New ed., Patent Procedural Law), p. 64; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Explanatory Notes on the Patent Act Vol. 1 [3rd ed.]), p. 528 [written by Yasushi Aoki].

4 See “Mensetsu Gaido Rain” (Interview Guideline), (Japan Patent Office).

contains any of the reasons for refusal listed in Article 49 of the Patent Act. He/she has no room for discretion, and cannot refuse an application based on any reason other than those listed in Article 49.

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An examination is made for each claim, and the notice of reasons for refusal clearly describes the reason for each claim. If an application were determined to contain reasons for refusal as a result of the examination, the examiner would give a decision to refuse the application (Article 49 of the Patent Act), but before giving this decision, he/she must notify the applicant of the reasons for refusal and give the applicant an opportunity to submit a written opinion, by designating an adequate time limit⁵ (Article 50 of the Patent Act). The applicant is then permitted to make an amendment before that time limit (Article 17-2, paragraph (1) of the Patent Act). The examiner carries out an examination again after looking at the written opinion. If he/she judges that the reasons for refusal still have not been resolved, he/she gives a decision of refusal. If the examiner finds no reason for refusal, he/she gives the decision to grant a patent (Article 51 of the Patent Act).

2.4.4.3. Examiner's Decision⁶ and Registration

The examiner first identifies the gist of the invention. The gist of the invention refers to the technical contents of the filed invention at the time of determining its novelty and involvement of an inventive step as compared to prior art in the examination phase. The identification of the gist of the invention serves as an important process also in a trial or litigation rescinding a trial decision, or in a defense of invalidation in infringement litigation.⁷

⁵ Under the JPO practice, the time limit is usually sixty days from the dispatch of the notice of reasons for refusal, and three months in the case where the applicant resides overseas.

⁶ For the meaning of an examiner's decision in the context of administrative law, see Yukio Okitsu, "Gyōsei Sayō To Shite No Tokkyōken Hassei To Tokkyō Mukō: Tokkyō Hō 104 Jō No 3 To Gyōsei Hō Dogumateiku" (Administrative Effect of Emergence of a Patent Right and Patent Invalidation: Article 104-3 of the Patent Act and Administrative Law Dogmatics), *Chiteki Zaisan Hō Seisakugaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 38 (2012), p. 43.

⁷ In contrast, determination of the technical scope in the infringement phase is often referred to as "claim interpretation" or "determination of the technical scope." Whether these two are the same or different is controversial, but today when a defense of invalidation has been recognized in infringement litigation, "identification of the gist of the invention" and "determination of the technical scope" should be considered to be the same. Toshiaki Iimura, "Hatsumei Toha Nanika, Shinkisei, Shinposei, Kisaiyōken" (What is an Invention? Novelty, Inventive Step, Description Requirements), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza II* (Lecture on Modern Intellectual Property Law II), p. 11. In contrast, Toshiaki Makino, "Kurēmu Kaishaku Oboegaki" (Memorandum on Claim Interpretation), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza IV* (Lecture on Modern Intellectual Property Law IV), p. 64 states that, while identification of the gist of the invention in an examination, invalidation trial, and defense of invalidation is a process of comparison between the technical idea which a person skilled in the art can identify based on publicly known products and processes and the technical idea which is the patent claim, the determination of the technical scope in infringement litigation is a process of comparison between the technical idea which is the invention and specific products or processes, and the two differ in terms of philosophy and orientation of determination.

The final judgment of the examiner is expressed in writing, while specifying the reason for refusal in the case of a decision of refusal (Article 50 of the Patent Act), and stating that “no reason for refusal is found” in the case of a decision to the effect that a patent is to be granted (Article 52 of the Patent Act), and the JPO Commissioner shall serve a certified copy of the examiner's decision on the applicant (paragraph (2) of said Article). If a decision to grant a patent is given (Article 51 of the Patent Act), the JPO Commissioner registers establishment of a patent right by the commissioner's own authority (Article 16, item (i) of the Patent Registration Order), and the patent right comes into effect by registration of its establishment (Article 66 of the Patent Act). Meanwhile, where there are multiple claims, all claims are examined, in principle, in the examination phase, and a notice of reasons for refusal is given if such reasons are found. If any one of the reasons for refusal remains unsolved, a decision of refusal is issued.⁸

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There is no system for filing an appeal under the Administrative Appeal Act against an examiner’s decision of refusal. If an applicant is dissatisfied, he/she may file for a trial against the examiner’s decision of refusal within three months from the date the certified copy of the examiner's decision of refusal has been served (Article 121 of the Patent Act).

If the applicant pays the annual patent fees (Article 107 of the Patent Act) for the first to third years or receives the grant of a reduction thereof or an exemption therefrom (Article 108, paragraph (1) and Article 109 of the Patent Act) within thirty days from the date the certified copy of the examiner's decision or a trial decision to grant a patent has been served, the patent is registered (Article 66, paragraph (2) of the Patent Act), whereon the registration is recorded in the patent registry and published in a patent gazette. An applicant who will receive the registration of the establishment of a patent right needs to pay annual fees, but even after the expiration of the time limit for the payment, a late payment can be made by also paying a patent surcharge in the same amount as the patent fees within six months from such time limit (Article 112, paragraphs (1) and (2) of the Patent Act). If no payment is made within that period, the application is deemed to have been extinguished retroactively (paragraph (4) of said Article). The annual patent fees for the fourth and subsequent years must be paid by the end of the previous year (Article 108, paragraph (2) of the Patent Act). With the 2011 revision, a revision was made so that, when there are justifiable reasons for not being able to pay the fees, the applicant can make a late payment

⁸ In the Tokyo High Court Judgment, January 31, 2002, *Hanji*, No. 1804, p. 108 (the Combined Bearing Motor case), the court held that, due to the need to examine a large number of applications expeditiously, the system allows an examiner to give a decision of refusal for the entire application if he/she finds a reason for refusal in one of the claims, but it is possible to respond appropriately to the inventions disclosed in the other claims by using the system of notice of reasons for refusal or the systems for amendment and divisional applications during the prescribed periods before or after the decision, so a sufficient procedural guarantee is being provided.

within two months from the date on which the reasons ceased to exist, but not later than one year following the expiration of that time limit, and restore the extinguished patent right (Article 112-2 of the Patent Act). There is also a provision restricting the effects of the restored patent right (Article 112-3 of the Patent Act).

However, there is a measure to reduce or exempt the fees for a person with insufficient funds (Article 109 of the Patent Act). An interested person may pay the patent fees even against the will of the person by whom the patent fees are to be paid, and may request the reimbursement of the expenses arising therefrom to the extent of the actual benefit obtained by the person by whom the patent fees were to be paid (Article 110 of the Patent Act). Such interested person includes a licensee or a pledgee.

While a patent covering two or more claims is treated as a single patent, in principle, the patent shall be deemed to have been granted for each claim when there are special provisions under Article 185 of the Patent Act, such as in the case of a trial for invalidation or a trial for correction.

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§3. Oppositions/Trials/Retrials/Advisory Opinions on the Technical Scope of a Patented Invention

3.1. Opposition System

3.1.1. Conventional Opposition System

The pre-grant opposition system was introduced by the Patent Act of 1921 and was maintained upon the 1959 revision. Under this system, anybody could file an opposition within three months from the publication of an examined application (Article 57 of the Patent Act before the 1994 revision). The examiner could make the final decision by referring to such opposition. Under the pre-grant opposition system, information could be gathered widely from the general public, which contributed to reducing the registration of defective patents that contained reasons for invalidation and to increasing its legal stability. However, the greatest drawback of this system was that filing an opposition prolonged the examination procedure, and often required a longer time for the patent to be registered. It was not unusual for an examination to be considerably delayed when multiple oppositions were filed. In fact, it had been said that oppositions were filed abusively in order to prolong the examination procedure in not a few cases. Since not many countries adopted the pre-grant opposition system, the Japanese system had been criticized internationally as being the cause for delaying examinations.

The report by the Industrial Property Council on the 1994 revision had set out that “there is a need to clarify the relation between the opposition system and the system of a trial for invalidation, and to have the two systems coexist,” and the pre-grant opposition system was abolished with the 1994 revision and the post-grant opposition system was introduced while maintaining the system of a trial for invalidation. The system of a trial for invalidation is mainly used for settling disputes between interested parties, so it adopts the adversary system. Meanwhile, the opposition system invites the general public to file oppositions for the purpose of having the JPO re-determine the appropriateness of granting a patent so as to secure the credibility of the patent right. As the two systems had these different proceeding structures, their proceedings could not be jointly conducted. Accordingly, a trial for invalidation was sometimes requested after an opposition had been filed, and the patentee had to deal with both of these proceedings. This caused a delay in the resolution of a case, and prevented resolution of a dispute through a single proceeding.

However, since the post-grant opposition system practically overlapped with the system of a trial for invalidation in that it extinguishes an established patent, it was

abolished in 2003, and the system of a trial for invalidation was reformed at the same time. It had been predicted that quite a number of opposition cases would shift to trials for invalidation as a result, but the number of requests for trials for invalidation only increased temporarily, and returned to the original level. In other words, against the prediction, post-grant oppositions were not absorbed by trials for invalidation. It was said that patent applications which would have been extinguished as a result of post-grant oppositions in the past survived as defective patent rights that contain reasons for refusal, and this caused a decline in the credibility of patent rights and triggered unnecessary patent disputes.¹ The opposition system, which was basically a procedure carried out by the JPO itself, was not so costly for the patent opponent, but since the system was integrated into the system of trials for invalidation, the cost for the trials for invalidation imposed a large financial burden particularly on small- and medium-sized enterprises and universities.

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3.1.2. Opposition System Introduced by the 2014 Revision

Today, prior art documents, particularly those in foreign languages, have increased dramatically, so it has become difficult for the JPO to conduct accurate patent examination by itself. There is a need to also make use of information held by third parties. After the abolishment of the post-grant opposition system, the use of the system in which third parties offer information on prior art before the grant of a patent (Article 13-2 of the Patent Act Enforcement Ordinances) increased and has contributed to securing high-quality examination, but due to the acceleration of examination in recent years, a growing number of patents have come to be granted before the laying open of the applications (more than 5,000 patents per year), and the system of offering information before the grant does not function for such patents. Due to such changes in circumstances, the opposition system of 1994 was improved to establish a system of opposition to a granted patent (a post-grant review system) with the 2014 revision (Chapter V, Articles 113 through 120-8 of the Patent Act).

The post-grant opposition system is a review procedure after the establishment of a

¹ Among the 3,055 cases for which conclusions were reached in the opposition proceedings under the conventional post-grant opposition system during 2003, patents were maintained without correction in 671 cases (22%), patents were maintained after correction in 1,186 cases (39%), and patents were revoked in 1,136 cases (37%). Given that a large proportion of the patents subject to opposition have been revoked or maintained after correction, it is assumed that similar defective patents continue to exist as they are under the current system (Report by the Patent System Subcommittee, Intellectual Property Committee, Industrial Structure Council, “Tsuyoku Antei Shita Kenri No Sōki Settei Oyobi Yūzā No Ribensei Kōjō Ni Mukete” (Toward Early Establishment of Strong and Stable Rights and Improvement of Conveniences of Users) [September 2013], p. 15). Incidentally, because a defense of patent invalidation became allowed with the 2004 revision (Article 104-3 of the Patent Act), the need for third parties (suspected infringers) to wipe out patent rights in advance by filing oppositions has declined compared to the past.

patent right, so it is not a procedure to conduct examination once again, but a panel of administrative judges carry out the procedure as proceedings (Article 114, paragraph (1) of the Patent Act). From the viewpoint of preventing defective patent rights, an opposition can be filed by any person, but the grounds for the opposition are limited to those for the public interest, which are restrictively listed in Article 113, items (i) through (v) (e.g., a lack of novelty or an inventive step, or illegal amendment). Conversely, grounds concerning ownership of the right (e.g., a misappropriated application or a violation of joint application) do not constitute grounds for opposition. This is because it is not appropriate to allow a third party to file an opposition about the ownership of another person's right.

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The Act as revised in 2014 provides that any person may file with the JPO Commissioner an opposition to a granted patent, but no later than six months² following the day of issuance of the patent gazette containing the patent (the first sentence of the main clause of Article 113 of the Patent Act). In this case, if the patent has two or more claims, an opposition may be filed for each claim (the second sentence of the main clause of said Article), and a ruling on an opposition becomes final and binding for each case of opposition (Article 120-7 of the Patent Act). While a trial for invalidation is conducted by oral proceedings, in principle, (Article 145 of the Patent Act), the proceedings of an opposition are conducted by documentary proceedings (Article 118, paragraph (1) of the Patent Act). Persons with an interest in the patent right may intervene in the opposition proceedings (Article 119). An amendment of the statement of opposition must not change the gist thereof, in principle (Article 115, paragraph (2) of the Patent Act).

Where the chief administrative judge intends to render a revocation decision, the chief administrative judge must notify the patentee and the intervenors of the reasons therefor and give them an opportunity to submit a written opinion, designating an adequate time limit for such purpose (Article 120-5, paragraph (1) of the Patent Act). Within the time limit, the patentee may file a request for correction of the description, scope of claims, or drawings to a certain extent (paragraph (2), items (i) through (iv) of said Article). If the patentee files a request for correction, the chief administrative judge must give the patent opponent an opportunity to submit a written opinion (paragraph (5) of said Article). A request for a correction trial may not be filed from the time the relevant opposition to a

² Many other countries set this period to be within nine months (the period for filing a post-grant opposition under the European Patent Convention, a post-grant review in the United States, and a post-grant opposition under the amendment bill in Germany). Report by the Patent System Subcommittee, Intellectual Property Committee, Industrial Structure Council, "Tsuyoku Antei Shita Kenri No Sōki Settei Oyobi Yūzā No Ribensei Kōjō Ni Mukete" (Toward Early Establishment of Strong and Stable Rights and Improvement of Conveniences of Users) [September 2013], p. 16 states that, since the burden on patent opponents has been reduced in Japan in light that the parties' written assertions can be supplemented by ex officio proceedings by a panel of administrative judges, it is appropriate to make this period six months from the viewpoint of reducing the burden on patentees and achieving early stabilization of rights.

granted patent has become pending before the JPO to the time the ruling on the opposition has become final and binding (Article 126, paragraph (2) of the Patent Act).

An administrative judge must make a ruling that the patent is to be revoked (revocation decision) if the administrative judge recognizes that the patent has a ground for opposition (Article 114, paragraph (2) of the Patent Act), and if not, the administrative judge must make a ruling that the patent is to be maintained (paragraph (4) of said Article). No appeal may be made under the Administrative Appeal Act against a revocation decision (Article 195-4 of the Patent Act), so a person who is dissatisfied with the decision files an action with the Tokyo High Court (the Intellectual Property High Court) (Article 178, paragraph (1) of the Patent Act). If a revocation decision becomes final and binding, the patent right is deemed never to have existed (Article 114, paragraph (3) of the Patent Act). This is the same as when a trial decision to the effect that a patent is to be invalidated becomes final and binding (Article 125 of the Patent Act). A patent opponent may not make an appeal under the Administrative Appeal Act against a ruling that a patent is to be maintained (Article 114, paragraphs (4) and (5) of the Patent Act), so if dissatisfied, the patent opponent files a request for an invalidation trial.

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The Act of 2014 basically adopts the *ex officio* principle, and proceedings are conducted only for the patent claims for which the opposition is filed, but grounds not pleaded by the patentee, the patent opponent, or the intervenor may also be examined in the opposition proceedings (Article 120-2 of the Patent Act). Since the Act of 1994 had not given the patent opponent an opportunity to state his/her opinions in the opposition proceedings, and this aspect was considered to require improvement, the revised Act allows the parties concerned to participate in the proceedings more deeply. It has improved the system for the patent opponent's participation in the procedure. Instead of relying solely on the JPO's *ex officio* proceedings, it gives the parties an opportunity to state their opinions through an easy procedure (Article 120-5, paragraph (1) of the Patent Act), and within the time limit designated at that time, it gives the patentee an opportunity to make a correction, and allows the patent opponent to further submit a written opinion if the opponent so wishes (paragraph (5) of said Article). In order to achieve dispute resolution through a single proceeding and acceleration of proceedings, if two or more motions of an opposition have been filed, the proceedings are jointly conducted unless there are special circumstances (Article 120-3, paragraph (1) of the Patent Act). While the former Act had already provided for suspension of examination and court proceedings, the revised Act made it possible to suspend the examination procedure not only until a trial decision becomes final and binding,

but also until a ruling on an opposition becomes final and binding³ (Article 54, paragraph (1) of the Patent Act).

With the 2014 revision, the post-grant opposition system and the invalidation trial system have come to coexist, similar to the situation under the Act of 1994, in principle. Since it is possible to request an invalidation trial during opposition proceedings, the two proceedings may become pending at the same time. However, since the system of the parties' participation in the procedure has been improved from that under the Act of 1994, concurrent pending of proceedings is expected to be rare in actuality. Nevertheless, even if it is rare, concurrent pending of proceedings is said to be more likely to occur for important cases that need to be examined expeditiously, so there remains a concern about whether the new system will not cause the detriment of concurrent pending of proceedings, which was the reason that the post-grant opposition system was abolished upon the 2003 revision. Yet, the recent revision is hoped to reduce the burden on users and enable early establishment of stable rights.

In line with the recent introduction of the post-grant opposition system, the invalidation trial system was also revised. While a request for a trial for invalidation could be filed by any person until 2014 (Article 123, paragraph (2) of the Patent Act before the revision), it can now be filed by interested persons only, in principle (Article 123, paragraph (2) of the revised Patent Act), as a result of the revision. For details, see “3.2.3.2.(2) Standing of demandants and standing of demandees.”

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Although there have been rapid changes in the environment surrounding the patent system, we cannot deny that the patent opposition system has been revised at a dizzying pace without a consistent policy, starting with the introduction of a pre-grant opposition system, the shift to a post-grant opposition system, abolishment of the opposition system and integration with the invalidation trial system, and revival of the post-opposition system in less than ten years from the abolishment of the system. It is hoped that the recent revision will finally be able to attain the long-pursued purpose of “early establishment of strong and stable rights and improvement of convenience for users.”

3.2. Trials

3 Japan Patent Office, ed., *Kōgyō Shoyūken Hō Chikujō Kaisetsu [19 han]* (Clause-by-Clause Commentary on Industrial Property Law [19th ed.]), p. 202 provides examples of cases, such as a case where invalidity of a representative's action carried out with the JPO is disputed in litigation on the basis of a lack of the right of representation and a case where invalidity of transfer of the right to a patent is disputed in litigation.

3.2.1. Purpose and Significance of the Trial System

A trial is regarded as a quasi-judicial authority established under the JPO (though there is an opposite view), whose mission includes the re-examination of the final disposition given by the examiner and the revocation or correction of a defective patent. Also, there are supplementary trials, such as a trial for the exclusion of or challenge to a trial examiner and a trial for intervention in a trial.

Although the trial system is established under an administrative organ (the JPO), the trial decision is required to be as fair as a court judgment, so trials are conducted through a procedure resembling that of court proceedings. Also, since litigation for rescinding a trial decision is filed directly with the Tokyo High Court (the Intellectual Property High Court) by omitting the first instance, a trial is regarded as a quasi-judicial authority. The reason for making it an objection system, which is different from the system governing ordinary administrative cases, is said to be based on the technical character of industrial property rights. In general, a person who is dissatisfied with an administrative disposition may file a request for review (Article 2 of the Administrative Appeal Act), or immediately file an action for the revocation of the administrative disposition with a court (Article 8, paragraph (1) of the Administrative Case Litigation Act). In contrast, the Patent Act provides that no appeal may be made against a disposition (an examiner's decision, etc.) (Article 195-4 of the Patent Act), and an action with regard to a matter for which a request for a trial may be made may be instituted only against a trial decision (Article 178, paragraph (6) of the Patent Act). This is because, since a high level of technical expertise is required for processing the matters to be examined in a trial, it is more reasonable to have the JPO, which has expertise in technology, examine the case in advance, rather than have the case filed directly with a court.⁴

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Since the trial system was first established in the Patent Bylaws of 1888, the system has undergone various changes up to the present. Under the Act of 1921, the system of a trial on appeal against an examiner's decision or a trial decision (Kokoku trial) existed as a procedure to be followed after the trial system in order to take extra care in carrying out a procedure, but the system has been abolished under the current Act to simplify and expedite a procedure. Since not only carefulness, but also speed is important for patent-related

⁴ Whereas the trial system was first introduced in the Japanese patent system by the Patent Bylaws of 1888 (Imperial Ordinance No. 84), a similar comment is found in the autobiography of Korekiyo Takahashi who drafted the bylaw, Korekiyo Takahashi, *Takahashi Korekiyo Jiden* (Autobiography of Takahashi Korekiyo) (Tonan Shoin, 1936), p. 294 (see *Shōkō Seisaku Shi* [History of Commercial and Industrial Policy] [Ministry of International Trade and Industry, 1964], Vol. 14, "Patent," p. 550, "Takahashi Korekiyo Ikōshū Kara" [Extracts from the Posthumous Writings of Korekiyo Takahashi], "Shinpan Oyobi Shinsa Ni Kansuru Genkon No Seido Narabini Sono Tokushitsu Wo Ronzu [Discussions on the Current Trial and Examination Systems and Their Advantages and Disadvantages]" [p.647]).

procedures, this simplifying measure is considered to have contributed to attaining the purpose of the system.

3.2.2. Legal Nature of Trials

Since the establishment of the trial system, the legal nature of the system has been subject to arguments. Although the history of the system is an interesting topic for study, a more detailed look at its historical development shall be left to other books.¹

A trial under the current Act is considered to be one kind of administrative contestation, in principle.² Since a trial decision is an administrative disposition, and an administrative authority cannot conduct a trial of the final instance (Article 76, paragraph (2) of the Constitution of Japan), a person who is dissatisfied with a trial decision can naturally appeal to a court. If it were an ordinary administrative disposition, it should be under the jurisdiction of the district court of the location of the government agency that has made the trial decision (the JPO in the case of such disposition on a patent) (Article 12, paragraph (1) of the Administrative Case Litigation Act), but due to the peculiarity of the trial, it is processed under the exclusive jurisdiction of the Tokyo High Court (Article 178, paragraph (1) of the Patent Act).³ This is because, where the trial is a quasi-judicial authority in which a trial examination is made by a procedure resembling that of a court, if a lawsuit against the trial decision were examined in the district court first as for other general administrative cases, it would not always be profitable for the parties concerned considering the time and labor consumed for the court proceedings.⁴

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A trial is conducted by a panel of three or five trial examiners (Article 136, paragraph (1) of the Patent Act), and the panel makes its decision by a majority vote (paragraph (2) of said Article). The JPO Commissioner must designate the trial examiners

1 Historical development of the trial system is explained in Tetsuya Ōbuchi, *Tokkyo Shinketu Torikeshi Soshō Kihon Kōzōron* (Basic Structure of an Appeal Suit against an Administrative Trial Decision on Patents) (Yuhikaku, 2003), p. 131; Makoto Amino, “Waga Kuni No Kōgyō Shoyūken Hō Ni Okeru Shinpan Seido No Enkaku” (History of the Trial System in the Japanese Industrial Property Law), *Zoku Shōhyō Hō No Shomondai* (Various Problems in the Trademark Act II) (Tokyo Nunoi Publishing, 1983).

2 Ryūichi Murabayashi, “Tokkyo Mukō Shinpan To Teisei Shinpan” (Trials for Invalidation of a Patent and Trial for Correction), Ishiguro Junpei Tsuitō Kinen, *Mutai Zaisanken Hō No Shomondai* (Various Problems in Intangible Property Law), p. 277 mentions that although an inter-partes trial can be considered as a quasi-judicial procedure, an ex-parte appeal does not involve any legal dispute, so the latter is an administrative procedure even though it adopts a careful trial procedure.

3 The cases are handled by the Intellectual Property High Court, which is a special branch of the Tokyo High Court (Article 2, item (ii) of the Act for Establishment of the Intellectual Property High Court).

4 A system where the first instance is omitted and the high court has exclusive jurisdiction is not exclusive to industrial property law, but is also observed in litigation for rescinding such administrative dispositions as former decisions of the Fair Trade Commission (the system of decisions of the Fair Trade Commission was abolished in 2013, and a person who is dissatisfied with a cease and desist order rendered by the Fair Trade Commission is to directly seek the Tokyo District Court to rescind the order) and determination of the Japan Marine Accident Inquiry Agency.

for each case (Article 137, paragraph (1) of the Patent Act), and designate one of them as the chief trial examiner (Article 138, paragraph (1) of the Patent Act). In order to secure a fair trial, there are systems for the exclusion of and challenge to trial examiners similar to those for court trials (Articles 139 through 144 of the Patent Act).

A request for a trial may be withdrawn until a trial decision becomes final and binding. Until 1987, withdrawal was not allowed after a notice of conclusion of proceedings was given, so as not to waste proceedings that have already been conducted. Accordingly, a person who wished to seek a settlement after receiving a notice of conclusion of proceedings went through a roundabout method of filing a lawsuit for rescinding the trial decision, obtaining a judgment rescinding the trial decision without making any claims or producing any evidence as plaintiff, and withdrawing the request for the resumed trial. Thus, the relevant provisions were revised.

With respect to the relationships between a trial and a court action, the main issue is whether or not a fact that did not appear in the trial can be claimed in a court action, so this topic shall be discussed in the part about lawsuits. See “4.3. Relationship Between Litigation and Trials (Scope of Proceedings in Litigation for Rescinding a Trial Decision).”

3.2.3. Types of Trials and Their Details

3.2.3.1. Trial against Examiner’s Decision of Refusal (Article 121 of the Patent Act)

(1) Request for a trial and the time limit for the request

While a person dissatisfied with a general administrative disposition may appeal to a court, given that an examiner's decision of refusal (including a decision of refusal of an application to register an extension of the duration of a patent right) under the Patent Act is a peculiar administrative disposition, a special appeal system (the trial system) has been established therefor, and no appeal may be made under the Administrative Appeal Act (Article 195-4 of the Patent Act). A person who has received an examiner's decision of refusal can file a request for a trial within three months¹ from the date the certified copy of the examiner's decision has been served (Article 121, paragraph (1) of the Patent Act). As an exception, the period for filing the request for a trial can be extended upon request or ex officio for a person in a remote area or an area with transportation difficulties (Article 4, paragraph (1) of the Patent Act). If a request for a trial cannot be filed due to reasons beyond the control of that person, he/she can file the request within fourteen days (where he/she is an overseas resident, within two months) from the date on which the

¹ It was within thirty days prior to the 2008 revision.

reasons ceased to be applicable, but not later than six months following the expiration of the said time limit (Article 121, paragraph (2) of the Patent Act). No other appeal can be made, and also no action can be filed directly with a court seeking the rescission of the examiner's decision of refusal. In the case of a joint application, the subject matter of the trial should be determined in a single form for all joint owners, so the request for a trial must be filed by all joint owners (necessary joinder of inherent parties) (Article 132, paragraph (3) of the Patent Act).

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The request for a trial can be filed by a person who has received an examiner's decision of refusal (Article 121, paragraph (1) of the Patent Act), but not by a third party. Therefore, a third party who is dissatisfied with the examiner's decision will take the procedure of a trial for invalidation. Although the provisions of the Act only mention a person who has received an examiner's decision of refusal as an eligible requester of a trial, a successor in title who has made a notification to the JPO can also request a trial. Meanwhile, a person who has received a decision to the effect that a patent is to be granted normally would not be dissatisfied with the decision.²

(2) System of reconsideration by examiner before trial (Article 162)

An applicant usually wants to avoid making an amendment to the extent possible, so an amendment used to be often made after receiving a decision of refusal. In most of

² The former Act stipulated that a person who was dissatisfied with an examiner's decision could request a trial on appeal against an examiner's decision or a trial decision (Kokoku trial), so, formally, a person who received a decision to the effect that a patent is to be granted was also considered to be able to request a trial, but since there was hardly any benefit in doing so, in actuality no such trial seems to have been requested. However, the current Act (Article 195-4) provides that no appeal may be made against an examiner's decision, so, formally, it would not be possible to make an appeal under the Administrative Appeal Act against a decision to the effect that a patent is to be granted, and the judicial remedy route would be taken directly. Meanwhile, the Tokyo District Court Judgment, March 7, 2014, court website (the Arylpiperazine Derivative case) was a case where an opposition was filed under the Administrative Appeal Act seeking rescission of a decision to grant a patent, because the representative of the applicant made an amendment to make the claims extremely narrow by mistake, and a decision to grant a patent was rendered for such claims. In this case, the court rescinded the decision to grant a patent, holding that, when the reason for refusal and the contents of the written amendment are inconsistent and the amendment is not considered to be based on the applicant's true intention, and when this is apparent to the examiner in charge, the examiner's decision is not deemed to be one against which no appeal may be made under the Administrative Appeal Act. In its appellate instance, the Intellectual Property High Court Judgment, June 10, 2015, court website, the court stated that "the Act intended to exclude examiners' decisions, including a decision to grant a patent, from the subject of administrative appeal," and dismissed the objection, holding that "an examiner's decision to grant a patent is a disposition for which another Act provides that no request for review or objection may be filed against it, as stipulated in the proviso to Article 4, paragraph (1) of the Administrative Appeal Act, and therefore no objection may be made under the Administrative Appeal Act against the examiner's decision to grant a patent in question." Incidentally, the court stated that "it is sufficient for an examiner to determine whether or not the invention described in the abovementioned document pertaining to the application filed by the applicant satisfies the patentability requirements, and the examiner is not obliged to go beyond this and confirm whether or not the contents of the application filed by the applicant are consistent with the true intention of the applicant," so "the claim of invalidity of the examiner's decision to grant a patent in question, which has been made on the assumption that the amendment in question is invalid due to an error, is groundless." Setting aside cases where there was an extreme violation of the procedure, such as where the examiner did not carry out examination at all or where it should be regarded as the same as if the examiner did not carry out examination in practice, there would be a problem in rescinding a decision to grant a patent in a case like this where the decision was rendered in accordance with the amendment by the applicant.

the trials against an examiner's decision, an amendment was actually made after the decision of refusal. When an applicant makes an amendment after receiving a decision of refusal and filing a trial against that decision, a procedure similar to an examination had to be repeated in the trial phase, which was one of the causes for the delay in examinations. Therefore, this system of reconsideration by the examiner before a trial was established with the 1970 revision to have the original examiner,³ who knows the content of the technology well, re-examine the application when an amendment is made to the description (at that time, the scope of claims was included in the description) or drawings after a decision of refusal has been issued (Article 162 of the Patent Act). The system was established so that the human resources of the JPO as a whole can be utilized more efficiently.⁴ However, in 1970 when the system was established, any amendment could be made as long as it did not change the gist of the invention. Thus, there were often cases where examinations needed to be conducted almost all over again in the reconsideration procedure. However, as any amendment that adds new matter was prohibited with the 1993 revision, the system of reconsideration became more effective than before.

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An examination in the reconsideration procedure is conducted using the same procedure as an ordinary examination. When the examiner determines that the reason for refusal has been overcome by the amendment, he/she rescinds the decision of refusal and renders a decision to the effect that a patent is to be granted (Article 164, paragraph (1) of the Patent Act). If the decision of refusal still cannot be rescinded after the examination, the examiner reports the examination results to the JPO Commissioner (paragraph (3) of said Article), the Commissioner designates the trial examiners (Article 137, paragraph (1) of the Act), and the trial is commenced. When the examiner finds a reason for refusal that differs from that in the original decision, he/she gives another notice of reasons for refusal (Article 163, paragraph (2) of the Patent Act).

(3) Amendment

When filing a request for a trial against an examiner's decision of refusal, an amendment of the description, scope of claims or drawings may be requested upon⁵ filing the request for a trial (Article 17-2, paragraph (1), item (iv) of the Patent Act). In making the amendment, no new matter may be added (excluding the statement of correction of an incorrect translation) (paragraph (3) of said Article), the requirements of unity of

³ The original examiner who is more familiar with the original decision more than anyone else undertakes the examination in practice, but this is not required under law, so a different examiner may undertake the examination when the original examiner has been transferred or has resigned.

⁴ Ken'ichi Matsuka, "Shinsa Zenchi Shugi" (System of Reconsideration by the Examiner Before an Appeal), *Tokyo Kanri* (Patent Management), Vol. 22, No. 4 (1972), p. 303.

⁵ Under the former Act, an amendment could be made within thirty days from the filing of a request for a trial, but an amendment came to be permitted only upon filing a request for a trial with the 2008 revision.

invention must be fulfilled (paragraph (4) of said Article), and the amendment is limited to deletion of a claim or claims, restriction of the scope of claims, correction of errors, or clarification of an ambiguous statement (paragraph (5) of said Article).

When an amendment is made upon the filing of a request for a trial, the JPO Commissioner must direct the examiner to examine the request for amendment (Article 162 of the Patent Act) as reconsideration by examiner before trial as mentioned above. Amendments in general are described in detail in “2.3. Amendment.”

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(4) Trial examination and trial decision

The point of a trial examination in a trial against an examiner’s decision of refusal is not the appropriateness of the decision of refusal, but whether or not a patent should be granted for the application.⁶ The trial examination does not have the nature of a new examination where the examination is completely redone, but of a continued examination as an extension of the original examination. Thus, any procedure taken during the examination procedure is also effective in the trial (Article 158 of the Patent Act).⁷ For example, when rendering a trial decision to the effect that the request for a trial is invalid based on the same reason as that in the notice of reasons for refusal, the trial examiners do not need to send another notice of reasons for refusal.⁸ Also, the production of any new evidence that had not been submitted in the examination phase is allowed in the trial procedure without limitation. A trial against an examiner’s decision of refusal, which, unlike a trial for invalidation, does not adopt an adversary structure, is carried out through documentary proceedings, in principle (Article 145, paragraph (2) of the Patent Act).

In a trial, if a request is groundless, the request is dismissed, and the original examiner’s decision of refusal is maintained. If new reasons for refusal are discovered as a result of the proceedings, the trial examiners give the applicant a notice of reasons for refusal and an opportunity to submit a written opinion, designating an adequate time limit for such purpose (Article 50 as applied mutatis mutandis pursuant to Article 159, paragraph (2) of the Patent Act), and if they determine that the application still needs to be refused, the request for the trial is dismissed based on the invalidity of the request, and the original examiner’s decision is maintained. If a request has grounds, it is possible to rescind the original examiner’s decision and render a trial decision to the effect that the patent application should be further examined (remand) (Article 160, paragraph (1) of the Patent Act). In that case, the determination in the trial decision binds the examiner with

6 Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Ge [Dai 3 Han]* p. 1327 (written by Tsuneteru Aragaki).

7 The examination here includes reconsideration by the examiner before trial. Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 443.

8 The Tokyo High Court Judgment, March 31, 2003, court website (the Fender case).

regard to that case (paragraph (2) of said Article). However, cases are hardly ever remanded,⁹ and in most cases trial proceedings are further continued and the question of whether or not a patent should be granted is investigated ex officio. If no reason for refusal is found, the original examiner's decision is rescinded, and a decision to the effect that a patent is to be granted is rendered (Article 159, paragraph (3) of the Patent Act).

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3.2.3.2. Trial for Invalidation of a Patent (Article 123 of the Patent Act)

(1) Significance of a trial for invalidation of a patent

Although a patent is granted after examination by an examiner, it is practically difficult for an examiner to search all technical documents around the world, so the establishment of defective patent rights cannot be completely avoided. However, to leave a defective patent right as is would mean allowing the monopoly of an invention that can basically be worked by anybody, and it would hinder the development of industry and damage the credibility of the patent system. Thus, there is a need for a procedure to nullify a defective patent right after registration, and such procedure is the trial for invalidation of a patent and the opposition system (described earlier). If a trial decision of invalidation becomes final and binding, the patent loses its effect retroactively, and is deemed never to have existed, whereby the invention becomes available for all people to work. However, in the case of double patenting, the senior patent would still remain effective even if the junior patent were invalidated, so the invention would not become available for anybody to work, but that is a rare case (Article 80 of the Patent Act). Also, if a patent is invalidated due to reasons for invalidation that occurred after the grant of the patent (Article 123, paragraph (1), item (vii) of the Patent Act), the patent is deemed not to have existed from the time such reasons occurred (the proviso to Article 125 of the Patent Act).

The system for invalidating a patent differs by country, but in Japan only the JPO has been authorized to determine the validity of a patent since the Meiji era (from the late 19th century to early 20th century). Therefore, the courts cannot be regarded as being able to determine the validity of a patent, which means that naturally one cannot claim the invalidation of a patent in an infringement litigation procedure or a criminal procedure relating to an infringement, and cannot appeal for confirmation of the invalidity of a patent. Although courts have been regarded as having no authority to invalidate a patent, they have the authority to interpret the scope of protection of a patent right. Accordingly,

⁹ A case may be remanded when, for instance, an examiner has rendered a decision of refusal based on a formal reason, such as where there was an error in the indication of a cited invention, but the correct invention to be cited is unknown.

they have made interpretations equivalent to practically denying the effectiveness of patent rights in the name of interpreting the scope of protection. As a result, it has been rare for defective patents to have real power. The determination of the validity of a patent here means a determination that affects the public, which is different from the issue of whether a court can determine the validity of a patent only within a particular suit. Since courts were not permitted to determine patent invalidity, there were various arguments¹⁰ as to how patents containing reasons for invalidation should be treated in an infringement suit. Nevertheless, it became possible to assert a defense of patent invalidation in an infringement suit with the 2004 revision (Article 104-3 of the Patent Act), and this put an end to prolonged argument that had continued since the Meiji era.

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A trial for invalidation takes the style of a dispute between two parties, which seemingly resembles civil litigation. However, a trial for invalidation not merely contributes to the interests of private persons, but is a procedure for nullifying the right to a monopoly, which has been granted for art for which such right should not be granted, and its effects affect the interests of everybody (public interest). A patent right which contains reasons for invalidation should not be kept valid, and the Patent Act has been legislated in such a manner as to eliminate such patent right. Such a stance can be seen in the ex officio system adopted in a trial for invalidation (see Article 150 onward of the Patent Act). Thus, a trial for invalidation is also considered to have a strong function of administrative control for ensuring that the administration complies with its original purpose and relevant law.¹¹ Despite the fact that the administrative authority that made the disposition concerning the grant of a patent is not a party and is excluded from the dispute, the true subject of the dispute is the illegality of the administrative disposition, which is the grant of the patent. So a trial of invalidation relating to the public interest formally adopts an adversary system, but has the nature of an administrative lawsuit rather

10 Nobuhiro Nakayama, “Tokkyo Shingai Soshō To Kōchi Gijutsu” (Patent Infringement Litigation and Publicly Known Technologies), *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 98, No. 9 (1981), p. 1115.

11 As the function of administrative control becomes stronger, this will result in the scope of the conditions for qualifying as a plaintiff in an appeal suit also expanding (see Ichirō Ogawa, “Uttae No Rieki To Minshū Soshō No Mondai -- Shukanteki Uttae No Rieki No Kakudai To Sono Genkai Ni Kansuru Ippan Riron E No Shiron” [Issues of the Interests in Appeal and Popular Actions -- Trial Discussion on the General Theory Concerning Expansion and the Limit of Interests in Subjective Action], *Tanaka Jirō Koki Kinen, Kōhō No Riron Chu* [Essays in Honor of the Seventieth Birthday of Professor Jirō Tanaka, Theory of Public Law, Vol. 2] [Yuhikaku, 1976]; Toshimasa Sugimura and Masashi Kaneko, *Gyōsei Tetsuzuki/Gyōsei Sō Hō* [Administrative Procedures/Administrative Contestation Law], [Chikuma Shobo, 1973], p. 297; Naohiko Harada, *Uttae No Rieki* [Interests in Appeal] [Koubundou, 1973], p. 9).

than that of a civil lawsuit.¹² Therefore, unlike the adversary system under the Code of Civil Procedure, it is a formal adversary system, and the ex officio system is adopted, in principle. Accordingly, the trial examiners may examine or preserve evidence ex officio (Article 150, paragraph (1) or (2) of the Patent Act), carry out proceedings ex officio (Article 152 of the Patent Act), be unbound by facts admitted by a party (Article 151 of the Patent Act), and examine grounds that are not pleaded by a party (Article 153, paragraph (1) of the Patent Act). However, they may not examine any object of claim not claimed by the demandant of the trial (paragraph (3) of said Article).

With the 1993 revision, it was provided that a trial for correction cannot be requested while a trial for invalidation is pending, but that, in return, a request for correction can be made in the trial for invalidation. Meanwhile, it was provided that, when litigation for rescinding a trial decision is filed against a trial decision of invalidation, a trial for correction may be requested within 90 days from the filing of the litigation, but as a result of the 2011 revision, a trial for correction may not be requested from the time the invalidation trial becomes pending before the JPO to the time the trial decision becomes final and binding (Article 126, paragraph (2) of the Patent Act). With regard to this point, see “3.2.3.3. Trials for Correction (Article 126 of the Patent Act).”

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(2) Standing of demandants and standing of demandees

Provisions on the standing of demandants of invalidation trials have undergone major changes. Under the Act of 1921, the standing of the demandant of a trial for invalidation was limited to “an interested party or an examiner” (Article 84, paragraph (2) of the former Act). The interpretation of the specific scope of interested parties could vary, but that is only an argument of procedural law in general; in abstract, the scope of the demandants was clear. However, this limitation was deleted upon the 1959 revision, and the provision was set out in a passive sentence without a subject (Article 123, paragraph (1) of the Patent Act before the 2003 revision). Thus, a problem arises as to whether any person can now request a trial due to the deletion of the limiting requirement, or, since the provision does not specifically set forth that any person can request a trial, only the interested parties should be allowed to request a trial in accordance with the civil

¹² A trial for invalidation can be considered to be something like an inter-partes trial under public law, but in substance it can be regarded as something like an appeal suit filed by a third party (formal inter-partes trial). Similar proceedings resembling a lawsuit include those under Article 133, paragraph (3) of the Compulsory Purchase of Land Act, Article 69, paragraph (7) of the Road Transportation Act, and Article 97, paragraph (2) of the Mining Act. However, the subject of these proceedings is not the illegality of a disposition itself, but a dispute over the compensation awarded by the disposition. Yukio Okitsu, “Tokkyo Fuyo/Mukō Shinpan/Shingai Soshō” (Patent Grant/Invalidation Trial/Infringement Litigation), *Patent*, Vol. 64, No. 10 (Separate Volume No. 6) (2011), p. 1 states that a ground for patent invalidation is not an illegal ground for registration establishing a patent (it is not illegal as long as the examiner did not find a reason for refusal in examination), and that an invalidation trial is an administrative procedure which has the nature of initial proceedings for extinguishing a substantively improper patent.

litigation principle whereby a person having no interest in the matter cannot request a trial.¹³

The JPO practice immediately after the 1959 revision was not to conduct an examination regarding the presence or absence of an interest,¹⁴ but the Tokyo High Court consistently reversed this practice, and recognized that only interested parties could request a trial.¹⁵ Accordingly, the practice of allowing only interested parties to request an invalidation trial became established. Most theories interpreted that a demandant must have an interest, based on the civil litigation principle that a person without an interest has no cause of action,¹⁶ but there were also opposite views.¹⁷

With the 2003 revision, it was stipulated that any person can file a request for a trial for invalidation, in principle (Article 123, paragraph (2) of the Patent Act), but that only an interested person can file a request for a trial for patent invalidation on grounds that the patent was granted in violation of the provisions on a joint application (Article 38 of the Patent Act) or granted for a misappropriated application (Article 123, paragraph (1), item (vi) of the Patent Act) (the proviso to Article 123, paragraph (2) of the Patent Act before the 2011 revision). This was a measure to abolish the system of oppositions which could be filed by anybody, and in its place, relaxed the requirements for the standing of a demandant as regards a trial for invalidation and limited the standing of a demandant as regards a trial for patent invalidation filed on grounds of the ownership of the right, such as that the patent was granted in violation of the provisions on a joint application or granted for a misappropriated application to interested persons. Then, with the 2011 revision, the right of a true right holder to request transfer of the patent right was introduced, and in line with this, the provision which stated that only an interested person may file a request for a trial for patent invalidation on grounds that the patent was granted

13 With regard to this issue, see Nobuhiro Nakayama, “Tokkyo Mukō Shinpan Ni Okeru Seikyūnin Tekikaku” (Conditions for a Demandant of a Trial for Invalidation of a Patent), Toyosaki Mitsue Tsuitō Kinen Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 195; Minoru Takeda, “Mukō Shinpan Seikyū No Rieki” (Merits in Demanding a Trial for Invalidation), *Hatsumei* (Invention), Vol. 87, No. 1 (1990), p. 54; Yōichirō Komatsu, “Mukō Shinpan To Rigai Kankein” (A Trial for Invalidation and Interested Parties), *Patent*, Vol. 36, No. 8 (1983), p. 15.

14 Trial No. 292 of 1961, Published Trial Decisions, No. 445, p. 3; Trial No. 666 of 1961, Published Trial Decisions, No. 341, p. 47; Trial No. 7806 of 1967, Published Trial Decisions, No. 756, p. 19.

15 In the Tokyo High Court Judgment, September 27, 1966, *Gyōshū*, Vol. 17, No. 9, p. 1119 (the Closed Agitation Device case), the court held that the representative of a company does not have standing as a demandant because the representative does not have interest in the patent as an individual, and in the Tokyo High Court Judgment, February 25, 1970, *Mutai Saishū*, Vol. 2, No. 1, p. 44 (the Vinyl Chloride Stabilizer case), the court held that a patent attorney does not have standing as a demandant.

16 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu (Dai 13 Han)*, p. 596; Mitsue Toyosaki, *Kōgyō Shoyūken Hō (Shinpan/Zōho)*, p. 283; Yoshirō Hashimoto, *Tokkyo Hō (Dai 3 Han)*, p. 127; Kazuo Morioka, *Kōgyō Shoyūken Hō Gaisetsu (Dai 4 Han)*, p. 113.

17 Nobuhiro Nakayama, “Tokkyo Mukō Shinpan Ni Okeru Seikyūnin Tekikaku” (Conditions for a Demandant of a Trial for Invalidation of a Patent), Toyosaki Mitsue Tsuitō Kinen Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 195; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 444; Yasushi Aoki and Tsuneteru Aragaki, *Shinpan Tokkyo Tetsuzuki Hō* (Patent Procedural Law, New ed.), p. 282.

in violation of the provisions on a joint application or granted for a misappropriated application was revised so that only “a person having the right to obtain a patent for the invention pertaining to said patent” may file such request (the proviso to Article 123, paragraph (2) of the Patent Act).¹⁸ Along with this, it became possible for persons other than a person having the right to obtain a patent to submit allegations and evidence (allegations of invalidation due to misappropriation, etc.) in an infringement suit (Article 104-3, paragraph (3) of the Patent Act). Allowing a third party to make a defense of patent invalidation does not affect the true right holder, because the patent right is regarded to have no effect only in that litigation. However, after the transfer to the true right holder, etc. has been registered, a third party may not assert a defense of patent invalidation (the part in parentheses in Article 123, paragraph (1), item (ii) and the part in parentheses in item (vi) of said paragraph). This is natural because the patent right has been returned to the true right holder and the defect has been cured. The standing of demandants as regards trials for invalidation and the submission of allegations and evidence in an infringement suit became separated, allowing the demandee to submit a defense of patent invalidation for all reasons for invalidation in an infringement lawsuit. In contrast, a trial for invalidation that is more of a dispute over the attribution of a right has a strong nature of a dispute over the attribution of a private right rather than a dispute over the illegality of the disposition by the JPO. In such a case, the patent itself does not go against the public interest, and the trial is rather similar to an ordinary civil action. As this type of dispute is more suited to a civil action than to an invalidation trial at the JPO, the standing of a demandant should also abide by the civil action principle. With the 2011 revision, it was provided that only a person having the right to obtain a patent may file a request for a trial for invalidation on grounds that the patent was granted in violation of the provisions on a joint application or granted for a misappropriated application.

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Then, with the 2014 revision, the post-grant opposition system (see “3.1. Opposition System”) was revised, and any person became able to file an opposition, so the standing of the demandant of an invalidation trial became limited to interested parties (Article 123, paragraph (2) of the revised Act). If non-interested third parties are able to revoke or invalidate a patent without a time limit, it could harm the stability of the patent right, destruct the various relationships established based on that patent, and cause investments to be wasted. Accordingly, the stability of the patent right has been secured by limiting the opposition period for all parties to six months, and allowing only interested

¹⁸ With the 2014 revision, the provision was revised so that only “a person having the right to obtain a patent” may file such request, but this is not a substantive change.

parties to request an invalidation trial at any time. The opposition system and the invalidation trial system have been changed rapidly to date. It is hoped that the recent revision will function sufficiently well.

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Next, there is a question of whether or not the abandonment of a right to request an invalidation trial based on a contract will be effective. This question is generally raised in the form of whether or not a no-contest contract between a patentee and a licensee is valid. Such a contract should basically be considered to be valid due to the principle of freedom of contract, but the validity of the contract may sometimes be denied due to contravention of public order and morality, etc.¹⁹ This determination will be made for individual contracts.

In relation to this, there is a problem of whether or not a licensee can request a trial for invalidation. Some theories hold the view that a licensee cannot request a trial by reason of its going against the doctrine of good faith or in accordance with the doctrine of estoppel.²⁰ However, there should be cases where a person concludes a license contract believing a patent is valid, but where reasons for the invalidation of the patent are discovered later. Therefore, even if a party has concluded a license contract, that alone would not necessarily mean that the party has recognized the patent to be valid.²¹ If so,

¹⁹ The following are cases where the court ruled that the demandant loses his/her standing to request a trial when he/she withdraws the request pursuant to a settlement before the conclusion of the proceedings of a trial for invalidation: the Tokyo High Court Judgment, November 28, 1979, *Tokkyo To Kigyō* (Patents and Enterprises), No. 133, p. 31 (the Automatic Saw Mill case); the Tokyo High Court Judgment, December 23, 1980, *Tokkyo To Kigyō* (Patents and Enterprises), No. 146, p. 62 (the Airtight Gland Packing case); the Tokyo High Court Judgment, March 30, 1983 *Tokkyo To Kigyō* (Patents and Enterprises), No. 173, p. 31 (the Automatic Control Device case). As a similar judgment on a case concerning the Design Act is the Tokyo High Court Judgment, July 30, 1985, *Mutai Saishū*, Vol. 17, No. 2 p. 344 (the Faucet Splice Fitting Design case). In this case, the court held that "if a person who was granted a non-exclusive license from an exclusive licensee cannot justifiably request a trial for invalidation of the registered design for which the license was granted, that person would have the disadvantage of having to continue paying the license fee even when using a registered design that is judged to include reasons for invalidation, and as there is no rational reason to allow such a situation, it does not go against the doctrine of good faith even for a non-exclusive licensee to request such trial for invalidation unless there are special circumstances." A similar court judgment is the Tokyo High Court Judgment, January 31, 1963, *Gyōshū*, Vol. 14, No. 1, p. 95 (the Synthetic Resin Decorative Laminate case). Theories setting forth the same idea are as follows: Nobuo Mon'ya, ed., *Chūshaku Tokkyo Hō*, p. 273 (written by Kazufumi Dohi).

²⁰ Ken'ichirō Osumi, "Gijutsu Teikei" (Technological Tie-up) *Keiei Hōgaku Zenshū* (Collected Treatises on Business Law), Vol. 11 (Diamond, 1967), p. 137; Yoshimitsu Noguchi, "Tokkyo Jisshi Keiyaku" (Patent License Contract), Hara Masuji Hanji Taikan Kinen, *Kōgyō Shoyūken No Kihonteki Kadai Ge* (Basic Issues of Industrial Property Rights Vol. 2), p. 1043; Partially added and corrected by Yoshimitsu Noguchi and Masayasu Ishida, *Kokunai Jisshi Keiyaku No Jitsumu* (Practical Affairs of Domestic License Contracts) (Japan Institute of Invention and Innovation, 2002) p. 195. While these state that the common theory considers a licensee to be justifiably obligated not to dispute according to the doctrine of good faith, they also point out that there is also the problem relating to antitrust law. Meanwhile, Masahiko Amemiya, *Tokkyo Jisshi Keiyaku Ron* (Discussions on Patent License Contracts), (Nihon Kogyo Shimbun Co Ltd, 1980) p. 133 reveals a view that when a licensee requests a trial for invalidation, the licensor should be allowed to exercise the right of cancellation, and in that sense, the licensee has an obligation not to dispute even without special provisions. Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]), p. 530 states that it goes against the doctrine of good faith for an exclusive licensee to dispute the validity of the patent later.

²¹ In the Tokyo High Court Judgment, July 30, 1985, *Mutai Saishū*, Vol. 17 No. 2 p. 344 (the Faucet Splice Fitting Design case), the court held that, if a licensee cannot request a trial, it would be seriously disadvantageous for the licensee, compared to the fact that any person may freely enjoy the contents of the patent if the patent were invalid.

even if a licensee requests a trial for invalidation, it should be construed that such act alone would not constitute a violation of the doctrine of good faith or the doctrine of estoppel.²² If there is a case where a trial for invalidation cannot be requested, the grounds therefor would be either a contract or violation of the doctrine of good faith or estoppel. The application of these legal theories should be determined for individual cases. For instance, when the licensor and licensee are in an extremely close relationship similar to an association, the request for a trial for invalidation may be judged to go against the doctrine of good faith, and when the parties have an explicit contract to not dispute the patent, the request for invalidation may not be allowed as an outcome of the contract. These are the issues concerning the standing of the demandants as regards a trial for invalidation, and they should be separated from the issue of the breach of an obligation between the parties concerned.

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When there are two or more demandants who make a request for a trial for invalidation (the same applies to the case of a trial for invalidation of the registration of extension of the duration), they can either file the request individually or jointly, and such joint request will be the necessary joinder of similar parties (Article 132, paragraph (1) of the Patent Act). However, in the case of jointly filing a request, the suspension or termination of the procedure will be effective for all of the demandants (paragraph (4) of said Article).

The demandee in a trial for invalidation must be a patentee registered in the patent registry. If a patent right is jointly owned, all of the joint owners must be the demandees (paragraph (2) of said Article); otherwise, the request for a trial is dismissed by a trial decision as an unamendable defect (Article 135 of the Patent Act). This should not be determined simply based on a formal viewpoint of whether or not the names of all demandees are written in the relevant column. The determination should be made based on the status of all objects of claim in the written request, and an amendment should be ordered if possible as long as it does not affect third parties.²³ In practice, the JPO takes

22 Though it is an old law case, the Tokyo High Court Judgment, January 31, 1963, *Gyōshū*, Vol. 14, No. 1, p. 95 (the Synthetic Resin Decorative Laminate case).

23 In the Tokyo High Court Judgment, March 30, 1978, *Mutai Saishū*, Vol. 10, No. 1, p. 130/*Hanta*, No. 369, p. 390 (the Photograph Displaying Tool case), the court held that the person who should be the demandee in a trial for invalidation is the administrative agency which has made the disposition (registration), but since it is not reasonable to ignore the right holder who has a direct interest, the procedure is to be carried out with such person as a party to the trial, therefore the demandee is only a procedural party and the amendment of an erroneous indication of the demandee is not regarded as a change to the gist of the written request as set forth in former Article 131, paragraph (2). Though it is not a case of an invalidation trial, in the Tokyo High Court Judgment, October 25, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 471/*Hanta*, No. 373, p. 160 (the Taxi Rooftop Indicator Light case) the court held that where a representative, who has been entrusted with the filing of a request for a trial against an examiner's decision of refusal from all of the joint owners, has indicated only some of the joint owners as the demandants, if the request is found to have been filed by all of the joint owners, the chief trial examiner should order the amendment of the deficiency.

a severe attitude toward erroneous indications, but with regard to the indications of the parties in general, such erroneous indications should be flexibly interpreted unless they cause actual damage to third parties.²⁴

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(3) Period for filing a request for a trial for invalidation

A trial for invalidation can be requested at any time, even after the lapse of a patent right (Article 123, paragraph (3) of the Patent Act). Even after the lapse of a patent right, compensation could be claimed for any continuing damage, so a request for an invalidation trial must be allowed as a means to counter such a claim. However, if the right to claim compensation for damage or the right to claim the return of unjust enrichment becomes barred by prescription, it should be considered that there is no longer a merit in filing a request for a trial for invalidation.²⁵ Since nobody would receive damages because of the mere fact that such a patent right had existed in the past, further trial decisions would be meaningless, and it would impose an unnecessary burden on the patentee after the lapse of the right as well as impose a useless burden on the JPO and the courts.

While a five-year period of exclusion was stipulated for all of the reasons for invalidation under the Act of 1921 (Article 85, paragraph (1) of the Act of 1921), the five-year exclusion period was only maintained as an exception to the request for an invalidation trial based on disclosure in a “printed publication only distributed in a foreign country” in the Act of 1959 (Article 124; currently deleted). However, the provision on the exclusion period was deleted upon the 1987 revision, so the period of exclusion was uniformly abolished for all of the reasons for invalidation. This is because, in the present advanced information era, there is no longer a need to provide special treatment only for printed publications distributed in a foreign country.

(4) Reasons for invalidation

The reasons for invalidation are listed in a limited manner, and are restricted to those that are stipulated in the provision (Article 123, paragraph (1) of the Patent Act). If a reason for invalidation applies to two or more claims, a trial for invalidation can be requested for each claim (the second sentence of the principal sentences of said paragraph).

The reasons for invalidation are often the same as the reasons for the refusal of an

²⁴ While it is a case of litigation for rescinding an examiner’s decision of refusal, in the Intellectual Property High Court Judgment, November 19, 2009, *Hanji*, No. 2072, p. 129/*Hanta*, No. 1333, p. 237 (the case of Lithium Secondary Battery and Manufacturing Method Thereof), the court stated that when a representative, who has been entrusted by all of the joint owners to carry out procedures, submits a written request for a trial indicating that the request is made on behalf of only part of the joint owners, it is appropriate to presume that the request has been made on behalf of all of the joint owners.

²⁵ Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 446.

application. However, a violation of the requirements for a statement of inventions known to the public (Article 36, paragraph (4), item (ii) of the Patent Act), a violation of an Ordinance of the Ministry of Economy, Trade and Industry (Article 36, paragraph (6), item (iv) of the Patent Act; Article 24-3 of the Patent Act Enforcement Ordinance), and a violation of the requirements of the unity of an application (Article 37 of the Patent Act), which are reasons for a refusal, are not stipulated as reasons for invalidation. These are only procedural defects, and not substantive defects, so once the patent has been granted, they are not so critical as to invalidate the right *ex post facto*.

Reasons for invalidation include cases where, after the grant of the patent, the foreign national owning the right has become unable to hold a patent right or the patent is found to be in violation of a treaty (Article 123, paragraph (1), item (vii) of the Patent Act). Since these reasons for invalidation did not exist in the patent examination phase, they do not constitute reasons for refusal.

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The reasons for invalidation are explained below in accordance with the respective items of Article 123, paragraph (1) of the Patent Act.

1) Item (i) of the paragraph: A patent that has been granted on a patent application with an amendment that does not comply with the requirements as provided in Article 17-2, paragraph (3) of the Patent Act. In the past, an amendment that changes the gist of the application was not a reason for invalidation, but it was processed by moving the filing date to a later date. However, with the 1993 amendment, a patent granted without noticing that an amendment adding a new matter had been made was stipulated as a reason for refusal (excluding a foreign language written application) (for details, see “2.3. Amendment”).

2) Item (ii) of the paragraph: A patent granted contrary to the provisions on the enjoyment of rights by foreign nationals (Article 25 of the Patent Act), industrial applicability, novelty, or inventive step (Article 29 of the Patent Act), or prior art effect (Article 29-2 of the Patent Act); a patent granted for an unpatentable invention (an invention that is likely to harm public order, morality or public health; Article 32 of the Patent Act); a patent granted for a joint application that had not been filed jointly by all of the joint owners of the right to obtain a patent (Article 38 of the Patent Act); a patent granted contrary to the provisions on the first-to-file rule (Article 39 of the Patent Act). However, it was stipulated upon the 2011 revision that a trial for invalidation may not be requested for a patent granted in violation of the requirements for a joint application of which the transfer of patent right has been registered under Article 74, paragraph (1) of the Patent Act (the part in parentheses in Article 123, paragraph (1), item (ii) of the Patent Act).

- 3) Item (iii) of the paragraph: A patent granted in violation of a treaty (Article 25 of the Patent Act).
- 4) Item (iv) of the paragraph: A patent granted for an application that includes insufficient disclosure (Article 36, paragraph (i) of the Patent Act) and a deficiency in the description of the claim (paragraph (6) of said Article).
- 5) Item (v) of the paragraph: A patent granted for a foreign language written application where the features disclosed in the description, the scope of claims, or the drawings do not remain within the scope of the features disclosed in the foreign language documents.
- 6) Item (vi) of the paragraph: A patent granted for an application filed by a person who does not have the right to obtain a patent (a patent on a misappropriated application). However, it was stipulated upon the 2011 revision that a request for a trial for invalidation cannot be filed for a patent on a misappropriated application of which the transfer of patent right under Article 74, paragraph (1) of the Patent Act has been registered (the part in parentheses in Article 123, paragraph (1), item (vi) of the Patent Act).
- 7) Item (vii) of the paragraph: A patent where, after the grant of the patent, the foreign national owning the right has become unable to hold a patent right (Article 25 of the Patent Act) or the patent is found to be in violation of a treaty.
- 8) Item (viii) of the paragraph: A patent in which an inadmissible correction has been made. This point used to be disputed in a trial for the invalidation of a correction in the past, but with the 1993 revision, the trial for the invalidation of a correction was abolished, and this provision was added for the purpose of disputing any inadmissible corrections in a trial for invalidation of a patent.

The reasons for invalidation are restricted to these matters, so even if the name of a person who is not the inventor were found to be described as the inventor, the patent would not be invalidated.

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(5) Effect of a trial decision of invalidation

When a trial decision to the effect that a patent is to be invalidated becomes final and binding, the patent right is deemed not to have existed from the start (Article 125 of the Patent Act). Since most of the reasons for invalidation derive from original defects, a trial decision of invalidation has a retroactive effect and is effective against the public. If the reason for the defect has occurred after the filing, the patent is deemed not to have existed from the time that the defect occurred (the proviso to Article 125 of the Patent Act). Specifically, this refers to a case where a foreign national patentee has become unable to hold a patent right due to the provisions of Article 25, or the patent is found to be in violation of a treaty ex post facto (Article 123, paragraph (1), item (vii) of the Patent

Act), but such case would be extremely rare in reality.

Conventionally, when a trial decision of invalidation was registered, no one could request a trial on the basis of the same facts or the same evidence, but with the 2011 revision, it was provided that “the parties and intervenors” may not request a trial for invalidation, the trial decision was no longer effective against the public, and it became possible for third parties to request a trial for invalidation even on the basis of the same facts or the same evidence (Article 167 of the Patent Act; with regard to this point, see “3.2.4.3. Trial Decisions”).

After the 2011 revision, parties were no longer able to assert the fact that a trial decision of invalidation had become final and binding in a retrial after the final judgment has been rendered in an infringement suit. With regard to this issue, see “8.5. Retrials (Article 104-4 of the Patent Act).”

When a trial for invalidation is requested, the patentee often requests a trial for correction to counter it. A trial for invalidation and a trial for correction have conventionally been treated as separate proceedings, but the system of a request for correction was established upon the 1993 amendment. The details shall be introduced in “3.2.3.3. Trials for Correction (Article 126 of the Patent Act).”

(6) Trial proceedings and formalities

A trial for invalidation and a trial for the invalidation of the registration of an extension of the duration correspond to an inter-partes trial in which the parties oppose each other in the form of a person claiming the invalidation of a patent requesting a trial against the patentee. The trial proceedings are conducted orally in principle, but they can be conducted by documentary proceedings on a motion by a party or ex officio (Article 145, paragraphs (1) and (2) of the Patent Act). In the past, documentary proceedings had been mainly conducted, but improvements have been made with the recent recognition of a need for oral proceedings. Examination by oral proceedings must basically be conducted in public (paragraph (5) of said Article).

Although provisions in the Code of Civil Procedure are basically applied mutatis mutandis to the trial procedure (Article 151 of the Patent Act), the trial adopts the ex officio principle, so those provisions that pertain to the part relating to the adversary system are not applied mutatis mutandis. Accordingly, the procedure is not bound by facts that are admitted by a party (said Article).²⁶ In addition, it is possible to examine evidence ex officio in a trial (Article 150, paragraph (1) of the Patent Act), and although trial proceedings cannot be conducted regarding a point outside the gist of a request filed by

²⁶ Although Article 151 of the Patent Act applies mutatis mutandis to Article 179 of the Code of Civil Procedure concerning the admission of facts, it replaces the phrase “Facts admitted by a party before a court and obvious facts” to “Obvious facts,” and does not apply mutatis mutandis to the portion concerning the facts admitted.

the demandant (for instance, trial proceedings cannot be conducted regarding patent claims for which a trial has not been requested), they can be conducted ex officio regarding reasons that have not been pleaded by the parties, within the scope of the gist of the request for the trial (Article 153 of the Patent Act). However, as such ex officio proceedings are not compulsory, there is no obligation even to examine documents that have not been submitted by the parties, and the trial decision would not necessarily be illegal even if such documents were not examined.²⁷ If trial proceedings have been conducted as to grounds that had not been pleaded by the parties, the results must be notified to the parties to give them an opportunity to present their opinion on the results (procedure for inviting opinions) (paragraph (2) of said Article).²⁸ The same applies when evidence is examined ex officio (Article 150, paragraph (5) of the Patent Act). As the patent trial procedure is practically equivalent to the trial of first instance of a lawsuit, it is important to prevent any of the parties concerned from being surprised.²⁹

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When there are multiple demandants as regards a trial for invalidation, they can either individually request a trial or jointly request a trial (Article 132, paragraph (1) of the Patent Act). Also, as is the common rule for trials in general, trial proceedings for two or more trials can be conducted jointly or separately (Article 154 of the Patent Act). Furthermore, any person who can request a trial for invalidation can intervene in a pending trial as a demandant until the conclusion of the trial proceedings (Article 148, paragraph (1) of the Patent Act).

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When a trial is requested, it is published in the patent gazette (Article 193, paragraph (2), item (vi) of the Patent Act). In addition, an announcement of the registration of the request is made (Article 3, item (iv) of the Patent Registration Order and Article 38 of the Patent Registration Order Enforcement Ordinance), and a notice thereof is given to the exclusive licensee and any other persons who have registered rights

27 In the Tokyo High Court Judgment, March 15, 1990, *Mutai Saishū*, Vol. 22, No. 1, p. 158 (the Socks Finishing Board Design case), the court held that although the appropriate measure may have been to demand an answer on whether or not to claim another reason for invalidation based on a new fact about the design being publicly known, instead of or in addition to the existing reason for invalidation, this claim could easily have been made by the demandant, and even if the trial decision became final and binding, the demandant could demand another trial for invalidation based on this reason, so the procedure to rescind the trial decision was not illegal.

28 The Tokyo High Court Judgment, July 29, 1993, *Chiteki Saishū*, Vol. 25, No. 2, p. 420 (the Kotobuki-ryu Trademark case) is a case concerning Article 56 of the Trademark Act which applies mutatis mutandis to Article 153 of the Patent Act. In this case, the court held that a trial decision rendered with regard to reasons for the invalidation of a trademark which have not been asserted by the trial demandant, without giving the demandee an opportunity to present his/her opinion, is illegal unless there are special circumstances where the trial decision would not come as a surprise to the parties.

29 In the Tokyo High Court Judgment, December 21, 1981, *Mutai Saishū*, Vol. 13, No. 2, p. 933 (the Tape Recording and Playing Device case), the court mentioned that the illegality of not notifying the results of the examination of evidence conducted ex officio by the parties cannot constitute a reason for the rescission of the trial decision unless the defect is critical. In short, the important point is whether or not the act came as a surprise to the parties in substance.

relating to that patent right (such as a pledgee) (Article 123, paragraph (4) of the Patent Act). Since the system of registration of non-exclusive licenses was abolished with the 2011 revision, no notice is given to non-exclusive licensees. The final and binding trial decision is also published in the patent gazette (Article 193, paragraph (2), item (vii) of the Patent Act).

3.2.3.3. Trial for Correction (Article 126 of the Patent Act)

(1) Significance of the trial for correction³⁰

A trial for correction is a trial requested by the patentee to voluntarily correct a description, the scope of claims, or drawings attached to the application after patent registration (Article 126, paragraph (1) of the Patent Act). Unlike the amendment procedure prescribed as part of the examination procedure, a correction is made on an already fixed patent right after patent registration. Therefore, it is carried out through the careful procedure of a trial which resembles litigation. From the viewpoint that a trial for correction, which is a procedure through which the patentee voluntarily requests a correction, does not have the nature of a dispute, it is difficult to categorize it as a quasi-judicial procedure. However, its actual procedure is almost the same as that for other trials, so in that sense, it has the appearance of a quasi-judicial procedure.

Since the scope of a patent right becomes fixed upon registration, the modification of its content should not be allowed arbitrarily. However, it may be revealed after registration that the patent includes reasons for invalidation, or includes erroneous or ambiguous statements. It would be too harsh to the applicant to invalidate the entire patent right due to a defect in a part of the patent right, and normally, the applicant would want to separate the invalid portion and leave the remaining portion valid. Also, it would not be desirable for third parties if an unclear and ambiguous patent with an ill-defined scope of right is left “as is.” Thus, provisions on a trial for correction have been established to achieve a balance between the interests of the patentee and of society.³¹ Since the effect of a correction retroacts (Article 128 of the Patent Act), and an act of broadening the scope of a patent right ex post facto is equivalent to changing the borderline of a piece of land as one pleases, attention needs to be paid so as not to expand the scope of the right.

30 With regard to correction, see Minoru Takeda, “Teisei Shinpan” (Trial for Correction), *Hatsumei* (Invention), Vol. 87, No. 7 (1990), p. 61; Ryūta Hirashima, “Teisei Shinpan No Hōteki Seishitsu To Kakutei Teisei Shinketsu No Sokyūkō” (Legal Nature of the Trial for Correction and Retroactive Effects of the Final and Binding Trial Decision of Correction) *Patent 2011 Bessatsu* (Separate Volume) No. 7, p. 1. Trial and Appeal Department, Japan Patent Office, “Heisei 23 Nen Kaisei Hō Ni Okeru Mukō Shinpan Oyobi Teisei Shinpan No Jitsumu No Kangaekata” (Concept of the Practice of Invalidation Trials and Correction Trials under the Act as Revised in 2011) (Japan Institute for Promoting Invention and Innovation, 2012).

31 Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1358 (written by Tsuneteru Aragaki).

A patentee may voluntarily request a trial for correction but most corrections are requested in order to counter a request for a trial for invalidation or an opposition. Under the current Act, however, a patentee cannot file a request for a trial for correction while a patent opposition or an invalidation trial is pending (Article 126, paragraph (2) of the Patent Act), so the patentee files a request for correction (Article 134-2 of the Patent Act). With regard to this point, see “3.2.3.3.(5) Relation to a trial for invalidation.”

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(2) Period for making a correction

At the time of legislation of the current Act, a trial for correction and a trial for invalidation were separate independent trials, and a trial for correction of the description (the scope of claims was included in the description at that time) and drawings attached to the request could be requested at any time. Thus, there were cases where patentees requested a trial for correction after the filing of litigation for rescinding a trial decision of invalidation, and a trial decision of correction became final and binding during pendency of litigation for rescinding the trial decision of invalidation. When a trial decision of correction becomes final and binding during the proceedings of litigation for rescinding a trial decision of invalidation, because the correction has a retroactive effect (Article 128 of the Patent Act), the subject matter of the litigation will be changed, and the trial decision of invalidation will be rescinded as a result.³² Then a trial for invalidation will be resumed for the corrected patent. This will cause the procedure to go back and forth between litigation and trials, which not only requires long hours to settle a single dispute, but also imposes a useless burden on the parties and wastes the resources of the JPO and the court. Accordingly, major reforms on corrections were made upon the 1993, 2003, and 2011 revisions. With regard to this point, see “(5) Relation to a trial for

32 In the Supreme Court Judgment, March 9, 1999, *Minshū*, Vol. 53, No. 3, p. 303/*Hanji*, No. 1671, p. 133/*Hanta*, No. 999, p. 234 (the Large Square Steel Tube case), which is a case concerning the Patent Act before the 1993 revision, the court held that, if a trial decision of correction narrowing the scope of patent claims became final and binding during the pendency of litigation for rescinding a trial decision of invalidation, said trial decision of invalidation must be rescinded. This is because, since the narrowed claims include new elements, the determination cannot be made without comparing the claims not only with the prior art they were compared with before the correction but also with other prior art. In contrast, in its original instance, the Tokyo High Court Judgment, August 3, 1995, *Hanji*, No. 1550, p. 110, the court stated that, if the same conclusion as the trial decision is reached due to the same reason as in the trial decision after identifying the invention in accordance with the gist of the corrected invention and comparing it with the cited prior art, the error that originally existed in the invention does not affect the conclusion of the trial decision in any way, so the trial decision cannot be rescinded as being illegal. The following judgments also held that the trial decision would be rescinded by operation of law based on the same view: the Supreme Court Judgment, April 22, 1999, *Hanji*, No. 1675, p. 115/*Hanta*, No. 1002, p. 126 (the Roll Calendar case); the Supreme Court Judgment, October 31, 2003, *Hanji*, No. 1841, p. 143 (the Light-emitting Element Composed of a Gallium Nitride Compound Semiconductor case; a case in which the court quashed and remanded the case, holding that, if a trial decision of correction of the patent description becomes final and binding during the pendency of the final appellate instance and the scope of claims becomes narrow, the administrative disposition which served as the basis of the original judgment is deemed to have been changed by a subsequent administrative disposition); and the Supreme Court Judgment, October 18, 2005, *Hanji*, No. 1914, p. 123 (the Cleaning Fabric Manufacturing Method case).

invalidation.”

A correction during the pendency of an opposition or an invalidation trial is now processed within the procedure of the opposition or invalidation trial (see “3.1.2. Opposition System Introduced by the 2014 Revision” and “(5) Relation to a trial for invalidation”). A request for a trial for correction may not be filed until the time when all the rulings on the opposition or trial decisions have become final and binding in the case where the opposition or the request for a trial has been filed for each claim (the part in parentheses in Article 126, paragraph (2) of the Patent Act).

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A request for a trial for correction may not be filed until a trial decision of invalidation becomes final and binding, but it may be filed at any other time, even after the lapse of the patent right (Article 126, paragraph (8) of the Patent Act). This is because, given that a claim for damage compensation may be filed after the expiration of the duration of a patent right for damage caused during the duration of the patent right, there may be a need for requesting a trial for correction in advance so as to circumvent a defense of patent invalidation in litigation for claiming compensation for damage.

When the chief administrative judge finds that a request for a trial for correction fails to satisfy the requirements for correction, the chief administrative judge notifies the demandant of the reasons therefor and gives the demandant an opportunity to submit a written opinion, designating an adequate time limit (Article 165 of the Patent Act). In response, the demandant may amend the corrected description, scope of claims or drawings attached to the written request for correction (Article 17-5, paragraph (2) of the Patent Act).

While a defense of patent invalidation is often made in infringement litigation, it is possible for the suspected infringer to request a trial for invalidation separately and the patentee may request correction in that procedure.

(3) Scope of correctable matters

Since a correction has a retroactive effect (Article 128 of the Patent Act), the scope of correctable matters is strictly restricted so as not to cause harm to third parties. The matters that can be corrected are the following within the description, scope of claims or drawings attached to the application (Article 126, paragraph (1) of the Patent Act): (i) restriction of the scope of claims, (ii) correction of errors or incorrect translations; (iii) clarification of an ambiguous statement; and (iv) correction of a statement of claims citing another statement of claims into a statement which does not cite said other statement of claims.

The description, scope of claims or drawings attached to the application refer to

those as of the time of requesting a trial for correction, and if the application has already been amended or corrected, the description, scope of claims or drawings attached to the amended or corrected application may be corrected. Correction of errors or incorrect translations, however, can only be made within the scope of matters stated in the description, scope of claims or drawings attached to the original application (the part in parentheses in paragraph (5) of said Article).

So as not to cause any unexpected damage to third parties, the correction of the description, scope of claims or drawings must not substantially enlarge or alter the scope of claims (paragraph (6) of said Article).³³ This is for the same purpose as in the case of amendment where addition of new matters is prohibited. Also, in the case of making the corrections set forth in item (i) or (ii) above, an invention constituted by the matters described in the corrected scope of claims must satisfy the requirements for an independent patent (paragraph (7) of said Article).

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The specific matters subject to correction are as follows (paragraph (1) of said Article).

1) Restriction of the scope of claims (item (i))

Restriction will only make the scope of right narrower, so it would not cause unexpected damage to third parties. However, it is often difficult to determine whether or not a correction is restriction or enlargement in reality.³⁴ At any rate, whether or not a correction substantially enlarges or modifies the claim is examined. In other words, it is necessary to avoid a situation where a third party's act, which did not constitute infringement before the correction, constitutes infringement after the correction. Even if the wording of the scope of claim has not been corrected, the scope of claims claim could be narrowed by correcting the description or drawings.³⁵

2) Correction of errors in the description (item (ii))

Correction of errors in the description is allowed, but the claim must not be substantially enlarged or modified in the name of correcting errors in the description, as

33 In the Tokyo High Court judgment on June 29, 1971, *Mutai Saishū*, Vol. 3, No. 1, p. 254 (the Non-aqueous Monoazo Dye Manufacturing Method case), the court stated that the prohibition of the substantive enlargement and modification of the claim is not only intended to prevent a potential disadvantage whereby an act of a third party that had not been an infringement would become an infringement by the correction, but also to prevent the adverse possibility that a person who had obtained a patent or filed an application for an invention identical to the invention after the correction would have his/her patent or application invalidated or refused, thereby thoroughly maintaining the first-to-file principle.

34 This issue must be determined based on the facts. For a detailed explanation of specific case examples, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1374 (written by Tsuneteru Aragaki).

35 In the Supreme Court Judgment, March 19, 1991, *Minshū*, Vol. 45, No. 3, p. 209/*Hanji*, No. 1381, No. 108/*Hanta*, No. 755, p. 101 (the Clip case), the court held that when the scope of claims has not changed, but the wording in the scope of claims is not distinctly clear, the scope of claims may be narrowed in some cases by partially deleting the detailed explanation of the invention or drawings.

mentioned in 1) above.³⁶

3) Clarification of an ambiguous description (item (iii))

The important point here is again the question of whether the correction would substantially enlarge or modify the claim. In making this type of correction, correction is often made to the features described in the detailed explanation of the invention in the description, in line with restriction of the scope of claims.³⁷

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4) Correction of a statement of claims citing another statement of claims into a statement which does not cite said other statement of claims (item (iv))

Since it became possible to file a trial for correction for individual claims (the first sentence of Article 126, paragraph (3) of the Patent Act) with the 2011 revision as explained below, there are cases where a certain claim is deleted or corrected and another claim dependent on said claim also needs to be corrected. When correcting two or more claims, correction can be made for each claim. However, in order to make the description viewable at a glance, it was provided that, for groups of claims having a dependent relationship or any other relationship specified by Ordinance of the Ministry of Economy, Trade and Industry, a request for correction must be filed separately for each such group (the second sentence of said paragraph), and that when requesting correction for an individual claim, all claims related to that claim must also be corrected (paragraph (4) of said Article).

Conventionally, a patent right had not been considered to have been established for each claim, but was established as a single and inseparable right for each application, and when exceptionally treating a patent right by each claim, provisions to that effect had been put in place (Articles 123 and 185). Opinions were divided as to whether, when having requested a trial for correction for multiple matters at a time, it is possible to allow correction of only some of such matters. However, a Supreme Court judgment³⁸ in 1980

³⁶The Supreme Court Judgment, December 14, 1972, *Minshū*, Vol. 26, No. 10, p. 1888 (the Phenothiazine Derivative Manufacturing Method case). In this case, which was a case about an invention relating to a method of manufacturing phenothiazine derivatives, the court stated that a correction from “A is an alkylene group that has branches” to “A is an alkylene group that may have branches” is not permissible, because it will also include “an alkylene group that does not have branches” and will enlarge the scope of claims. Meanwhile, in a case for which a decision was rendered on the same date, the Supreme Court judgment on December 14, 1972, Civil Court judgments by the Supreme Court Judgment, December 14, 1972, *Minshū*, Vol. 26, No. 10, p. 1909 (the Rice Crackers Manufacturing Method case), the court stated that the correction from “3 to 5 degrees Fahrenheit” to “3 to 5 degrees Celsius” in an invention of a rice cracker manufacturing method was not permissible, because it substantially modified the claim. See Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1378 (written by Tsuneteru Aragaki).

³⁷ See Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1382 (written by Tsuneteru Aragaki); Kiyoshi Kadowaki, “Teisei Shinpan Ni Okeru Teisei Kyoyō No Genkai To Teisei Shinpan Seido No Mondaiten (1)(2)” (Permissible Limits of Correction in a Trial for Correction and Problems in the System of Trial for Correction (1)(2)) *Tokkyo Kanri* (Patent Management), Vol. 19, No. 7 (1969), p. 499 and No. 9, p. 751.

³⁸ In the Supreme Court Judgment, May 1, 1980, *Minshū*, Vol. 34, No. 3, p. 431 (the Tiller Trailer case), which is a case of a utility model, the court held that it is unreasonable to construe that a trial for correction has been requested by deeming correction of multiple parts to be multiple independent matters to be corrected.

held that partial correction is not allowable, in principle. This principle had been established as JPO practice even after the one application for one invention system was abolished in 1987. After the introduction of the multiple claim system, however, the court began to rule that, in the case of a request for correction (Article 134-2 of the Patent Act), the admissibility of correction should be determined for each claim,³⁹ and with a subsequent Supreme Court judgment,⁴⁰ partial correction also became admissible for a request for correction. A trial for correction was often requested as a means to eliminate grounds for invalidation, and in that sense, it faced a similar circumstance as in the case of a request for correction. Thus, it was provided upon the 2011 revision that, when requesting a trial for correction for two or more claims, correction can be requested for each claim (the first sentence of Article 126, paragraph (3) of the Patent Act).

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When withdrawing a trial for correction, if a request for a trial for correction has been filed for each claim or each group of claims, the withdrawal of the request must be made for all those requests from the viewpoint of making the description viewable at a glance (Article 155, paragraph (4) of the Patent Act). A similar restriction is imposed also for a request for correction in an invalidation trial (Article 134-2, paragraph (7) of the Patent Act). Although a request for correction is a procedure incidental to an opposition or a request for an invalidation trial, it resembles a request for a trial for correction in substance, so it is natural that a similar restriction is imposed on it.

Although correction can be made for individual claims, a patent right is considered to be established for a single application under the current Act. Thus, if a reason for refusal exists for one of the claims, the whole application is refused. While the 2011 revision may have indicated a trend of patent rights gradually coming to be recognized for individual claims, it has also provided measures to ensure that the description is viewable at a glance since such an aspect is also important (Article 126, paragraph (1), item (iv))

³⁹ In the Tokyo High Court Judgment, October 31, 2002, *Hanji*, No. 1821, p. 117/*Hanta*, No. 1110, p. 102 (the Power Transmission Chain case), the court held that, under a system where invalidation is determined for each claim in a trial, a request for correction can be understood to be separate and independent for each claim, and no particular problem is found in determining whether or not correction is admissible for each claim.

⁴⁰ In the Supreme Court Judgment, July 10, 2008, *Minshū*, Vol. 62, No. 7, p. 1905/*Hanji*, No. 2019, p. 88/*Hanta*, No. 1279, p. 110 (the LED Module case), the court held that a Supreme Court judgment in 1980 had been “determination concerning a request for a trial for correction where multiple matters to be corrected were included in the scope of claim for a utility model registration, which cannot be deemed to contain more than one claim,” so its purport does not apply to a case of questioning whether the admissibility of a correction should be determined separately for individual claims. Then, the court stated that, when a request for the correction of multiple claims is filed during the pendency of an opposition to the grant of a patent, the admissibility of the correction should be determined separately for individual claims to be corrected, and it is not permissible to deny the entire correction solely due to the reason that a correction pertaining to a part of the claims to be corrected does not satisfy the requirements for correction. However, the court stated in its obiter dictum that “a request for a trial for correction seeking correction of multiple claims is intended to be treated as an inseparable whole, similar to the procedure of a patent application pertaining to multiple claims,” and a trial for correction was outside the scope of application of this judgment. While this was a case of a request for correction that was filed to counter an opposition, a request for correction filed to counter a trial for invalidation has the same structure.

and Article 134-2, paragraph (1), item (iv) of the Patent Act).

(4) Final and binding trial decision of correction and its effect

A trial decision of correction for an entire patent right becomes final and binding for each patent right (the principal sentence of Article 167-2 of the Patent Act). However, when a request for correction is filed for groups of claims, a trial decision of correction becomes final and binding for each group of claims (the proviso to said Article).

When a trial decision to approve a correction becomes final and binding, the effect of the decision retroacts to the time of filing, and the various procedures after the filing are deemed to have been taken on the basis of the corrected description and drawings (Article 128 of the Patent Act).

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A trial decision of correction becomes final and binding when a copy of the decision is served.⁴¹

A person who is dissatisfied with a trial decision that allows correction (the suspected infringer) may dispute by filing a request for a trial for invalidation. Meanwhile, a person who is dissatisfied with a trial decision that does not allow correction (the patentee) may dispute through litigation for rescinding the trial decision.

(5) Relation to a trial for invalidation

Until the 1993 revision, there was no link between trials for invalidation and trials for correction, and they were to be conducted separately and independently.⁴² While a trial for invalidation has an inter-partes structure where a patentee and a demandant of the trial for invalidation confront each other, a trial for correction has a structure whereby a patentee requests a correction to the JPO and it has no dispute nature. Also, in a trial for invalidation, both parties can file a lawsuit for rescinding a trial decision, in a trial for correction, only a patentee whose request has been rejected. Due to such a difference in structure, the prevalent view was that a trial for invalidation and a trial for correction could not be combined into one trial (Article 154, paragraph (1) of the Patent Act).⁴³ However, as a trial for correction was actually often used as a means to counter a trial for invalidation, it had been said that there was a practical problem in handling the two as

41 The Tokyo High Court Judgment, September 26, 1969, *Gyōshū*, Vol. 20, No. 8/9, p. 1119 (the Method of Manufacturing Hollow Articles from Organic Plastic Materials case).

42 As the only exception, the two trials were linked to each other in the case of a patent pertaining to a patent application in a foreign language (Article 184-15, paragraph (2) of the Patent Act before the 1993 revision).

43 An opposite view is indicated in Tomoko Takii, *Minshōhō Zasshi* (Journal on Civil and Commercial Law), Vol. 93, No. 6 (1986), p. 884.

separate trials.⁴⁴ A problem had arisen whereby if a trial for invalidation was stayed during the proceedings of a trial for correction, the overall proceedings would be delayed, and if the two trials were conducted separately, an inconsistency could arise between the trial decision that became final and binding first and the subsequent trial decision.

Conventionally, when a trial decision of correction narrowing the scope of claims became final and binding during the pendency of litigation for rescinding a trial decision of invalidation, the trial decision of invalidation was rescinded due to the retroactive effect of the trial decision of correction, on the basis that the trial decision of invalidation contained an error in the identification of the claimed invention (i.e. on the basis that the patented invention subject to the trial for invalidation has changed).⁴⁵ The underlying judgment was a Supreme Court judgment (the Knitting Machine case).⁴⁶ In this judgment, the court upheld the original judgment which held that grounds for invalidation that were not examined and determined in a JPO trial cannot be asserted in litigation for rescinding a trial decision. The court held that, without examining the grounds for invalidation concerning a cited reference which had not been examined and determined in the trial, the validity of the corrected patent right cannot be determined, for which reason there is a need to resume the trial and re-examine the validity of the corrected patent right.

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However, this system had a harmful effect of allowing for the procedures to go back and forth between trials and litigation endlessly, and causing disputes to take a long

44 For general discussions on this problem, see Zenzō Matsunaga, “Mukō Shinpan No Taikō Shudan To Shite No Teisei Shinpan” (Trial for Correction as a Means to Counter a Trial for Invalidation), *Tokkyo Kanri* (Patent Management), Vol. 23, No. 10 (1973), p. 1097; Osamu Takura, “Tokkyo Mukō Shinpan To Teisei Shinpan” (Trial for Invalidation of a Patent and a Trial for Correction), *Hanta*, No. 344 (1977), p. 87; Seiji Nakajima, “Teisei Shinpan Ni Yoru Kōsei Yōken No Tsuika To Teisei Shinpan Mae Ni Nasareta Mukō Shinketsu No Tōhi (Addition of Constituent Elements in a Trial for Correction and Appropriateness of a Trial Decision of Invalidation Given Before the Trial Decision of Correction), Uchida Osamu Koki Kinen, *Hanrei Tokkyo Soshō Hō* (Case Law on Patent Litigation), p. 319.

45 In the Supreme Court Judgment, March 9, 1999, *Minshū*, Vol. 53, No. 3, p. 303/*Hanji*, No. 1671, p. 133/*Hanta*, No. 999, p. 234 (the Large Square Steel Tube case), the court held as follows: “When the scope of patent claims has been narrowed by a trial decision of correction, the grounds for invalidation of the corrected invention cannot be determined unless the grounds for invalidation in relation to cited inventions that were not examined in the trial are examined, so the trial decision of invalidation should be rescinded and the trial procedure at the JPO should be continued in order to carry out such an examination and make the necessary determination. In addition, if the corrected invention contains the same grounds for invalidation as those examined in the trial for invalidation, the trial decision of correction is unlawful due to a failure to satisfy the requirement for correction that the corrected invention should be one which could have been patented independently. In such a case, the Patent Act provides a procedure first to invalidate the correction by a trial for invalidation of correction, and it is not intended under the Patent Act that a corrected patent in litigation for rescinding a trial decision of invalidation should be invalidated without undergoing this procedure.” On such a basis, the court stated that the trial decision of invalidation must be rescinded without fail when a trial decision of correction becomes final and binding. Further, in the Supreme Court Judgment, April 22, 1999, *Hanji*, No. 1675, p. 115/*Hanta*, No. 1002, p. 126 (the Roll Calendar case), the court mentioned that the same applies even after the 1993 revision. The same view is indicated in the Supreme Court Judgment, October 31, 2003, *Hanji*, No. 1841, p. 143/*Hanta*, No. 1138, p. 76 (the Light-emitting Element Composed of a Gallium Nitride Compound Semiconductor case); the Supreme Court Judgment, October 18, 2005, *Hanji*, No. 1914, p. 123/*Hanta*, No. 1197, p. 114 (the Cleaning Fabric Manufacturing Method case).

46 The Supreme Court Judgment, March 10, 1976, *Minshū*, Vol. 30, No. 2, p. 79/*Hanji*, No. 806, p. 13/*Hanta*, No. 334, p. 113 (the Knitting Machine case).

time to be resolved. Therefore, with the 1993 revision, it was provided that an independent trial for correction cannot be requested while a trial for invalidation is pending before the JPO (Article 126, paragraph (2) of the Patent Act as revised in 1993), and that the demandee in a trial for invalidation (the patentee) can file a request for correction only within the time limit for submission of a written reply in the proceedings of the trial for invalidation or within the time limit for submission of a written opinion on the trial decision where ex officio proceedings have been carried out (Article 134-2, paragraph (1) of the Patent Act). In line with this, the system of a trial for invalidation of a correction was abolished, and a correction came to be processed through a request for correction in a trial for invalidation. When a request for correction is filed, the chief administrative judge serves the corrected description, scope of claims or drawings to the demandant of the trial for invalidation (paragraph (4) of said Article), and may request submission of a written refutation (Article 47-3, paragraph (1) of the Patent Act Enforcement Ordinance). If reasons for the invalidation are not resolved even after the correction, a trial decision of invalidation is rendered (Article 123, paragraph (1), item (viii) of the Patent Act). The question of whether or not the corrected patent satisfies the requirement of being an independent patent is not determined upon a request for correction in a trial for invalidation, but is determined in the procedure of a trial for invalidation, but such a question is determined in the procedure for requesting a correction when a correction is made to a claim for which a trial for invalidation has not been requested (Article 126 is applied *mutatis mutandis* by replacing some terms pursuant to Article 134-2, paragraph (5) of the Patent Act).

With the 1993 revision, a request for a trial for correction was only prohibited while a trial for invalidation was pending before the JPO, and it was possible to request a trial for correction during the pendency of litigation for rescinding a trial decision of invalidation. If a trial decision of correction became final and binding at that stage, the trial decision of invalidation would be rescinded.⁴⁷ As a result, the going back and forth between trials and litigation was not resolved.

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In order to solve this problem, in the 2003 revision it was provided that a request for correction could not be made during the period from when a trial for patent invalidation was pending before the JPO until the trial decision became final and binding in that procedure. In other words, a trial for correction could not be requested during the pendency of litigation for rescinding a trial decision, but as an exception, a trial for correction could be requested within 90 days from the filing of litigation for rescinding a

47 The Supreme Court Judgment, March 9, 1999, *Minshū*, Vol. 53, No. 3, p. 303 (the Large Square Steel Tube case).

trial decision of invalidation⁴⁸ (the proviso to Article 126, paragraph (2) of the Patent Act before the 2011 revision). When, in litigation for rescinding a trial decision, the court finds it reasonable to have the case further examined in a trial for patent invalidation, the court was able to rescind the trial decision of invalidation by a ruling in order to return the case to the trial examiners (Article 181, paragraph (2) of the Patent Act that has been deleted by the 2011 revision). When the case is remanded to a trial based on a ruling of rescission, the request for a trial for correction is changed into a request for correction, and trial examiners carry out further proceedings and render a trial decision (Article 181, paragraph (5) of the Patent Act before the 2011 revision). Since a trial decision of correction could become final and binding during the pendency of litigation for rescinding a trial decision, it became possible to avoid wasting the past proceedings. However, it was not prohibited for the patentee to request correction in a trial for invalidation that has been requested by a third party during the pendency of litigation for rescinding a trial decision, so there was a chance that correction would become final and binding during the pendency of litigation for rescinding a trial decision in such case. Even after this revision, there were still many cases where a request for a trial for correction was filed within 90 days from filing a lawsuit for rescinding a trial decision and the case was remanded to a trial for invalidation. Thus, the going back and forth between litigation and trials could not be eliminated by this revision.

Accordingly, with the 2011 revision, the system to rescind a trial decision by a ruling for making correction that had been introduced in 2003 was abolished (deletion of Article 181, paragraphs (2) through (4) of the Patent Act before the 2011 revision), and a patentee became unable to request a trial for correction during the period from when a trial for invalidation or a patent opposition (a system that was introduced by the 2014 revision) is pending before the JPO until a trial decision or a ruling becomes final and binding in that procedure (Article 126, paragraph (2) of the Patent Act). As an alternative measure, the system of advance notice of a trial decision was introduced. Specifically, when the case has reached the point at which a trial decision may be rendered in the procedure of a trial for invalidation, if the chief trial examiner finds that the request for a trial is well-grounded (if he/she finds reasons for invalidation) or in any other case specified by Ordinance of the Ministry of Economy, Trade and Industry (Article 50-6-2 of the Patent Act Enforcement Ordinance), he/she must give advance notice of the trial decision, disclosing the determination made by the panel in advance (Article 164-2 of the Patent Act), to the parties and intervenors. In doing so, he/she designates a reasonable

⁴⁸ A desirable period is to hold proceedings on at least one trial date and hear the opinions of both parties in the litigation for rescinding a trial decision, and it is considered that about 90 days are required to that end.

period for the demandee (the patentee) to file a request for correction (paragraph (2) of said Article). This advance notice is not merely the disclosure of the trial examiner's impression, but it assumes the disclosure of a determination that is almost the same as the trial decision.⁴⁹ The patentee is given an opportunity to request a correction by looking at that advance notice (Article 134-2, paragraph (1) of the Patent Act). A similar procedure was also established for the patent opposition procedure that was introduced by the 2014 revision (Article 120-5 of the Patent Act). With the introduction of this system, the only opportunity for the right holder to correct his/her application, during the period until the ruling on an opposition or the trial decision of invalidation becomes final and binding, became a request for correction filed in response to an advance notice of the trial decision. Correction was contained within the framework of a trial for invalidation, and there was no longer an unstable situation caused by correction after the filing of litigation for rescinding a trial decision of invalidation. For this reason, it became possible to prevent cases from going to and from the two procedures to a certain extent. On the other hand, the patentee's opportunity for correction has been limited, and the patentee faces the need to concentrate his/her efforts on requesting a correction after the advance notice of the trial decision. The patentee may request a trial for correction at any time if no trial for invalidation has been requested, but his/her opportunity to make a correction is limited, as mentioned above, when a trial for invalidation has been requested.

Nevertheless, it is possible for the patentee to request correction in a trial for invalidation that has been requested by a third party during the pendency of litigation for rescinding a trial decision of invalidation, so there can be cases where a trial decision of correction becomes final and binding during the pendency of litigation for rescinding a trial decision. If a patentee and a third party request a trial for invalidation by collusion, and the patentee requests correction in response, it would run contrary to the purport of the law to prohibit correction during the pendency of litigation for rescinding a trial decision, so the correction may be ignored in the litigation for rescinding a trial decision based on the principle of conducting litigation in good faith.⁵⁰

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49 The advance notice of a trial decision contains the conclusion (equivalent to the main text of the trial decision) and its reason, similar to the trial decision.

50 Ryōichi Mimura, "Heisei 23 Nen Kaisei Tokkyo Hō Shikō Go Ni Okeru Tokkyo Kankei Soshō No Genjō To Ryūiten" (Situation of Patent-Related Litigation After the Patent Act as Revised in 2011 Became Effective and Points of Attention) (*L & T*, No. 60 (2013), p. 22) stated that it is appropriate to construe that the procedural relative effect, that is, the effect of the correction in question should not be taken into consideration in the preceding litigation for rescinding a trial decision, or to construe that it is inadmissible to assert the effect of correction as a reason for rescission in litigation for rescinding a trial decision due to violation of the principle of conducting litigation in good faith. See the statement by Ryōichi Mimura in Roundtable Discussion, "Kaisei Tokkyo Hō No Kadai" (Challenges of the Revised Patent Act," *L&T*, No. 53 (2011), p. 13.

3.2.3.4. Trial for Invalidation of Registration of an Extension (Article 125-2 of the Patent Act)

Upon the 1987 amendment, a new provision on the extension of the duration of a patent was established (Article 67-2 of the Patent Act). With regard to an extension of the patent term, see “11.2. Extension of Duration (Article 67, paragraph (2) of the Patent Act).” Since third parties would be greatly affected by any illegal extension of the duration, they can request a trial for invalidation of the registration of an extension (Article 125-2 of the Patent Act) when the extension does not meet the statutory requirements (Article 67-3, paragraph (1) of the Patent Act). Meanwhile, with the 2014 revision, only interested parties became able to file a request for a trial for invalidation of the registration of extension of duration (paragraph (2) of said Article). This measure was taken in line with a revision to only allow interested parties to file a request for an invalidation trial (Article 123, paragraph (2) of the Patent Act). As in the case of a patent invalidation trial, a trial for invalidation of the registration of extension of duration may be filed even after the lapse of a patent right whose duration has been extended (Article 123, paragraph (3) of the Patent Act as applied *mutatis mutandis* pursuant to Article 125-2, paragraph (3) of the Act).

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A request for a trial for invalidation may be filed for each claim, but a request for a trial for invalidation of the registration of an extension may not be filed for each claim (such request is not listed under Article 185). When there are multiple claims, the duration of the whole patent right is extended as long as any one of the claims satisfies the requirements for the extension, but its effect only extends to the “product which is the subject of a disposition.”

A trial decision of invalidation of an extension has a retroactive effect, so the extension is deemed never to have existed from the start (Article 125-2, paragraph (4)), but when a trial decision of invalidation of an extension is given based on the reason that the extended duration exceeds the period during which the patented invention could not be worked, the extension is deemed not to have existed for the time span exceeding the said period (the proviso to said paragraph).

3.2.3.5. Trial for Invalidation of Correction and Trial Against an Examiner’s Decision to Dismiss Amendment

Before the 1993 amendment, there was the system of a trial for invalidation of a

correction, but in order to streamline the trial system, that system was abolished. Conventionally, a patentee who is dissatisfied with the dismissal of an amendment could request a trial against the decision to dismiss the amendment, but that was only an intermediate measure. Even so, it was processed by an independent trial system, causing an unnecessary delay in the examination, so the trial against a decision to dismiss an amendment was abolished along with the reform of the amendment system, with the 1993 revision.

3.2.4. Trial Procedure

3.2.4.1. Start and End of a Trial

A trial starts when a demandant of a trial submits a written request to the JPO Commissioner. When a request is filed, the JPO Commissioner designates the trial examiners and the chief trial examiner (Article 137, paragraph (1) and Article 138, paragraph (1) of the Patent Act). In order not to take third parties by surprise, an announcement of the registration of the trial is made when a request for a trial for invalidation of a patent, trial for invalidation of the registration of an extension, or trial for correction is filed (Article 3, item (iv) of the Patent Registration Order).

When there are two or more demandants making a request for a trial for invalidation or a trial for invalidation of the registration of an extension, they can jointly file the request (necessary joinder of similar parties; Article 132, paragraph (1) of the Patent Act). At the same time, when the patent right is jointly owned, all of the joint owners must be the demandants or the demandees (necessary joinder of inherent parties; paragraphs (2) and (3) of said Article).

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When a request for a trial is unlawful, and the unlawfulness cannot be amended, the request may be dismissed by a trial decision without giving the demandee an opportunity to submit a written reply (Article 135 of the Patent Act). A trial ends either by the withdrawal of the request for the trial (Article 155 of the Patent Act) or by a trial decision (Article 157 of the Patent Act).

The question of whether or not to recognize the freedom of withdrawing from a trial is an issue that relates to the fundamentals of the trial system, and if a freer disposition is allowed, the system would get closer to civil litigation. It may be possible to consider that such withdrawal is inadmissible based on the idea that if a trial is a system for protecting the public interest, a request for a trial merely prompts the start of a trial. Withdrawal was allowed under the Patent Bylaws of 1888 to the Patent Act of 1909, but the Act of 1921 provided that withdrawal is not allowed after a notice of conclusion of the trial proceedings is given, so as not to waste the past proceedings. This system was also maintained under the Act of 1959, and continued until the 1987 revision. However, there were often cases where the parties to the trial reached a settlement after a notice of conclusion of the trial proceedings was given, and wished to withdraw the request for the trial. In such case, a roundabout approach was often taken, filing litigation for rescinding

a trial decision and admitting to facts in the litigation.¹ However, though it depends on the kind of the trial, the trial system undeniably has a function whereby it also protects private interests to some extent, so it is unreasonable not to allow such a withdrawal. In addition, even if a request for a trial has been withdrawn, third parties may request a trial of their own, so allowing withdrawal does not affect the public interest so much. Thus, the Patent Act as amended in 1987 provided that a request for a trial can be withdrawn before the trial decision becomes final and binding (Article 155, paragraph (1) of the Patent Act), but if the opponent submits a written reply, the request can no longer be withdrawn without the consent of the opponent (paragraph (2) of said Article).

When a case is mature enough to have a trial decision, the chief trial examiner notifies the conclusion of the trial proceedings to the parties concerned and the intervenors (Article 156, paragraph (1) of the Patent Act), and renders the trial decision within twenty days from the notice, in principle (paragraph (4) of said Article).² After this notice, the parties can no longer submit any new means of attack or defense, or intervene in the trial (Article 148, paragraph (3) of the Patent Act). However, the chief trial examiner can resume the trial even after the notice on a motion or ex officio, if necessary (Article 156, paragraph (3) of the Patent Act).

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3.2.4.2. Trial Proceedings

(1) Oral proceeding and documentary proceeding

There are two kinds of trial proceedings: oral proceedings and documentary proceedings.

The oral proceedings are adopted for a trial for invalidation and a trial for invalidation of the registration of an extension of the duration, in principle, but the chief trial examiner can adopt documentary proceedings on a motion or ex officio (Article 145, paragraph (1) of the Patent Act). These are inter-partes trials in which the parties oppose each other, in a manner similar to a civil lawsuit, so the oral proceedings are

1 Although it is no longer meaningful since it is an issue concerning the system before the revision, this issue is referred to in Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1547 (written by Osamu Takura and Hiroaki Niki).

2 This notice system was not established to give an opportunity to resume the trial examination. Instead, it is considered to be a declaratory stipulation for promoting the trial proceedings and preventing a delay in concluding the trial. Therefore, even if a trial decision is given before the sending of the notice or before it reaches the parties, it does not constitute a reason for rescission of the decision. An example case of a trial for invalidation is the Tokyo High Court judgment on March 10, 1966, Court judgments in Administrative Cases, Vol. 17, No. 3, p. 254 (the Petroleum Coke Manufacturing Method case), and cases of a trial against an examiner's decision of refusal include the Tokyo High Court Judgment, March 23, 1971, *Mutai Saishū*, Vol. 3, No. 1, p. 109 (the Dry-Cleaning Composition case); and the Tokyo High Court Judgment, November 21, 1972, *Hanta*, No. 288, p. 220 (the Polymerization Method case).

fundamentally adopted in a manner similar to a civil lawsuit. Oral proceedings are fundamentally conducted in public (paragraph (5) of said Article). However, as described in detail in the part about a trial for invalidation, the nature of all the trials are not necessarily uniform, so not all of the trials for invalidation have the nature of a civil lawsuit. At least a trial for invalidation relating to a dispute over the attribution of a right should be principally conducted by oral proceedings. For example, in a trial for invalidation requested on the basis of misappropriation, the essence of the dispute is not a defect in the patent right itself, but the question of who owns the right.³ Such a determination has a relative resemblance to that of ordinary civil litigation over rights, although some technical issues could arise. For such cases, oral proceedings are more appropriate than documentary proceedings.

Trials other than a patent invalidation trial and a trial for invalidation of the registration of extension of duration are fundamentally conducted by documentary proceedings, but oral proceedings can be used on a motion by a party or ex officio (Article 145, paragraph (2) of the Patent Act). These are ex parte trials which have the nature of an extension of an examination or re-examination. Many of them involve the determination of the technological issues concerning the content of the patent, and similarly to an examination, they have an aspect of being more compatible with documentary proceedings.⁴

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(2) Ex officio principle

The trial system does not adopt the hearing principle, but the ex officio principle. In an ordinary civil case, it does not matter even if a decision is reached by collusion as long as the parties concerned are satisfied, but the trial system not only has a function to coordinate the rights of the parties but, also, the decision is effective against the public and greatly influences third parties. Therefore, it is not reasonable to decide the content of the trial decision merely from the claims made by the parties. Although provisions of

3 In the Intellectual Property High Court Judgment, June 29, 2009, *Hanji*, No. 2104, p. 101 (the case of Substrate Processing Device and Method Therefor, and Method for Manufacturing Substrate), the court dismissed the trial decision that had dismissed the request for the trial, holding that proceedings of a trial for invalidation filed on the basis of misappropriation should be conducted through oral proceedings in light of the contents and characteristics of its specific points of dispute, and that the practice of examining the case by switching to documentary proceedings ex officio considerably lacks fairness and such procedural defect is an error that affects the conclusion of the trial decision.

4 As a legislative approach, there is a question of whether it is appropriate to conduct a trial that is suited to oral proceedings in the JPO in the first place, or whether it is better to entrust it to an ordinary court. The reason for conducting a trial examination for these cases at the JPO by omitting the proceedings of first instance is because it is appropriate to establish a reasonable procedure at the JPO to have it first review the technological issues. So, whether or not such a system should be applied even to the cases that do not involve many technological issues needs to be reconsidered. Meanwhile, Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1679 (written by Osamu Takura and Hiroaki Niki) states that in the trial proceedings at the JPO, the trial examiners do not always need to rely on what was revealed in the oral proceedings to make the determination, but can utilize their technical expertise knowledge to derive the conclusion, so the system may not be suited to oral proceedings in the first place.

the Code of Civil Procedure are mostly applied *mutatis mutandis* to the procedures of the examination and preservation of evidence (the first sentence of Article 151 of the Patent Act), provisions on the hearing principle are not applied *mutatis mutandis*. For example, provisions on admission (Article 179 of the Code of Civil Procedure) are not applied *mutatis mutandis* (the second sentence of Article 151 of the Patent Act). Also, provisions on a judge's capacity to decide on a non-criminal fine, order subpoena, and order the deposit of a security deposit are not applied *mutatis mutandis*.

The *ex officio* principle comprises the principle of examination of evidence *ex officio* and the principle of procedure *ex officio*.

The principle of the examination of evidence *ex officio* is a system where the taking of evidence and preservation of evidence can be conducted *ex officio* without being requested by the parties (taking of evidence *ex officio*). The main role of JPO trials is to determine whether or not there are grounds for refusal or grounds for invalidation.⁵ Since such determination affects the interests of the general public, it is not appropriate to leave the procedure solely to the parties concerned. Thus, the JPO may intervene in the procedure from a public interest viewpoint. In a trial, the JPO may carry out proceedings on grounds that have not been pleaded by the parties concerned,⁶ and trial examiners may examine and preserve evidence at their own discretion (Article 150, paragraphs (1) and (2) of the Patent Act), but in order to prevent taking the parties by surprise, trial examiners must give the parties an opportunity to present their opinions when carrying out such a procedure *ex officio* (paragraph (5) of said Article). In actuality, however, such a procedure is mostly carried out on a motion by a party. However, the principle of the examination of evidence *ex officio* is not limitless, and trial proceedings cannot be conducted on a point outside the object of claim pleaded by the demandant (Article 153, paragraph (3) of the Patent Act). The taking of evidence *ex officio* can be conducted at the discretion of the chief trial examiner, but it is not obligatory.⁷

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The chief trial examiner may carry out trial proceedings even when the parties, etc. do not take the procedure or appear before the JPO within a specified period (the principle

5 However, a trial for correction has a lightly different nature.

6 Article 246 of the Code of Civil Procedure provides "The court may not make a judgment on any matters on which the parties have not claimed."

7 The Tokyo High Court Judgment, May 23, 1967, *Torikeshishū*, 1967, p. 37 (the Sloping Grain Cleaning Device case); the Tokyo High Court Judgment, January 19, 1978, *Torikeshishū*, 1978, p. 285 (the Sintering Device case); the Tokyo High Court Judgment, September 30, 1981, *Mutai Saishū*, Vol. 13, No. 2, p. 640 (the Pressure Sensitive Adhesive Tape case). In the following case, the court held that it is not illegal to reject the only means of proof offered by the party concerned as long as the trial system adopts the Supreme Court Judgment, July 24, 1953, *Minshū*, Vol. 7, No. 7, p. 840 (the Leather Substitute Article Manufacturing Method case; this case relates to Article 100, paragraph (1) of the Act of 1921, which is practically the same provision as Article 150, paragraph (1) of the current Act).

of procedure ex officio) (Article 152 of the Patent Act).⁸

(3) Amendment of a written request of a trial (Article 131-2 of the Patent Act)

The amendment of a written request for a trial can be divided into a formal amendment and a substantive amendment. A formal amendment includes the amendment of the address, name, seal impression, and the like of a party. When there is a specific violation of a formality (violation of Article 131, paragraph (1) of the Patent Act), the chief trial examiner orders an amendment while designating an adequate time limit (Article 133, paragraph (1) of the Patent Act). The chief trial examiner may also order an amendment when the fees have not been paid or in other specified cases (when the case falls under any of paragraph (2), items (i) through (iii) of said Article) (paragraph (2) of said Article). In either case, if the ordered amendment is not made or the amendment changes the gist of the request, in principle, the chief trial examiner may dismiss the written request by a ruling (paragraph (3) of said Article). If any procedure concerning a trial case other than a request for trial is unlawful and not amendable, the chief trial examiner may dismiss the procedure by a ruling, after notifying the person who undertook the procedure of the reasons therefor, and giving him/her an opportunity to submit a statement of explanation, designating an adequate time limit (Article 133-2 of the Patent Act).

Conventionally, an amendment to change the grounds for the request or to add new grounds for invalidation and evidence were allowed, so every time an amendment was made, the past proceedings were wasted, which led to a delay in proceedings. Thus, with the 1998 revision, it was provided that the amendment of a written request for a trial must not change the gist of the request (Article 131-2, paragraph (1) of the Patent Act; Article 131, paragraph (1) before the 2003 revision). However, in trials other than a trial for invalidation, an amendment that changes the gist of the request and the grounds for the request of the trial is allowed since they have little influence on third parties (the proviso to Article 131-2, paragraph (1) of the Patent Act), and cases where amendment is exceptionally allowed were provided as below.

An amendment that changes the gist of the request includes a change or addition to the provisions of law underlying the grounds for invalidation and an addition or replacement of evidence that proves the facts that serve as grounds for invalidation. In practice, the question of whether the addition or change of a demandant or a demandee corresponds to a change of the gist of the request sometimes presents an issue. Before the

⁸ There is no major difference in civil lawsuits with regard to this point, since the Code of Civil Procedure also has the following provisions for cases where the parties do not appear before a court: constructive statements in complaint, etc. (Article 158 of the Code of Civil Procedure); constructive admission (Article 159, paragraph (3) of the Code of Civil Procedure); and constructive withdrawal of action (Article 263 of the Code of Civil Procedure).

1998 revision, there was a Supreme Court judgment that held that it is a change of the gist of the request when one of the joint applicants requests a trial and later adds the other joint applicants by amendment.⁹ In conventional JPO practice, if some of the demandants or demandees were missing from the request, the office would send a written inquiry asking for the addition of the missing persons, and would reject the request if the demandants do not respond to it. However, after this Supreme Court judgment, the JPO came to reject the request immediately without inviting amendment. Nevertheless, at the Tokyo High Court level, decisions have been made which seem to be contrary to the Supreme Court judgment.¹⁰ It is questionable how much meaning there is in formally deeming the failure to describe some of the demandants or demandees as a change to the gist of the request. The reason for imposing severe restrictions on amendment or correction is to avoid causing unexpected damage to third parties. However, the addition or change of a demandant or demandee often does not have such an adverse effect, so such an amendment should be allowed, in principle, in most cases. Studying this in detail, there can be different types of addition or change of names. For example, a notification of the selection of the representative person has been submitted, but the description in the actual column for the names only says “the representative person” or “the representative person [name],” or “[name] and [number] others.” In these cases, it could be presumed that the description is erroneous based on other documents. On the other hand, there are

9 The Supreme Court Judgment, March 24, 1978, *Torikeshishū*, 1978, p. 153 was a case where, after a joint application filed by applicants A and B received an examiner's decision of refusal, applicant A independently filed a lawsuit for rescinding the examiner's decision, and later made an amendment to add applicant B, but the court did not allow the amendment on the basis that it changed the gist of the request. A similar ruling was given in the Tokyo High Court Judgment, July 27, 1988, *Mutai Saishū*, Vol. 20, No. 2, p. 346 (the Clock Dial case). However, even after the Supreme Court judgment, there has been a court judgment stating that although a representative fails to describe some of the joint applicants in the written request for a trial, the request can be amended if a power of attorney covering trials has been attached to the request at the time of the filing of the patent application. The same view is indicated in the Tokyo High Court Judgment, October 25, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 471 (the Taxi Rooftop Indicator Light case); the Tokyo High Court Judgment, November 20, 1979, *Mutai Saishū*, Vol. 11, No. 2, p. 608 (the Transmission Device case). In these cases, the power of attorney had covered trials, but the names of some joint applicants were merely missing from the written request, so it is fairly easy to consider that it was only an error in the description.

10 The Tokyo High Court Judgment, March 30, 1978, *Mutai Saishū*, Vol. 10, No. 1, p. 130 (the Photograph Displaying Tool case). In a case where a trial for invalidation of a utility model was requested by making the former right holder the demandee by mistake, and where the demandee was later amended to the current right holder, the JPO continued with the trial examination, and gave a trial decision of invalidation. In a suit against this trial decision, the court stated as follows: “The system of a trial for invalidation, in consideration of the great influence of an illegitimately-granted patent or utility model, invalidates the registration of such right by a trial, and nullifies the right retroactively; therefore, in light of the nature of this system, the purpose of this provision (Article 131 <note by the author>) should be interpreted to mean that although the demandee in such a trial proceeding disputing over the validity of a disposition should be the administrative authority that gave the disposition (registration), as it is not reasonable to neglect the existence of the right holder who has a direct interest in the result of the trial, the proceeding is to be carried out by making that person the party concerned. If so, the demandee in a trial for invalidation would merely be a party for the purpose of formality. Therefore, it is reasonable to consider that the correction of an erroneous description of the demandee does not correspond to a change of the gist of the request under paragraph (2) of said Article, and that this correction remedies the above-mentioned illegitimacy.” This is a case concerning a change of the demandee in a trial for invalidation, which is slightly different from a case concerning the addition of joint applicants, but basically the same idea is considered to apply.

cases where a trial is requested against a completely irrelevant person. Such a mistake could result from a misunderstanding or a lack of careful attention, or from a sudden change of right holder immediately before requesting the trial where there was no time to investigate the true right holder. Although it would depend on actual cases, it is basically unlikely that the legal stability would be undermined by allowing an amendment.¹¹ Since the purpose of not allowing an amendment that changes the gist of the request is to prevent a delay in proceedings as a result of carrying out the proceedings all over again due to the amendment, whether or not the gist is changed should be determined from the perspective of whether or not the proceedings would need to be carried out all over again due to the amendment making a substantial change to the scope of proceedings.

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Not allowing any amendment that would change the gist of the request may contribute to accelerating the proceedings of the trial in question, but it also means an increase in the number requests for other invalidation trials and, overall, it did not always contribute to resolving a single dispute in the short term. In practice, there was also a situation where a trial demandant circumvented the provisions on the prohibition of an amendment that would change the gist by submitting new grounds for invalidation or evidence in the form of a written petition and promoting ex officio proceedings. However, this could risk causing the determination of the trial examiners to be arbitrary and lead to the dissatisfaction of the opponent. Thus, with the 1998 revision, the provisions were changed so as to prohibit an amendment that would change the gist in principle, but with the approval of the chief trial examiner, an amendment may be allowed exceptionally. Specifically, an amendment that would change the gist came to be allowed only when a request for correction had been filed in the trial for patent invalidation and such a request for correction had given rise to a need to amend the written request for the invalidation trial or when there existed reasonable grounds for not stating the grounds for the request with regard to the amendment of the request at the time the request for a trial was filed, and the demandee had agreed to such amendment, where there was clearly no possibility that the amendment would cause an unreasonable delay in the proceedings (the proviso to Article 131-2, paragraph (1) and paragraph (2) of said Article of the Patent Act; Article 131, paragraph (1) of the Patent Act before the 2003 revision). In response, it was possible for the demandee (the patentee) to request a correction of the description, the scope of claims, and drawings attached to the application under certain conditions (Article 134-2 of the Patent Act). This revision can make the parties satisfied with the procedure, and can avoid the filing of wasteful invalidation trials and achieve a prompt resolution through

11 See Hajime Kaneko and Yoshinobu Someno, *Kōgyō Shoyūken Hō*, p. 294.

a single proceeding.

Further, with the 2003 revision, it was provided that, “when a request for a trial for invalidation is filed, the facts on which the invalidation of the patent is based shall be specified in concrete terms, and the relationship of each fact that is required to be proved with the relevant evidence shall be stated” so as to allow the parties to make appropriate allegations and defense (Article 131, paragraph (2) of the Patent Act). Also, it was provided that an unlawful request for a trial, that is not amendable, may be dismissed by a trial decision without giving the demandee an opportunity to submit a written answer (Article 135 of the Patent Act),¹² in order to prevent abusive requests. It was conventionally handled as a disposition of non-acceptance, but was changed to a disposition of dismissal in order to increase the transparency of the administrative disposition.

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3.2.4.3. Trial Decisions

A trial decision is equivalent to the judgment in a court action. When a trial decision is given to order a further examination to be carried out in a trial against the examiner's decision of refusal (a trial decision to remand), that determination binds the examiner with regard to that case (Article 160, paragraph (2) of the Patent Act). In reality, however, a case is hardly ever remanded to examination, and the determination on whether or not to register a patent is made by the trial decision. A final and binding trial decision after the grant of a patent (a trial decision of invalidation, a trial decision of correction, or a trial decision of invalidation of the registration of extension of the duration) has a retroactive effect (Articles 125 and 128, and Article 125-2, paragraph (4) of the Patent Act).

A trial decision must include the reasons for the decision as well as the conclusion (Article 157, paragraph (2), item (iv) of the Patent Act). The purpose of this is as follows: to guarantee the fairness of the trial decision by ensuring carefulness and reasonableness in the trial examiners' determination and by restraining their arbitrariness; to give the

¹² For example, a request filed after the time limit and a request filed by a person who has no standing as a demandant corresponds to this case. In the Tokyo High Court Judgment, September 21, 1978, *Mutai Saishū*, Vol. 10, No. 2, p. 447/*Hanta*, No. 373, p. 163 (the Kyowa Hakkō case), which was a case where the demandant only wrote that "the grounds for the request for the trial will be supplemented later" in the written request, but failed to do so for one year and seven months after that, the court held that it was a formality violation, but there is a possibility that the deficiency will lead to an amendment, so an order to amend the grounds for the request should be issued against the demandant while designating an adequate time limit, and the request should not be regarded as "an unlawful request for a trial, that is not amendable" prescribed in Article 135 of the Patent Act as applied *mutatis mutandis* pursuant to Article 56, paragraph (1) of the Trademark Act. However, this court judgment is quite old, and it is questionable whether it is applicable today.

parties materials for considering whether or not to file litigation for rescinding the trial decision; and to clarify the subject matter to be examined by the court when it determines the appropriateness of the trial decision.¹³

Before the 2011 revision, it was provided that “no one” may file a request for another trial on the basis of “the same facts and evidence” after a final and binding decision has been registered (Article 167 of the Patent Act before the 2011 revision).¹⁴ This measure had the meaning of circumventing any confusion arising from having multiple decisions given on the validity of a patent right, which is an exclusive right, and avoiding the rehashing of the trial. In order to avoid the rehashing of the trial, the principle of not examining the same matter twice was naturally adopted, but the most notable characteristic of that principle for a trial decision of invalidation and a trial decision of invalidation of the registration of extension of the duration until 2011 was that the decision was effective against third parties. However, since a Constitutional problem was also pointed out about binding third parties who were not involved in the trial and depriving them of the right to request a trial,¹⁵ the phrase “no one” was deleted and replaced with “no party or intervenor” with the 2011 revision, thus dramatically changing the principle of not examining the same matter twice specific to the Patent Act, which had continued since the Patent Act of 1909. Before the 2011 revision, the principle of not examining the same matter twice took effect after the registration of a final and binding trial decision. This was because a final and binding trial decision had the effect of binding third parties as well, and the principle was to take effect upon registration, which had the function of giving a public notice. However, since the trial decisions were no longer effective against third parties, the wording was revised to “after the trial decision became final and binding.” As the parties concerned will naturally know the trial decision, there was no longer a need to delay the time when the principle takes effect to the time of

13 In the Supreme Court Judgment, March 13, 1984, *Hanji*, No. 1119, p. 135/*Hanta*, No. 527, p. 97 (the Non-aqueous Monoazo Dye Manufacturing Method case), the court rescinded the trial decision based on the grounds that it lacked a legitimate reason concerning the inventive step.

14 With regard to this issue, see Ayumu Iijima, “Tokkyo Mukō Shinpan Ni Okeru Ichiji Fusairi” (Double Jeopardy in Patent Invalidation Proceedings), *Intellectual Property Law and Policy Journal*, No. 16 (2007), p. 247; Toshiaki Makino, “Mukō Shinpan No Kakutei Shinketsu No Dai Sansha Kō No Haishi” (Abolishment of the Effects on Third Parties of Final and Binding Trial Decisions in Invalidation Trials), *Tokkyo Kenkyū* (Patent Studies), No. 52 (2011), p. 17.

15 Eiichi Takigawa, “Ōsutoria Tokkyo Hō Ni Okeru Ichiji Fusairi Kitei No Haishi” (Abolishment of the Prohibition of Double Jeopardy from the Austrian Patent Act) (Eiichi Takigawa, *Tokkyo Soshō Tetsuzuki Ronkō*, p. 101, first published in Miyake Masao Kiju Kinen, *Tokkyo Sōshō No Shomondai* (Various Problems Related to Patent Disputes)); Yūko Kimijima, “Tokkyo Mukō To Sono Tetsuzuki” (Invalidation of a Patent and Its Procedure) II, *Hōgaku Kenkyū* (Study on Law), Vol. 69, No. 3 (1996), p. 60; Toshiaki Makino, “Tokkyo Hō 167 Jō No Mondai Ten” (Problems of Article 167 of the Patent Act), (included in Institute of Intellectual Property, *Shinpan Seido To Chiteki Zaisan Soshō No Shōrai Zō Ni Kansuru Chōsa Kenkyū Hōkokusho* (Report on the Study on a Future Vision for Trial System and Intellectual Property Lawsuit), 2002); Tetsuya Ōbuchi, “Tokkyo Shinpan/Soshō Seido No Genjō To Kadai” (Present State and Problems of Patent Trial and Litigation System), *Jurist*, No. 1248 (2003), p. 55. The third parties may intervene in the trial (Article 148 of the Patent Act), and there is also a retrial system for third parties (Article 172 of the Patent Act), but these alone would be insufficient as a procedural guarantee for third parties.

registration.

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The 2011 revision also limited the scope of the principle of not examining the same matter twice to the “same facts and evidence” as before the revision. Its meaning had not necessarily been clarified in theories and court judgments since before the revision. Some theories suggest that “facts” and “evidence” should not be clearly distinguished, but that the two should be read as one.¹⁶ On the other hand, some theories suggest that these two should be clearly distinguished, and the “facts” in the “same facts” indicate specific facts within the limit of legal stipulations setting forth the grounds that generate the invalidation effect, and “evidence” in the “same evidence” which indicates specific evidence that has been produced in order to prove the reason for invalidation.¹⁷ The terminology of “facts” and “evidence” does not seem appropriate, but it can be considered that “facts” mean facts that correspond to the reason described in the written request for a trial (Article 131, paragraph (1), item (iii) of the Patent Act) (Article 123, paragraph (1) of the Patent Act), which are abstract, and the matters that serve as the concrete foundation of the facts are “evidence.” If this requirement of “the same facts and evidence” were interpreted too broadly, the scope of prohibition of requesting a trial again (the scope of prohibition of examining the same matter twice) would become too broad, which would mean that patents that should be invalidated would be left as they are. In reverse, if it were interpreted too narrowly, it would deviate from the original purpose of adopting the prohibition of examining the same matter twice, resulting in the rehashing of disputes. The point is where to achieve a balance between the two.

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In a trial, both parties produce evidence to attack and defend a specific reason for invalidation, and the determination in the trial proceedings is also made on this point of dispute, so the prohibition of examining the same matter twice specific to the Patent Act

16 *Shutsugan/Shinsa/Shinpan/Soshō (Tokkyo Hō Seminā (2)) (Application Filing, Examination, Trials, Lawsuits (Patent Law Seminar (2))), p. 717 (Comment by Masuji Hara).*

17 Kazuko Matsuo, “Tokkyo Hō Dai 167 Jō No ‘Dōitsu No Jijitsu Oyobi Dōitsu No Shōko’” (The ‘Same Facts and Same Evidence’ in Article 167 of the Patent Act), Uchida Osamu Koki Kinen, *Hanrei Tokkyo Soshō Hō* (Case Law on Patent Litigation), p. 469.

was adopted regarding matters that have actually been determined in a trial.¹⁸ Specifically, even if the subject of trial proceedings or the reason for invalidation were the same as in the previous trial, if it was not concretely claimed in the previous trial or the evidence was not the same, a separate trial may be requested.¹⁹ Also, even if the cited printed publication were the same, if the concrete cited part was different, it could not be considered as the same evidence.²⁰ There is also the issue of whether or not a new trial can be requested by adding new evidence to that produced in the previous trial. This issue must be judged case by case, but a request for a new trial should be allowed only when the new evidence is found to have a special meaning.²¹ In this case, it is not proper to render a trial decision of invalidation solely based on the old evidence.²²

In ordinary civil litigation, the subjective scope of the effect of a judgment is limited to the parties (Article 115 of the Code of Civil Procedure) and the objective scope is limited to the subject matter of the suit (Article 114, paragraph (1) of the Code of Civil Procedure), but the Patent Act before the 2011 revision was characteristic in that it had broadened the subjective scope of third parties and limited the objective scope to “the same facts and evidence.” The phrase “no one” was deleted with the 2011 revision as mentioned earlier, and the prohibition of examining the same matter twice only became

18 In the Supreme Court Judgment, March 10, 1976 (Grand Bench), *Minshū*, Vol. 30, No. 2, p. 79 (the Knitting Machine case), the court stated that it is inadmissible to claim a fact concerning the invention as being publicly known in litigation for rescinding a trial decision, when that fact had not been examined and determined in the Kokoku trial under the Act of 1921. Although this was not a direct decision rendered on the “same facts and evidence,” but a part of the obiter dicta, it was a judgment rendered by the Grand Bench, and had a great significance in practice. Meanwhile, in the Tokyo High Court Judgment, April 23, 1964, *Gyōshū*, Vol. 15, No. 4, p. 648 (the Synthetic-resin-made Flower case), the court held that it is inadmissible to claim the existence of a new printed publication in litigation for rescinding a trial decision of invalidation. It stated that a trial decision of invalidation indicates a conclusion to either recognize or reject the request in a trial for invalidation based on the recognition of a specific matter that has been revealed as a reason for invalidation of a registration, and the “same facts and evidence” are considered to correspond to the specific fact revealed in this context.” Also see Tadashi Takura, “*Mukō Shinpan Seikyū Wo Shirizokeru Shinketsu Wo Megutte -- Shinketsu Torikeshi Soshō Tono Kanren Ni Oite*” (Discussions on the Trial Decision to Reject the Demand for the Trial for Invalidation -- In Relation to the Suit against the Trial Examiner’s Decision), Toyosaki Mitsue Tsuitō Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 219.

19 The Tokyo High Court Judgment, July 20, 1973, *Mutai Saishū*, Vol. 5, No. 2, p. 233 (the Thermoplastic Synthetic Resin Band Forming Method case). Also, in this judgment, the court stated that the same person may re-request a trial if the facts and evidence are not the same as those in the previous trial.

20 The Tokyo High Court Judgment, June 28, 1969, *Gyōshū*, Vol. 20, No. 5/6, p. 813 (the Oxidized Starch Liquid Manufacturing Method case).

21 In the Supreme Court Judgment, April 28, 1992, *Minshū*, Vol. 46, No. 4, p. 245/*Hanji*, No. 1419, p. 93/*Hanta*, No. 784, p. 178 (the Barrel Polishing case), the court held that, where a further allegation was made to the effect that an invention lacks an inventive step by citing an additional invention, if the lack of inventive step is alleged not solely based on the additional cited invention, and not based on a combination of the additional cited invention and a specific cited invention that was examined in the previous lawsuit, the second trial decision holding that the invention involves an inventive step is not illegal.

22 See Osamu Takura, “*Mukō Shinpan Seikyū O Shirizokeru Shinketsu O Megutte -- Shinketsu Torikeshi Soshō Tono Kanren Ni Oite*” (Discussions on the Trial Decision to Reject the Demand for the Trial for Invalidation -- In Relation to the Suit Against the Trial Examiner’s Decision), Toyosaki Mitsue Tsuitō Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 229. There are two opposing court judgments regarding this issue: the Tokyo High Court Judgment, June 28, 1969, *Gyōshū*, Vol. 20, No. 5/6, p. 813 (the Oxidized Starch Liquid Manufacturing Method case) and the Tokyo High Court Judgment, February 28, 1979, *Torikeshishū*, 1979, p. 79/*Tokkyō To Kigyō* (Patents and Enterprises) No. 124, p. 30 (the Seam Forming Device case).

effective for “the parties and intervenors” (Article 167 of the Patent Act after the 2011 revision). It had been pointed out that Article 167 of the Patent Act before the 2011 revision, which extended the subjective scope of the effect of the prohibition of examining the same matter twice to third parties, had the possibility of being unconstitutional, and in order to circumvent such possible unconstitutionality, there was a tendency to narrowly interpret “the same facts and evidence,” and construe that a new trial may be requested if the evidence differed only slightly, regarding that such evidence did not constitute “the same facts and evidence.” Nevertheless, since Article 167 of the Patent Act was no longer effective against third parties with the 2011 revision, and the prohibition of examining the same matter twice became effective only against the parties and intervenors, the interpretation of that wording will inevitably be affected. In other words, “the same facts and evidence” had been interpreted narrowly previously because it was effective against third parties, but with regard to the parties and intervenors, there is no reason to have to narrowly interpret the scope of these people. With regard to the parties and intervenors, it is important to prevent the meaningless rekindling of disputes, so the prohibition of examining the same matter twice under the Patent Act should be interpreted in a similar manner to the ordinary prohibition in civil litigation in the future. If so, it is not reasonable to keep the ambiguous wording, “the same facts and evidence.” It would seem more appropriate to abolish Article 167 of the Patent Act, and derive the conclusion from the general theory of prohibition of examining the same matter twice

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3.3. Retrial (Article 171 onward of the Patent Act)

Similarly to civil litigation, a party or intervenor can request a retrial against a final and binding revocation decision (Article 114 of the Patent Act) or trial decision based on certain restricted grounds (Article 171, paragraph (1) of the Act), in which case the provisions of the Code of Civil Procedure are applied *mutatis mutandis* (paragraph (2) of said Article). Therefore, the grounds for a retrial correspond to the grounds stipulated in Article 338, paragraphs (1) and (2) and Article 339 of the Code of Civil Procedure. However, the grounds for a retrial under the Patent Act also include a case where a demandant as regards a trial, in conspiracy with the demandee, has caused the trial decision to be rendered for the purpose of harming the right or interest of a third party (fraudulent trial decision) (Article 172, paragraph (1) of the Patent Act). In such a case, the demandant of the retrial is not one of the originally concerned parties, but a third party whose rights or interests have been harmed, and both the demandant and the demandee

in the original trial become the defendants in the retrial (paragraph (2) of said Article). Until the 2011 revision, a third party was not allowed to request a trial based on “the same facts and evidence,” so there was significance in conducting a retrial. Today, however, a third party whose rights or interests have been harmed would request a trial for invalidation or a trial for invalidation of the registration of extension of the duration instead of a retrial.

A retrial must be requested after the trial decision becomes final and binding, and within thirty days from the date on which the demandant becomes aware of the grounds for the retrial (Article 173, paragraph (1) of the Patent Act). However, if the demandant was unable to make the request within this time limit due to reasons beyond his/her control, he/she can make the request within fourteen days (in the case of an overseas resident, within two months) from the date when the reasons ceased to exist but prior to six months from the expiration of the said time limit (paragraph (2) of said Article).

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Many provisions on trials are applied *mutatis mutandis* to a retrial (Article 174 of the Patent Act). If a request for a retrial has grounds for retrial, the trial examiner dismisses the request, and if it has grounds for retrial, the trial examiner revokes the original revocation decision or trial decision and renders a new trial decision after conducting substantive examination. If the demandant of the retrial is dissatisfied with the trial decision, the demandant files litigation for rescinding the trial decision.

If a patent that had been invalidated in a retrial is restored, the patent is deemed to have been valid from the start. However, if a person who has worked the invention after the trial decision of invalidation became final and binding by trusting this decision is regarded as having conducted an illegal act due to the retroactive effect, it would undermine people's confidence in trial decisions. Thus, the effect of the patent right does not extend to any products that were produced, imported or acquired (Article 175, paragraph (1) of the Patent act) or any working of the invention without knowledge (paragraph (2) of said Article) after the trial decision was final and binding but before the registration of the request for a retrial.

In addition, a statutory non-exclusive license is recognized for a person who has, without knowledge, been working the invention in Japan or has, without knowledge, been making preparations therefor during that period (Article 176 of the Patent Act), so such person can continue to work the invention into the future without removing the facility used for such purpose. This provision was established for the same purpose and applies the same requirements as those for the non-exclusive license based on prior use.

3.4. Advisory Opinion on the Technical Scope of a Patented Invention (Article 71 of the Patent Act)

The technical scope¹ of a patent right is much more difficult to determine compared to the scope of a right for a tangible article, which accordingly gives rise to more disputes. Also, when working a certain technology, the status of both the patentee and third parties would be unstable if the technical scope of the patent right were unclear. The issue of technical scope is something that should ultimately be determined in court, but in some situations it would be beneficial if an impartial advisory opinion could be given by the competent authority relating to technology in advance, or while the case is pending. The system established to that end is the system of advisory opinion on the technical scope of a patented invention (Article 71 of the Patent Act).

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While there was a system of a trial for confirmation of the scope of right² under the Act of 1921, its legal positioning was ambiguous, causing conflicting arguments over the effect of the trial decision, so the system was revised in the current manner in the Act of 1959.

The advisory opinion under the current Act is the expression of an opinion by the JPO, and it only has the nature of an expert opinion. It is clear from the legislative process

¹ In theory, determination on the scope of a patent right is made by first deciding its technical scope and then deciding on whether or not a product or an act corresponds to an infringement of the right. The advisory opinion system was established in the JPO because the question of technical scope mainly concerns technological issues, which are more suited to be determined by the JPO. Incidentally, the relation between the scope of protection and the scope of right, and use of such terminology, is subject to dispute, but we shall not discuss it here (Kenjirō Ōe, “Tokkyo Seikyū No Han’i To Tokkyo Hatsumei No Hogo Han’i Tono Kakusa” [Difference Between the Scope of Patent Claims and the Scope of Protection of the Patented Invention], *Tokkyo Kanri* [Patent Management], Vol. 25, No. 7 [1975], p. 713; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 482; Shimao Kosaka, “Chūshōteki Na Tōroku Seikyū No Han’i No Kisai To Sono Kaishaku” [Abstract Description of the Scope of Registered Claims and Its Interpretation], Umase Fumio Koki Kinen, *Hanrei Tokkyo Shingai Hō* (Case Law on Patent Infringements), p. 321; Ikuo Hata, “Tokkyo Shingai Soshō Zakkan” [Various Remarks on Patent Infringement Lawsuits], *Tokkyo Kanri* [Patent Management], Vol. 33, No. 4 [1983], p. 409).

² With regard to the trial for confirmation of the scope of right under the former Act, see Osamu Takura, “Taishō Jū Nen No Kenri Han’i Kakunin Shinpan No Seido--Shigaisen Sakkinki Jiken O Megutte” (The System of Trials for Confirmation of the Scope of Rights under the Act of 1921--Study of the Ultraviolet Disinfectant Apparatus Case), *Minji Tokubetsu Hō No Shomondai Dai Nikan* (Various Problems of Special Civil Laws, Vol. 2) (Collection of Memorial Treatises on the 20th Anniversary of the Opening of the Kansai Law & Patent Office (Dai-ichi Hoki, 1985), p. 259.

that the advisory opinion does not have legally binding force,³ and this is also the interpretation in Supreme Court judgments.⁴ Therefore, no appeal can be made against the result of an advisory opinion,⁵ and the result does not bind the court, which allows a different conclusion to be derived in a court judgment. The advisory opinion is made by the JPO through a careful procedure resembling that of a trial, so it may be treated as having more authority in the actual world than a private expert opinion,⁶ but this is a matter of fact.

Provisions on the advisory opinion procedure had formerly been delegated to a Cabinet Order under Article 71, paragraph (3), but the Cabinet Order was deleted with the 1999 revision, and the procedure came to be stipulated in the Patent Act. Although the advisory opinion differs in character from trials, provisions on trials are applied *mutatis mutandis* to a large part of the advisory opinion procedure (Article 71, paragraph (3) of the Patent Act). Such application is expected to ensure the rendering of impartial advisory opinions. However, since only the necessary parts of the trial procedure have been applied *mutatis mutandis* as they are or by replacing some terms, the provisions are very difficult to read in actuality.⁷

3 The council for the law revision consumed much time in examining the effect of the advisory opinion, and after various discussions and many twists and turns (conflicting theories were observed among the council, the Cabinet Legislation Bureau, and the court), it was finally decided that it was an advisory opinion having no legally binding force and, accordingly, no provisions concerning the prohibition of examining the same matter twice and the retrial were established with respect to the advisory opinion (Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 241; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Shōkai*, p. 390). While the term “*Kaishaku* (interpretation)” was used in the original government draft submitted to the Diet, the term was revised into “*Hantei* (advisory opinion)” in the House of Representatives. Both terms are the same in that they do not have any legally binding force. However, although there was an account by the government in the Diet that the result of the advisory opinion was subject to petition under Article 177 of the Patent Act (deleted in 1962) and general litigation, this was denied by a Supreme Court judgment. With regard to an appeal against the result of an advisory opinion, see Yoshinobu Someno, “*Hantei Ni Taisuru Fufuku Mōshitate*” (Appeal Against the Result of an Advisory Opinion), *Tokkyō Kanri* (Patent Management), Vol. 9, No. 12 (1959), p. 645.

4 The Supreme Court Judgment, April 18, 1968, *Minshū*, Vol. 22, No. 4, p. 936 (the Nakajima Machine Manufacturing case). In a subsequent Tokyo High Court Judgment, July 30, 1970, *Hanta*, No. 253, p. 192 (the Bran/Grain Dryer case), the court held that statements in a copy of a written advisory opinion cannot be adopted. In other words, a copy of a written advisory opinion is legally treated equally to other documentary evidence, and whether or not to adopt it is decided at the discretion of the court.

5 In the Tokyo District Court Judgment, September 25, 1989, *Torikeshishū*, 1989, p. 539/*Tokkyō To Kigyō* (Patents and Enterprises), No. 252, p. 71, the court stated that an appeal cannot be made based on the Administrative Appeal Act, because the advisory opinion does not have a binding force and does not correspond to an administrative disposition.

6 In the Nagoya High Court Kanazawa Branch Judgment, June 14, 1967, *Kamin*, Vol. 18, No. 5/6, p. 676 (the Butylscopolamine Bromide Manufacturing Method case), which was a dispute over whether the fact that an advisory opinion was made corresponded to a change in circumstances for canceling a provisional disposition, the court stated as follows: “the advisory opinion is made by three trial examiners designated by the JPO Commissioner, so it is a technical expert determination by a state organ, and at the same time, provisions similar to those related to the JPO trial are applied to the advisory opinion procedure, so the result of the advisory opinion, although an appeal cannot be made against it, should not be considered merely as a private expert opinion, but as a public technical determination under an impartial procedure, which is, to a certain extent, one of authoritative determinations.” This court judgment recognizes that practically the advisory opinion has a strong effect, but it does not recognize its legal effect as being any more than an expert opinion.

7 This is not a circumstance specific to this provision, but such application *mutatis mutandis* and replacement of terms are too frequently used throughout industrial property laws that they are making it difficult for ordinary people to understand the contents. Drafting the provisions in such a way provides a chance for government officials to show their skills, and such drafting method seems to be an established legislative technique, but they should re-recognize the importance of making law comprehensible to and widespread among all people.

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An advisory opinion can either be requested to confirm that a product or an act falls under a certain technical scope (proactive confirmation) or to confirm that it does not fall under the technical scope (passive confirmation). In an advisory opinion, a determination is made on whether or not an invention (or its working form) subject to the request falls under the technical scope of a patented invention. It is not relevant whether or not the demandant of an advisory opinion is working the invention subject to the request, and it is also possible to seek an advisory opinion for a hypothetical case example. It is generally interpreted that an advisory opinion can be requested even without a demandee. If there is a demandee (the opponent party), a copy of a written request for an advisory opinion is served on the demandee, and the demandee can submit a written answer.

An advisory opinion determines only the question of whether or not the subject of the request falls under a technical scope (Article 71 of the Patent Act). The technical scope is determined based on the statements in the scope of claims attached to the application, in consideration of the statements in the description and drawings (Article 70 of the Patent Act). An advisory opinion does not determine legal issues including invalidation, a prior user's right, exhaustion, a non-exclusive license for an employee invention, an implicit non-exclusive license, or the effect of a patent right whose duration has been extended, but it determines equivalence because it is an issue concerning the technical scope. Nevertheless, an advisory opinion, which is only an expert opinion, has no legal effect, so there is little significance in legal theories to clearly demarcate the border between issues concerning the technical scope and legal issues. Yet, compared to a private expert opinion, an advisory opinion has a large meaning in practice. If an advisory opinion determines issues beyond the technical scope of a patented invention to cover also legal issues, it could give an erroneous impression as if the advisory opinion has determined the issue of infringement, and could be used by the parties or third parties inappropriately or abusively, so an advisory opinion should not make legal determination.

While a trial for confirmation of the scope of right under the former Act could only be requested by an interested party (Article 84, paragraph (3) of the former Act), a person does not have to be an interested party to request an advisory opinion under the current

Act.⁸ Unlike a trial, an advisory opinion is the expression of an expert opinion by the JPO. Therefore, the civil action principle that where there is no interest, there is no cause of action does not apply fundamentally. In addition, if a demandant is required to be an interested party, extra time and labor will be required to determine whether or not the demandant is an interested party. Thus, a person requesting an advisory opinion does not have to be an interested party.

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Incidentally, there is also a question of whether the JPO needs to provide such service as a means of resolving private disputes. Although there is a need for advisory opinions, which are more affordable than court proceedings, the proceedings of infringement lawsuits have become more and more expeditious recently, so it seems to be more proper to solve legal disputes through court proceedings. It would be sufficient for the JPO to provide advisory opinions when so requested by a court or Customs, etc.

Although it had been possible for the court to commission the JPO Commissioner to give an expert opinion pursuant to Article 218 of the Code of Civil Procedure, the identity of the person who should make the determination at the JPO and the procedure therefor had been unclear. Thus, with the 1999 revision, Article 71-2 was introduced, providing that where such commission is made, provisions on trials should be applied *mutatis mutandis*, and the JPO Commissioner should appoint three trial examiners and direct them to provide an expert opinion.

8 Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō (Jō) [Dai 3 Han]*, p. 959 (written by Shigetoshi Matsumoto and Yutaka Koike); Hajime Kaneko and Yoshinobu Someno, *Tokkyo/Shōhyō*, p. 517, Yoshikazu Tanabe, “Hantei Seido No Un’yō Ni Tsuite” (Practice of the Advisory Opinion System), *Tokkyo Kanri* (Patent Management), Vol. 11, No. 8 (1961), p. 477; Nobuo Mon’ya, ed., *Chūshaku Tokkyo Hō*, p. 201 (written by Shōen Ono) (however, it explains that there remains a doubt as to whether a request for an advisory opinion can be dismissed or not even when there is absolutely no need to request an advisory opinion). Yoshirō Hashimoto, *Tokkyo Hō [Dai 3 Han]*, p. 228 also mentions that although the demandant does not usually need to be an interested party, it is questionable whether a person who is not an interested party can be a demandant. Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 646 states that although an advisory opinion does not have to be considered to be the same as a trial for invalidation, the demandant should have an interest in complying with the purpose of the system, as long as it is established as a system of the state. Masahiro Yoshida, “Hantei Seikyūnin No Tekikakusei” (Standing of a Demandant as regards an Advisory Opinion), *Patent*, Vol. 27, No. 7 (1974), p. 54 also mentions that the demandant must be an interested party.

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§4. Litigation for Rescinding a Trial Decision, etc.¹ (Article 178 onward of the Patent Act)

4.1. General Remarks

Since an administrative organ cannot make a judicial decision in the final instance, it is imperative under the Constitution to be able to appeal to a court against a disposition made by the JPO, including a trial decision (Article 32 and the second sentence of Article 76, paragraph (2) of the Constitution). Generally, a person who is dissatisfied with an administrative disposition can appeal based on the Administrative Case Litigation Act, but for an appeal against an administrative disposition concerning a patent, the provisions of the Patent Act are applied first, after which the provisions of the Administrative Case Litigation Act are applied (Article 1 of the Administrative Case Litigation Act), and for matters which are not provided for in said Act, the Code of Civil Procedure is applied (Article 7 of the Administrative Case Litigation Act).

An appeal against a revocation decision (Article 114, paragraph (2)) or a trial decision, etc. is litigation on lawfulness of an administrative disposition, etc., which belongs to the category of an action for the judicial review of an administrative disposition (Article 3 of the Administrative Case Litigation Act). The appeal is principally under the jurisdiction of the district court in charge of the location of the administrative authority which is to be the defendant (Article 12, paragraph (1) of the Administrative Case Litigation Act). However, special provisions are established in the Patent Act regarding an appeal against a trial decision and against a ruling to dismiss a written request for a trial or a retrial, so such appeal should be filed in accordance with those provisions. Specifically, the Patent Act adopts a system whereby an appeal against such types of JPO dispositions is not immediately filed with a district court, but reviewed in a JPO trial, and an action against the result of such a review (trial decision) is to be under the exclusive jurisdiction of the Tokyo High Court (Intellectual Property High Court), omitting the first instance (Article 178, paragraph (1) of the Patent Act).

Although it has been explained that, compared to an appeal in an ordinary administrative case, an appeal against such types of JPO dispositions requires high technical expertise and it is not appropriate to apply the procedure for an ordinary administrative case, so it must go through a trial that is specially established for such purpose, this reason alone cannot explain the need for all of the trials. Indeed, some of the cases that must undergo trials have weak technical characteristics or strong legal

¹ This refers to an action against a trial decision and an action against the dismissal of a written request for a trial or a retrial (Article 178, paragraph (1) of the Patent Act), but an action against a trial decision is being discussed here in the main.

characteristics (this point is discussed later on).

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4.2. Procedures

4.2.1. Jurisdiction and Limitation of Actions (Article 178 of the Patent Act)

An appeal against a revocation decision (Article 114, paragraph (2)) or an appeal against a ruling to dismiss a written request for an opposition to a granted patent, a written request for a trial, or a written request for correction is processed under the exclusive jurisdiction of the Tokyo High Court, omitting the first instance (Article 178, paragraph (1) of the Patent Act). While Article 178 provides that the Tokyo High Court has exclusive jurisdiction over litigation for rescinding a trial decision, etc., the Intellectual Property High Court (IP High Court) was established in 2004 as a special branch of the Tokyo High Court (the main clause of Article 2 of the Act for Establishment of the Intellectual Property High Court), and the IP High Court came to handle the cases of litigation for rescinding a trial decision, etc. among the cases handled by the Tokyo High Court (Article 2, item (ii) of said Act).

Ordinary litigation for rescinding an administrative disposition must be filed within six months from the date when one becomes aware of the disposition (Article 14, paragraph (1) of the Administrative Case Litigation Act), but as decisions must be made promptly regarding patents, litigation for rescinding a trial decision, etc. must be filed within thirty days from the date on which a certified copy of the trial decision has been served (Article 178, paragraph (3) of the Patent Act). This time limit is invariable (paragraph (4) of said Article). However, the chief trial examiner may ex officio designate an additional period extending the invariable time limit for a person in a remote area or an area with transportation difficulties (paragraph (5) of said Article).

4.2.2. Concerned Parties

4.2.2.1. Plaintiff and Defendant (Article 178, paragraph (2) and Article 179 of the Patent Act)

The plaintiff in litigation for rescinding a trial decision, etc. is limited to a party in the case, an intervenor, or a person whose application for intervention in the proceedings on an opposition to a granted patent or in a retrial has been refused¹ (Article 178,

¹ Since a person whose intervention has been refused by a ruling is eligible to be the plaintiff in litigation for rescinding a trial decision, such person may not file an appeal against the ruling (Article 149, paragraph (5) of the Patent Act).

paragraph (2) of the Patent Act). In the case of an ordinary administrative case, any person who has a legal interest in seeking the revocation of an original administrative disposition can file an action (Article 9 of the Administrative Case Litigation Act). However, as a patent right is effective against the public and restricts the acts of everybody, the number of interested parties in the broad sense becomes too large, and if the standing to sue is recognized for all such interested parties, it could cause a delay or confusion in the litigation. On the other hand, if the standing to sue is recognized only for the parties to a trial, it would be difficult to satisfy the requirement under Article 32 of the Constitution that “no person shall be denied the right of access to the courts.” Thus, the provision was introduced as a compromise measure.² Yet, it has been pointed out that a restriction requiring a person other than a party to a trial to have made an application for intervention in advance in order to be a plaintiff could be in violation of Article 32 of the Constitution.³ [288]

The defendant in litigation for rescinding a trial decision is the JPO Commissioner for an ex-parte case where there is no specific opponent, and is either the demandant or the demandee of a trial or retrial in an inter-partes case where there is an opponent (Article 179 of the Patent Act).

4.2.2.2. Jointly Owned Right to Obtain a Patent and Jointly Owned Patent Right⁴

A. Generalities

When a right to obtain a patent or a patent right is jointly owned, the joint owners must jointly file a request for a trial (Article 132, paragraph (3) of the Patent Act), and when a request for a trial is filed against patentees jointly owning a patent right, the demandees in the said request shall be all the joint owners of the said patent right (paragraph (2) of said Article). However, there are no such stipulations regarding the filing of litigation for rescinding a trial decision, etc. Thus, there are three divided interpretations: a theory stating that because the joint owners must uniformly have the same intention as in the case of a trial, it is a necessary joinder of inherent parties similar to the case of a request for a trial, and a suit filed by only one of the joint owners would be dismissed;⁵ a theory recognizing the standing to sue for one of the joint owners as an

² Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 487.

³ Eiichi Takigawa, *Tokkyō Soshō Tetsuzuki Ronkō*, p. 1.

⁴ See Makiko Takabe, “Tokkyō No Kyōyū Wo Meguru Shomondai” (Issues Surrounding Joint Ownership of Patents), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 214.

⁵ See *Tokkyō Hō Seminā (2) Shutsugan/Shinsa/Shinpan/Soshō*, p. 738 (Comment by Masuji Hara). Recently, this theory of an act of preservation has become more prevalent in theoretical studies. Nobuhiro Nakayama, “Tokkyō O Ukeru Kenri No Kyōyūsha No Hitori Ni Yoru Shinketsu Torikeshi Soshō No Tekikakusei” (Eligibility of One of the Joint Owners of the Right to Obtain a Patent to File a Suit against a Trial Decision), Takura Osamu Koki Kinen, *Chiteki Zaisan Wo Meguru Shomondai* (Various Problems Surrounding Intellectual Property), p. 549.

act of preservation; and a theory stating that a suit filed by one of the joint owners is legitimate, because although it is necessary to have a joinder of inherent parties, the filing of a suit by one of the owners has an effect on the interests of all of the joint owners based on an analogical application of the old provision of Article 62 of the Code of Civil Procedure (this provision has been moved to Article 40, paragraph (1) in the new Code of Civil Procedure revised in 1996) by recognizing that the trial and the suit are practically in continuation.⁶ Under the current Act, however, it is difficult to consider a trial and litigation to be in a successive relationship, so an analogical application of the old provision of Article 40, paragraph (1) of the Code of Civil Procedure would not be easy. Therefore, the possible interpretation of the current Act would be either to dismiss the filing of a suit that lacks some of the joint owners on the grounds of the necessary joinder of inherent parties or to treat such a case as legitimate as an act of preservation.

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There are two principal points of issue. The first issue is the need for the joint owners uniformly to have the same intention with regard to their patent. While the filing of an application (Article 38 of the Patent Act) and a request for a trial (Article 132, paragraphs (2) and (3) of the Patent Act) must be conducted by all of the joint owners, there are no such provisions concerning litigation for rescinding a trial decision, etc. There is a view that, despite such lack of provisions, the same should apply to litigation, and all the joint owners should be required to file a lawsuit jointly. The second issue is the practical problem of actual appropriateness. There is a view that if one of the joint owners opposes or withdraws from the filing of litigation, the remaining joint owners might lose their right to obtain a patent or their patent right, which could be too severe for the remaining joint owners and some remedy should be provided.

B. Ex-parte litigation for rescinding a trial decision

There are different types of trial, and they cannot be treated the same. First, we will study litigation for rescinding a trial decision rendered in a trial against an examiner's decision of refusal.

Court decisions have held that ex-parte litigation for rescinding a trial decision is a

⁶ See Naoto Komuro, “Shinpan Tetsuzuki To Shinketsu Torikeshi Soshō Tetsuzuki No Kankei -- Kyōyū No Bāi No Tōjisha Tekikaku O Chūshin To Shite” (Relation between a Trial Procedure and a Suit Against a Trial Decision -- Centering on the Standing of a Party When the Right is Jointly Owned) Ishiguro Junpei and Umase Fumio Kanreki Kinen, *Kōgyō Shoyūken Hō No Shomondai* (Various Problems in Industrial Property Law), p. 293. Incidentally, a similar judgment was also rendered by the Supreme Court in prewar Japan under the former Act (the Supreme Court Judgment, July 7, 1933, *Minshū*, Vol. 12, No. 18, p. 1849 [the Request for Invalidation of Utility Model Registration case]).

necessary joinder of inherent parties.⁷ However, the core significance of the existence of a patent right is in its property value, so in that respect it is problematic that the value of the property owned by the other joint owners would be extinguished when only some of the joint owners refuse to file a lawsuit for rescinding a trial decision. Nevertheless, that also applies to the filing of a patent application or a request for a trial, so if the interests of the other joint owners are to be considered, it is necessary to wait for an overall legislative solution that also covers filings and the trial system. When filing a patent application or requesting a trial, there is also a need for all of the joint owners to have the same intention regarding a patent right, and it would not be possible to force other joint owners to file, so as a legislative approach, a possible solution would be to recognize a claim for the purchase of the individual shares of the right by the remaining joint owners (a type of a claim for division). Indeed, a patent right, by its nature, cannot be discussed by solely considering its property aspect. For instance, some scholars do not want to monopolize their inventions, and prefer not to patent them for the benefit of all of society,⁸ and there is a question of whether the intentions of such inventors can be neglected. There may also be cases where some joint owners wish to file a patent application, while the others wish to keep it as know-how. Despite this, however, patent rights would have to be discussed based mainly on their property value. So, in such a case, there would be no other reasonable way but to settle the inventors' individual problems by a contract before establishing joint ownership.

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This issue should ultimately be solved by a legislative approach, but as an interpretation of the current Act, the theory of an act of preservation should be adopted, although there are some theoretical drawbacks, and it should be considered that litigation

⁷ The following are cases under the former Act: the Tokyo High Court Judgment, June 17, 1958, *Gyōshū*, Vol. 9, No. 6, p. 1182 (the Invalidation of Design Registration case); the Supreme Court Judgment, August 31, 1961, *Minshū*, Vol. 15, No. 7, p. 2040 (the Decision of Refusal of Utility Model Application case); its original instance, the Tokyo High Court Judgment, April 7, 1960, *Gyōshū*, Vol. 11, No. 4, p. 1012; the Tokyo High Court Judgment, February 27, 1968, *Hanta*, No. 221, p. 148 (the Air Pressure Canning Device case); the Supreme Court Judgment, January 18, 1980, *Hanji*, No. 956, p. 50 (the Shield Method Segment case); and its original instance, the Tokyo High Court Judgment, December 1, 1976, *Mutai Saishū*, Vol. 8, No. 2, p. 454. The Supreme Court Judgment, March 7, 1995, *Minshū*, Vol. 49, No. 3, p. 944/*Hanji*, Vol. 1527, p. 145/*Hanta*, Vol. 876, p. 147 (the Magnetic Therapy Equipment case) was rendered on a case where joint owners of an invention jointly requested a trial after receiving an examiner's decision of refusal but they received a trial decision finding the request to be invalid, and one of the joint owners independently filed a lawsuit for rescinding the trial decision since another of the joint owners went bankrupt. In the judgment, the court reversed the Tokyo High Court Judgment, January 27, 1994, *Hanji*, No. 1502, p. 137 that recognized the standing to sue, and it dismissed the appeal based on the ground of the necessary joinder of inherent parties. Accordingly, this issue is considered to have been settled in practice with this Supreme Court judgment. In contrast, in the following judgments, which were rendered before the abovementioned Supreme Court judgment, the court held that litigation for rescinding a trial decision that was given in a trial against an examiner's decision of refusal may be filed by one or some joint applicants: the Tokyo High Court Judgment, April 24, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 97 (the Bulky Knit Fabric case); the Tokyo High Court Judgment, January 27, 1994, *Hanji*, No. 1502, p. 137 (the Magnetic Therapy Equipment case; this case has been reversed by the Supreme Court judgment in 1995).

⁸ Wilhelm Conrad Röntgen won a Nobel Prize, but did not pursue economic profit, and purposefully refrained from acquiring patents. This may have been possible only because Röntgen was a famous university professor. With the recent rise of the idea of the Commons and active development of free software, etc., the situation is becoming complex.

for rescinding a trial decision does not necessarily have to be filed jointly by all the joint owners. The weak point of the theory of an act of preservation is the need for the joint owners to have the same intentions with regard to a patent. A patent right is an inseparable whole, and we must avoid a situation where a patent right is established for one of the joint owners, but not for the other joint owners. If some of the joint owners file a lawsuit for rescinding a trial decision, but the others do not, theoretically, a trial decision becomes final and conclusive for the joint owners who did not file the litigation when the thirty-day time limit for filing a lawsuit arrives. However, the trial decision does not become final and conclusive for those who have filed a lawsuit, and if a judgment to rescind the trial decision is rendered by the court, the trial will be resumed, and the trial decision will be rendered. While a judgment to rescind a trial decision rendered in litigation for rescinding a trial decision is effective against third parties as well (Article 32, paragraph (1) of the Code of Civil Procedure), it is questionable whether the other joint owners in such a case would be included in third parties as prescribed in Article 32, paragraph (1) of the Code of Civil Procedure. If a trial decision becomes final and conclusive for the joint owners who have not filed a lawsuit when the thirty-day time limit for filing a lawsuit arrives, and if that trial decision were to become effective against the other joint owners who have filed a lawsuit, the benefit of suit would be lost, and if the trial decision were not to become effective against them, there would be a contradictory situation where the trial decision becomes final and binding for some of the joint owners, but not for the other joint owners. Therefore, as long as the theory of an act of preservation is adopted, it would have to be considered that a trial decision does not become final and binding for any of the joint owners when one of them files litigation against it.⁹ Even if the theory of an act of preservation is adopted, from a practical point of view, it would not be disadvantageous to the other joint owners who did not file a lawsuit even if the trial decision does not become final and binding for them. Although the legal act of filing a lawsuit has a strong characteristic of a disposition, the fact that it is litigation does not immediately provide a basis for denying an act of preservation.¹⁰

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It seems too formal to deny the filing of litigation by one of the joint owners due to the need for the joint owners uniformly to have the same intention, and to overlook the harm caused to the other joint owners' interests. An outcome whereby a joint owner's

⁹ In the Tokyo High Court Judgment, February 8, 1995, *Hanji*, No. 1558, p. 121 (the Lead Chromate Pigment Composition case), which was a case relating to the prohibition of examining the same matter twice under Article 167 of the Patent Act, the court frankly admitted that "a structure that is compliant, without any contradictions, with all aspects of the stipulations in the current Patent Act is considered to be difficult," and stated that the first trial decision to become final and conclusive did not have the effect of prohibiting the examination of the same matter twice with regard to the other concurrently pending trials. Incidentally, the provisions of Article 167 have been revised by the 2011 revision, so a case like this does not occur today.

¹⁰ Courts have held that such acts as litigation for seeking registration of a cancellation against a registered right holder (the Supreme Court Judgment, May 10, 1956, *Minshū*, Vol. 10, No. 5, p. 487) and a request for eviction against an illegal possessor (the Supreme Court Judgment, April 19, 1918, *Minroku*, Vol. 24, p. 731) are acts of preservation.

right will be extinguished if one of the other joint owners goes bankrupt, loses the urge to take part in litigation, or disappears, or receives the shares of ownership from the other joint owners after a trial decision but they cannot be registered in time for the thirty-day time limit for filing a lawsuit,¹¹ seems to be too biased toward the procedural theory and disregards the property aspect of patents. A relatively harmless remedial measure for such a case would be the theory of an act of preservation.¹²

Whereas the primary ground for denying the standing to sue is the failure to satisfy the need for the joint owners uniformly to have the same intentions, there would be no problem as long as it is ensured that the effectiveness of the trial decision, which is an administrative disposition, is the same for all the joint owners. In litigation for rescinding a trial decision, etc., the court does not reverse the original judgment and render an administrative disposition for the case. If the claim is dismissed, the trial decision becomes final and conclusive just as it is, so there is no problem. However, if the claim is upheld, the trial decision is rescinded and the trial is resumed (Article 181, paragraph (2) of the Patent Act). If it is possible to construe that the trial decision has not become final and binding for the other joint owners who did not become plaintiffs in the litigation, it would mean that they have not yet retired from the resumed trial, so they would formally remain as parties to the trial in such a case. Even if the trial is resumed, and the other joint owners who have lost the urge to file a lawsuit are included in the resumed trial, they may retire from the trial in practice, but their names will remain on file and, formally, they will be deemed to have jointly requested the trial, so the need for the joint owners uniformly to have the same intention will be satisfied.

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C. Inter-partes litigation for rescinding a trial decision

Next, we will study inter-partes litigation for rescinding a trial decision, mainly a trial decision rendered in a trial for invalidation. Litigation for rescinding a trial decision of invalidation is an act for avoiding damage to an already established patent. Thus,

11 In the Supreme Court Judgment, August 31, 1961, *Minshū*, Vol. 15, No. 7, p. 2040 (the Decision of Refusal of Utility Model Application case), the court held that, even if one of the joint applicants receives the other joint applicants' rights to obtain registration after filing a lawsuit for rescinding an examiner's decision of refusal on his/her own, if said applicant fails to make the notification of the change of the title to the rights within the time limit for filing a lawsuit, the request for the litigation is dismissed as being unlawful. In reality, even if a joint owner receives the other joint owners' shares of ownership within the time limit for filing a lawsuit, it would take a long time for the registration to be completed, so by the time the registration has been completed, the time limit for filing a lawsuit may have already passed.

12 Eiichi Takigawa, *Tokkyo Soshō Tetsuzuki Ronkō*, p. 30; Nobuhiro Nakayama, "Tokkyo O Ukeru Kenri No Kyōyūsha No Hitori Ni Yoru Shinketsu Torikeshi Soshō No Tekikakusei" (Eligibility of One of the Joint Owners of the Right to Obtain a Patent to File a lawsuit for Rescinding a Trial Decision), Takura Osamu Koki Kinen, *Chiteki Zaisanken Wo Meguru Shomondai* (Various Problems Surrounding Intellectual Property), p. 549; Hisao Shiomi, *Hōgaku Kyōkai Zasshi* (Journal of the Jurisprudence Association, the University of Tokyo), Vol. 114, No. 3 (1997), p. 339; Hisao Shiomi, "Shinketsu Torikeshi Soshō Ni Okeru Soshō Kyōdō No Hitsuyōsei" (Necessity of Joinder of Actions in Litigation for Rescinding a Trial Decision), *Kōgyō Shoyūken Hō Kenkyū* (Studies on Law of Industrial Property Rights), No. 117 (1997), p. 8; Hiroaki Niki, *Tokkyo Kanri* (Patent Management), Vol. 31, No. 3 (1981), p. 231.

compared to the above-mentioned litigation for rescinding a trial decision rendered in a trial against an examiner's decision of refusal, it is easier to allow one of the joint owners to file a lawsuit on his/her own. There have been some court judgments holding that such case is also a necessary joinder of inherent parties, but in recent judgments, the court has treated ex-parte litigation for rescinding a trial decision and inter-partes litigation for rescinding a trial decision separately, and has held that litigation for rescinding a trial decision rendered in a trial for invalidation is an act of preservation and not a necessary joinder of inherent parties.¹³

In the case of litigation for rescinding a trial decision of invalidation, even if one of the joint owners were allowed to file a lawsuit, the trial at the JPO will be resumed if the claim is upheld (if he/she wins the suit) (Article 181, paragraph (2) of the Patent Act), and the rights which were destined to be extinguished will only be extinguished if the claim is dismissed (if he/she loses the suit) and it will not run contrary to the need for the joint owners uniformly to have the same intentions.

Unlike ex-parte litigation for rescinding a trial decision, litigation for rescinding a trial decision of invalidation is filed for a defensive purpose since the patent right would be extinguished if no step is taken against the trial decision of invalidation, so it would be easier to allow one of the joint owners to file a lawsuit on his/her own as an act of preservation. The Supreme Court considers that a case of acquiring a right and a case of preventing an established patent right from being extinguished should be treated differently. However, in an ex-parte case as well, the right to obtain a patent will be extinguished unless litigation for rescinding a trial decision is filed, so there seems to be no rational reason to differentiate the standing to sue between the owner of a registered patent right and the owner of a right to obtain a patent.

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13 In the Tokyo High Court Judgment, February 20, 1962, *Kōmin*, Vol. 15, No. 2, p. 114 (the Shimadzu Corporation case), which was a case under the former Act where there still existed a system called Kokoku trial, the court held that a request for a Kokoku trial filed by X, who is one of the joint demandees of a trial for invalidation, also has an effect on Y, who is the other joint demandee, as a beneficial act, so a request for a Kokoku trial that has been filed independently by X cannot be found to be unlawful. On such basis, the court concluded that, when a trial decision of invalidation of a patent has been rendered for a jointly owned patent right, a request for a Kokoku trial filed by one of the joint owners is also effective on the other joint owner. The Supreme Court Judgment, February 22, 2002, *Minshū*, Vol. 56, No. 2, p. 348/*Hanji*, No. 1779, p. 81/*Hanta*, No. 1089, p. 89 (the ETNIES Trademark case); the Supreme Court Judgment, February 28, 2002, *Hanji*, No. 1779, p. 87/*Hanta*, No. 1087, p. 95 (the Mizusawa Udon Trademark case); this is a case of litigation for rescinding a trial decision of invalidation of a trademark right, but it the relevant provisions apply mutatis mutandis provisions of the Patent Act, so it can be regarded as a precedent relating to the Patent Act). Also, in the Supreme Court Judgment, March 25, 2002, *Minshū*, Vol. 56, No. 3, p. 574/*Hanji*, No. 1784, p. 124/*Hanta*, No. 1089, p. 135 (the Pachinko Device case), which is litigation for rescinding a ruling to rescind a patent based on a post-grant opposition, the court stated that it is possible for one of the joint owners to file a lawsuit for rescinding a ruling to rescind a patent on his/her own as an act of preservation for preventing the patent right from being extinguished, and it could be regarded as a precedent for the case of litigation for rescinding a trial decision of invalidation. In the original instance of these three cases, the court has held that the litigation is a necessary joinder of inherent parties, since the joint owners must uniformly have the same intention, as in the case of litigation for rescinding a trial decision rendered in a trial against an examiner's decision of refusal.

4.2.3. Court Proceedings

Litigation for rescinding a trial decision, etc. is an administrative case, so its proceedings are carried out in accordance with the procedure stipulated in the Administrative Case Litigation Act. Litigation is filed with the Tokyo High Court, omitting the first instance level, but the JPO trial legally differs from the first instance of litigation. Therefore, litigation and a trial are not in a successive relationship, separate proceedings are carried out and thus, the parties bear the burden of pleading and proof for the first instance, and must produce all evidence once again, and they must pay the court costs separately from the trial costs.

The court can examine evidence by its own authority (Article 24 of the Administrative Case Litigation Act), but a trial is usually conducted pursuant to the Code of Civil Procedure (Article 7 of the Administrative Case Litigation Act). There are various discussions about the application of the principle of admission, but we will leave that issue to studies in the field of litigation.¹⁴

Inter-partes trials (a trial for invalidation and a trial for the invalidation of the registration of extension of the duration) are disputed in an adversary system between a party holding a right and a party pleading invalidation of the right. The JPO which made the disposition can pursue the public interest through trial examiners in the trial phase, but can no longer intervene in a case in the litigation phase, in principle. It has been possible for the JPO to intervene in litigation according to Article 32 of the Code of Civil Procedure, but since the provisions on assisting intervention under the Code of Civil Procedure will be applied, which makes it difficult to carry out activity to represent public interests, this system was hardly used. In public law related actions, the interests of a party could take precedence over the public interest, but because a judgment rescinding a trial decision binds the JPO, it could have a large impact on society. Therefore, it is desirable

¹⁴ Reference materials include: Naoto Komuro, “Shinketsu Torikeshi Soshō Ni Okeru Jihaku To Gisei Jihaku” (Admission of Facts and Fictitious Admission of Facts in Litigation for Rescinding a Trial Decision), *Tokkyo Kanri* (Patent Management), Vol. 27, No. 8 (1977), p. 809; Naoto Komuro, “Tokkyo Shinketsu Torikeshi Soshō To Jihaku Hōsoku” (Litigation for Rescinding a Trial Decision on a Patent and the Admission Principle), *Meijō Hōgaku* (Meijo Journal on Law), Vol. 36, extra issue (*Nagao Hisae Kanreki Kinen* [Book Commemorating the Sixtieth Birthday of Professor Nagao]) (1986), p. 327; Naoto Komuro, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 61; Yoshio Ishikawa, “Jihaku Ni Tsuite” (About Admission of Facts), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 6 (1983), p. 148; Rei Kosake, “Tokkyo Kankei Shinketsu Torikeshi Soshō” (Litigation for Rescinding a Trial Decision on a Patent), *Shin-Jitsumu Minji Soshō Kōza* (New Practical Civil Litigation Lecture) 10, (Nippon Hyoronsha, 1982), p. 248; Kaoru Kobashi, “Tokkyo Mukō Tetsuzuki Ni Okeru Tōjisha Shihai” (Dominance of the Parties in the Procedure for Patent Invalidation), *The Rokkodai Ronshu* (Kobe University), Vol. 31, No. 4 (1985), p. 189. Incidentally, reference materials regarding burden of pleading and proof in litigation for rescinding a trial decision include: Yoshisada Matsuno, “Shinketsu Torikeshi Soshō Ni Okeru Shuchō Risshō Sekinin” (Burden of Pleading and Proof in Litigation for Rescinding a Trial Decision), Miyake Masao Kiju Kinen, *Tokkyo Sōshō No Shomondai* (Various Problems Related to Patent Disputes), p. 505; Shigetoshi Matsumoto, “Tokkyo Shinketsu Torikeshi Soshō Ni Okeru Shōmei Sekinin” (Burden of Proof in Litigation for Rescinding a Trial Decision on a Patent), *Hanta*, No. 567 (1985), p. 56; Minoru Takeda, *Tokkyo Shinketsu Nado Torikeshi Soshō No Jitsumu* (Practical Affairs Concerning Litigation for Rescinding a Trial Decision on a Patent) (Japan Institute of Invention and Innovation, 1988), p. 43.

at times for the JPO to state its opinion with regard to the interpretation of the law and its practices as a representative of the public interest. Thus, with the 2003 revision, it became possible for a court to seek an opinion from the JPO Commissioner with regard to the application of the law, etc. in relation to the case in question, and for the JPO Commissioner to state such an opinion with the permission of the court (Article 180-2 of the Patent Act). The JPO Commissioner's opinion will not bind the court, but could serve as important reference material.

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4.2.4. Court Judgments

In litigation for rescinding a trial decision, a determination is made on whether or not a trial decision is generally illegal in substance or in procedure. In other words, the subject of the determination is the illegality of the original administrative disposition, and not whether or not the patent application in question should be registered. The court dismisses a claim when it finds the claim to be groundless, and when that judgment becomes final and binding, the trial decision becomes final and binding, and the case is closed.

When the court finds that a claim is well-grounded, it gives a judgment to rescind the trial decision (Article 181, paragraph (1) of the Patent Act). Even if a trial decision were illegal, the court cannot reverse it and render a judgment for the case, that is, make a decision to grant a patent or refuse the application. When a judgment to rescind a trial decision becomes final and binding, the trial decision is deemed never to have been made, and the trial proceedings are resumed at the JPO, with the trial examiners making a further examination to give another trial decision (paragraph (2) of said Article). In that case, the judgment to rescind a trial decision binds the administrative authority which has made the disposition (Article 33, paragraph (1) of the Administrative Case Litigation Act), so the trial examiners are not allowed to make the same disposition based on the same reasons, and a trial decision in violation of that binding force will be rescinded in further litigation for rescinding a trial decision.¹⁵ However, the binding force only applies to the determination indicated in the reasons for the judgment, so if substantially new evidence

¹⁵ The Tokyo District Court Judgment, September 29, 1980, *Mutai Saishū*, Vol. 12, No. 2, p. 554 (the Artificial Pearl Paint Manufacturing Method case; this decision was handed down by the Tokyo District Court, because this case was a dispute requesting compensation from the State for the damage the plaintiff suffered by reason of an illegal JPO trial decision); the Tokyo High Court Judgment, December 2, 1986, *Mutai Saishū*, Vol. 18, No. 3, p. 507 (the Optical Transmission Device case); the Supreme Court Judgment, April 28, 1992, *Minshū*, Vol. 46, No. 4, p. 245/*Hanji*, No. 1419, p. 93/*Hanta*, No. 784, p. 178 (the Barrel Polishing case; the court held that, in litigation for rescinding a trial decision rendered in a resumed trial, it is not permissible for a party to plead and prove that the invention could be easily arrived at based on the same cited invention as before). See Osamu Takura, “Kyozetsu Shinketsu Fufuku Torikeshi Soshō Ni Okeru Kyozetsu Riyū” (Reasons for Refusal in Litigation for Rescinding a Trial Decision of Refusal), Miyake Masao Kiju Kinen, *Tokkyo Sōshō No Shomondai* (Various Problems Related to Patent Disputes), p. 545.

is produced in the resumed trial, and a claim is made based on this new evidence, it is possible to have a trial decision of the same disposition.¹⁶ Nevertheless, various complex situations are found in actual cases, so it is often not easy to make a concrete determination on the scope of the binding force of a judgment to rescind a trial decision in practice.¹⁷

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When a person is not satisfied with a judgment made by the Tokyo High Court, he/she can make a final appeal to the Supreme Court within two weeks from when the judgment was served. The grounds for the final appeal are the same as those for ordinary civil litigation (Article 312, paragraph (1) of the Code of Civil Procedure).

4.3. Relationship Between Litigation and Trials (Scope of Proceedings in Litigation for Rescinding a Trial Decision)¹

4.3.1. Nature of Litigation for Rescinding a Trial Decision

It is provided that an action with regard to a matter for which a request for a trial may be made may be instituted only against a trial decision (Article 178, paragraph (6) of the Patent Act; the principle of requiring a trial before litigation). Such matter first undergoes a trial, and if litigation is filed against the trial decision, the case is directly brought before the Tokyo High Court by omitting the first instance (paragraph (1) of said Article). In legal terms, a trial is an administrative procedure at the JPO, so a trial decision is an administrative disposition. Therefore, litigation filed against it (litigation for rescinding a trial decision) is categorized as an action for the judicial review of an administrative disposition, and according to the principle of administrative law, the subject matter of the suit is the illegality of the administrative disposition either in substance or procedure. However, due to the peculiarity of the Patent Act, there are conflicting opinions over the question of whether or not the subject matter of litigation for rescinding a trial decision should be interpreted in such a broad manner.

The trials can be roughly divided into two types: ex-parte trials and inter-partes trials. The former, centering on a trial against an examiner's decision of refusal, does not adopt an adversary structure, so it has a strong aspect of an administrative disposition. Accordingly, there would be no major problem in considering litigation against it as an

16 The Tokyo High Court Judgment, April 26, 1989, *Mutai Saishū*, Vol. 21, No. 1, p. 327 (the Two-Wheel Motorcycle Fuel Tank Manufacturing Method case).

17 This issue is discussed in detail in Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1722 (written by Osamu Takura and Hiroaki Niki).

1 Literature discussing this issue includes Tetsuya Ōbuchi, *Tokkyo Shinketu Torikeshi Soshō Kihon Kōzōron* (Basic Structure of an Appeal Suit against an Administrative Trial Decision on Patents) (Yuhikaku, 2003).

action for the judicial review of an administrative disposition.² On the other hand, the latter, centering on a trial for invalidation, takes an adversary structure, so it is more similar to the mode of a civil lawsuit. Accordingly, its aspect as an administrative disposition is vaguer, and it functions more like a preliminary trial before litigation for rescinding a trial decision. However, a trial for invalidation is a dispute over the illegality of a disposition by the JPO, and its nature is more like an action for the judicial review of an administrative disposition since the substantive subject matter of the trial proceedings is the illegality of the administrative disposition by the JPO. The adversary structure is adopted for convenience, and it can be considered to be a formal inter-partes litigation.³ In any case, the proceedings at the Tokyo High Court are fact-finding proceedings in the first instance.

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2 A trial for correction is a trial with no demandee, so it resembles an ex-parte trial. However, strictly speaking, there is no legal point of dispute, so it is an administrative disposition similar to an examiner's decision, and not a procedure similar to a judicial proceeding. Since a trial for correction is not a dispute over the illegality of a disposition, but rather is itself a primary disposition, there is an opinion that it is not a contentious case. Nevertheless, litigation against the JPO's determination to not allow correction is an action for the judicial review of an administrative disposition.

3 Katsumi Takabayashi, *Tokkyo Gyōsei Hō* (Patent Administrative Law) (Japan Institute of Invention and Innovation, 1984), p. 262 explains that such trials are not formal inter-partes litigation, but an action for the judicial review of an administrative disposition, since there is no legal relationship to be confirmed or formed between the parties by a trial decision. Apart from the terminology issue of whether or not it is formal inter-partes litigation, the substance of such litigation for rescinding a trial decision is an action for the judicial review of an administrative disposition.

4.3.2. Scope of Proceedings and Judgments of the Supreme Court in Prewar Japan

Under the old Patent Act (Act of 1921), the provisions of the Code of Civil Procedure regarding an appeal against a decision in the first instance (Koso appeal) were applied *mutatis mutandis* to bringing the case before the Supreme Court (in prewar Japan) (Article 115, paragraph (2) of the former Patent Act). However, under the current Act, those provisions are not applied *mutatis mutandis*, and there are no provisions to remand the case to a trial level.¹ Therefore, if a trial decision is rescinded in litigation, the trial decision is deemed never to have been made, and as a result, the trial is resumed, and the trial examiners must carry out further proceedings and make a trial decision or a ruling (Article 181, paragraph (2) of the Patent Act). These suggest that a trial and litigation do not have a relationship of successive instances, and according to the principle of administrative law, fact-finding proceedings by the Tokyo High Court, as the court of first instance, would be free of any restrictions based on the principle of an action for the judicial review of an administrative disposition.² In contrast, there was also a view that restriction should be imposed on fact-finding proceedings, and this issue had been mainly discussed as an issue on the scope of proceedings in litigation for rescinding a trial decision, or as a so-called “rehearing dispute.” There were various theories, such as one allowing the submission of any evidence including new evidence in the suit, similar to an ordinary action for the judicial review of an administrative disposition, one denying the submission of any new evidence that was not produced in the trial, one in between these two, one recognizing the application of the substantial evidence rule, and one suggesting

1 The Anti-Monopoly Act had provided for the remand of a case to the Japan Fair Trade Commission’s hearings by a court (the hearing system was abolished upon the 2013 revision), but no such provision is stipulated in the Patent Act.

2 Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 524 and p. 527 state that in a court’s proceedings for fact-finding, the parties can produce not only the evidence produced in the trial, but also new evidence based on the imperative under the Constitution that an administrative organ cannot serve as the court of final instance, but it also questions whether some restriction might be needed on the production of new evidence. In contrast, Masuji Hara, “Tokkyo Soshō” (Patent Litigation) *Minji Soshō Hō Kōza* (Civil Litigation Law Lecture) 5 (Yuhikaku, 1956), p. 1503. explains that since patent litigation makes a trial decision the direct subject matter and is intended for the rescission of an illegal disposition by the administrative authority expressed therein, the scope of the proceedings is restricted to the facts indicated in the reasons for the trial decision.

that the production of evidence is to be restricted by legal stipulations.³

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Conventionally, the Supreme Court had held that new evidence could be produced

3 The theories that consider a trial as something similar to a preliminary trial before litigation include: Hajime Kaneko, “Shinketsu No Shihō Shinsa” (Judicial Examination of a Trial Decision), Iwamatsu Saibankan Kanreki Kinen, *Soshō To Saiban* (Lawsuits and Trials), (Yuhikaku, 1956), p. 457 (another reference, though it does not directly discuss the issue of litigation for rescinding a trial decision on a patent, is Ichirō Ogawa, “Shihō Sinsa Ni Kansuru Ichi Mondai -- Kaneko Hakase No ‘Shinketsu’ Riron Ni Tsuite” [A Problem Relating to Judicial Examination -- Concerning the ‘Trial Decision’ Theory of Professor Kaneko], Kaneko Hajime Kanreki Kinen, *Saiban Hō No Sho Mondai Ge* [Various Problems in Trial Law, Vol. 2], [Yuhikaku, 1970] p. 529); Hajime Kaneko and Yoshinobu Someno, *Kōgyō Shoyūken Hō*, p. 387; Masashi Kaneko, *Gyōsei Tetsuzuki/Gyōsei Soshō Hō* (Administrative Procedure/Administrative Contestation Law), (Chikuma Shobo, 1973), p. 181; Naoto Komuro, “Shinpan Tetsuzuki To Shinketsu Torikeshi Soshō No Kankei -- Kyōyū No Bāi No Tōjisha Tekikaku O Chūshin To Shite” (Relation between a Trial Procedure and Litigation for Rescinding a Trial Decision -- Centering on the Standing of a Party When the Right is Jointly Owned), Ishiguro Junpei and Umase Fumio Kanreki Kinen, *Kōgyō Shoyūken Hō No Shomondai* (Various Problems in Industrial Property Law), p. 293; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 96; Ichirō Ogawa, *Gyōsei Soshō Hō* (Administrative Litigation Law) (Yuhikaku, 1966), p. 144. Theories suggesting a recognition that an inter-partes trial and litigation against a trial decision rendered in that trial are practically in the relationship of a rehearing include Kaoru Kobashi, “Tokkyō Mukō Tetsuzuki Ni Okeru Tōjisha Shihai” (Dominance of the Parties in Litigation for Rescinding a Trial Decision), *The Rokkodai Ronshū* (Kobe University), Vol. 31, No. 4 (1985), p. 189. It argues that “a trial for invalidation and litigation for rescinding a trial decision are not separated as clearly as is indicated by their formalities; the interpretation of these procedures is a critical issue affecting the essence of the patent invalidation procedure, and it should ultimately be settled by a legislative measure” (p. 215).⁴ In the Supreme Court Judgment, October 16, 1953, *Minshū*, Vol. 4, No. 10, p. 2424 (the Flour Mill case), which is a case under the former Act and a case on a decision of refusal under the new Constitution, the court stated that as long as the Tokyo High Court conducts fact-finding proceedings, it is not illegal for a party to make a new claim in litigation regarding a fact that was not claimed in the trial or a fact on which the trial decision by the competent authority was not based, and it is not in the least illegal to adopt such a fact as a basis for the court judgment, and recognized unlimited submission of new evidence. In the Supreme Court Judgment, December 20, 1960, *Minshū*, Vol. 14, No. 14, p. 3103 (the President Lincoln case), which is a case under the former Trademark Act, the court ruled that litigation for rescinding a trial decision of invalidation of trademark registration is the same as litigation for rescinding an ordinary administrative disposition, so there is no reason to consider that the reason for rescission should only be errors in the matters produced in the trial that were recognized and examined in the trial decision, and there is no prohibition on claiming and producing as evidence new matters that were not produced in the trial. In the Supreme Court Judgment, April 4, 1968, *Minshū*, Vol. 22, No. 4, p. 816 (the Synthetic Resin Flower case), which is a case under the Utility Model Act, the court stated in the obiter dicta that since a trial for the invalidation of registration judges a dispute over the violation of specific provisions that are set forth as grounds for invalidation in law, it is possible to consider that there is also a restriction in litigation for rescinding that trial decision, which forbids the parties to claim grounds for invalidation that are different from the violation of the provisions in dispute. Thus, the court did not allow the unlimited freedom of claiming evidence in the litigation phase. Both the Supreme Court judgment in 1960 and that in 1968 seem to have considered litigation for rescinding a trial decision and a suit against an ordinary administrative disposition not to be completely the same, but have assumed certain restrictions in the former. Meanwhile, a dissenting opinion by Justice Jiro Matsuda was attached to the Supreme Court judgment in 1968, in which Justice Matsuda stated that new evidence that had not been produced in the trial cannot be produced in litigation.

in a suit, in principle.⁴ Subsequently, however, the Tokyo High Court made a judgment denying submission of new evidence, on the contrary to Supreme Court judgments. Then at last, in a judgment by the Grand Bench of the Supreme Court,⁵ the court altered its precedents and held that “in litigation for rescinding a trial decision, a ground for invalidation relating to the invention being publicly known that was not examined in the Kokoku trial procedure cannot be claimed as a reason for the illegality or legality of the trial decision,” overturning the past Supreme Court judgments and supporting the stance of the Tokyo High Court. As a result, the issue was settled in practice. In the judgment, the court also clarified that this principle should not only be applicable to the case of a trial for invalidation, but also to the case of ex-parte trials. It was decided that only the point disputed in the trial should be the subject matter of the litigation proceedings, and the point disputed should be specified not by legal provisions, but based on concrete evidence (e.g. material showing that the invention is publicly known, in an invalidation case). As a matter of course, court judgments thereafter have complied with this Supreme

4 In the Supreme Court Judgment, October 16, 1953, *Minshū*, Vol. 4, No. 10, p. 2424 (the Flour Mill case), which is a case under the former Act and a case on a decision of refusal under the new Constitution, the court stated that as long as the Tokyo High Court conducts fact-finding proceedings, it is not illegal for a party to make a new claim in litigation regarding a fact that was not claimed in the trial or a fact on which the trial decision by the competent authority was not based, and it is not in the least illegal to adopt such a fact as a basis for the court judgment, and recognized unlimited submission of new evidence. In the Supreme Court Judgment, December 20, 1960, *Minshū*, Vol. 14, No. 14, p. 3103 (the President Lincoln case), which is a case under the former Trademark Act, the court ruled that litigation for rescinding a trial decision of invalidation of trademark registration is the same as litigation for rescinding an ordinary administrative disposition, so there is no reason to consider that the reason for rescission should only be errors in the matters produced in the trial that were recognized and examined in the trial decision, and there is no prohibition on claiming and producing as evidence new matters that were not produced in the trial. In the Supreme Court Judgment, April 4, 1968, *Minshū*, Vol. 22, No. 4, p. 816 (the Synthetic Resin Flower case), which is a case under the Utility Model Act, the court stated in the obiter dicta that since a trial for the invalidation of registration judges a dispute over the violation of specific provisions that are set forth as grounds for invalidation in law, it is possible to consider that there is also a restriction in litigation for rescinding that trial decision, which forbids the parties to claim grounds for invalidation that are different from the violation of the provisions in dispute. Thus, the court did not allow the unlimited freedom of claiming evidence in the litigation phase. Both the Supreme Court judgment in 1960 and that in 1968 seem to have considered litigation for rescinding a trial decision and a suit against an ordinary administrative disposition not to be completely the same, but have assumed certain restrictions in the former. Meanwhile, a dissenting opinion by Justice Jiro Matsuda was attached to the Supreme Court judgment in 1968, in which Justice Matsuda stated that new evidence that had not been produced in the trial cannot be produced in litigation.

5 This is a case on litigation for rescinding a trial decision rendered in a Kokoku trial against a trial decision of the invalidation of a patent under the former Act: the Supreme Court Judgment, March 10, 1976 (Grand Bench), *Minshū*, Vol. 30, No. 2, p. 79 (the Knitting Machine case). It was the only judgment rendered by the Grand Bench of the Supreme Court in the field of patent law. See Takashi Honma, “Shinpan To Shinketsu Torikeshi Soshō No Kankei” (Relation Between a Trial and Litigation for Rescinding a Trial Decision), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 6 (1983), p. 126; Kaoru Kobashi, “Shinketsu Torikeshi Soshō Ni Okeru Shinri Han’i” (Scope of Proceedings in Litigation for Rescinding a Trial Decision), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 14 (1980), p. 80; Shigetoshi Matsumoto, “Tokkyo Hatsumei No Shinkisei/Shinposei No Yōken To Shinketsu Torikeshi Soshō Ni Okeru Sono Shinri Han’i” (Requirements of Novelty and Inventive Step for a Patented Invention and the Scope of Proceedings in Litigation for Rescinding a Trial Decision), Toyosaki Mitsue Tsuitō Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 169; Eiichi Takigawa, *Tokkyo Soshō Tetsuzuki Ronkō*, pp. 51-/pp. 121-; Minoru Takeda, “Tokkyo Hanrei No Kōsoku Ryoku To Sono Igi Ni Tsuite” (Binding Force of a Patent-related Court Decision and Its Significance) II, *Hatsumei* (Invention), Vol. 87, No. 11 (1990), p. 68; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Ge [Dai 3 Han]*, p. 1679 (written by Osamu Takura and Hiroaki Niki), Yoshiyuki Mori, “Tokkyo Ni Kansuru Shinketsu Torikeshi Soshō Ni Okeru Aratana Kōchi Gijutsu Shuchō No Kahi—In’yōrei To Shūchi Gijutsu” (Admissibility of Producing New Publicly Known Technology in Litigation for Rescinding a Trial Decision on a Patent: Cited Inventions and Well-Known Technology), Makino Toshiaki Sanju Kinen, Chiteki Zaisanken Hōri To Teigen (Legal Principles of and Recommendations Concerning Intellectual Property Rights), p. 565.

Court Grand Bench decision.⁶

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While the remaining issue is the scope of the application of this decision, the scope was gradually clarified through a later Supreme Court judgment and other decisions.⁷ According to those decisions, it was judged admissible to recognize the common technological knowledge of a person skilled in the art at the time of the filing based on material that had not appeared in the trial procedure for the purpose of clarifying the significance of the device (the same applies to an invention) described in the printed publication that was examined in the trial procedure. In other words, it is not admissible to produce evidence that is new in substance, but it may be admissible to produce such new evidence that would supplement the evidence that has already been produced in the trial and has been subject to examination. Nevertheless, the determination of whether it is the production of a new fact or production of a publicly known fact for supporting a cited invention is often difficult to make. In actual practice, the determination would be made according to the Supreme Court Grand Bench decision, unless there is law amendment, by focusing on whether the matter to be proved by the new fact has been examined in the trial based on allegations and evidence.

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4.3.3. Problems in Limitation on the Scope of Proceedings

Although practical issues have been settled as above, an explanation would be

6 In the Tokyo High Court Judgment, July 31, 1990, *Mutai Saishū*, Vol. 22, No. 2, p. 457 (the Vane Pump case), the court held that when, in litigation for rescinding a trial decision rendered in a trial against an examiner's decision of refusal, the JPO comprehends the composition of the invention differently from the trial decision and replaces the well-known technology cited by the trial decision, it is the same as producing new evidence, which is no different from the JPO indicating a new reason for refusal, so it is not admissible in litigation for rescinding a trial decision which provides no opportunity for amendment. In the Tokyo High Court Judgment, December 27, 1990, *Mutai Saishū*, Vol. 22, No. 3, p. 879 (the Process for Producing Mesophase Pitch by Using Inert Gas case), the court stated that the determination of the trial decision was based on the cited invention, and as long as the cited invention is found to provide no suggestion about resolution of the matter to be solved by the present invention, the cited invention cannot be used as a material for determining the obviousness of interchange, and therefore it is not permissible to supplement the cited invention by combining it with a well-known fact and to make a determination based on it. In the Intellectual Property High Court Judgment, June 29, 2006, *Hanta*, No. 1229, p. 306 (the Optical Detector of Sheet Paper Identification Device case), the court held as follows: at the stage of the trial proceedings, the well-known device was regarded as a "technical feature that had been well-known even before the filing of the said application" and not considered as a cited invention that should be compared with the disputed invention; in addition, the well-known device has never been compared to the disputed invention; and under these circumstances, the argument made based on change of the primary reference at the phase of lawsuit is not permissible because it would be a gross deviation from the scope of proceedings in litigation for rescinding the JPO's trial decision, as held in the judgment of the Grand Bench of the Supreme Court of March 10, 1976, *Minshu* Vol. 30, No.2, p. 79. In the Intellectual Property High Court Judgment, July 11, 2006, *Hanji*, No. 2017, p. 141/*Hanta*, No. 1268, p. 295 (the Fashion Wig case), the court indicated that it is not permissible to replace the primary reference with supplementary references in litigation for rescinding the JPO's decision made in patent opposition proceedings to revoke the plaintiff's patent.

7 The Supreme Court Judgment, January 24, 1980, *Minshū*, Vol. 34, No. 1, p. 80 (the Cup Noodle case). In the Tokyo High Court, March 12, 1985, *Mutai Saishū*, Vol. 17, No. 1, p. 26 (the Taxi Rooftop Indicator case), the court held that even material that did not appear in the trial procedure can be newly submitted as long as it is supplementary evidence for proving matters that are well-known and commonly-used by a person skilled in the art.

required as to why the production of evidence is restricted in litigation for rescinding a trial decision while there is no such restriction in an ordinary action for the judicial review of an administrative disposition. This point has been explained in various ways by different theories.¹

First of all, there is a theory that also tries to apply the substantive evidence rule stipulated under Articles 80 and 81 of the Anti-Monopoly Act to the Patent Act before the 2013 revision.² However, considering the right of access to courts, which is imperative under the Constitution, the rule that all judicial power belongs to the courts, and the principle that an administrative organ cannot conduct a trial in the final instance, it would be even more difficult to recognize the substantive evidence rule in the Patent Act, which has no express provisions as in the Anti-Monopoly Act. In addition, Article 81 of the Anti-Monopoly Act exceptionally recognized the production of new evidence, but even that would be inadmissible according to the Grand Bench decision, so the restriction could become stricter than that under the Anti-Monopoly Act, which has express provisions.³ This theory had conventionally been supported by many scholars of procedural law, but it is hardly supported today. The issue of the substantive evidence rule is not directly linked with the issue of the evidence that can be examined in court.

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Secondly, due to the special technological nature of patent-related litigation, there is a view that places emphasis on the trial decision in the JPO, which specializes in technology. Indeed, the reason for the establishment of the trial system was to use the technological expertise of the JPO, but it is only the reason for the establishment of the system, and not a direct reason for imposing restrictions on the scope of proceedings in court. Furthermore, some of the trials do not require technological expertise. For instance, a trial for invalidation based on the reason of the violation of a treaty or a misappropriated application involves little technological expertise and may, due to its nature, often be more suited to be judged by a judge rather than a trial examiner. Although many patent right infringement cases involve technological expertise, litigation on these cases can be filed directly with the court. Also, as it also became possible for the court to determine

1 See Yasuyuki Echi, “Shinketsu Torikeshi Soshō No Shinri Han’i” (Scope of Proceedings in Litigation for Rescinding a Trial Decision), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza I* (Lecture on Modern Intellectual Property Law I), p. 165.

2 Hajime Kaneko, “Shinketsu No Shihō Shinsa” (Judicial Examination of a Trial Decision), Iwamatsu Saibankan Kanreki Kinen, *Soshō To Saiban* (Lawsuits and Trials), (Yuhikaku, 1956); Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]*, p. 96.

3 Indeed, according to the substantive evidence rule, any fact-finding supported by substantive evidence binds the court (Article 80 of the Anti-Monopoly Act before the 2013 revision), so the fact-finding proceedings by the court are restricted to that extent. In contrast, according to the Grand Bench decision, a court can examine any evidence that had been produced in the trial once again in the litigation and give a decision to reverse the original trial decision, which binds the administrative authority. In this case, a separate trial may be requested for any new evidence that had not been produced in the trial, and such evidence can be further examined in litigation, so fact-finding proceedings at the court would not be restricted as in the case of adopting the substantive evidence rule. However, there would be a possibility that the case would go back and forth between the court and the trial.

patent validity with the 2004 revision, this theory is not convincing today.

Thirdly, there is a theory that emphasizes the benefit of receiving a determination in a preliminary trial,⁴ although practically this would overlap with the second point above. This theory posits that the parties concerned are given the benefit of receiving a determination in a trial at the JPO, which specializes in technology, before receiving a court determination, due to the technological aspects peculiar to industrial property. It states that, because currently trials are conducted through a careful procedure similar to a judicial procedure, there is no problem in omitting the court of first instance. Nevertheless, the receiving of a determination in a preliminary trial may not benefit the parties concerned in some cases. If it were for the benefit of the parties, there would be no reason to prohibit the parties from producing evidence for the first time in litigation if the opposing party abandons the benefit of undergoing a trial. Even if the benefit of receiving a preliminary trial determination were to be recognized, consideration may have to be given to the benefit of the opposing party in litigation for rescinding a trial decision rendered in an inter-partes trial, but such a consideration is not required in litigation for rescinding a trial decision rendered in an ex-parte trial. For instance, even if an applicant whose claim was dismissed in a trial against an examiner's decision of refusal abandons his/her benefit of receiving a preliminary trial determination, and produces new evidence for the first time in the litigation, wishing for an early settlement, there is no practical reason to deny it, because the opponent is the JPO Commissioner who is a specialized authority.

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Apart from these theories, there are others that attempt to restrict the scope of fact-finding proceedings of the court on the basis of the need to reduce the burden on the court or of the fact that reasons are already included in the written trial decision.⁵

Whichever theory is adopted, it would be difficult to rationalize the Grand Bench decision by one of those theories alone. As far as a trial system has been established, it would be necessary to make a fairly reasonable division between the functions and the authority between the trial and court proceedings. On the other hand, however, in order to introduce a system which is different from an action for the judicial review of an administrative disposition by an interpretational approach, it is necessary to indicate sufficient grounds for so doing. This issue is also an issue of how to find a balance between expeditious dispute resolution and emphasis on the determination by the

4 Eiichi Takigawa, *Tokkyo Soshō Tetsuzuki Ronkō* p. 136; Sadaharu Tada, “Shinpan To Soshō No Kanreinsei Ni Tsuite No Ichi Mondai -- Shinketsu Torikeshi Soshō Ni Okeru Shinriken No Han'i O Chūshin To Shite” (Issue Concerning the Relationship Between a Trial and a Suit -- Centering on the Scope of the Right of Proceedings in Litigation for Rescinding a Trial Decision), Hara Masuji Hanji Taikan Kinen, *Kōgyō Shoyūken No Kihonteki Kadai Jō* (Basic Issues of Industrial Property Rights Vol.1), p. 645. Incidentally, Justice Takigawa is the judge who continued to render High Court judgments that opposed the Supreme Court judgments and finally drew out the Grand Bench decision.

5 Such academic theories are introduced in detail in Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Ge* (New Explanatory Notes on the Patent Act Vol. 2), p. 2141 [written by Hirokazu Honda].

technology-specializing authority.⁶

The Grand Bench decision can be read as if it treats all litigation for rescinding trial decisions uniformly. However, the trials are varied in nature, and even trials of a single kind (e.g. a trial for invalidation) are not always of the same nature. Although the Patent Act basically stipulates that all trials and litigation for rescinding trial decisions should be dealt with under the same provisions, in theory they would need to be studied individually.

The Patent Act has four kinds of trial, but litigation for rescinding decisions rendered in those trials is discussed uniformly in scholarly discussions.⁷ However, even if fact-finding proceedings at court were to be restricted, as held in the Grand Bench decision, it would not be possible to rationalize this measure based on a single reason for all of the kinds of litigation for rescinding a trial.

Inter-partes trials are relatively similar to litigation, so it may be possible to consider them as quasi-judicial procedures. Nevertheless, although all trials for invalidation are to be conducted through the same procedure, for instance, a trial for invalidation based on lack of novelty or an inventive step and a trial for invalidation based on a misappropriated application are different in nature. In the case of a misappropriated application, the main point of dispute is the ownership of a right, so it is fairly similar to an ordinary civil case.⁸ Accordingly, no reasonable explanation can be given as to the fact that new evidence cannot be produced in litigation. This kind of issue is often more appropriate to be determined by a judge than a trial examiner, so there is hardly any practical reason to conduct a time-consuming trial at the JPO in advance. Nevertheless, conducting a trial in advance cannot be avoided, because all cases must first undergo a trial under the current Act. Yet, there is no particularly good reason for restricting the production of new evidence in court in such cases.

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On the other hand, the need to restrict the fact-finding proceedings in court and to require a trial procedure is much greater for a trial for invalidation based on a lack of novelty or an inventive step. A trial for invalidation is a formal dispute between two parties, but it is quite different in nature from other formal inter-partes litigation in that a trial decision rendered therein affects everybody. In ordinary formal inter-partes litigation, it is possible only to dispute the amount of compensation pertaining to an administrative disposition instead of disputing the disposition itself. For instance, with regard to the

6 Yasuyuki Echi, “Shinketsu Torikeshi Soshō No Shinri Han’i” (Scope of Proceedings in Litigation for Rescinding a Trial Decision), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chūteki Zaisan Hō Kōza I* (Lecture on Modern Intellectual Property Law I), p. 171.

7 Many theories seem to discuss the issue mainly with litigation for rescinding a trial decision of invalidation in mind, and only a few of them make clear distinctions based on the nature of each type of trial. Some theories mention that distinctions should be made between inter-partes and ex-parte trials (e.g. Minoru Iriyama, *Hanji*, No. 531 (1968), p. 131), but they do not give a detailed explanation.

8 Of course, it does not mean that such case involves no technological expertise. Sometimes highly technological determination is required when identifying the ownership of an invention. However, such level of technological determination is also often required in other cases such as those concerning traffic accidents and building disputes.

compulsory purchase of land, compensation for the loss is disputed between the land owner/persons having interest in the land and the business operator concerned (Article 133, paragraph (3) of the Compulsory Purchase of Land Act), but the illegality of the compulsory purchase of the land itself is disputed in an ordinary action for the judicial review of an administrative disposition. In contrast, a trial for the invalidation of a patent and litigation for rescinding a trial decision rendered therein are particularly peculiar systems in which the illegality of an administrative disposition of a patent registration is itself disputed between two parties instead of with the administrative authority that made the disposition. There may be a reason for first conducting thorough trial proceedings at the JPO which specializes in technology, in order to be extra careful, but the negative side of consuming extra time to settle the dispute through the going back and forth between litigation and the trial cannot be overlooked either, so it would be an issue of the balance between the two.⁹

Meanwhile, ex-parte trials are closer to an administrative disposition, and farther from a judicial procedure. Particularly, a trial for correction, which does not have the function of re-conducting an examination, is nothing but an administrative disposition. Even if provisions of the Code of Civil Procedure were applied *mutatis mutandis* to the procedure, in essence it does not have the nature of a judicial procedure. An ex-parte trial is a dispute with the JPO Commissioner, so in that respect there should be no need to give consideration to the interest of the defendant (JPO Commissioner) of receiving a preliminary trial determination. This is because, even if new evidence were produced by the plaintiff (applicant/patentee's side) in the litigation phase, as long as the JPO Commissioner is the defendant, the technological issues could be sufficiently dealt with in the litigation without undergoing a trial in advance. In addition, there is no doubt that the plaintiff is not intending collusive litigation, since the opponent is the JPO Commissioner. An ex-parte dispute is thus a dispute between the applicant/patentee side and the JPO side both in formality and in substance, so there should basically be no difference as to whether the dispute takes place in a JPO trial or in court proceedings. Considering the time consumed in passing the case back and forth between the trial and litigation every time new evidence is produced, it would rather be more desirable to process the entirety of the case through litigation.

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However, the greatest problem with this idea denying the Supreme Court Grand

9 Yoshiyuki Mori, "Tokkyo Ni Kansuru Shinketsu Torikeshi Soshō Ni Okeru Aratana Kōchi Gijutsu Shuchō No Kahi—In'yōrei To Shūchi Gijutsu" (Admissibility of Producing New Publicly Known Technology in Litigation for Rescinding a Trial Decision on a Patent: Cited Inventions and Well-Known Technology), Makino Toshiaki Sanju Kinen, Chiteki Zaisanken Hōri To Teigen (Legal Principles of and Recommendations Concerning Intellectual Property Rights), p. 568 states as follows: if new publicly known technology is to be examined in litigation, it would be quite time-consuming, and if such new technology is produced toward the end of the litigation, the proceedings up to that point would be wasted; if the JPO determines all reasons for invalidation and reasons for refusal, the shifting of the procedure to and from the JPO and the court would be reduced, and it would not have so much adverse effects in practice.

Bench decision is the handling of an amendment and correction. Under the current practice, the applicant can basically make no amendment except at the time of filing a request for a trial against an examiner's decision of refusal (Article 17-2, paragraph (1), item (iv) of the Patent Act) and can make no request for a trial for correction from the time when a trial for invalidation becomes pending before the JPO until its trial decision becomes final and binding (Article 126, paragraph (2) of the Patent Act). Thus, the applicant can no longer make an amendment or correction in the phase of litigation for rescinding the trial decision. The production of any new evidence by the defendant of litigation for rescinding a trial decision of refusal or by the plaintiff of litigation for rescinding a trial decision of invalidation (the person who requested the trial) could be equivalent to an indication of another reason for refusal, and in such a case, the applicant or patentee would be deprived of a chance to make an amendment or correction. Therefore, if the JPO Commissioner or the person who requested a trial for invalidation is to be allowed to produce new evidence in the phase of litigation for rescinding a trial decision, some legislative measure should be taken regarding an amendment and correction. However, this would not be easy since it involves the entire amendment and correction systems. Unless this point is resolved, it would be difficult to overcome the Supreme Court Grand Bench decision.

As is clear from the above, a reasonable solution cannot be obtained for this issue by merely focusing on the scope of fact-finding proceedings in litigation but, ultimately, one must go back and review the way a trial should be conducted. The need to take such a great step naturally means that a legislative solution will be required. This issue should be discussed someday as an issue of revision of the trial system.

4.3.4. Technical Determination Ability of Courts

Compared to the time taken to reach a Supreme Court Grand Bench decision (1976), the technical determination ability of courts has improved dramatically today. In terms of the system, the Tokyo District Court and the Osaka District Court have jurisdiction over patent infringement cases (Article 6 of the Code of Civil Procedure),¹ and they are making technical determinations. Furthermore, with the 2004 revision, it also became possible for the courts to determine patent invalidity (Article 104-3 of the Patent Act). The systems of judicial research officials and technical advisors have also been expanded. In actuality, the courts have examined the technical issue of the presence or absence of grounds for invalidation in many infringement lawsuits. Allowing invalidation defenses is based on an assumption that ordinary courts also have the ability to examine technical

¹ Until the 2003 revision, an action for a patent infringement case could be filed with any district court nationwide, similar to ordinary civil litigation.

issues. The Tokyo High Court (IP High Court), which has the exclusive jurisdiction over litigation for rescinding trial decisions, has been determining technical issues from the past, so today we can no longer say that courts lack the ability to examine technical matters and that they need to have the cases examined beforehand through trials. Also, the 2011 revision provided that, after a judgment on an infringement case becomes final and binding, the parties cannot assert that a ruling to revoke the patent in response to an objection, such as a trial decision of invalidation, has become final and binding in a retrial (and cannot request a retrial as a result) (Article 104-4 of the Patent Act). Therefore, a party could suffer a disadvantage unless he/she makes the utmost effort with regard to the patent validity in infringement litigation. This fact premises that the courts can also make a technical determination on patent validity. Although it is extremely difficult to overturn the Supreme Court Grand Bench decision, it is possible to make a narrow interpretation of the scope of application of the Grand Bench decision, and now the next step should be taken to seek a new legislative measure.

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§5. Dispute for Rescinding a Disposition by the Commissioner of the JPO, etc.

In general terms, a person can appeal against a disposition by an administrative authority to the authority that has made the disposition, as provided for in the Administrative Appeal Act unless otherwise stipulated in another law (Article 1, paragraph (2) of the Administrative Appeal Act). However, the Patent Act before the 2014 revision provided that litigation for rescinding any of the following dispositions could only be filed after a ruling or an arbitration decision had been made concerning an objection or a request for review that was filed against the disposition: disallowance of an extension of a time limit (Article 5 of the Patent Act); dismissal of an application, etc. (Article 18 of the Patent Act); award (Articles 83 and 92 of the Patent Act); rescission of an award (Article 90 of the Patent Act); dismissal of a request for a certificate, etc. (Article 186 of the Patent Act); decision for deeming an international application to be a patent application (Article 184-20 of the Patent Act); and dismissal of a request for registration (Article 38 of the Patent Registration Order) (Article 184-2 of the Patent Act before the 2014 revision). Therefore, a person appealed first to the JPO Commissioner, and if still dissatisfied, filed litigation with the Tokyo High Court. Any litigation directly filed without undergoing this process was dismissed as being illegitimate.

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The appeal system was drastically reformed by the revision of the Administrative Appeal Act and related Acts in 2014 (which came into effect on April 1, 2016). As a result, the principle of reconsideration before appeal became considerably restricted from the viewpoint of increasing fairness, improving the ease of use, and enhancing/expanding remedies for the people. It became possible for a person who is dissatisfied with a general administrative disposition (in the case of the Patent Act, the abovementioned dispositions such as a disposition of dismissal of an application) to choose whether to file an appeal or to immediately file litigation. Article 184-2 (Reconsideration Before Appeal) of the Patent Act, which had restricted a person from making such choice was deleted (Article 227 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Administrative Appeal Act [Act No. 69 of 2014]). The revision has enabled a person who is dissatisfied with a disposition to choose between two routes: file an appeal or file litigation. Meanwhile, litigation cannot be filed against such disposition as an examiner's decision of refusal without undergoing a JPO trial first, as under the conventional practice.

As exceptions to the principle of reconsideration before appeal, a review cannot be requested under the Administrative Appeal Act with regard to an examiner's decision, a

revocation decision, a trial decision, a decision to dismiss a written request for a trial or a retrial, or other dispositions for which the Patent Act provides that no appeal may be made, or failure to make any of these dispositions (Article 195-4 of the Patent Act). An objection against a ruling to dismiss an amendment or an examiner's decision is processed within a trial against an examiner's decision of refusal, and an objection against a trial decision and a ruling to dismiss a written request for a trial or a retrial can be processed by filing a lawsuit with the Tokyo High Court (IP High Court) (Article 178, paragraph (1) of the Patent Act). Therefore, even if a review cannot be requested based on the Administrative Appeal Act, the interests of the person receiving the disposition are not harmed in practice. Other dispositions against which no appeal may be made include a ruling on a motion requesting an exclusion or recusation or failure to make such ruling (Article 143, paragraph (3) of the Patent Act) and a ruling on an application for intervention or failure to make such ruling (Article 149, paragraph (5) of the Patent Act). It is because there are practical ways available to appeal against these dispositions and find remedies for them.

Incidentally, since an advisory opinion (Article 71 of the Patent Act) is the expression of an expert opinion by the JPO, and not an administrative disposition, no appeal can be made under the Administrative Appeal Act and no litigation for rescinding such advisory opinion can be filed.

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§6. Nature of a Patent Right

6.1. Comparison with a Right of Ownership

The Patent Act provides for the features of a real right, that is, a right to demand abatement of a nuisance and a right to demand prevention of a nuisance (Article 100), and because of these rights, scholars regard a patent right as having the nature of a real right. No such provision existed under the former Act, but it was considered that those two rights existed because the patent right has the nature of a real right. In any case, it is generally considered that the patent right has the nature of a real right. This is not wrong, but the patent right only borrows the legal structure of a right of ownership. In fact, the subject matter of a patent right, which is an invention (technical idea = information), is different in nature from the subject matter of a right of ownership, which is an object. Also, patent law and ownership law exist for different reasons.

A thing refers to a corporeal object (Article 85 of the Civil Code), and a right of ownership is the absolute and dominating title to a thing (Article 206 of the Civil Code). As the subject matter of a right of ownership is a corporeal thing, the typical means of restoring the status quo in the case of the infringement of a right of ownership is to demand the recovery of the thing (make a demand for the return of the thing), and the harmonious state of a right of ownership is basically restored by recovering the actual thing which the owner was deprived of. In contrast, the idea of possession with the same meaning as the possession of a corporeal object does not apply to information, which is the subject matter of a patent right,¹ so a right to demand recovery is not stipulated with regard to a patent right. In the case of a thing (corporeal object), for which exclusiveness (or the competitive nature) of consumption is recognized, basically only one person can possess the thing,² and the possessor needs the right to demand the recovery thereof in order to restore his/her control over it.

On the other hand, information is not exclusive, and a third party can work a patented invention, anytime, anywhere, not subject to any quantitative limit, without depriving the

1 There is a view that the working of an invention or the use of a trademark constitutes possession, which is not appropriate. If the concept of possession is recognized, this could provide a basis for various effects, such as possessory action, presumption of rights, acquisition of fruits, reimbursement of expenses, and acquisitive prescription. It is inappropriate to recognize these effects only on account of the working of an invention or the use of a trademark. Information property is characterized by its aspect of being able to be used by multiple people at the same time. Therefore, it cannot be deemed to be possessed merely by the fact of its being worked or used. However, this is only a matter of words, so it should cause no problem if the word "possession" is used with sufficient awareness that such effects do not arise. The same applies to the word "ownership."

2 In the legal sense, there are exceptions to this conception, such as co-ownership and indirect possession; however, this is not discussed in any detail here because it is not the essential issue in making comparison with information property.

patentee of his/her possession. Moreover, unauthorized working or use of an invention by a third party does not interfere with the working or use of the invention by the right holder.³ Although the Patent Act, as a legal technique, adopts the legal structure of a real right, the substance of a patent right is not the absolute and dominating title to a thing, but the title to the exclusive use of an invention, which is information (Article 68, Article 2, paragraph (3)), in other words, the title to prohibit others from working or using the patented invention. Accordingly, the right holder can restore the harmonious state of his/her monopoly by stopping the unauthorized working.

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The provisions on possession under the Civil Code shall “apply mutatis mutandis to cases where a person exercises his/her property rights with an intention to do so on his/her own behalf” (Article 205 of the Civil Code). This means that the provisions on possession apply mutatis mutandis to rights to property other than things, and in this respect, possession under Article 205 of the Civil Code is referred to as quasi-possession. There is almost no objection to the argument that the provision on quasi-possession is applicable to intellectual property rights, and many theories advocate that quasi-possession has a great significance when it concerns intellectual property rights in particular.⁴ However, civil law scholars do not give their opinions about what it is that constitutes possession of intellectual property rights. More specifically, they do not explain what kind of act is regarded as the “exercise of property rights,” which gives rise to quasi-possession. If they consider that the working of an invention is equivalent to the exercise of a property right, their view is inconsistent with the Patent Act currently in effect that require registration as the requisite

3 It is another argument that unauthorized working or use by a third party could undermine the right holder’s economic interests.

4 Sakae Wagatsuma, *Bukken Hō* (Real Right Law) (Iwanami Shoten, 1592), p. 354, Hiroshi Suekawa, *Bukken Hō* (Real Right Law) (Nippon-Hyoron-sha, 1988), p. 274, Junichi Funabashi, *Bukken Hō* (Real Right Law) (Yuhikaku, 1960), p. 334, Sakae Wagatsuma, Toru Ariizumi, and Takeshi Kawai, *Minpō I Sōsoku, Bukken Hō [3 han]* (Civil Code I General Provisions, Real Right Law [3rd ed.]) (Keiso Shobo, 2008), p. 346, Rokuya Suzuki, *Bukken Hō Kōgi [5 teiban]* (Lecture on Real Right [5th revised ed.]) (Sobunsha, 2007), p. 110, Takeshi Kawai, *Bukken Hō* (Real Right Law) (Nippon-Hyoron-sha, 1985), p. 184. Fujio Oho, *Bukken Hō Jō* (Real Right Law, 1st volume) (Yuhikaku, 1966), argues that in actual terms, quasi-possession becomes a problem only in connection with servitude, which is right to the point. In Germany, there are no such provisions on quasi-possession that are applicable to property rights in general; the quasi-possession is provided for only with regard to land and personal servitude (BGB 1029, 1090). Sakae Wagatsuma and Toru Ikuyo, *Minpō Annai 4 Bukken Hō Ge* (Guide to the Civil Code 4 Real Right Law, 2nd volume) (Keiso Shobo, 2006), p. 228, state that quasi-possession can be established for a patent right and a copyright as well, while noting that “as these rights have distinctive features, there are many problems as to the extent to which the Civil Code is applicable to them, not to mention that it would not be so easy to recognize the applicability mutatis mutandis of the provisions in the chapter on possession of the Civil Code.” In the first place, it is not clear why Article 205 of the Civil Code exists at all, and in practice, the scope of the application of this clause is extremely limited. See Yoshiyuki Tamura, “Mutai Zaisanken to Junsenyū” (Intangible Property Rights and Quasi-possession), Yamahana Masao, Igarashi Kiyoshi, Shigeo Yabu Koki Kinen *Minpōgaku to Hikakuhōgaku No Shosō II* (a book commemorating the sixtieth birthday of Masao Yamahana, Kiyoshi Igarashi, and Shigeo Yabu, Aspects of Civil Law Study and Comparative Law Study II) (Shinzansha, 1997).

for the existence and assignment of rights.⁵ As opposed to a thing, in the case of an invention that can be worked by more than one person concurrently, if a person without title works or uses such invention with the intention of doing so on his/her own behalf, such working alone should not be recognized as the basis for justifying acquisition by prescription, etc. In practical terms, what matters is who is it that is recorded as the right holder in the patent registry, so it is unimaginable that any person other than the registered right holder would seek an injunction based on quasi-possession. On the other hand, if the entry of one person's name in the patent registry is thought to constitute quasi-possession, this would be contrary to the purport of the provisions on possession, i.e. to protect the factual state of possession. Then, except for the two conceptions mentioned above, what could be recognized as the basis for quasi-possession? Unless this point is clearly explained, it is meaningless to advocate that the provision on quasi-possession is applicable to intellectual property rights.

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Furthermore, there is a crucial difference between the nature of a right of ownership and a patent right, in terms of how they come into being, continue to exist, and are extinguished, as well as the substance and scope of the rights. While a right of ownership is originally acquired by appropriation, specification, combination, or acquisition by prescription (Articles 239 to 246 of the Civil Code), a patent right arises only by an administrative disposition by the JPO. Because of this, the Patent Act needs to have various provisions having the nature of administrative law for setting up the administrative organ that handles this process (the JPO) and establishing various procedures. These procedural provisions are one of the pillars of patent law, and they have the nature of administrative law as well. What is more, unlike the right of ownership of a thing, the exclusive right to an invention, which is a technical idea, has a substantial impact as it restricts acts of a third party.

A right of ownership and a patent right also differ from each other in that a right of ownership has no time limit and stays in effect permanently until the thing owned is lost, whereas a patent right has a time limit. Since a right of ownership is a dominating right to control a concrete thing, other people can produce and sell the same type of thing, in principle, particularly if it is a movable property. Therefore, basically, there is no problem with a right of ownership for a specific thing staying in effect permanently. On the other

5 In the category of intellectual property rights, the copyright system adopts the non-formality principle, under which a copyright comes into being upon the creation of a work, and registration is not a requirement for the existence of a copyright and it is only a requirement for perfection with regard to the transfer of a copyright. When explaining quasi-possession of intellectual property rights, most scholars take up copyrights as an example, and few discuss patent rights or other industrial property rights. See: Junichi Funabashi, *Bukken Hō* (Real Right Law) (Yuhikaku, 1960), p. 334, Takeyoshi Kawashima, *Minpō I Sōron Bukken* (Civil Code I, General Provisions, Real Right) (Yuhikaku, 1960), p. 122. In this subsection, only patent rights are discussed.

hand, as a patent right is an exclusive right to production, sales, and the like, it is a right that can itself stop the working of an identical technology by others. Accordingly, the permanent existence of a patent right could make it possible to permanently prohibit others from inventing improvements based on the patented invention, and would impede the development of technology and run contrary to the interest of society as a whole. For instance, it is apparent that recognition of an exclusive right to an obsolete and universal technology, such as a nail or a screw bolt, is harmful. Also, all inventions are made based on the achievements of their predecessors, so recognition of permanent effectiveness for a patent right would also give a permanent exclusive right to the achievements of the predecessors of a person who happened to make the invention, which is unfair. It is sufficient to allow an exclusive right to the inventor for a period that is enough to recover the research and development expenses and acquire reasonable profits. Because of this, the patent law of every country around the world stipulates a certain time limit without exception.

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These differences can be considered to derive from the difference in the reason for existence between a right of ownership and a patent right.

First, unlike ownership law, patent law has an extremely strong characteristic as an industrial policy aimed at preventing unfair competition and contributing to the development of industry. In other words, the subject matter, the scope of protection, and the duration of the patent right are decided from the policy perspective of what kind of system is the most desirable for technological development. Taking a look at the protected subject matter, while a right of ownership protects any corporeal things, there is an exceptive provision on the protected subject matter regarding a patent right (Article 32 of the Patent Act). What to exclude depends on the industrial situation at the time, and it is decided on a policy-based determination. For example, if the patent on a chemical substance itself is recognized when the technological level in the chemical industry is still low, the state's chemical industry could be taken over by efficient foreign companies, so it will be more beneficial for domestic industry only to recognize process patents, which have a smaller effect. However, if a chemical substance patent is not recognized when the technology has developed to a certain level, the chemical industry will devote itself only to inventing improvements, and will lose the incentive to make pioneering inventions by investing in basic research, which will have a negative effect on the technological development of the country. Therefore, the timing for the introduction of the chemical substance patent system would be decided by closely watching the status of the industry. Due to such a policy-based reason, the chemical substance patent was introduced in

Germany in 1968, in Japan in 1975, and in South Korea in 1987. The Japanese chemical industry, especially the pharmaceutical industry, started to put more effort into basic research after the introduction of the chemical substance patent system. Such an industrial policy characteristic is not found in a right of ownership.

In the case of a particular thing, the scope of a right is clearly defined and there is hardly any dispute over the existence of a right.⁶ As for a patent right, the existence itself of a right is evident from its registration,⁷ but the scope of such right is not always unequivocally clear. When handling a particular thing, one person can easily perceive the scope of a right by his/her five senses, whereas it is a laborious task to clarify the scope of information property. In the case of a patent right, if the scope of an infringement is limited to the literal scope of a patent claim, it would, to some extent, be easy to demarcate the scope of protection; however, in that case, it would be easy to bypass the patent right and the reason for the existence of a patent right would be reduced. To avoid this, it is necessary to create a certain margin around the scope of protection, the size of which differs among the respective domains of intellectual property law. Thus, the scope of protection of a patent right is destined always to be a seed of discord. The size of the margin is not determined fundamentally but sometimes decided on policy-based reasons. It also differs from country to country or from age to age.

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A patent right has the aspect of a personal right (right of credit). Specifically, an inventor has the right to have his/her name described as the inventor in the filing documents, the certificate of patent, and the patent registry (Article 36, paragraph (1), item (ii) of the Patent Act; Article 4*ter* of the Paris Convention). The personal right aspect of a patent right has a far smaller effect than that of a copyright, but compared to a right of ownership, it could be counted as one of the special features of a patent right.

As the above suggests, a patent right has a strong characteristic as an industrial policy, unlike a right of ownership. Also, a patent right does not take the structure of a real right from necessity—it is the product of the times in the 19th century when the patent system took on an industrially important meaning—, but it adopts the concept of a real right merely for convenience, so various types of systems can be supposed in theory.⁸ For instance, a

6 Disputes may arise as to whether or not the thing is *bona vacantia* or with regard to the boundary of real property; however, these disputes relate to the ownership of the right in question, taking the existence of the right for granted.

7 As for some types of intellectual property for which registration is not required, such as copyrights or property protected under unfair competition law, the existence itself of the right or property is often unclear. With regard to copyrights in particular, disputes often arise as to whether or not the subject matter in dispute is eligible for protection by a copyright. Recently, as a result of the development of computers and databases, many items have come to pose the question of unclearness in terms of whether or not the subject in dispute is protected by copyright.

8 See Ryūta Hirashima, “Tokkyoken Ni Motozuku Sashidome Seikyūken No Gōriteki Konkyo To Genkai” (Reasonable Grounds and Limits of an Injunction Based on a Patent Right), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zainsan Hō Kōza* (Lecture on Modern Intellectual Property Law), p. 133.

patent right on which an injunction could not be demanded but only compensation for damages, would not be irrational at all, and it would only be a problem of appropriateness or effectiveness of the patent. Such a system is not preposterous. The right of rental, which is a performer's neighboring right under the Copyright Act, can be used as the basis for seeking an injunction for a period specified by Cabinet Order (12 months), but only as the basis for claiming remuneration during the 49 years following that period (Article 95-3, paragraphs (1) through (3) of the Copyright Act). The only question would be whether or not it is appropriate from a policy perspective. Recently, there have been many scholars who assert a legislative approach, insisting that the right to seek an injunction should be restricted when the patent right is too strong and also inappropriate. In this manner, a patent right has a nature whereby its requirements and effect are decided by policy-based determinations. Because of this strong industrial policy aspect, a patent is often discussed in connection with international trade and is taken up as an important negotiation item in the WTO and other arenas.

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6.2. Joint Ownership (Article 73 of the Patent Act)¹

The joint ownership of a patent right arises through joint invention, the assignment of one person's share of the patent right, or inheritance by multiple persons. There are different provisions for the joint ownership of patent rights from those for the co-ownership of corporeal things. The difference between a patent right and a right of ownership largely derives from the fundamental difference in their respective subject matters, an invention and a corporeal thing, and that is a basic issue in the study of intellectual property, including patent rights. In the case of a corporeal thing in co-ownership, when one person is using that thing, other people cannot use it, so a system whereby one of the co-owners can use that thing without the consent of the other co-owners would be unrealistic, and a provision for making adjustments between the co-owners is required (Article 249 of the Civil code). In the case of the joint ownership of a patent right, however, the working of the invention by one joint owner does not obstruct the working of it by the other joint owners (non-exclusiveness of consumption).² Therefore, various systems have been developed for the joint ownership of patent rights from a legal policy perspective, and different systems are adopted by different countries. Also, the system design of patent law may vary substantially since it is an extremely artificial system. Theoretically, there would be the same number of solutions as there are matrixes with regard to whether or not one of the joint owners can freely work the invention, whether or not one of the joint owners can freely license out or assign his/her share of ownership, and whether or not such joint owner needs to share the profits gained therefrom with the other joint owners in each of those cases.

The provision on co-ownership under the Civil Code is also applied *mutatis mutandis* to property rights other than a right of ownership, unless otherwise provided for by law or ordinance (Article 264 of the Civil Code). Therefore, for the joint ownership of a patent right, the provisions on joint ownership under the Patent Act are applied first, and when there is no applicable provision under the Patent Act, the Civil Code is applied. Special provisions that are different from those for a right of ownership are established for the joint ownership of a patent right as mentioned below.

First, each of the joint owners of a patent right can, except as otherwise prescribed by contract, work the patented invention subject to there being no quantitative limitation,

1 This section is largely owed to Toshiya Kaneko, "Chiteki Zaisanken No Jun-Kyōyō (Tokkyōken Wo Chūshin Ni)" (Quasi-Co-Ownership of Intellectual Property), *Gakkai Nenpō*, No. 34 (2010), p. 1.

2 With regard to this point, see Nobuhiro Nakayama, "Jyōhō No Ryūtsū To Chosakuken" (Information Distribution and Copyright), Honma Takashi Kanreki Kinen, *Chiteki Zaisanken No Gendaiteki Kadai* (Essays in Honor of the Sixtieth Birthday of Professor Takashi Honma: Modern Issues of Intellectual Property Rights), p. 210; Nobuhiro Nakayama, "Zaisanteki Jōhō Ni Okeru Hogo Seido No Genjō To Shōrai" (Current Status and Future of Systems for Protecting Property-like Information), *Iwanami Kōza: Gendai No Hō Dai 10 Kan Jōhō To Hō* (Iwanami Lecture: Modern Law, Vol. 10, Information and Law), (1997), p. 267.

irrespective of his/her own share of the right (Article 73, paragraph (2) of the Patent Act). This is very different from the fact that the co-owners of a right of ownership can use the subject matter to make profits according to their respective shares of ownership.³ Since the subject matter of a patent right is an exclusive right to information, which is intangible information, quantitative limitation cannot be conceptualized regarding its use, so it is difficult to use the subject matter of a patent right according to one person's share and, at the same time, in legal terms, the working of the invention by one of the joint owners does not obstruct the working by another of the joint owners. Although there is no quantitative limitation under law, as long as the market is limited, the working of an invention by one of the joint owners could affect the economic interests of the other joint owners, so the system design would differ depending on how such economic disadvantage suffered by the other joint owners is taken into account.

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Information, by its nature, can be used in a superimposing manner and to infinity in its physical meaning, but in reality, there is a limit to the market for information. Therefore, the joint owners of a patent right basically compete with one another for gaining a larger market share, and in this respect, they are considered to be in economic rivalry.⁴ The stronger the power of one of the joint owners, the more the other joint owners will lose their markets and be affected economically. As a matter of course, the joint owners may be in a cooperative relationship such as with family members or association members in some specific cases, but that is not necessarily the relationship required for the joint ownership of a patent right. Probably because joint owners are basically rivals instead of allies, restrictions were set on the assignment or other treatment of the right that they jointly own.

It is construed that one person's share of a co-owned ownership can be freely assigned, although there are no express provisions for so doing. However, none of the joint owners of a patent right can either assign their shares or establish a right of pledge on them without the consent of all the other joint owners (Article 73, paragraph (1) of the Patent Act). Since each of the co-owners of a right of ownership can use and receive profit

3 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [19 han]* (Clause-by-Clause Commentary on Industrial Property Law [19th ed.]), p. 246, explains that Article 73, paragraph (2) has been set out for caution's sake, so as to avoid misunderstanding due to the influence of the provision of paragraph (1) of said Article (transfer and establishment of a pledge require the consent of the other joint owners). However, it is particularly pointed in that Article 73 paragraph (2) provides that each joint owner of a patent right may work the entire patented invention, irrespective of his/her share, separately from the provision of the Civil Code (Article 249) that each co-owner may use the entire property in co-ownership in proportion to his/her share. In this respect, Article 73, paragraph (2) has not been established merely for confirmation purposes.

4 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [19 han]* (Clause-by-Clause Commentary on Industrial Property Law [19th ed.]), p. 246, states that joint owners should have a relationship of mutual trust, and Koe Toyosaki, *Kōgyō Shoyūken Hō [Shinpan, Zōho]* (Industrial Property Law [new enlarged ed.]), p. 264, also states that trust among joint owners is necessary. From a legal perspective, however, the joint owners are in a competitive relationship, in principle, and they are considered to have a relationship of trust when they are in a special relationship under a contract, etc.

from the subject matter according to his/her own share (Article 249 of the Civil Code), the value of the share is basically not affected legally by whoever the other co-owners are, so there is little need to restrict the assignment of the share.⁵ However, the joint owner of a patent right can freely work the invention irrespective of his/her share of the right, so he/she gains economic influence from the financial power and the management power of the other joint owners. In other words, the other joint owners can be his/her rivals, so the identity of the other joint owners would be important. The practical economic value of one person's share could vary considerably depending on the other joint owners. If free assignment of a person's share of a patent right is allowed, there can be a case where a small company, which you thought was your partner in jointly owning the patent right, assigns its share in the right to a large company, and then this large company becomes the new joint owner and confronts you as a gigantic competitor. To avoid such a situation, the system under the current Act enables a joint owner to block third parties from entering into joint ownership without him/her being involved in such entry. Each joint owner of a patent right may work the patented invention without the consent of the other joint owners but may not freely assign his/her share. The theoretical explanation for this is that, while it is possible to agree on the conditions for the working of the invention and the like among the joint owners by an advance contract, if a free assignment is recognized, it will be difficult for the assignee, etc. to conclude an advance contract with the other joint owners ex post facto, so prohibiting the assignment as a default status would provide an incentive for concluding an advance contract.

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However, it should be noted that this kind of system is not necessarily common worldwide. For instance, U.S. case law allows each joint owner to dispose of and license his/her share independently. Nevertheless, this rule on joint ownership is a default rule; the situation in the U.S. and the situation in Japan might seem to be very different, but in the end, matters relating to the right can be dealt with by agreement.⁶

This does not apply to general succession; the share of a jointly owned patent can be succeeded to by operation of the law, without the consent of the other joint owners. Some problems may arise in such a case as where the other joint owner was an SME which was later taken over by a large company, but the only reasonable interpretation would be that the share of a jointly owned patent is succeeded to by operation of law. It would be preferable to set up, in advance, a clause for the case where the share is

5 In practice, there is a great difference as to whether the other co-owner is a member of an organized crime group or an ordinary good citizen, but they can be considered as being one and the same from a legal perspective.

6 For the joint ownership system of each country, see “*Sekai Shuyōkoku Ni Okeru Tokkyo Ken No Kyōyū Ni Tsuite* (Joint Ownership of Patent Rights in the World's Major Countries),” *Tokkyo Kanri* (Patent Management), Vol. 34, No. 8 (1984), p. 1039; Toshiya Kaneko, “Kyōyū Tokkyokensha Ni Yoru Jiko Jisshi: Doitsu No Giron Kara No Shisa” (Working of an Invention by a Joint Patentee: Implications Following Discussions in Germany), *Chitēki Zaisan Hō Seisaku Gaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 21 (2008), p. 239.

transferred (a change of control clause). As a legislative approach, the inconvenience may be eliminated if provisions are established to have the joint owner who works the invention share his/her profits with the other joint owners.

The joint owner of a patent right cannot grant an exclusive license or non-exclusive license without the consent of the other joint owners (Article 73, paragraph (3) of the Patent Act). This applies to the case of granting a provisional exclusive license (Article 34-2, paragraph (8) of the Patent Act) or granting a provisional non-exclusive license (Article 34-3, paragraph (12) of the Patent Act) while the patent application is pending. These restrictions were established because if a third party can come to work the invention without the knowledge of the other joint owners, it would harm their interests, similarly to the case of restricting assignment. If one of the joint owners grants a license independently, it could cause the other joint owners similar economic damage as in the case of assignment. In short, the significance of this measure is in eliminating the means for persons other than the joint owners to work the invention without the consent of all the other joint owners.

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The question here is the meaning of working by a joint owner. No problem occurs if a joint owner works the invention by himself/herself, but it is uncertain whether working by a subcontractor corresponds to the working by the joint owner. If the working by a subcontractor is regarded as an act under a license, the act of subcontracting would be a patent infringement without the consent of the other joint owners. This is an important issue because subcontracting plays a significant role in Japan. Basically, if the situation is such that the subcontractor follows the instructions of the joint owner, delivers all of its products to the joint owner, and attaches the trademark, etc. of the joint owner, the subcontractor can be regarded as operating subordinately to the joint owner, so the

working of the invention can be considered as a working by the joint owner.⁷

There is no special provision under the Patent Act with regard to a demand for partition, but due to the nature of a patent right being an exclusive right for working an invention, it would often be difficult to partition the actual right. In theory, it may be possible to divide the right based on the applicable geographical area,⁸ divide it according to the mode of the working the invention, or divide it by claim,⁹ but that is not so realistic. However, a share of the joint ownership of a patent right is a property right, and it is not something that should be subject to a collective restriction, so it is extremely unreasonable if the joint owners could not break away from the relationship of joint ownership. Therefore, the prevalent theory allows a demand for the partition of the right either by dividing the money acquired by selling the right or by having one of the joint owners acquire the right by paying the other owners the price for their respective shares. This is not considered to cause any particular inconvenience. Each joint owner of a patent right may freely work the patented invention irrespective of his/her share of the right. That being said, however, if there is a gap between the joint owners in terms of the production

7 The Akita District Court Judgment, February 7, 1972, *Mutai Saishū*, Vol. 4, No. 1, p. 19 (the Horseshoe case). This was a dispute over whether or not an act of manufacturing by the subcontractor of one of the joint owners of a utility model without the consent of the other joint owners required a license, in a case where the joint owner had created the die, provided technical assistance, given instructions on the materials, quality, and the performance of the manufacturing machine, had the entirety of the products delivered to itself, conducted a thorough inspection of the products, and decided the production volume and the unit price of the product, but the production facility was owned by the subcontractor. The court held that since the joint owner and the subcontractor were in a product supply contract relationship including an aspect of a subcontract agreement, the subcontractor should be considered to be working the invention as its own business, so the working of the invention without the consent of the other joint owners infringed the utility model right of the other joint owners. In the Sendai High Court Akita Branch decision on December 19, 1973, *Hanji*, No. 753, p. 28, which was the appeal of the above district court judgment, the court denied the infringement, judging that the subcontractor had manufactured the product as a part of the organization of the joint owner, and the joint owner had worked the invention on its own account and under its control and management. (The final appeal of this case was dismissed; Supreme Court Judgment, December 24, 1974, *Patent News*, p. 4096.) References include Tatsuji Kishimoto, “*Kyōyūsha No Kikan To Shite No Shitauke No Jisshi Ni Tsuite* (Working by a Subcontractor as a Part of the Organization of a Joint Owner),” *Kigyō Hō Kenkyū* (Study on Business Act), No. 222 (1973), p. 30; Tatsuji Kishimoto, “*Kyōyūsha No Kikan To Shite No Jisshi Ni Tsuite* (Working by a Subcontractor as a Part of the Organization of a Joint Owner) (Re-examined),” *Kigyō Hō Kenkyū*, No. 235 (1974), p. 20; Naoto Komuro, “*Kyōyūken-sha No Jisshi Kōi Ni Tsuite—Jitsuyō Shinan Ken Shingai Sasidome Seikyū Jiken Hanrei Yori* (Working by Joint Inventors—Based on the Court Decisions in Cases Seeking an Injunction against a utility Model Infringement),” *Tokkyo Kanri* (Patent Management), Vol. 25, No. 12 (1975), p. 1261; Ichiro Nakayama, “*Kyōyū Ni Kakaru Tokkyoken No Jisshi Kyodaku Ni Taisuru Ta No Kyōyūsha No Dōi Ni Tsuite*” (Consent of the Other Joint Owners for the Licensing of a Jointly Owned Patent Right), *AIPPI* Vol. 47, No. 2 (2002), p. 10. Considering the situation of subcontractors in Japan, the decision by the High Court seems to be more appropriate. Similar court judgments include the Supreme Court (in prewar Japan) decision on December 22, 1938, *Minshū* Vol. 17, p. 2700 (the Patterned Knitwear case); and the Tokyo District Court Judgment, February 20, 2008, *Hanji* No. 2009, p. 121 (Telephone Card Reader Case, in which, as a precondition for one of the joint owners to claim compensation for an employee invention, whether or not the subcontractor’s act constitutes the working by the other joint owner was disputed.) In relation to a design right, the Supreme Court held that any act performed by the person who manufactures and sells the article that carries the design in question, only in response to the licensee’s orders and exclusively on behalf of the licensee, falls within the scope of the exercise of the right by the licensee (Supreme Court Judgment, October 17, 1969, *Minshū* Vol. 23, No. 10, p. 1777, *Hanji* No. 577, p. 74, *Hanta* No. 241, p. 81 (Globe-shaped Transistor Radio Design Case).

8 It is not possible to divide a patent right itself by geographical area, such as a patent right for eastern Japan and that for western Japan, but the approach would be, for example, where one person acquires a patent right and grants its exclusive license for western Japan to the other joint owners free of charge and unconditionally.

9 The patent right itself cannot be divided, but it would be possible to create an effect equivalent to having practically divided a patent right by an agreement between the parties.

capacity or financial resources, as in the case between the company and the university, inequality could arise as a practical problem. It is desirable that this problem is dealt with by agreement beforehand, but if there is no such agreement, the party who wishes to make up for his/her disadvantage can demand the partition of the right as the last resort. However, the proviso of Article 256, paragraph (1) of the Civil Code is applicable concerning a special agreement on prohibition of partition, so it is possible to conclude an agreement prohibiting partition for five years,¹⁰ and registration can be made to this effect (Article 33, paragraph (2) of the Patent Registration Order). The fact that it is possible to register a special agreement prohibiting partition can be viewed as a ground for arguing that partition itself is not prohibited in general.

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The point that should be noted is that the provisions on joint ownership are default rules, which apply where there is no agreement between the parties. As the joint ownership, in reality, can take various forms, it is difficult to regulate all of those forms of relationship by law, and it is inappropriate to uniformly regulate the relationship of joint ownership by way of mandatory statutes. As long as it is difficult to establish provisions that assume all kinds of joint ownership relationships, inconveniences would inevitably occur regardless of whatever kind of joint ownership system were adopted. For example, in the case of a joint ownership between an individual that cannot work the invention in practice and a large company that can work the invention on a massive scale, the Patent Act has no provisions on the sharing of the profits gained by the large company in such a case, but it would be possible to take care of such profit share through an advance contract. It could be construed that by stipulating the default situation under Article 73, the Patent Act encourages the parties to make an agreement in advance if they do not find that situation to be desirable. In recent years, there have been strong calls for revision of Article 73 from those who hold patent rights but do not by themselves work the patented invention (e.g. universities); however, considering that this clause provides for a default rule, such revision is almost meaningless, and it is inappropriate to revise it into a mandatory statute. Even if it is provided by law that a joint owner may assign his/her share or grant a license without the consent of the other joint owners or that a joint owner must share the profits gained through his/her working of the invention with the other joint owners, such provision can be freely changed by agreement, and the substance of the

¹⁰ However, the period can be extended by another five years by renewing the registration. If so, it will be possible to conclude a special agreement on the prohibition of partition for ten years, but the life of a patent right often does not last for ten years in practice, so the partition of such a patent right would not be possible in practice as a result.

agreement is to be determined depending on the balance of power between the parties.¹¹ Due to the above, it would be desirable to conclude and advance a contract between the joint owners insofar as possible. In addition, because a joint owner may demand partition of a jointly owned patent right, it may be possible to hold negotiations on specific matters by using partition as a bargaining chip.

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The next issue is whether or not each of the joint owners can independently claim compensation for damages or the return of an unjust enrichment, or demand the abatement of a nuisance.

There should be no problem if a claim for compensation for damages and a claim for the return of unjust enrichment can be independently made by each of the joint owners regarding his/her own share.¹² Each of the joint owners is able to claim an amount according to his/her own share, in principle, but there are also many problems regarding determination of the amount. However, at least, when a person receives a claim for damages under Article 102, paragraph (3) of the Patent Act, the person paying the damages only needs to pay the proportion of the damages corresponding to the claimant's

11 Universities often own patent rights jointly with the companies that provide them with funds. In such cases, the universities engage in creating inventions but they hardly ever work the inventions themselves. Under the existing law, universities are in a disadvantageous position in that they cannot even license the patented inventions and make a profit without the consent of their partner companies (the other joint owners), whereas the companies can freely work and make a profit from the inventions. In order to rectify such situation, universities demand that Article 73 of the Patent Act be revised so that a university can claim a share of profit from other joint owners. However, it is natural for the company, which provides funds for the university, to attempt to make an agreement that could override the default rule that is disadvantageous to the company, and the outcome would be the same as the current situation. If the university intends to make an agreement that is advantageous to it, there is no choice for the university but to try to improve its own bargaining power; it is, in the end, not the issue of the provision on joint ownership but the issue of the level of the university's power.

12 It is clear that a right to claim compensation for damages is a money claim, which is a divisible claim that does not have to be uniformly exercised by all of the joint owners together, and damages can be claimed by each of the joint owners regarding his/her own share alone (the Tokyo District Court, December 22, 1969, *Mutai Saishū*, Vol. 1, p. 396 (the Foldable Table Legs case); the Osaka District Court Judgment, November 25, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 434 (the Parquet-Patterned Building Material case)). The Copyright Act provides that each of the joint owners can demand compensation for damages in accordance with his/her own share (Article 117, paragraph (1) of the Copyright Act). This provision under the Copyright Act merely confirms what is only a matter of course. Regardless of whether the infringed matter is a corporeal thing, an invention or a copyrightable work, the right to demand compensation for damages that arise after the infringement is a money claim having the same nature in both cases.

registered share of the right.¹³ When the share is unknown, with no registration having been made, each of the joint owners is presumed to have an equal share (Article 250 of the Civil Code), so unless otherwise provided for, the claimee merely needs to pay an equally divided amount.

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While an act of preservation can be conducted independently by each co-owner, a typical act of preservation hardly exists in the case of a patent right, unlike in the case of a corporeal thing (e.g. the case of repairing the leak in the roof of a house). Such a case would only occur where, for example, a joint owner fails to pay patent fees, and the other joint owner pays those patent fees in order to maintain the patent right, but because it is expressly provided that an interested person may pay a patent fee even against the will of the person that is to pay the patent fee and claim reimbursement of the expenses (Article 110 of the Patent Act), it would cause no problem. It may be possible to regard a request

13 There should be relatively little resistance to the point that the claimant can demand compensation for the proportion of damages corresponding to his/her share when the amount of damages is considered to be an amount equivalent to a license fee (when Article 102, paragraph (3) of the Patent Act is applied). However, there is a problem when (1) the amount calculated by multiplying the quantity of the articles assigned by the infringer by the rate of profit supposed to be gained by the right holder (paragraph (1) of said Article), or (2) the amount of profits gained by the infringer (paragraph (2) of said Article), is considered to be the amount of the damages. For instance, when a joint owner working the invention on a large scale holds a one-percent share, and the other joint owner is working the invention on a very small scale in spite of holding a ninety-nine-percent share (e.g. when a large company has received a one-percent share of an invention from a small company, and is working it), there would be a question when distributing the damages according to the share. While this is considered to assume a case where the joint owners are working the invention in the same way, how will the amount of damages be calculated if one joint owner is working the invention but the other is not (e.g., in the case of a company and a university)? A possible approach would be to pay in proportion to the quantity of the assigned products in the case of a claim for damages under Article 102, paragraph (1), and in proportion to the amount of profits in the case of a claim for damages under paragraph (2) of that Article. However, there is a possibility that one of the joint owners might claim damages under paragraph (1) and another joint owner might claim damages under paragraph (2). In addition, the joint owners may not be working the invention in the same way, as one joint owner may be producing the products while another joint owner is selling the products. In any case, this is a difficult problem, which has not been clarified in theory or settled in practice, so it shall not be discussed in detail here. See Masaharu Miyawaki, “Kyōyū Ni Kakaru Tokkyoken Ga Shingai Sareta Baai No Songaigaku No Santei: Chizai Kōhan Hei 22 · 4 · 28 Heisei 21 (Ne) 10028 Wo Keiki Toshite” (Calculation of Damages in the Case of Infringement of a Jointly Owned Patent Right: Prompted by Rendering of the Intellectual Property High Court Judgment, April 28, 2010, 2009 (Ne) No. 10028), *AIPPI*, Vol. 56, No. 11 (2011), p. 724; Toshiya Kaneko, “Chiteki Zaisanken No Kyōyū To Songai Baishōgaku No Santei” (Joint Ownership of Intellectual Property Rights and Calculation of Damages), *Doshisha University Intellectual Property Law Research Group ed., Chiteki Zaisan Hō No Chōsen* (Challenges of Intellectual Property Law), p. 308. The Osaka District Court Judgment, November 25, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 434 (the Parquet-Patterned Building Material case), pursuant to Article 102, paragraph (1) (currently paragraph (2)), presumed the amount of profits gained by the infringer to be the damages and the proportion of the damages corresponding to the joint owner’s (claimant’s) share of the right as the amount of damages suffered by that joint owner. Meanwhile, in the Tokyo District Court Judgment, December 22, 1969, *Mutai Saishū*, Vol. 1, p. 396 (the Foldable Table Legs case), which was a case where products manufactured by one of the joint owners (the plaintiff) had been sold by the other joint owners, the court recognized that the profits of each joint owner are almost the same, so without recognizing the shares of joint ownership, it stated that the presumption under Article 29, paragraph (2) of the Utility Model Act (the same as Article 102, paragraph (2) of the Patent Act, and Article 29, paragraph (3) of the current Utility Model Act) is that the damages are proportionate to the amount of profits made by the respective joint owners. In the Intellectual Property High Court Judgment, April 28, 2010, court website (the Steel Column Plumbing Correction Equipment case), the court held that because joint owners can work the entire patented invention irrespective of their share of ownership, the amount of damages due as a result of an act of infringing the patent right should be calculated not in proportion to the share of ownership, but in proportion to the extent of working the invention (this was a peculiar case where the right to claim damages was assigned by another joint owner to the appellant).

for a trial as an act of preservation, but it would not present a problem because there is an express provision that a request for a trial requires a necessary joinder of inherent parties and can only be made by all of the joint owners together (Article 132, paragraph (3) of the Patent Act). There is an issue of whether one of the joint owners can independently file a suit against a trial decision as an act of preservation, but this issue has been discussed earlier (see “4.2.2. Litigation to Seek Rescission of Trial Decision; Procedure; Parties Concerned”).

Another issue is a demand for the abatement of a nuisance. Since each of the joint owners is entitled to the entirety of the jointly owned subject matter, it should be interpreted that each of them respectively has the right to demand the abatement of a nuisance based on the right for their respective shares as an act of preservation.¹⁴ Each joint owner may independently file a suit to seek the abatement of a nuisance, but the judgment rendered is effective in relation to the litigant alone and it does not affect the other joint owners’ rights to demand the abatement of a nuisance. This means that, even if one of the joint owners independently files a suit and loses the case, the other joint owners would still be able to file separate suits. The party who is sued by one of the joint owners can avoid being further sued by the other joint owners by giving a notice of the suit to them (Article 53, paragraph (1) of the Code of Civil Procedure), in which case those other joint owners, if they do not intervene in the suit, shall be deemed to have intervened in the suit at the time when they were able to intervene (paragraph (4) of said Article) and shall be bound by the judgment rendered in the suit (paragraph (1) of said Article).

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Some theories take the view that the nature of the joint ownership of a patent right as set out above is not co-ownership under the Civil Code, but joint ownership under the Civil Code, or something similar,¹⁵ but these theories are incorrect. Such theories are merely founded on the superficial phenomenon that assignment, establishment of a pledge, and license are restricted with regard to joint ownership of a patent right, and they overlook the essence of the patent right. Although there is no direct stipulation on joint ownership under the Civil Code, joint ownership is one mode of common ownership where assignment, partition and so forth are subject to *collective restriction* due to the existence of a *joint purpose*, such as a partnership asset or inherited property. Joint

14 It can be considered similar to the demand for abatement of a nuisance based on a right of ownership. Junichi Funabashi, *Buken Hō* (Real Right Act) (Yuhikaku, 1960), p. 381; Sakae Wagatsuma, Toru Ariizumi, *Shintei Bukken Hō* (Newly Revised Real Right Act) (*Minpō Kōgi* (Civil Code Lecture) II) (Iwanami Shoten, 1983), p. 327.

15 Kazuo Morioka, *Kōgyō Shoyūken Hō Gaisetsu* [4 han] (Outline of Industrial Property Law [4th ed.]), p. 50 (stating that it is co-ownership having an aspect of joint ownership under the Civil Code); Shiro Mitsuishi, *Tokkyō Hō Gaisetsu [Shinpan]* (Outline of Patent Act [new ed.]), p. 349. Meanwhile, Sueaki Oda, Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Chūkai* (Revised and Enlarged Edition of Commentary on New Patent Act), p. 304 states that it is quite close to joint ownership under the Civil Code, but that aspect mainly derives from the peculiarity of intangible property.

ownership under the Civil Code is a pre-modern mode of common ownership subject to strong collective restriction, though there is a concept of individual shares of the subject matter. Therefore, if joint ownership of a patent right were considered to be joint ownership under the Civil Code, there would be inconveniences such as not being able to partition the right, so the right would no longer comprise adequate economic goods. Under the current Act, joint ownership of a patent right is restricted in terms of assignment or license. However, that is not a collective restriction based on a joint purpose among the joint owners, but, rather, such a restriction has been established for a policy purpose due to the peculiarity of intellectual property, and what is more, it is imposed by the default rule. Co-ownership of a right of ownership is also naturally restricted when the subject matter is a corporeal thing because of the nature of the subject matter, so joint ownership of a patent right should also be naturally subject to the restriction derived from the nature of the subject matter. The content of the restriction differs between the joint ownership of a patent and the co-ownership of a right of ownership only because of the difference in the subject matter. The restriction on an assignment, establishment of a pledge, or license derives from the peculiarity of the subject matter, and the fact that the trial requires a necessary joinder of inherent parties is based on the necessity of having uniform intentions for a patent right, and not due to an aspect of joint ownership under the Civil Code. Also, while the current Japanese Act has such provisions concerning restrictions on assignment, etc., it is also quite possible to establish a law such as that in the U.S. law under which a joint owner can transfer or license out the invention independently. In the first place, a patent right can be co-owned without a joint purpose or a trustful human relationship. The joint owners do often establish a joint purpose, but that is not a requirement for the establishment of the joint ownership of a patent right. Some theories try to explain the peculiarity of the joint ownership of a patent right as a consequence of it being joint ownership under the Civil Code, but that is not sufficient to explain the peculiarity of the joint ownership of a patent. As is clear from the above, it is unnecessary and harmful to explain that the joint ownership of a patent right has the nature

of joint ownership under the Civil Code.¹⁶
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16 The court stated that although joint ownership of a patent right is subject to restrictions similar to those on joint ownership under the Civil Code, the nature of the joint ownership of a patent is not that of joint ownership under the Civil Code, but is that of co-ownership under the Civil Code, in the Tokyo High Court Judgment, April 24, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 97 (the Bulky Knit Fabric case). (This is a case where the court held that a suit against a trial decision can be brought independently by one of the joint owners.) Similarly, the court stated that the nature of joint ownership of a patent right is that of co-ownership under the Civil Code, in the Tokyo High Court Judgment, January 27, 1994, *Hanji*, No. 1502, p. 137. (This is also a case where the court recognized one of the joint owners as having the standing to file a suit against a trial decision. This point has been rejected in the Supreme Court Judgment, March 7, 1995, *Minshū* Vol. 49, No. 3, p. 944, *Hanji* No. 1527, p. 145, *Hanta* No. 876, p. 147, denying the standing to sue of only one of the joint owners, but the Supreme Court Judgment did not refer to the nature of a patent right.) Incidentally, the argument over the joint ownership of a patent and the joint ownership under the Civil Code is only intended for theoretically comprehending the patent right. In settling an actual problem (e.g. settling the problem of whether or not one of the joint owners can file a suit against a trial decision), the conclusion should not be derived from the theories over the joint ownership of a patent/joint ownership under the Civil Code, but should be determined based on various factors. (For details, see Nobuhiro Nakayama, “*Tokkyo Wōkeru Kenri No Kyōyūsha No Hitori Ni Yoru Shinketsu Torikeshi Soshō No Tekikakusei* (Eligibility of One of the Joint Owners of the Right to Obtain a Patent to File a Suit against a Trial Decision),” Takura Osamu Koki Kinen, *Chiteki Zaisan Wo Meguru Sho Mondai* (Essays in Honor of the Seventieth Birthday of Professor Osamu Takura: Various Problems Surrounding Intellectual Property) (a book commemorating the seventieth birthday of Professor Osamu Takura), p. 551.)

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§7. Effects of a Patent Right

7.1. Active Effect and Passive Effect

A patent right has an active effect and a passive effect. The former refers to the effect whereby the patentee can exclusively work the invention, and its extent is called the scope of effect. Meanwhile, the latter refers to the effect whereby the patentee can abate the working of the invention by others, and its extent is called the scope of protection. The scope of effect and the scope of protection differ in the case of a trademark right and a design right, so the distinction between the two has an important meaning, but, under the Patent Act, they are basically the same, so the distinction is not considered to be important.¹ Issues related to the scope of protection are mostly issues of the passive effects discussed in infringement cases, so they shall be described later in the part about infringements.

Looking at laws comparatively, the effect of a patent right is stipulated to have a passive effect under patent laws in most countries. The current Japanese law formally stipulates as if a patent right has an active effect, stating that the patentee shall “have the exclusive right to work the patented invention as a business” (Article 68 of the Patent Act). On the other hand, the Japanese Patent Bylaws of 1888 had stipulated that the effect of a patent right should be a right of prohibition (Article 1, paragraph (2)). The current Patent Act stipulates it as the exclusive right to work the patented invention as a business, but the essence of a patent right and other intellectual property rights by their nature exist as rights of exclusion. There has long been a dispute over whether a patent right is a right of monopoly or a right of exclusion, but this dispute does not seem to be so useful. The subject matter of a patent right is technical information, and considering the nature of information, it should be enough to deem that the essence of a patent right is basically a right of exclusion. If it is a right of monopoly, it would also have an effect of exclusion, and if it is a right of exclusion, it tends to be a right of monopoly at the same time. This issue often seems to be

¹ The term “technical scope” is used in Article 70 of the current Patent Act, but its meaning is not clearly defined. The technical scope is considered to refer to the technical idea materialized by the description of the patent claims, but it is also often interpreted to be the same as the scope of a right. However, the technical scope and the scope of a right differ when there is a prior user’s right. It is also sometimes regarded as being the same as the scope of protection, but the relation between the two is not quite clear. Under the Patent Act, an indirect infringement (an act deemed to be an infringement; Article 101 of the Patent Act) refers to the infringement of the part of the technology outside the scope of the technical idea materialized by the claims so, at least in that sense, the technical scope and the scope of protection do not coincide with each other. Incidentally, the Patent Act stipulates as an exception that where the duration of a patent right is extended, such patent right shall not be effective against any act other than the working of the patented invention for the product which was the subject of the disposition which constituted the reason for the registration of extension (Article 68-2 of the Patent Act), so the technical scope described in the claims and the scope of protection are different in that case.

discussed in relation to double patents, etc., but the conclusion should be determined for each point of issue rather than drawing an inescapable conclusion from the various theories.²

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² With regard to this issue, see Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 1009 (written by Masabumi Suzuki).

7.2. Working of the Invention as a Business

7.2.1. “As a Business” (Article 68 of the Patent Act)

The scope of the effect of a patent right is restricted to the “working of the invention as a business” (Article 68 of the Patent Act). Such restriction had not been established under the old Act, so according to the letter of law, a patent right shall also be effective against personal and home working of the invention.¹ However, a revision was made in the current Act. The purpose of the Patent Act is “to contribute to the development of industry” (Article 1 of the Patent Act). Therefore, according to this purpose, it is thought to be necessary and sufficient only to regulate the working as a business.

While there are various theories concerning the interpretation of “as a business,”² judging from the purpose of the Patent Act, which is to contribute to industrial development, this requirement should be considered merely to exclude personal and home working of the invention, and this view may be generally accepted.³ As long as a patented invention is worked as part of an economic activity, such working can be considered to correspond to the working as a business even if it was not directly intended for gaining profits, and even the working of an invention in public works, medical services and law practices that are not profit-making businesses can also be regarded as the working as a business. However, the issue of whether or not an act corresponds to the working as a business has hardly ever been disputed in a court case, so it is considered to be a requirement of low importance in practice.

1 The restriction of “working as a business” had been established in the old Utility Model Act and the old Design Act, but for some reason, it had not been included in the old Patent Act. A patent right is an exclusive right to use a technical idea, and it is an extremely powerful right in that it imposes restraints on others’ acts. Accordingly, the scope of the effect should not be expanded without cause, and it is sufficient to recognize the exclusive right to be within the scope necessary for the purpose of the law. Because of this, the restriction of “working as a business” was established under the current Act. Under the old Patent Act as well, there seem to be no court cases in which that point was disputed in actuality.

2 The majority theory is to interpret that the “working as a business” refers to working other than the personal and home working of the invention (Koe Toyosaki, *Kōgyō Shoyūken Hō [Shinpan, Zōho]* (Industrial Property Law [new enlarged ed.]), p. 208, etc.). Some of the other theories define it as working whereby an invention “can be repeatedly and continuously used in industrial management” (Nobuo Monya, *Chiteki Zaisanken Hō Gairon [2 han]* (Intellectual Property Act [3rd ed.]), p. 113); “working with the purpose of directly or indirectly meeting the demand or convenience of many and unspecified persons” (Sueaki Oda, Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Chūkai* (Revised and Enlarged Edition of Commentary on New Patent Act), p. 272); “working where the working of the patented invention is the purpose of business” (Hajime Kaneko, Yoshinobu Someno, *Tokkyō Shōhō* (Patents and Trademarks), p. 102); or “an economic activity conducted with a continuous intention” (Bunzo Takino, *Kōgyō Shoyūken Hō* (Industrial Property Act), p. 60). First of all, an invention could be worked only once in the case of civil engineering work, or the product could be imported only once for a business purpose. It is unreasonable to consider that an act conducted as a business activity does not constitute a patent infringement, as long as it is only worked once, and the requirements of repetition and continuity are not necessary. Secondly, because there are business activities that only target a small number of specific users, the requirement of working for many and unspecified persons is not necessary either. Thirdly, since the working of an invention by a company for the welfare of the employees or for goods to be distributed to the shareholders or customers must also be considered to be an infringement, the requirement that the working of the patented invention is the purpose of a business is also unreasonable.

3 Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyō Hō Jō*, p. 1018 (written by Masabumi Suzuki) states that this is intended to exclude acts that are carried out for a non-economic purpose in a private domain.

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At least until recently, the working of an invention required a certain amount of expertise, experience, funds and other resources, and it was hardly imaginable that the working of a patented invention conducted not as a business (e.g. making a product as a hobby) could infringe the patentee's interest, so working other than the working as a business was not called into question. However, in recent years, as an increasing number of software-related inventions have been created, it has become more popular for people to produce (or, more accurately, reproduce in most cases) or use patented inventions within their homes or for their personal use. This trend is making it more difficult to distinguish between the working as a business and personal working, and now the situation has reached a level where, if such home or personal working is left unaddressed, it would affect the patentees' economic benefits. For instance, inventions relating to computer software have come to be patented, and according to this tendency, there may be cases where an individual engages in transmitting a patented computer program by using a computer network, or an individual appears as one of the parties using (working) an invention relating to a computer network (e.g. an online payment system). If such type of working takes place, often difficulties might arise in determining whether or not this working is conducted as a business. In the field of patent law, a movement toward reconsidering the requirement of "working as a business" has not yet been seen. However, as the advancement of digital technology has made it extremely easy for nonprofessional individuals to reproduce digitized materials, there is a controversy in the copyright field over the necessity to revise the provisions on reproduction for private use (Article 30 of the Copyright Act). This suggests that in the field of patent law as well, it will become an increasingly important issue to consider where we can find a balance point between the interest to be enjoyed by the patentee (and technological development) and the harmful effect resulting from restricting the acts of others. With regard to infringers in the case where multiple people are involved in the infringement, see "8.2.1.(3) Infringement in which multiple people are involved."

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7.2.2. Working (Article 2, paragraph (3) of the Patent Act)

7.2.2.1. Significance of Defining "Working"

An ownership is a title to the use, profits, and disposition of a (corporeal) thing (Article 206 of the Civil Code). The Civil Code does not have provisions defining the use of a thing (corporeal thing), because a thing must always be possessed in order to be used,

and the mode of use does not go beyond the bounds of common sense.¹

Unlike ownership, a patent right has an effect of prohibiting others from committing certain acts, and hence the scope of its effect needs to be clearly defined by law.² A patent right is a historically new, artificially created right. Its subject matter is an invention, which is an intangible technical idea and is described by text in the form of a claim. Because of this, it is unclear what kinds of acts constitute an infringement of a patent right. The scope of the working of the invention, which corresponds to use in the case of a corporeal thing, cannot be demarcated by the concept of possession, and the mode of working is not always singular. For instance, it is uncertain whether or not an act of distributing a catalog in which a product that infringes a patent right is published, in order to sell such infringing product, constitutes an infringement, until some legislation is enacted. Unless this point is made clear, third parties would not be able to distinguish between legal and illegal acts of working. Therefore, the Patent Act specifies the concept of working and the scope of the effect of the right for each category of invention (Article 2, paragraph (3) of the Patent Act).

Patent rights are a system designed to encourage the creation of inventions by allowing inventors to monopolize their inventions on condition that they disclose the inventions and thereby to make profit from such monopolization, which can be incentives for them. Since a patent right restricts acts of others, the scope of working of a patented invention should be limited to the extent necessary for securing such incentives. Accordingly, the concept of working should be based on an act that meets the constituent elements of the patent claim, and the effect of a patent right should extend to a product made by way of such act (assignment or use of the product), and should also extend to other incidental acts that could virtually jeopardize the patentee's interest. The scope of incidental acts in this meaning tends to expand over time.

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7.2.2.2. Working of the Invention of a Product (Article 2, paragraph (3), item (i) of the

¹ The Supreme Court Judgment, January 20, 1984, *Minshū* Vol. 38, No. 1, p. 1, *Hanji* No. 1107, p. 127, *Hanta* No.519, p. 129 (a case regarding the official announcement written by a famous Chinese calligrapher in the Tang era, Yan Zhenqing), is a rare case where the point in dispute was the concept of using and receiving profit from a thing owned in the context of an ownership. The court stated that the ownership of a work of art only exists as the exclusive power of control over the work as a tangible thing, and it does not function as the power to directly and exclusively control the work of art itself as an intangible thing; therefore, even if someone uses the work as an intangible thing without infringing the exclusive power of control that is vested in the person who owns the work as a tangible thing, such use cannot be regarded as infringing the ownership of the work (in this case, the owner of the original work of art (calligraphy museum) sued the defendant for its act as copyright infringement, alleging that the defendant published the photographic plate of Yan Zhenqing's calligraphic work which was made and acquired from the plate's owner before the museum had acquired the work).

² For the necessity to study the concept of working, see Hisayoshi Yokoyama, “‘Jisshi’ no Gainen no Kentō wo Tōshite Miru ‘Jōto no Mōshide’ Gainen no Igi” (Meaning of the Concept of “Offering for Assignment” Viewed through the Study of the Concept of “Working”), *Makino Toshiaki Sanju Kinen: Chiteki Zaisanken Hōri To Teigen* (In Honor of Professor Makino Toshiaki's Eightieth Birthday: Legal Principles of and Recommendations Concerning Intellectual Property Rights), p. 178.

Patent Act)

In the case of the invention of a product (including a computer program, etc.), working is defined as acts of producing, using, assigning, etc. (assigning and leasing and, in the case where the product is a computer program, etc., including providing through an electric telecommunication line³), exporting or importing, or offering for assignment, etc. (including displaying for the purpose of assignment or leasing) of the product (Article 2, paragraph (3), item (i)). The former Patent Act also had a definition of the term “working.” Through the 2002 revision, the previous definition was revised by inserting the parenthesized phrase stating that the term “product” includes a computer program, etc. A “computer program, etc.” is construed to include something equivalent to a computer program, such as a data structure wherein the speed of data processing increases with the use of a computer. In the process of system designing, it was an alternatively possible approach to specify computer programs as a new category of invention. However, due to the fact that such a category as “computer programs” was not found elsewhere in the world, and in consideration of the continuity of the administrative operations at the JPO, the option of including computer programs in the scope of “product” was finally chosen. With this revision, the act of providing a computer program through a network came to be regarded as an act of direct infringement, without needing to discuss the possibility of constituting an indirect infringement. At the time of this legal revision, whether or not to include gene sequences and protein configuration into the scope of product was also discussed. However, it was thought that these subject matters were scientific discoveries which required a considerable amount of funds and research effort, and although they seemingly had some economic value, granting a patent right—a powerful right to exclusive use—, at least at that time, would rather adversely affect academic research or industrial development. Based on this recognition, the option of including those subject matters into the scope of product was not adopted, and only a computer program, etc. was introduced into the scope of product.

“Producing” refers to the act of making the product, and covers not only the production of industrial products, but also assembly, construction, forming, and plant cultivation. The combining of parts also corresponds to producing. Also, the modification

3 This includes both wired and wireless telecommunication lines. Japan Patent Office, ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [19 han]* (Clause-by-Clause Commentary on Industrial Property Law [19th ed.]), p. 15, states as follows: telecommunication refers to the transmission of two-way communications; although it does not include broadcasting, the 2002 revision clearly stipulates that the act of providing the product via the interactive network is included in the scope of the working; the transmission of a computer program via the broadcasting network is considered to fall within the concept of “assignment or lease” under the old Act prior to the 2002 revision and it is also included in the scope of the working under the current Act. This conclusion presented by the JPO may be valid but it is unnatural to consider that the broadcasting constitutes “assignment or lease,” which should have been corrected at the time of the 2002 revision.

(repairing) or remodeling of an important part is also regarded as producing.⁴ This point will be discussed in detail in “8.2.6. Exhaustion of Rights.”

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“Using” refers to using the product relating to the patented invention by a method of attaining the purpose of the invention.⁵ This is because, from the standpoint of the purpose of the Patent Act, which is industrial development, there is no reason to consider that use in a mode that is unrelated to the purpose of the invention is illegal. In addition, the use of a product produced by using the product relating to the patented invention does not correspond to the working of the invention.

The Patent Act provides that “assigning and leasing” includes provision through an electric telecommunication line (Article 2, paragraph (3), item (i)). Assigning the patented product free of charge constitutes infringement if it is conducted as a business. A typical example of an assignment is a transfer of ownership, but assignment includes any other cases that can be regarded as being substantially equivalent. For example, even an act that is legally recognized as a contract for work can be an assignment if the product is manufactured and delivered for value.⁶ Through the 2002 revision, the provisions on the concept of “working” were amended to include a computer program, etc. in the scope of product (Article 2, paragraph (3), item (i)). A “computer program, etc.” is defined as “a set of instructions given to an electronic computer which are combined in order to produce a specific result”⁷ (Article 2, paragraph (4)). However, a computer program itself is an intangible thing, and unlike a “thing” as set forth in Article 85 of the Civil Code (which refers to a tangible thing), this provision is intended only for the purpose of specifying the

4 An act of producing is a concept that includes, in addition to the act of producing (manufacturing) in the ordinary sense, such acts as the assembly and mounting of parts (the Tokyo District Court Judgment, February 25, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 139 (the Single-Lens Reflex Camera case)), the repair of a material portion of an object (the Osaka District Court Judgment, April 24, 1989, *Mutai Saishū*, Vol. 21, No. 1, p. 279 (the Sand Producing Machine Hammer case)), and the modification or replacement of components, which results in the production of a new patented product that is not identical to the original patented product (the Supreme Court Judgment, November 8, 2007, *Minshu* Vol. 61, No. 8, p. 2989/*Hanji* No. 1990, p. 3/*Hanta* No. 1258, p. 62 (the Ink Cartridge case)). Also, the act of installing a software application for creating documents on a computer constitutes an act of production (The Intellectual Property High Court Judgment, September 30, 2005, *Hanji* No. 1904, p. 47, *Hanta* No. 1188, p. 191 (Ichitaro Case)). As a rare example, in the Tokyo District Court Judgment, May 15, 2002, *Hanji*, No. 1794, p. 125/*Hanta*, No. 1108, p. 275 (the Ceramic Blade case), the court held that it is possible there to be a case where a person has been supplied with a target product (with a thickness of 0.525–0.313 mm) which does not satisfy the constituent feature, “the surface coating of the ceramic material is constituted with a layer of which the overall thickness is up to 0.25 mm,” of the patented invention, but without any change to the material being made, the ceramic material became thinner by abrasion through use, and the product formally comes to fall within the scope of claims; but since this results from an act of using the product according to the ordinary purpose of use, such purchaser’s act cannot be regarded as an act of producing a product under social conventions.

5 In the Osaka District Court Judgment, July 20, 2006, *Hanji* No. 1968, p. 164 (Platform Truck Stopper Case), the court stated that the act of merely conducting an inspection, repair, or replacement of parts of the device relating to the patented invention does not constitute an act of using.

6 The following is a case relating to a design right: the Tokyo District Court Judgment, August 31, 1965, *Hanta* No. 185, p. 213 (the Revolving Book-Displaying Instrument case).

7 This definition is almost the same as the definition under Article 2, paragraph (1), item (x) of the Copyright Act, with the exception that while the Patent Act protects technical ideas, the Copyright Act protects expressions and therefore defines a computer program as an “expression.”

scope of working of an invention that could constitute infringement. When one person has assigned a tangible thing to another, there is nothing left in the hand of the assignor, whereas, if one person has provided a computer program to another via an electric telecommunication line, the assignor still retains the same computer program. A question was raised about applying the concept of assignment when understanding such act. Nevertheless, there was a strong necessity to prohibit this kind of act and, to this end, it has been provided that in the case of a computer program, etc., provision via an electric telecommunication line shall be included in the scope of assignment (or in other words, deemed to be assignment) (Article 2, paragraph (3), item (i)). “Leasing” means to lend, and similar to the case of assignment, it does not matter whether the product is lent for value or free of charge. However, many of the cases where a product is lent free of charge are considered not to be leasing as conducted as a business, e.g. where individuals lend and borrow the product. In such a case, the act does not constitute an infringement. In the future, a scheme wherein a computer program is stored on a cloud computer and users acquire the program outcome alone by operating the cloud computer via the Internet will be more common. There may be arguments over whether an act engaging in such a scheme should be regarded as assignment, etc., leasing, or use. In conclusion, that act may be categorized as one of these modes of working the invention.

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Importing and exporting are also included in the concept of working. While importing has naturally been considered to fall within this concept, exporting was additionally included in this concept under the 2006 Revision (Article 2, paragraph (3), item (i)). As for “exporting,” it was thought, before this revision, that since production or assignment in most cases took place within Japan before exporting, it was not such so serious a problem even if the exporting itself could not be stopped, and that it would be enough for exporting to be regulated under the law of the country of destination (where the recipient of the goods is located), so there was no need to regulate this issue under Japanese patent law.⁸ At the same time, however, there were also problems in that even when a patent-infringing product was detected in the process of export, nothing could be done to stop the export unless there was proof of domestic assignment, etc., and an attempt was made first to import a foreign infringing product into a bonded area in Japan and then re-export it while indicating Japan as the exporting country. As products that infringe intellectual property rights have come to be distributed across national borders, a

⁸ In the following case, which took place before the 2006 revision, the court held that when no agreement on exporting had been made upon granting a non-exclusive license for a patent right, the patentee cannot stop the licensee’s act of exporting: the Tokyo District Court Judgment, May 18, 1963, *Kamin* Vol. 14, No. 5, p. 979 (the Laundry Method Utilizing Swelling Pressure case).

momentum toward suppressing such infringement on an international scale increased,⁹ and accordingly, upon the 2006 revision, exporting was additionally stipulated as a type of working (Article 2, paragraph (3), item (i)). With regard to border measures against export, a procedure similar to that relating to import is provided by law (Customs Act, Articles 69-2, et seq.). For more details about border measures, see “8.2.2. Border Measures (Customs Act).” It should be noted that the act of exporting is itself an act conducted within the territory of Japan, so it can be regulated by the law of Japan, independently from patent laws of foreign countries, and such regulation does not conflict with the territoriality principle.

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Offering for assignment, etc.¹⁰ (including displaying for the purpose of assignment, etc.) is to externally express one’s intention or desire to assign a product, and it includes acts conducted to this end, such as displaying a product, distributing catalogs and pamphlets of a product, and soliciting consumers to buy a product, or creating a website to display a product on it, while preparing an inquiry form concerning the sale of the product.¹¹ The provision that was in force before the 1994 Revision only covered such “display,” but since “offering for sale” was stipulated as part of the exclusive right in Article 28 of the WTO’s TRIPS Agreement, a provision concerning “offering” was introduced in the Patent Act of Japan. The concept of “offering” introduced upon the revision is broader than the concept of “display” used since before the revision and can be considered to include “display,” but it was clearly defined in brackets to make sure. If “offering for assignment, etc.” is conducted by a person who engages in manufacturing and sale, such person would often fall within the scope of “person who is likely to infringe” (Article 100, paragraph (1)). Since this act could be the subject of an injunction even in the past, it was rarely taken up as a topic of discussion. In the future, however, “offering for assignment, etc.” will be more likely to be challenged as an infringement in such cases as where it is conducted by a person other than the manufacturer/seller or conducted beyond national borders.¹²

⁹ The Anti-Counterfeiting Trading Agreement (ATCA), which Japan advocated in 2005 at the G8 Summit in Gleneagles, was signed in 2011. ATCA obligates the suspension of the export of counterfeit and pirated goods. Japan ratified this Agreement, whereas the EU signed it but the European Parliament voted overwhelmingly against the ratification. As of 2015, the Agreement has not yet taken effect.

¹⁰ See Hisayoshi Yokoyama, “‘Jisshi’ no Gainen no Kentō wo Tōshite Miru ‘Jōto no Mōshide’ Gainen no Igi” (Meaning of the Concept of “Offering for Assignment” Viewed through the Study of the Concept of “Working”), *Makino Toshiaki Sanju Kinen: Chiteki Zaisanken Hōri To Teigen* (In Honor of Professor Makino Toshiaki’s Eightieth Birthday: Legal Principles of and Recommendations Concerning Intellectual Property Rights), p. 191.

¹¹ In the Intellectual Property High Court Judgment, September 15, 2010, *Hanta* No. 1340, p. 265 (the DVD Multi-drive case), which discussed international jurisdiction as the main issue, the court held that opening a website constitutes offering for sale.

¹² See Tsukasa Matsumoto, “‘Jōto Tō no Mōshide’ to Zokuchi Shugi no Gensoku” (“Offering for Assignment, etc.” and Territorial Principle), *Makino Toshiaki Sanju Kinen: Chiteki Zaisanken Hōri To Teigen* (In Honor of Professor Makino Toshiaki’s Eightieth Birthday: Legal Principles of and Recommendations Concerning Intellectual Property Rights), p. 161.

In the past, the act of possessing an infringing product did not itself constitute infringement. The right holder could seek an injunction when he/she found that a person was in possession of an infringing product, and that the product was likely to infringe his/her rights (Article 100, paragraph (1)). However, as it was not easy to prove the likelihood of such infringement in some cases, the right holder, in reality, had difficulties in directly checking the infringer's act of possession. To solve this problem, the 2006 revision stipulated that an act of possessing an infringing product for the purpose of assigning, etc. or exporting it shall be deemed to constitute infringement (Article 101, item (iii)). Where infringing products were put into the distribution process, the right holder would often have to stop the sale of those products one by one, which was practically difficult in many cases. For this reason, by deeming that an act of "possession" constitutes infringement under the Patent Act as in the case under the Trademark Act and thereby broadening the concept of working, it is now also possible to prevent the spread of infringing products at Customs. This also applies to exporting; the act of possessing an infringing product for the purpose of exporting it, which takes place before the product is put into the export process, is now also deemed to constitute infringement.

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"Importing" refers to the act of carrying goods from overseas into Japan. The term "import" is used in various laws, and its concept should be drawn from the legislative purposes of the respective laws. From the perspective of levying tariffs at Customs, carrying goods from bonded areas into other areas of Japan is construed as importing, whereas in the case of dealing with illegal drugs, etc., landing goods from ships or airplanes is construed as such. Under the Import Trade Control Order, when goods pass across the Japanese coastline, they are deemed to have been imported. With regard to products that infringe intellectual property rights, carrying infringing products into bonded areas, not to mention carrying such products as someone's personal belongings, sending them by mail, or smuggling them into Japan, should be construed as corresponding to an act of importing and therefore as constituting an infringement (Article 109-2, paragraph (2) of the Customs Act).¹³ If those goods for which Japan is not the designated country of destination are

¹³ Kosaku Yoshifuji and Kenichi Kumagai, *Tokkyohō Gaisetsu [13 han]* (Outline of the Patent Act [13th ed.]), p. 434, commented that goods in the bonded warehouse should not be regarded as imported goods, but stated that "an act of producing a patented product at the factory in the bonded area, using imported parts or materials, should be construed as domestic production." With regard to goods infringing trademark rights or violating the Unfair Competition Prevention Act, a dominant view considers landing as importing. In the previous edition of this book (*Kōgyō Shoyūken Hō Jō* (Industrial Property Law Vol. 1)), the author stated that, "Goods that are in a bonded area are regarded as not being imported yet," which was an erroneous view. There are various types of bonded areas, such as designated bonded areas, bonded warehouses, bonded factories, bonded exhibition sites, and comprehensive bonded areas (Article 29 of the Customs Act). Among those, bonded factories are establishments designated by the Director-General of Customs as places where private businesses may perform processing, manufacturing or other operations using overseas goods before going through the customs procedure for import declaration (Article 56 of the Customs Act). In view of these points, carrying of goods into bonded areas should be considered to be included in the scope of the import under the Patent Act.

landed into the bonded warehouse temporarily for the purpose of rehandling, or if those goods which are placed in the bonded area, designating Japan as the country of destination, go through processing, remodeling, sorting, etc., such movement of goods should be construed as corresponding to importing even before the infringing goods pass through Customs. This view also has an implication of preventing the risk that such goods could be reshipped overseas in the guise of goods exported from Japan.

On the other hand, when a ship loaded with goods that infringe an intellectual property right merely passes through the territorial seas of Japan, such movement of goods does not correspond to importing.¹⁴ Landing goods into the bonded warehouse only for the purpose of sifting or rehandling and then sending them overseas also does not seem to have any illegal nature. If Japan aims to make its ports international hub ports and make them more competitive on a global scale, it is necessary to encourage such activities as accepting a large amount of goods brought by foreign ships and then putting them into a large ship to send them overseas. If landing goods only for the purpose of sifting/rehandling is prohibited as constituting infringement of a patent right, this could pose an impediment to Japanese ports becoming international hub ports. Allowing such movement of goods would not lead to a situation where infringing goods come to market in Japan, and therefore would not cause any substantial damage to Japanese patentees.

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With regard to exporting and importing, the Customs Act provides for border measures that are different from those taken in ordinary civil actions. For details, see “8.2.2. Border Measures.”

The greatest issue regarding importing is parallel imports. This issue shall be described in detail in 8.2.6. Exhaustion of Rights.

7.2.2.3. Working of an Invention of a Process (Article 2, paragraph (3), item (ii) of the Patent Act)

With regard to the invention of a process, the acts of using the process are stipulated as the working of the invention (Article 2, paragraph (3), item (ii) of the Patent Act). Similarly to the case of the invention of a product, such use of the process for attaining the original purpose of the invention of the process corresponds to working. Since the invention of a process does not involve products, troublesome problems do not occur so often. However, in relation to the case of inspecting the quality or standards of a product by using

¹⁴ In the Basic Directive on the Customs Act, Chapter 6 Customs Clearance, Section 7 Articles Infringing Intellectual Property Rights (Export), 69.11-8 (Handling of Transit Goods), it is stated that “it should be noted that transit goods are not subject to an application for suspension of import.”

the invention of a process, a question arises as to whether or not a process patent shall be effective against such a product inspected by using the patented process. In the field of pharmaceutical products in particular, if it is impossible to physically inspect the pharmaceutical product without using the patented process, or if the patented process is designated by laws and regulations, it is impossible to complete the manufacture of the pharmaceutical product or obtain approval for the product from the Ministry of Health, Labour and Welfare without using the patented process. In such cases, whether or not the patent right granted for the inspection method shall be effective against the pharmaceutical product becomes an issue. On this point, even when an inspection of the pharmaceutical product cannot be conducted without using the patented inspection method, what is infringed is the patent for the method, so it is inappropriate to consider that the patent for the inspection method shall be effective against the inspected pharmaceutical product. Otherwise, a person who has only invented an inspection method would virtually be entitled to the effect of the patent as if he/she has invented the inspected pharmaceutical product.¹⁵ If a person wants a patent that is effective against the pharmaceutical product, he/she should obtain a patent on the pharmaceutical product; or otherwise, that person should not be granted a de facto right to monopoly that is effective against the pharmaceutical product as well.

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7.2.2.4. Working of the Invention of a Process of Producing a Product (Article 2, paragraph (3), item (iii) of the Patent Act)

The invention of a process of producing a product has the nature of both an invention of a product and an invention of a process. Its working not only includes the acts of using

15 In the Osaka High Court Judgment, November 18, 1997, *Chiteki Saishū* Vol. 29, No. 4, p. 1066 (Physiologically Active Substance Measurement Method Case), the court found that, since the patented method in question is necessarily incorporated into the manufacturing process of the pharmaceutical product and used in the relationship neither too close nor too remote from other manufacturing operations, there is a relationship in which the “use of the method” equals the “production of the product,” and based on this finding, the court concluded that as in the case of an “invention of a process for producing a product,” the patent in dispute has an effect which enables the patentee to seek an injunction against infringement, as a measure necessary for preventing infringement, in respect of the sale of the products manufactured by using the patented method as well. On the other hand, in the judgment on the final appeal of the same case (the Supreme Court Judgment, July 16, 1999, *Minshū* Vol. 53, No. 6, p. 957, *Hanji* No. 1686, p. 104, *Hanta* No. 1010, p. 245), the court determined that the destruction of the pharmaceutical product in dispute and the withdrawal of the application for registration in the National Health Insurance Drug Price List go beyond the bounds of measures that should be taken to realize the right to seek an injunction, and neither of them constitutes “measures necessary for the prevention of infringement” as set forth in Article 100, paragraph (2) of the Patent Act. It is basically enough to use the patented method only once in order to conduct the inspection, so even if the method is used without authorization, it is meaningless for the right holder to try to suspend use after the method has been used. In addition, such unauthorized use just for one time may only cause minor damage. In consideration of these points, it is inappropriate to consider that the patent for the invention of the inspection method should be allowed to be effective in relation to not only the method but also the inspected pharmaceutical product because such treatment would have too great an impact on other aspects, though the right holder would be dissatisfied with this.

the process, but also the acts of using, assigning, etc., importing, or offering for assigning, etc. of the product produced by the process (Article 2, paragraph (3), item (iii) of the Patent Act). The product produced by the process includes a computer program, etc. (because item (i) which defines the term “product” contains the phrase “including a computer program, etc.; the same shall apply hereinafter.”) Accordingly, a computer program created by a patented automatic programming process is included in the scope of “product” as referred to in item (iii), and using that program would constitute infringement.

In this case, there is the issue of whether use of the product is limited to use of the direct product produced by the claimed process or whether it covers use of the final product (secondary/tertiary product, etc.). This issue mostly becomes a problem in the case of a chemical substance. In the case of machines, etc., the direct product is often used as the final product just as it is, so it is often clear that the patent for the process of producing the direct product is effective against the final product. It should be considered that the patent shall also be effective against the final product in the case of a chemical substance, in principle, but delicate problems could arise in some specific cases. When a patent right has been granted to the process of producing an intermediate product, there are cases where the intermediate product is produced first and then it is reprocessed into the final product, and cases where the intermediate product is presumed to be produced within a series of chemical reactions. While use of the intermediate product itself is clear in the former case, it is difficult to tell in the latter case¹⁶.

¹⁶ For detailed discussions, see Kosaku Yoshifuji, *Tokkyo Hō Gaisetsu [13 han]* (Outline of Patent Act [13th ed.]), p. 438.

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7.3. Restriction on Effects of a Patent Right

A patent right, which is a right to a monopoly for working the patented invention as a business, has powerful effects that can stop others from working the invention, unlike the effects of ownership. Therefore, unless considerable restrictions are imposed on its effects, it could have a negative rather than a positive influence on industrial development. Accordingly, the Patent Act imposes various restrictions on the effects of a patent right. These restrictions are based on industrial policy reasons, public interest reasons, or the principle of equity.

7.3.1. Restrictions Pertaining to the Limits of the Scope of Right

These restrictions limit the effects of a patent right with regard to specific products or acts, irrespective of who conducts the acts. In that sense, they are considered to indicate the limits of the scope of right.

7.3.1.1. Working for the Purposes of Experiment or Research (Article 69, paragraph (1) of the Patent Act)¹

The purpose of the Patent Act is industrial development, and as the means to attain this purpose it grants a right to a monopoly in return for the inventor's act of making the invention public. The purpose of having the invention published is to raise the technological level of society in general, but it would not make a great contribution to that end if third parties could only browse the description. It is necessary to permit additional experiments by third parties for the purpose of learning the content of the patented invention. Such additional experiments may also give rise to inventions of improvements or other inventions, and they contribute to enriching technology. To put it more strongly, one of the

¹ Keiko Someno, "Shiken/Kenkyū Ni Okeru Tokkyo Hatsumei No Jisshi" (Exploitation of Patented Invention for Experimentation and Research) (I)(II), *AIPPI Journal*, Vol. 33, No. 3, p. 2/No. 4, p. 2 (1988) is particularly outstanding as a study on this issue. It mentions investigation of the patentability, investigation of the functions, and experiment for the purposes of improvement/development as legal acts of working the invention. Other studies include: Hiroaki Niki, "Iyakuhin No Tokkyoken Sonzoku Kikan Chū Ni Okonawareta Kōhatsu Iyakuhin Ni Tsuite No Seizō Shōnin Shinsei Kōi To Tokkyoken Shingai" (Approval Application of Follow-up Drugs under Pharmaceutical Law before the Expiration of Pharmaceutical Patent, and the Patent Infringements under Patent Law) (1)(2)(3), *Patent*, Vol. 50, No. 11 (1997), p. 17/Vol. 51, No. 1 (1998), p. 49/Vol. 51, No. 2 (1998), p. 15; Yukio Shimizu and Yoshiyuki Tsujita, "Tokkyo Hō 69 Jō 1 Kō Ni Okeru 'Shiken Matawa Kenkyū' No Rironteki Konkyo To Chosakuken Hō (Theoretical ground of 'Experiment or Research' in Article 69, paragraph (1) of the Patent Act and the Copyright Act), *Takura Osamu Koki Kinen, "Chiteki Zaisan Wo Meguru Sho Mondai"* (Various Problems Surrounding Intellectual Property), p. 141. Studies focusing on the U.S. system include: Ryōko Iseki, "Shiken/Kenkyū Toshite No Tokkyo Hatsumei No Jisshi -- Gasshūkoku No Bāi (Working of a Patented Invention as Experiment/Research -- in the Case of the United States)," *Dōshisha Hōgaku* (The Doshisha Law Review), Vol. 44, No. 5, p. 43.

greatest objectives of the Patent Act is to promote inventions of improvements. Japan should make efforts to advance basic research and obtain pioneering patents. However, it should not be forgotten that products meeting the needs of society are often developed through the existence of many improvement patents surrounding a basic patent. Therefore, the Patent Act needs to have a function whereby it also promotes many inventions of improvements and peripheral inventions besides basic inventions. The important thing is that basic and applied technologies are developed in a balanced manner. Such basic recognition would be helpful for interpreting many aspects of the Patent Act, including the interpretation of the scope of right based on the doctrine of equivalents. Indeed, the patentee could find himself/herself at an economic disadvantage where he/she is unable to sell the product well due to the development and sales of better products that resulted from inventions of improvements. However, in many cases, an invention of improvement would be an invention dependent on the original patent, in which case the original patentee would have some control over the invention and could gain profits by cross licensing. It is also important to promote inventions of improvements for industrial development, so although some economic loss may practically be incurred on the patentee's part, such level of disadvantage for the patentee cannot be avoided for technological development.

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Accordingly, the Patent Act stipulates that a patent right shall not be effective against the working of the patented invention for experimental or research purposes (Article 69, paragraph (1) of the Patent Act). However, even where the invention is worked under the name of experiment or research, if it is worked in a manner unrelated to the development of the technology, the patent right will be effective against such act. For instance, the effects of the patent are considered to extend to an act of working the invention under the name of experiment or research, for conducting market research by selling products on a trial basis. Such act of working an invention is not intended for technological progress, but only for profit. Therefore, such experiment would not contribute to industrial development as intended by the Patent Act.

Article 69, paragraph (1) of the Patent Act permits working only for experimental or research purposes, and does not go so far as to permit the sale of a product that is created as a result of the experiment or research. Because, if a product resulting from the experiment or research conducted by working a patented invention is placed on the market, it would cause the patentee to incur direct damages.

Working an invention for experimental or research purposes becomes an issue most frequently with regard to patent rights on pharmaceuticals and agricultural chemicals, and many lawsuits have been filed in connection with this issue. A pharmaceutical or

agricultural chemical cannot be manufactured or sold without the permission or approval (disposition) of the Ministry of Health, Labour and Welfare or the Ministry of Agriculture, Forestry and Fisheries, and an enormous amount of experimental data must be submitted in order to receive that disposition. The preparation of such data requires a considerable amount of time. In order for a third party to start selling a product protected by a patent immediately after the expiration of the duration of the patent, such party must conduct experiments and acquire a governmental disposition before the expiration of the duration of the patent. In such a case, there will be a question of whether working an invention in such a way (the act of manufacturing a pharmaceutical, which is a patented product, and using it in clinical experiments, etc.) can be regarded as working an invention for experimental or research purposes. Many lower court judgments held that an act of working an invention for such a purpose was only the preparation for acquiring profits by working the same invention as the patented invention immediately after the expiration of the duration of the patent, and not for making new inventions of improvements through such experiments, and construed that working the invention in such a way did not correspond to working it as intended by Article 69, paragraph (1) of the Patent Act.² At the same time, there were lower court judgments that held that such working corresponded to working for experimental or research purposes. Ultimately, a Supreme Court judgment³ was rendered, holding that such working corresponded to working for experimental or research purposes and was legal, and this issue was tentatively settled in practice. However, in this judgement, the Supreme Court put a certain brake on such experiment and research, stating that “if a third party works a patented invention beyond the bounds of experiment necessary for

2 The court judgment which triggered such an interpretation was the Tokyo District Court Judgment, July 10, 1987, *Mutai Saishū*, Vol. 19, No. 2, p. 231 (the Herbicide case), and there are other court judgments that have indicated the same opinion. In this judgment, the court held that Article 69 was legislated since experiment and research are fundamentally aimed at advancing technology to the next level, and extending the effects of patents to such experiment and research impedes technological progress, and stated that the tests on efficacy, etc. which are necessary for filing an application for the registration of an agricultural chemical under Article 2 of the Agricultural Chemicals Control Act are not intended for technological progress, but are solely intended for sales of herbicides, so they are not regarded as the experiment and research mentioned under the Patent Act. This Herbicide case was disputed in a number of countries other than Japan, and varied court judgments have been rendered in different countries.

3 In the Supreme Court Judgment, April 16, 1999, *Minshū*, Vol. 53, No. 4, p. 627/*Hanji*, No. 1675, p. 37/*Hanta*, No. 1002, p. 83 (the Antiplasmin Agent case), the court held that an act of producing a chemical substance or a drug which falls within the technical scope of a patented invention during the duration of the patent and of carrying out the necessary experiments for obtaining data to be attached to a written application for manufacture approval by using the produced chemical substance or drug in order to apply for the approval to manufacture prescribed in Article 14 of the Pharmaceutical Affairs Act (referred to as the “Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices” from 2014) for the purpose of manufacturing and selling a generic drug after the expiration of the patent duration corresponds to the “the working of the patented invention for experimental or research purposes” referred to in Article 69, paragraph (1) of the Patent Act. As the reason for the judgment, the court mentioned that, one of the fundamentals of the patent system is to make the invention available for free use by anybody after the expiration of the patent duration and thereby extensively benefit society in general, but since it is necessary to conduct prescribed experiments over a certain period in advance in order to gain approval for manufacturing a drug, if such experiments were regarded as not being subject to Article 69, paragraph (1) of the Patent Act, third parties would not be able to use the invention freely for a considerable period after the expiration of the patent term, and it would have the same result as extending the patent duration for a considerable period.

applying for approval of drug manufacturing and produces a generic drug which is to be sold after the expiration of the duration of the patent right or produces or uses the chemical substance contained in the patented invention as an ingredient of a generic drug, such act constitutes infringement of the patent and therefore is impermissible.”

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This Supreme Court judgment was controversial. Basically, the determination should be made based on the purport of Article 69, but the Supreme Court held that the act corresponded to an experiment made on the basis that, if the act is determined as not being an experiment, third parties would not be able to immediately work the invention after the expiration of the duration of the patent right on the patented pharmaceutical, and in practice that would be equivalent to extending the duration of the patent right. The Supreme Court made such judgment by brandishing the fundamental principle of the Patent Act. From a practical viewpoint, however, even though the duration of patent rights on pharmaceuticals and agricultural chemicals can be extended by five years, the duration of the patent is still often shortened in practice due to a delay in government dispositions on manufacturing and sales, and in extreme cases, approval for manufacturing or sale is given after the expiration of the duration of the patent right, and that is being considered as unavoidable.

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If the Supreme Court judgment is considered to be right, there is little meaning in discussing the matter further. Even if Article 69 were construed to have been established mainly for promoting inventions of improvements, the determination on this matter is difficult in some cases. In light of the legislative purpose of Article 69, it would be reasonable to conclude that an experiment solely for the purpose of sales does not correspond to the experiment under Article 69; that is that the effects of the patent do extend to such an experiment. Therefore, if the experiment of a pharmaceutical product in question were merely a bioequivalence test, it would not give rise to any new improvements, and it should not be regarded as an experiment under Article 69. However, in actual experiments for clinical research, there can be cases where some improvements are made.⁴ For example, there can be an experiment for the clinical research of a pharmaceutical relating to a basic patent, which is intended for improving the form, method, or amount of a dosage. In the end, this issue needs to be determined based on whether or not the working of the invention

4 Osamu Kusama, *Chizai Kanri* (Intellectual Property Management), Vol. 47, No. 2 (1997), p. 209. Also, in the original instance of the above-mentioned Supreme Court judgment, the Osaka High Court Judgment, May 13, 1998, *Chiteki Saishū*, Vol. 30, No. 2, p. 271, the court stated that the various tests conducted for filing an application for approval for manufacturing generic drugs may not immediately bring about new improvements or progress concerning pharmaceutical technology, since they do not constitute technological research that directly links to new inventions or dependent inventions, but through the extensive technical and fundamental reviews concerning drug manufacturing, including pharmaceutical standards and drug formulation technology, and the accumulation of the review results, various findings and knowledge that could serve as the basis for future progress in pharmaceutical technology can be gained, and in that regard, such tests are broadly considered to contribute to the progress of science and technology.

was intended for making a new creation, by comprehensively judging the value of the patent and the value, significance, etc. of the invention of an improvement. Ultimately, there would have to be a determination on whether the working the invention could bring about technological progress but, specifically, there would have to be a determination on whether the experiment was aimed at improving the basic patented invention or whether it was related to another invention unassociated with the improvement of the basic patented invention.⁵ When a patent has already been granted for an invention of an improvement of a basic patented invention, an experiment for making that improvement could, in effect, be presumed to be an act of working an invention for the purpose of making a new creation.

There are also many cases where the parties dispute over whether an injunction for a certain period and compensation for damage can be demanded after the expiration of the duration of the patent (an assertion that, because clinical experiments during the duration of the patent are illegal, the act of working the invention during a certain period after the expiration of the duration of the patent would also be illegal). Even if this type of experiment were not the experiment under Article 69, but were the illegal working of the invention, the duration of the patent would have expired by the time oral arguments had been concluded. Therefore, an injunction would not be awarded. On the other hand, damages may be awarded if the working of a patented invention before the expiration of the duration of the patent right is found to be for experiment or research purposes, or may not be awarded if it is not found as such.

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Incidentally, Article 69, paragraph (1) of the Patent Act does not have an express provision to limit the experiments only to those for the purpose of technological development. Based on the purpose of the system, follow-up experiments for trying out whether the patent actually has the effect stated in the description and experiments in the case of filing a trial for invalidation or patent infringement litigation should also be considered to be legal.

7.3.1.2. Means of Transportation Merely Passing Through Japan (Article 69, paragraph (2), item (i) of the Patent Act)

The effects of a patent right do not extend to vessels or aircraft merely passing through Japan, or machines, apparatus, equipment or other products used therefor, even if

⁵ See Naoto Shimizu, "Iryōhin No Rinshō Shiken To Tokkyo Hō 69 Jō 1 kō Ni Kitei Sareru 'Shiken Matawa Kenkyū' Tono Kankei" (Relation Between a Clinical Experiment of a Pharmaceutical Product and 'Experiment or Research' Stipulated in Article 69, Paragraph (1) of the Patent Act), *Chizai Kanri* (Intellectual Property Management), Vol. 46, No. 1 (1996), p. 23.

the invention was worked in Japan in such a manner as to infringe the patent right. A means of transportation merely passing through Japan causes only slight damage to the patentee for it leaves Japan in a short time, even if the working infringed the patent right, and this provision was established because the stoppage of working the invention in such a case could cause an extremely serious obstruction to the international transportation system.

This is the national legislation of the provisions of Article 5^{ter} of the Paris Convention. The Paris Convention also provides for land vehicles, but they are not included in the provision under the Japanese Patent Act. It is considered to be based on the assumption that no land vehicles will come into Japan from overseas simply for the purpose of passing through, as Japan is surrounded by sea. If a land vehicle (e.g. automobile or bus) that could infringe a patent right did pass through Japan having arrived on a ferry, the provision of the Paris Convention would apply directly and the movement of a land vehicle in this manner would not be considered as infringement (Article 26 of the Patent Act).

With regard to international aviation, Article 27 of the Convention on International Civil Aviation provides that a seizure, etc. by reason of a patent right, etc. is not allowed.

7.3.1.3. Products Existing in Japan Prior to the Filing of the Patent Application (Article 69, paragraph (2), item (ii) of the Patent Act)

A patent right is not effective against products which existed in Japan prior to the filing of the patent application. This is a provision with a similar purpose as the provision on the prior user's right in Article 79 of the Patent Act. However, while the prior user's right takes the form of a non-exclusive license, this provision protects products that had actually existed at the time of the filing by excluding them from the scope of effects of the patent right. Therefore, if the product is destroyed this provision is no longer applicable, and if the same product were made again, it would constitute a patent infringement.

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Although there is no provision on products manufactured by using products that had existed in Japan prior to the filing, it should be construed that a patent right is not effective against such products either.⁶ For instance, when a patent has been granted on a particular weaving machine, the patent right is not effective against fabric made by using another identical weaving machine that had existed prior to the filing. Otherwise, Article 69, paragraph (2), item (ii) of the Patent Act would lose its practical meaning.

7.3.1.4. Acts of Mixing Two or More Medicines (Article 69, paragraph (3) of the Patent

⁶ Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 287.

Act)

With the 1975 revision, patents were also granted for medicines, which had not been subject to patents. However, if the effects of patents on medicines that are made by mixing multiple medicines and their mixing methods extend to acts of mixing two or more medicines based on a prescription from doctors or dentists, it may cause confusion in the medical world. Therefore, both the act of mixing two or more medicines and the medicines so prepared were excluded from the effects of a patent right upon the 1975 revision. Recently, however, this provision has been applied less frequently because medical practitioners are more likely to use manufactured medicine rather than preparing medicine by themselves.

The medicines under discussion here are restricted to those used for human diseases. According to Article 2, paragraph (1) of the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (referred to as the “Pharmaceutical Affairs Act” until the 2014 revision), medicines include those used for animals, but since the Patent Act defines a medicine to be a product used for the diagnosis, etc. of human diseases, medicines in this context do not include those for animals.

7.3.1.5. Restriction on the Effects of a Patent Right Restored by a Retrial (Articles 175 and 176 of the Patent Act)

A trial decision of invalidation has a retroactive effect, so the patent would be deemed to have never existed, and anybody would be able to work the invention, in principle.⁷ If the patent right is recovered in a retrial, the patent right would be deemed to have been valid from the start retroactively. Then, the working of the invention by a third party between when the trial decision of invalidation became final and binding and before the registration of the demand for a retrial would be illegal. In that case, people would not be able to trust a trial decision of invalidation. Thus, a certain restriction is imposed on the effects of a restored patent right in order to protect those who trusted a trial decision. Specifically, it is stipulated that a patent right on a product invention shall not be effective against any product imported into or produced or acquired in Japan without knowledge, after the trial decision invalidating the patent became final and binding but before the registration of the request for a retrial (Article 175, paragraph (1) of the Patent Act). In addition, the patent right shall not be effective against the following acts: the working of an invention without knowledge

⁷ For example, there are some cases like a double patent where an identical prior patent remains extant after a later patent becomes invalidated. In such a case, third parties cannot work the invention even if one of the patents is invalidated.

(Article 175, paragraph (2), item (i) of the Patent Act); in the case of a product invention, the act of producing, assigning, etc., importing or offering for assignment, etc. any product to be used for producing said product without knowledge (item (ii) of said paragraph); in the case of a product invention, the act of possessing said product for the purpose of assigning, etc. or exporting it without knowledge (item (iii) of said paragraph); in the case of a process patent, the act of producing, assigning, etc., importing or offering for assignment, etc. any product to be used for the use of said process without knowledge (item (iv) of said paragraph); and in the case of an invention of a process of producing a product, the act of possessing the product produced by said process for the purpose of assigning, etc. or exporting it without knowledge (item (v) of said paragraph).

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The same applies when a patent, of which the registration of an extension of its duration had been invalidated, is restored through a retrial, when the establishment of a patent right with respect to a patent application refused by a trial decision has been registered through a retrial, and when the establishment of an extension of the duration of a patent right with respect to an application for the registration of an extension of the duration of a patent right refused by a trial decision has been registered through a retrial (Article 176 of the Patent Act).

7.3.2. Restrictions Pertaining to Relationship with Others

The patent right is also restricted in relation to other persons. These restrictions are not limits deriving from the patent right itself, but restrictions for the purpose of adjusting the interests of third parties.

7.3.2.1. Restrictions Pertaining to Dependency on or Conflict with Another Person's Invention

While a patent right is stipulated as a title to working the patented invention as a business monopolistically (Article 68 of the Patent Act), the working of the invention is sometimes restricted in relation to another person's rights. Specifically, if one person's patented invention utilizes another person's prior patented invention, registered utility model, or registered design (including a similar design), the patentee (including an exclusive licensee and a non-exclusive licensee) cannot work his/her own patented invention (the first part of Article 72 of the Patent Act). The patentee cannot work his/her own invention either if the invention conflicts with another person's prior design right or

trademark right¹ (the second part of Article 72 of the Patent Act). When a patent should be invalidated due to the existence of another person's prior patented invention or registered utility model, a trial for invalidation may be requested or invalidity may be invoked as grounds for defense, and there is no need to make a particular stipulation to the effect that the invention cannot be worked. Therefore, such a stipulation has only been established for a dependent invention. In comparison, when a patent right conflicts with a prior design right or trademark right, the patent right is not invalidated immediately, but there is a risk that two conflicting rights will remain extant, so a stipulation has been established whereby the patented invention cannot be worked in such a case (the second part of Article 72 of the Patent Act).

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The provisions of the first half of Article 72 of the Patent Act concern the issue of patent infringement from the prior inventor's point of view (it constitutes an infringement if the invention in question depends on a prior invention), and the issue of a requirement for a compulsory license (Article 92 of the Patent Act) on the part of the later inventor. In practice, a request for a compulsory license is rarely made, and the constitution of an infringement only depends on whether or not the allegedly-infringing technology falls within the technical scope of the patented invention, so in infringement litigation, there is no need to discuss the question of whether or not such technology depends on the patented invention. The conclusion would be the same whether the infringer is a later patentee or a person who has not filed any patent application so, in that sense, the dependency of the invention under Article 72 of the Patent Act does not present an issue in an infringement case. The issue is whether or not the invention in question falls within the technical scope of the prior patented invention. Recognition of an infringement involves complicated and difficult problems in the case of a dependent invention, but in theory, whether or not an invention is dependent is not directly linked to the constitution of an infringement.²

Now we shall review the dependency of an invention.³

The first question is in what kinds of cases is an invention considered to be dependent on a prior invention. There are various court judgments and theories regarding this question but, roughly speaking, the opinions conflict between those that recognize the dependency only when the later invention utilizes the prior invention and those that also recognize the

1 A trademark right was newly added since three-dimensional trademarks were recognized with the 1996 revision of the Trademark Act.

2 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 458; Fumio Umase, "Riyō Hatsumeimei No Gainen" (Concept of a Dependent Invention), *Kōgyō Shoyūken Hō Kenkyū* (Studies on Law of Industrial Property Rights), Vol. 13, No. 4 (1967), p. 11.

3 With regard to the modern significance of the dependent invention system, see Yoshinobu Someno, *Riyō Hatsumeimei Ron* (Discussions on Dependent Inventions) (1) – (5), *Jurist*, No. 263, p. 32/No. 267, p. 28/No. 268, p. 36/No. 269, p. 59/No. 270, p. 30 (1963).

dependency when the prior invention is unavoidably worked when working the later invention. Many of the court judgments set forth that a dependent invention refers to a case where the later invention comprises all of the content of the prior patented invention and utilizes it as is (the so-called direct utilization theory) or a case where the later invention includes the entirety of the prior invention.⁴ There are also theories that consider a dependent invention to be an invention in which the main part of the matter requisite for its composition comprises the whole or the main part of the matter requisite for the composition of the prior patented invention (similarly to the requirement for the conventional additional patent).⁵ Meanwhile, there are theories stating that a dependent invention includes cases where the later invention cannot be worked without utilizing the prior invention.⁶ Considering that the dependency of a patent is also an issue that is discussed as a requirement for a compulsory license, the appropriate theory would be to consider that dependent patents include inventions that cannot be worked without utilizing a prior invention.⁷ It should be construed that a case where an invention cannot be worked without utilizing a prior invention occurs not only when the prior invention must be technically utilized, but also when the working constitutes a deemed infringement (Article 101 of the Patent Act).⁸ For example, supposing that the prior invention is a use invention that uses a chemical substance called DDT as an insecticide and DDT has no other use than as an insecticide, and the later invention is an invention on the method for manufacturing DDT, the later invention does not directly utilize the prior invention, but if DDT is manufactured based on the later invention, it would constitute an indirect infringement of the prior patent. The later invention should be regarded as a dependent invention in such a case, too. Nevertheless, the actual determination must be made by examining the individual cases in detail. In particular, many cases in the chemical field are extremely complicated

4 The Osaka District Court Judgment, September 11, 1958, Hanji, No. 162, p. 23 (the Chlorpromazine case); the Osaka District Court Judgment, May 4, 1961, Kamin, Vol. 12, No. 5, p. 937 (the Expanded Polystyrene case); the Yamaguchi District Court Judgment, April 30, 1964, Hanji, No. 391, p. 32/Hanta, No. 161, p. 153 (the Polypropylene case); the Osaka District Court Judgment, December 26, 1964, Kamin, Vol. 15, No. 12, p. 3121 (the Polypropylene case); the Osaka District Court Judgment, October 24, 1967, Hanji, No. 521, p. 24/Hanta, No. 214, p. 107 (the Polyester case); the Kyoto District Court Judgment, March 27, 1968, Hanji, No. 521, p. 38/Hanta, No. 218, p. 153 (the Polyester case); the Kyoto District Court Judgment, May 7, 1971, Mutai Saishū, Vol. 3, No. 1, p. 197 (the Binding Block Toy case).

5 Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 289; Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]*, p. 257. However, Mitsuishi's theory also states that when two patented inventions are directly technically dependent on each other (e.g. a prior patented invention of a product and an invention of the process of manufacturing that product), they are dependent inventions.

6 For instance, when the prior invention is an invention of a product, and the later invention is its manufacturing method, the later invention does not utilize the idea adopted in the prior invention, and it cannot be worked without infringing the prior patent. Thus, these theories suggest that dependency should be recognized in such a case, too. Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 448; Kazuhiko Takeda, "Tokkyoken No Honshitsu To Riyō Kankei" (Essence of a Patent Right and Dependency of Patents), *Tokkyo Kanri* (Patent Management), Vol. 14, No. 8 (1964), p. 528.

7 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 92 calls this theory a theory of unavoidable infringement, which is reasonable.

8 See Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1155 [written by Atsushi Kawada].

and difficult to determine.⁹

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Furthermore, different conditions apply in cases of double patenting and a selection invention. Unlike in the case of a dependent invention, no restriction is specially stipulated on the effects of a double patent, because in principle, double patenting only results from an erroneous examination.¹⁰ However, since double patenting actually takes place, some form of interpretation is also required for them. Theories conflict between those suggesting that the later patentee must gain the consent of the prior patentee when working the invention,¹¹ and those suggesting that the later patentee can work the invention without such consent.¹² There is an express provision to the effect that the later patentee cannot work his/her invention freely if the later invention has been made by adding something to another person's prior invention (when it is a dependent invention) (Article 72 of the Patent Act). In light of this, it would be unconvincing if the later invention could be worked freely when it has not added anything and is identical to the prior invention, so the later patentee should not be allowed to work the invention in such a case either. However, although the later patent would be invalidated in such case, the later patentee without knowledge who is working or preparing to work the invention can obtain a non-exclusive license (a license due to use prior to a request for an invalidation trial) by paying a reasonable consideration therefor (Article 80 of the Patent Act). It is inequitable that the patentee of a dependent invention who has added something to a prior invention cannot obtain any license, while the patentee of a later invention that is identical to the prior invention without any additional inventive element involved therein would be granted a non-exclusive license under Article

9 For detailed and specific analyses on this point, see Yoshinobu Someno, *Riyō Hatsumei Ron* (Discussions on Dependent Inventions) (3)(4), *Jurist*, No. 268 (1963), p. 36/No. 269, p. 59; Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]*, p. 456.

¹⁰ An exception to this is the case of a patent under the agreement between the Japanese government and the United States government which facilitates the exchange of technical knowledge and patent rights for defense purposes (the so-called 1956 Agreement; Treaty No. 12 of 1956). For discussion on this point, see “2.2.1. Procedures for Obtaining a Patent; Laying Open of the Application; Reasons for and Significance of Introducing the System of Laying Open the Application.”

¹¹ Although the theoretical structure differs depending on the scholar, see Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 866 [written by Nobuhiro Nakayama]; Eiji Saegusa, “Riyō Hatsumei O Meguru Mondaiten” (Various Problems Surrounding Dependent Inventions), *Tokkyō Kanri* (Patent Management), Vol. 28, No. 9 (1978), p. 1058; Osamu Takura “Kōgyō Shoyūken Ni Motozuku ‘Sashidome’ O Megutte” (Discussions on an ‘Injunction’ Based on Industrial Property), *Hanta*, No. 210 (1967), p. 30; Kazuhiko Takeda, “Iwayuru Kenri Kōshi Setsu Ni Tsuite” (The So-called Right Enforcement Theory), *Tokkyō Kanri* (Patent Management), Vol. 11, No. 3 (1961), p. 12. The Tokyo High Court Judgment, February 24, 1959, *Hanji*, No. 181, p. 6 (the Carlton case); the Tokyo District Court, September 27, 1972, *Hanta*, No. 288, p. 277 (the Propyl Carbamate case).

¹² Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Shōkai*, p. 291 (this theory is founded on the provision under Article 80, paragraph (1), item (i) of the Patent Act stipulating that the original patentee obtains a non-exclusive license when one of two or more patents have been granted for the same invention); Shirō Mitsuishi, *Tokkyō Hō Shōsetsu [Shinpan]*, p. 259; Hajime Kaneko and Yoshinobu Someno, *Kōgyō Shoyūken Hō*, p. 196; Tatsuki Shibuya, *Chitēki Zaisan Hō Kōgi I [Dai 2 Han]*, p. 215 (while stating that it is prevalent to deny infringement in such a case, it states that there are many opposite views as well). The Osaka District Court Judgment, September 11, 1958, *Hanji*, No. 162, p. 23 (the Chlorpromazine case); the Yamaguchi District Court Judgment, April 30, 1964, *Hanji*, No. 391, p. 32/*Hanta*, No. 161, p. 153 (the Polypropylene case); the Kyoto District Court Judgment, May 7, 1971, *Mutai Saishū*, Vol. 3, No. 1, p. 197 (the Binding Block Toy case).

80 of the Patent Act when his/her patent is later invalidated. In the latter case, a non-exclusive license under Article 80 of the Patent Act is granted in consideration of the fact that the patentee worked the patented invention while relying on the JPO's decision. In addition, while it may be possible for the patentee of the dependent invention to negotiate with the patentee of the prior invention, the patentee of the later invention in the case of double patenting may not have such a chance. It goes without saying that the patentee of the prior invention can never be held liable by the patentee of the later invention for an infringement.¹³

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Next, we shall review the case of selection inventions. A selection invention is an invention which, in the case where an existing invention expressed in a generic concept, is expressed in a more specific concept covered by that generic concept, and a constituent element of which has a prominent effect although it is not specifically described in the description of the prior invention. It depends on one's concept of a selection invention, but since there are various types of selection inventions, it should ultimately be considered that the question of dependency differs in individual cases. While many selection inventions are likely to be recognized as dependent inventions, not all of them are dependent. With regard to selection inventions, see "1.3.1.4.D.4) Selection invention."

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7.3.2.2. Restriction by a License

If another person has a legal license, the effects of a patent right are restricted to that extent. Apart from a license granted with the intent of the parties concerned, there are statutory licenses and compulsory licenses.

A license granted with the intent of the parties concerned is the most typical type of license, and it is only natural that the scope of the right to a monopoly is reduced to that extent as it has been granted with the intent of the patentee, etc. Thus, such license need not be regarded as a special restriction on the patent right.

A statutory license is a license that arises by operation of law by meeting certain requirements, and a compulsory license is a license that a person who satisfies legal requirements obtains by making a request to a person having the authority to arbitrate (the JPO Commissioner or the Minister of Economy, Trade and Industry). Both licenses can be

¹³ In the Tokyo District Court Judgment, March 12, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 134 (the Working Gloves case), which was a case between a design right and a utility model right, the court rejected a claim seeking an injunction by a design right owner against a person who was working the device with the consent of the prior utility model owner. The same applies in a case between patentees.

considered to be restrictions on the effects of a patent right, because they arise irrespective of the intent of the patentee. These licenses are non-exclusive licenses under the Patent Act, and their details will be discussed in “9.4.4. Compulsory License” and “9.4.5. Statutory License.”

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7.4. True Right Holder's Right to Seek Transfer of a Patent Right (Article 74 of the Patent Act)

7.4.1. Problem of Misappropriated Applications and the 2011 Revision

7.4.1.1. Circumstances before the 2011 Revision

Although the Japanese Patent Act adopts the inventor principle, unlike the system in Germany, it did not have a system to award the true right holder a right to seek the transfer of a patent right (a right to seek the return of a patent right) against the patentee of the misappropriated patent. Under the old Act (Act of 1921), it was provided that if an application filed by a person other than the successor in title to a right to obtain a patent or filed by a person who has misappropriated another's invention is refused, an application later filed by the legitimate right holder within a certain time limit shall be deemed to have been filed as of the date of filing of the misappropriated application, etc. (Article 10). The same rule applied in the case where a JPO decision to invalidate the misappropriated patent became final and binding (Article 11). Although these provisions did not directly prescribe the right to seek the return of a patent right, they were at least designed to protect the person whose invention was misappropriated (the true right holder) to the extent to seeking such return. For example, even if a third party filed an application after the filing by the misappropriator and before the filing by the true right holder, the true right holder was supposed to be given relief. These provisions concerning misappropriation were abolished when the current Act was enacted, causing confusion as to how misappropriated applications should be handled. Even so, if a person who does not have a right to obtain a patent files a patent application without authorization of the true right holder, there is a possibility that such filing would be considered as a tort. More specifically, illegality of such filing would be determined while comprehensively taking into consideration various circumstances such as how the third party has acquired the knowledge of the invention and filed the application. The filing of a misappropriated application may be found to be a tort in general terms, but in reality, it is not easy for the true right holder to prove the causal relationship between the misappropriation and the damage he/she suffered from it, or the amount of damage sustained thereby.

The true right holder may request a trial for invalidation on the basis that the patent in question had been granted for a misappropriated application, and to invalidate that patent (Article 123, paragraph (1), item (vi) of the Patent Act). However, if the patent were

invalidated, the invention would be available to be worked not only by the right holder but by everybody, including the person who once misappropriated the patent, which is not a favorable outcome for the right holder.¹ Meanwhile, a patent right is formally regarded as a right similar to a real right, which is generated by an administrative disposition, and it was considered to be theoretically difficult to recognize a right to seek the return of a patent right in the absence of legal basis. As long as the inventor principle is adopted, it may be theoretically appropriate to recognize the right to seek the return of a patent right. However, in addition to problems related to administrative laws, there were other aspects that needed to be considered, namely, the existence of a subsequent acquirer of the patent, or various rights established in relation to the patent, such as a license or a security right. There were limits to dealing with all of these *ex post facto* merely by interpretation. Accordingly, court judgments and academic theories were swayed in the face of such a situation. Although there is a Supreme Court judgment which upheld a claim for returning a patent right in a special case,² there was a strong view that it was difficult to have the patent right returned in general.

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The purpose of the Patent Act is to “contribute to the development of industry” (Article 1), and to achieve this purpose, the patent system is designed to encourage inventors to disclose their inventions, rather than granting them a right to monopoly without conditions. In other words, the Patent Act adopts a system that grants patents only to those who have not only created inventions but further put efforts and costs into obtaining the JPO’s decision to grant patents by filing applications, undergoing examination and having their patents rights registered.

In contrast, allowing the true inventor to seek the transfer of a patent right means that the true inventor can become the patentee without filing an application him/herself which requires costs and ingenuity, only because of a chance event in which a third party has filed a misappropriated application. Therefore, in the past, the general view was negative about allowing the true inventor to seek the transfer of a patent right based on his/her right to obtain a patent. In addition, even though the conclusion that the true inventor should be allowed to seek the transfer of a patent right may be acceptable, there were many complicated problems concerning how to treat holders of various rights established on the misappropriated patent right (e.g. subsequent acquirer, licensee), despite the existence of the relevant provisions of the current Patent Act. It was more difficult to recognize the right

1 In practice, the parties sometimes deal with the matter between themselves while avoiding a trial for invalidation and maintaining the patent, by such method as having the patent jointly owned by both parties or establishing a license.

2 The Supreme Court Judgment, June 12, 2001, *Minshū*, Vol. 55, No. 4, p. 793/*Hanji*, No. 1753, p. 119/*Hanta*, No. 1066, p. 217 (the Garbage Disposer case). The details of this case are explained below.

to seek the transfer of a patent right only based on legal interpretation.

In the past, there were no provisions that allowed the true inventor to seek the transfer of a patent right or a right to obtain a patent against the misappropriator. However, there was also a problem with not giving any relief at all to the true inventor. Under such circumstances, courts and scholars, and even the JPO, considered that the true right holder should be allowed to seek the change of the name of the applicant regarding the misappropriated application and become the applicant by furnishing the JPO with a declaratory judgment³ acknowledging his/her status as the inventor of the misappropriated invention while the application is pending.

Although many court decisions did not recognize the true right holder's right to seek the transfer of a patent right, the Supreme Court ruled⁴ that the true right holder may be allowed to seek the transfer of a registered patent right under special circumstances. The case in which the Supreme Court made this ruling was a complicated case: the applicant of a misappropriated application submitted a notification of change of the name of the applicant with a forged deed of assignment, and registered the transfer of a share in the right

³ It is considered that a declaratory judgment can be replaced with a record of judicial settlement or a record of conciliation.

⁴ The Supreme Court Judgment, June 12, 2001, *Minshū*, Vol. 55, No. 4, p. 793/*Hanji*, No. 1753, p. 119/*Hanta*, No. 1066, p. 217 (the Garbage Disposer case), held that allowing the registration of the transfer of the plaintiff's share in the patent right is the easiest and most direct way to solve the dispute. The court rendered this judgment on the following reasons: (i) while the plaintiff lost his/her right to obtain a patent, the defendant obtained a patent right without legal cause; (ii) the right to obtain a patent in this case and the registered patent were in continuity with each other, only in a modified form; (iii) even if the plaintiff were to file another application, the application will be refused; (iv) the damages cannot be fully recovered by merely claiming damages based on a tort; (v) the plaintiff had filed an action seeking a declaratory judgment prior to the patent registration; and (vi) patentability requirements such as novelty and inventive step were not disputed in this case and the only point at issue was the ownership of the right. Incidentally, in the first instance judgment, the Naha District Court Judgment, April 9, 1997, *Minshū*, Vol. 55, No. 4, p. 822, the court upheld the plaintiff's claim, holding that, premising that the patent is valid, a dispute on the ownership of the patent should be determined primarily by the court, in accordance with the principle. In the second instance judgment, the Fukuoka High Court Judgment, July 31, 1997, *Minshū*, Vol. 55, No. 4, p. 833, the court dismissed the appeal on the following grounds: even where a patent has been registered for a misappropriated application, it must be treated as a valid patent until the patent is determined as invalid by a person with authority; allowing the transfer of a patent right from the person who misappropriated the patent to the person whose patent was misappropriated would lead to the same consequence as invalidating the patent granted to the person who has no right to obtain a patent, while having the establishment of a new patent right registered for the true right holder, both without going through the patent invalidation procedure at the JPO; hence such measure is contrary to the purpose and institution of the patent dispute procedure. The Supreme Court quashed the judgment in second instance and rendered its own judgment in which it allowed the registration of the transfer of a patent right under strict restrictions. Following this, a question was raised with regard to the range within which this highest court judgment would be applicable. The Tokyo District Court Judgment, July 17, 2002, *Hanji*, No. 1799, p. 155/*Hanta*, No. 1107, p. 283 (the Brassiere for Breast Cancer case) was rendered on the applicable range of the Supreme Court judgment above. The district court held that the Patent Act does not recognize the inventor's right to seek a procedure to register the transfer of a patent right from an applicant of a misappropriated application by operation of law, and mentioned the following differences between its judgment and the Supreme Court judgment in 2001: (i) in the Supreme Court case, the appellant of final appeal had filed a patent application himself/herself, but the appellant in this case had not filed an application, and recognizing such right would mean providing a remedy beyond the framework of the system of the Patent Act; (ii) while the only point in dispute in the Supreme Court case was the ownership of the right, the point at issue in this case was the identity of the true inventor; and (iii) although there was no remedial method available in the Supreme Court case, the appellant had an opportunity to obtain a patent if he/she had filed an application after learning about the misappropriated application. In the Tokyo District Court Judgment, July 26, 2007 (court's website; the Powder Transfer Apparatus case), which is related to a utility model, the court held that the holding in the Supreme Court judgment dated June 12, 2001, was not applicable to the registration of the transfer under the circumstances where one of the joint owners of the invention filed an application independently and the other joint owner sought the transfer of its share in the utility model right.

to obtain a patent to him/herself. In this case, the true right holder had filed a suit to seek a judgment to declare his/her ownership of the right to obtain a patent, and if a declaratory judgment in favor of the true right holder had become final and binding before the patent was registered, the true right holder could have changed the name of the applicant based on the declaratory judgment. However, what actually happened was that the patent was registered while the suit was pending before the court. Accordingly, the true right holder amended the initial claim and requested that the transfer of the patent right to him/herself be registered, in response to which the Supreme Court ordered the registration of the transfer. In this respect, a judgment permitting the registration of the transfer of a patent right may be interpreted as if the Supreme Court acknowledged ownership by succession. However, since protection of a third party was not an issue of the case, the Supreme Court of course said nothing about this point. Even with this Supreme Court judgment, it was still unclear in what cases the true right holder would be allowed to seek the transfer of a patent right, and it was also a problem that the right to seek the transfer of a patent right was not recognized in general terms. In this situation, momentum toward revising the Patent Act increased.

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7.4.1.2. The 2011 Revision

This problem was resolved to some extent through the establishment of a special provision on the transfer of a patent right (a right to seek the return of a patent right) which can be sought by the true right holder against the owner of a misappropriated patent (Article 74 of the Patent Act) upon the 2011 revision of the Act.⁵ Specifically, it was provided that if a patent right is registered based on a patent application filed by a person who does not have a right to obtain a patent, the true right holder may request that person to transfer the misappropriated patent right to him/her, and that, when the right to obtain a patent was jointly owned, but the applicant did not file the application jointly with the other joint owners, the other joint owners may demand that the patentee transfer their shares in the patent right to them⁶ (Article 74, paragraph (1) of the Patent Act). In the future, along with the expected increase in the number of joint research projects between companies or between a company and a university, such cases of violation of the provisions concerning a joint application will take place more frequently.

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⁵ The special provision is applicable to applications filed on and after the effective date of the revising Act (April 1, 2012).

⁶ It is provided that “The claim for the transfer of a patent right shall be made for the share that the claimant believes to hold in the right to obtain a patent” (Patent Act Enforcement Ordinance, Article 40-2).

The transfer of a patent right is effective retroactively (Article 74, paragraph (2) of the Patent Act; the issue of third party protection in such a case is discussed later). A new certificate of patent is not issued in the case of the ordinary transfer of a patent right, but in the case of a transfer under Article 74, a certificate of patent is issued because it is an original acquisition (Article 28, paragraph (1)).

Along with this revision, the scope of persons who are eligible to request an invalidation trial by reason of misappropriation of an application or violation of the provisions concerning a joint application has been limited to a person who has the right to obtain a patent (the part in parentheses in Article 123, paragraph (2)). It was also provided that any person may submit allegation and evidence to claim the invalidity of the patent as defense in infringement litigation (Article 104-3, paragraph (3)). A patent right is extinguished retroactively when a JPO decision invalidating the patent becomes final and binding, whereas, even if the court upholds the claim of invalidity, such judicial ruling, which is effective only between the parties, does not cancel the registration and therefore it is not prejudicial to the right of the true right holder. It should be noted, however, that after the patent right is transferred to the true right holder, the defect in the patent right has already been corrected and can no longer be asserted as the grounds for invalidation, nor can invalidity be claimed as defense (the part in parentheses in Article 123, paragraph (1), item (ii) and the part in parentheses in item (vi) of the same paragraph). Meanwhile, under the revised Patent Act, a misappropriated application is given the status of prior application; after a patent right is transferred to the true right holder, the application which was once misappropriated and now belongs to the true right holder is given the status of prior application (as a result of the deletion of the former Article 39, paragraph (6)).

While Article 74, paragraph (1) of the Patent Act provides for the case where a joint application should be filed and the case of misappropriation in the narrow sense (i.e. the case where a patent is granted based on a patent application filed by a person who does not have the right to obtain a patent) separately, an application filed without the consent of the other joint owners of the right to obtain a patent can also be regarded as a misappropriated application in a broad sense. Since the basic legal effect does not change between these two cases, they are collectively treated as misappropriated applications here, unless otherwise indicated. It should be noted, however, that there is a difference between these cases in that, in the case where the right to obtain a patent is jointly owned, the true right holder may seek the transfer of a share in the patent right, instead of the patent right as a whole (Article 74, paragraph (3) of the Patent Act). It is difficult to determine a person's share in a patent right, but this is not a problem under Article 74; it is a problem that cannot be avoided in the case of a joint invention. In this connection, since "each co-owner's share shall be presumed to

be equal” (Article 250 of the Civil Code), joint inventors have an equal share unless otherwise proved.

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Because the transfer of a patent right under Article 74, paragraph (1) of the Patent Act has a retroactive effect, rights attached to the patent right as of the time of the transfer would be extinguished unless specially provided (Article 74, paragraph (3)). Therefore, provisions were established to provide relief in such case. Specifically, a person who, at the time of the transfer of a patent right, owned the patent right or an exclusive license or non-exclusive license on said patent right and had been doing or preparing for business working the invention without knowledge of the misappropriation, etc. shall have a non-exclusive license on the patent right, only to the extent of that invention and the purpose of such business worked or prepared, and the patentee after the registration of the transfer of the patent right (the true right holder) shall have the right to receive a reasonable consideration from such non-exclusive licensee (Article 79-2). For details, see “9.4.5.6. Non-exclusive License Granted Due to Working of an Invention Prior to Registration of Transfer of a Patent Right (Article 79-2 of the Patent Act).”

As the Patent Act adopts the inventor principle, it seems as if the inventor and the successor in title are recognized as having a right to seek the transfer of the patent right by operation of law. However, the true right holder becomes the patentee without filing a patent application, which requires money, time, and ingenuity, only because a third party happened to file a misappropriated application. The theoretical basis for such a circumstance would also pose a question. It is a question of whether to consider that if the true right holder has not filed a patent application, he/she should be prepared for a deserved risk, or, on the contrary, that the true right holder cannot necessarily be blamed for not having filed a patent application since there must be some reason therefor. The answer to this question may have an influence on the interpretation of the scope of application of the revised Patent Act.

In actual litigation to seek the transfer of a patent right, difficult problems remain with regard to the production of evidence, etc.⁷ Unlike in the case of the return of a product, it would be difficult to prove the identity of the misappropriated invention as opposed to the actual established patent right. In the case of a product, the stolen product and the product of which the return is sought are usually the same, with some modifications made through processing (Article 246 of the Civil Code) at the most. In the case of a patent,

⁷ Yoichiro Komatsu, “Bōnin Shutsugan to Jitsumujō no Jakkan no Kadai” (Misappropriated Applications and Some Practical Issues), *Makino Toshiaki Sanju Kinen: Chiteki Zaisanken Hōri To Teigen* (In Honor of Professor Makino Toshiaki’s Eightieth Birthday: Legal Principles of and Recommendations Concerning Intellectual Property Rights), p. 488.

however, following the completion of the invention, a patent attorney, etc. drafts patent claims and a description, publishes the application for a fee, requests an examination, makes amendments in the course of actions with the JPO, and in some cases, corrects the application even after the patent registration, gradually making the patent right more sophisticated. The choice of whether or not to file an application depends on the applicant, and the filing is not the same for everybody, but the degree of skill used in filing an application could greatly affect the value of the patent right. It may be relatively easy to recognize such an identity when an employee has filed an application for an employee's invention under his/her own name in spite of the fact that the right to obtain a patent belongs to the employer, or when one of the joint inventors has filed an application by himself/herself, but the determination would present a difficulty in the case of misappropriated applications in general.

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When an action to seek the registration of the transfer of a patent right is filed, an announcement of registration is made (Article 3, item (ii) of the Patent Registration Order), which serves as warning to a third party. When the transfer is registered, the person who has obtained the registration (the true right holder) may claim compensation (Article 65, paragraph (1)) against the person who has worked the patented invention before the registration of the patent right (Article 74, paragraph (2)). As a result of the introduction of new Article 74, the true right holder can now choose between seeking the transfer of the patent right and requesting a trial for invalidation, gaining access to another offensive tool that can be used against the patentee of a misappropriated patent. In reality, the true right holder would be more likely to choose to seek the transfer of the patent right.

It is provided that the transfer of a patent right may be sought against the “patentee,” not the “misappropriator.” If a patent right or the right to obtain a patent has been transferred from the misappropriator to a third party, the true right holder may claim the transfer of the patent right against the party who holds the patent right at the time of making the claim.

7.4.2. Problems with the Right to Seek the Transfer of a Patent Right

7.4.2.1. Transfer Sought for Each Claim

When the applicant of a misappropriated application has carried out some inventive act and added the results of that act when filing the misappropriated application, a difficult problem would arise. If the invention of the true right holder and the invention of the applicant of the misappropriated application correspond to each other perfectly claim by claim, it seems theoretically not impossible to allow the true right holder to seek the transfer of a patent right for each claim, as long as the requirement of unity of invention is met. However, in the JPO's practice, a patent right may not be transferred for each claim, and the transfer must be sought for a patent right as a whole. The transfer of a "share" in a patent right is provided for in Article 33 of the Patent Registration Order, but this Order provides for nothing about the "claim-by-claim transfer." Thus, there is no method for registering the transfer of a patent right for each claim. In terms of literal interpretation, Article 185 (Special provisions for patent or patent right covering two or more claims) provides that with regard to a patent and patent right referred to in the provisions prescribed therein, "the patent shall be deemed to have been granted, or the patent right shall be deemed to exist, for each claim." However, since Article 74 is not mentioned, Article 185 can be interpreted as not allowing the transfer of a patent right for each claim.¹ As long as a patent right may not be transferred for each claim, the patent right is subject to co-ownership by the true right holder and the patentee of the misappropriated patent. Even if, for example, the invention of claim 1 is created by the true right holder and the invention of claim 2 is created by the patentee of the misappropriated patent, the patent right as a whole is to be jointly owned by them, and the true right holder is entitled to seek the transfer of his/her share in the patent right against the patentee of the misappropriated patent, in proportion to his/her contribution to the invention. As they jointly hold the patent right as a whole, each of them may work the patented invention as a whole (Article 73, paragraph (2)), and may not assign or create a pledge on his/her share without the consent of the other (paragraph (1) of the same Article). In consequence, each can work the portion of the invention that he/she did not create, but cannot assign or otherwise dispose of his/her share for the portion of the invention that he/she created. This problem of the divisional transfer of a patent right for

¹ Minoru Takeda, "Bōnin Shutsugan Tō ni taisuru Shin no Kenrisha no Kyūsai Sochi" (Remedial Measures for True Right Holders against Misappropriated Applications, etc.), *L&T* (Law & Technology) No. 54 (2012), p. 48, states as follows: "The most part of the provisions (of Article 185) were drafted in consideration of the convenience in the procedures at the JPO; "There is no need to interpret Article 185 as meaning that the claim-by-claim transfer of a patent right would be permitted only in the cases under the provisions prescribed therein, for the purpose of ensuring reasonable and appropriate interpretation and practice under the patent system." However, the JPO currently does not allow the transfer of a patent right for each claim in its practice, and it would need to change the computer software if it is to allow such transfer. If a court decision allowing the claim-by-claim transfer becomes final and binding, the JPO would have no choice but to reconstruct its computer system.

each claim has not been raised abruptly upon the enactment of Article 74. It had already been discussed in the course of introducing the revised multiple claiming system, but ended up with no legislative measure being taken. It was not addressed at the time of the 2011 Revision, either, and no new provision was introduced in the Patent Registration Order with regard to the transfer of a patent right for each claim. This problem is not just about whether the transfer of a patent right may be sought for each claim, but it represents a bigger problem, i.e. whether the divisional transfer of a patent right for each claim should be generally allowed. Unless this problem is settled, the problem concerning the transfer of a patent right for each claim under Article 74 is never settled. Conversely, this means that the problem under Article 74 can be settled if a solution is found with regard to that general problem.

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There may also be a case where the invention of the true inventor is combined with an invention of the applicant of the misappropriated application in a single patent claim. In such a case, it is inevitable for the patent right as a whole to be jointly owned by them, and the true right holder may seek the transfer of his/her share.

7.4.2.2. Invalidity, Rescission and Cancellation of a Contract for Assignment of a Right to Obtain a Patent

The term “misappropriation” may remind people of a case of industrial espionage, but in reality, misappropriation often takes place as a result of a contract for assignment of the right to obtain a patent being invalidated, rescinded or cancelled for some reasons. Since the invalidity, rescission or cancellation of the assignment contract has a retroactive effect, the assignment contract is extinguished retroactively, and the patentee would turn out to have had no right to obtain a patent at the time of filing the application. Article 123, paragraph (1), item (vi) of the Patent Act provides for a case where the patent has been granted on a “patent application filed by a person who has not had the right to obtain a patent.” In this case, Article 74 would be applicable to such patent applicant in the matter of form.

The Civil Code has provisions concerning protection of a party without knowledge (Article 94, paragraph (2) in the case of fictitious manifestation of intention; Article 96, paragraph (3) in the case of fraud and duress; and Article 545, paragraph (1) in the case of cancellation), and Article 79-2 of the Patent Act also provides for protection of a party without knowledge. Hence, the relationship between these provisions raises an issue; whether or not it is appropriate to treat the case of invalidity, rescission or cancellation of a contract in the same manner as treating the case of industrial espionage which is settled by

applying Article 79-2 of the Patent Act.

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In general terms, the Patent Act is a kind of special law in relation to the Civil Code. With regard to an issue of co-ownership, for example, the provisions of the Patent Act prevail, and the provisions of the Civil Code apply only if the Patent Act has no applicable provisions (Article 264 of the Civil Code). However, it is possible to consider that Article 79-2 of the Patent Act only provides that a third party without knowledge shall have a non-exclusive license, and that this provision does not supersede the provisions of the Civil Code concerning protection of a third party. Since neither of these views is decisively superior to the other, what decision the court would make in actual cases is unpredictable.

If the provisions of the Civil Code prevail, since the Civil Code does not provide for protection of a third party without knowledge of invalidity of a contract due to a mistake (Article 95; there is a widely accepted view that such third party should be protected), the provisions of Article 79-2 of the Patent Act would be applied to a subsequent acquirer of a patent right and a licensee based on a patent right if they have no knowledge, and they would be granted a non-exclusive license to that extent. On the other hand, a party who has a pledge on a patent right and a party who has attached a patent right would not be eligible for protection, and their claim would be settled *ex post facto* as a claim for damages or unjust enrichment against the patentee of the misappropriated patent.

Invalidity due to fictitious manifestation of intention and rescission due to fraud or duress have a retroactive effect (Article 121 of the Civil Code) but may not be asserted against a third party without knowledge (Article 94, paragraph (2), and Article 96, paragraph (3) of the Civil Code). If the provisions of the Civil Code prevail over the provisions of Article 79-2 of the Patent Act, the subsequent acquirer, pledgee or licensee without knowledge whose rights are based on a patent right would remain to be the patentee, pledgee or licensee even when the true right holder has sought the transfer of the patent right. If the true right holder sustains damage due to the existence of a third party (e.g. a third party who has acquired a patent right from the patentee of the misappropriated patent without knowing the misappropriation), the case would be settled as a dispute for damages or unjust enrichment between the misappropriator and the true patentee (Article 545, paragraph (3) of the Civil Code).

In the event of cancellation of a contract (Article 540, *et seq.* of the Civil Code), the cancelled contract is considered to lapse retroactively, and each party shall assume an obligation to restore the other party's original state (Article 545, paragraph (1) of the Civil Code). However, since this shall not prejudice the rights of a third party (the proviso to the said paragraph), the true right holder who has cancelled the contract may not be able to seek

the transfer of the patent right in some cases. A typical example is that a contract which has been validly formed is later cancelled due to a default on the part of the successor in title. It would be more appropriate to consider such case as an issue of the restoration of the other party's original position under Article 545 (Effect of Cancellation) of the Civil Code, rather than applying Articles 74 and 79-2 of the Patent Act.²

7.4.2.3. Legal Relationships of Parties Concerned before Registration of Transfer³

Article 79-2 of the Patent Act is a provision to adjust the relationships of the parties concerned after the registration of the transfer of a patent right. There was no provision in the Patent Act concerning the legal relationships before the registration of the transfer, and the 2011 Revision did not introduce any measure to deal with a patent right based on a misappropriated patent after it is registered and before its transfer is registered. With regard to the transfer of a patent right yet to be registered, courts and scholars had tried to find a reasonable solution to address it during the procedure while an application is pending.⁴ In conclusion, making notification of the change of the name of the applicant based on a declaratory judgment has been recognized as a means that has the same effect as seeking the transfer in practical terms. Thus, the conventional method established by judicial precedents is considered to still be effective after the 2011 Revision.⁵

Article 79-2 of the Patent Act only prescribes that a non-exclusive license shall be granted to a person who is working or preparing to work an invention “at the time of the

² Minoru Takeda, "Bōnin Shutsugan Tō Ni Taisuru Shin No Kenrisha No Kyūsai Sochi" (Remedial Measures for True Right Holders against Misappropriated Applications, etc.), *L&T* (Law & Technology), No. 54 (2012), p. 49, argues that the provisions of the Civil Code should apply with regard to cancellation of a contract. In the previous edition (2nd edition) of this book, the author stated that the provisions of the Civil Code should apply only in the case of cancellation, but now the author considers that it may be appropriate to apply the provisions of the Civil Code in preference to Article 79-2 of the Patent Act, although neither of them is decisively superior to the other.

³ See Masashi Takeo, “Tokkyo Hō 79 Jō no 2 no Igi ni kansuru Ichi Kōsatsu” (A Study on the Significance of Article 79-2 of the Patent Act), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 355.

⁴ For details, see *Tokkyo Hō [Shohan]* (Patent Act [1st ed.]), p. 163, and Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 420 [written by Kazuhiko Yoshida and Kiyoshi Iida]. For essays discussing this issue, see Kazuhiko Takeda, “Tokkyo wo Ukeru Kenri no Henkan Seikyū ni tsuite” (Claim for the Return of the Right to Obtain a Patent), *Patent* Vo.: 34, No. 7 (1981), p. 2; Ryo Matsuda, “Bōnin Shutsugan to Shin no Kenrisha Hogo” (Misappropriated Applications and Protection of True Right Holders), *Chiteki Zaisan Hō Seisaku Gaku Kenkyū* (Intellectual Property Law and Policy Journal), No. 3 (2004), p. 195; Ryu Takabayashi, “Bōnin Shutsugan to Shin no Kenrisha no Kyūsai” (Misappropriated Applications and Relief for True Right Holders,” Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka eds., *Gendai Chiteki Zaisan Hō Kōza I* (Lecture on Modern Intellectual Property Law I), p. 61.

⁵ In the Tokyo District Court Judgment, April 16, 1981, *Hanta* No. 395, p. 155 (the Grain Processing Method case), and the Tokyo District Court Judgment, May 29, 1987, *Hanji* No. 1240, p. 130 (the Stopper case), the court held that if an agreement has been reached on the transfer of a patent right from the misappropriator to the true right holder, the true right holder is entitled, as the effect of such agreement, to notify the JPO of the change of the name of the applicant. In the Tokyo District Court Judgment, October 30, 1985, *Hanta* No. 576, p. 88 (the Plastic Element Manufacturing Method case), the court declared that the plaintiff has the right to obtain the patent, given the circumstances where the plaintiff asked his friend to file the patent application on his behalf, but the friend filled in his own name as the inventor and applicant.

registration of transfer of the patent right.” Article 79-2 provides for the condition under which a non-exclusive license is generated, but does not clearly specify when a non-exclusive license is generated. It is therefore not impossible to interpret this provision as meaning that a non-exclusive license would be granted if only the person is working or preparing to work the invention at the time of the registration of the transfer of the patent right, even with regard to his/her working of the invention before the registration of the transfer. From the perspective of balance of interest as well, a question would arise as to the conclusion that if only the person is working or preparing to work the invention without knowledge at the time of the registration of the transfer of the patent right, the person would be allowed to continue to work the invention after the registration of the transfer, but the working of the invention before the registration of the transfer would be retroactively illegal due to lack of authorization. A person who has been working or preparing to work the invention before the registration of the transfer has been doing that while relying on the registration of the patent right held by the misappropriator. It may not be appropriate to use the time of the registration of the transfer as the base point in time when determining illegality. It would rather be appropriate to apply Article 79-2 directly or analogically and consider that a non-exclusive license would be generated on the grounds that the person had been working or preparing to work the invention, even before the registration of the transfer of a patent right, if the person has been doing that without knowledge.⁶ Furthermore, a question also remains as to the conclusion that if a person who worked the invention before the registration of the transfer of a patent right has ceased to do that by the time of the registration, Article 79-2 does not apply because the person is not working or preparing to work the invention at the time of the registration, whereas his/her working before that point in time would be judged to be illegal retroactively.

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Supposing that Article 79-2 is not applicable to the working of the invention before the registration of the transfer of a patent right, the product manufactured before the registration might be considered to have been manufactured illegally, and a person who has purchased and used that product might also be considered to have worked the invention

⁶ Yasuto Komada, “Tokkyoken no Torimodoshi to Zen’i no Daisansha no Hogo” (Return of the Patent Right and Protection of Third Party without Knowledge), Doshisha University Intellectual Property Law Study Group, ed., *Chitekizaisan Hō no Chōsen* (Challenge of Intellectual Property Law), p. 149, states that “it should be construed that the true right holder may assert as defense the fact that he/she was in the position to acquire the patent in the future.”

illegally.⁷ However, in the case where the person who was registered as the legitimate patentee at the time of manufacturing of a product later ceases to be the patentee retroactively, the claim of exhaustion of the patent right should be accepted from the perspective of security in business, because the product was manufactured by the person who was the legitimate right holder at the time of manufacturing. The same applies to the product manufactured and sold by a licensee in the case where the licensing agreement is later invalidated, rescinded or cancelled.

Supposing that Article 79-2 is applicable to the working of the invention before the registration of the transfer of a patent right, the working before the registration would be considered to be legal, and the person who worked the invention would be liable to pay reasonable consideration to the true right holder for the period of working. If there is a licensee based on a misappropriated patent right, the patentee holding that patent right would have to return the royalties he/she has received to the licensee as unjust enrichment. In this connection, there is no uniform method of calculating the amount of royalties; the initial fee may be high with a low rate of royalties for the actual working, only the initial fee may be required, or no fee may be required, depending on the case. In particular, the calculation of the amount of royalties would be difficult in the case of cross licensing, and would be more complicated in the case of comprehensive cross licensing. This is an issue to be settled between the patentee of the misappropriated patent and the licensee.

There are two views concerning how to deal with the case where the licensee of a misappropriated patent has already paid royalties to the patentee: one view is that the true right holder is eligible to claim reasonable consideration against the licensee because he/she has been the right holder from the beginning; and the other view is that the licensee is no longer liable to pay royalties because payment by a party who has infringed another's right without knowledge and negligence constitutes payment to a holder of quasi-possession of a claim (Article 478 of the Civil Code). According to the former view, the case would be settled as a dispute for unjust enrichment between the licensee and the patentee of the misappropriated patent. According to the latter view, the case would be settled as a dispute for unjust enrichment between the true right holder and the patentee of the misappropriated patent. In short, this issue ultimately comes down to the question of who should take the risk of lack of financial resources.

⁷ In the Tokyo District Court Judgment, July 11, 2012, *Hanji* No. 2175, p. 98/*Hanta* No. 1388, p.334 (the case on DVDs of South Korean Stars), which was related to copyright infringement, the court held as follows: if the sales agreement between the copyright holder and the exclusive distributor had been cancelled due to a default, the first sale of the product cannot be deemed to have been legal, and hence the subsequent sale by the party who had purchased the product from the exclusive distributor would constitute copyright infringement, without needing to discuss exhaustion of the copyright. The conclusion reached by the court may be derived from the retroactive effect of the cancellation, but its holding is questionable in light of the exhaustion theory that is intended to ensure smooth distribution of products.

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7.4.2.4. Period for Seeking the Transfer of a Patent Right

There is no limit to the period during which the true right holder can seek the transfer of a patent right. However, Germany limits such period from the viewpoint of ensuring safe transactions (Section 8 of the German Patent Act limits such period to within two years from the granting of the patent, except when the patentee of the misappropriated patent has knowledge of misappropriation). In Japan, since there is no limit to the period for requesting a trial for invalidation, it is likely that no limit was imposed on the period for seeking the return of the patent in order to achieve a balance therewith. However, when a JPO decision invalidating the patent becomes final and binding, the outcome is merely that anybody would be able to work the invention since the right will be extinguished retroactively, and hence there is no need to adjust interests of parties concerned after that. In contrast, in the case of seeking the transfer of a patent right, the patent right is deemed to have belonged to the true right holder and functioned as a right to a monopoly from the start. Since the relationship of rights established on the misappropriated patent right will instantly fall apart when the patent right is transferred, the intricate relationships with these rights need to be dealt with after the transfer. In that sense, from the perspective of ensuring legal stability, it seems to be necessary to introduce a limit to the period through legislation.

7.4.2.5. Whether It Is Appropriate to Recognize Retroactive Effect of Transfer of a Patent Right

The revised Patent Act recognizes a retroactive effect of the transfer of a patent right, but there are doubts about whether this is truly appropriate. All of those various problems discussed above are derived from recognizing such retroactive effect. Although some people might consider that recognizing a retroactive effect of the transfer of a patent right is a natural consequence of the inventor principle, the author considers that this should be discussed as an issue concerning legislative policy, rather than as a theoretical issue.

If a retroactive effect is not recognized, the working of the invention until the time of the registration of the transfer of a patent right would be totally legal, and a certain scope of interested parties would be granted a non-exclusive license after the registration of the transfer in accordance with Article 79-2 of the Patent Act. In that case, since the patentee of the misappropriated patent would be deemed to have received profit that he/she should not have received, the treatment of such profit would be settled as a dispute for damages or unjust enrichment between the true right holder and the patentee of the misappropriated

patent,⁸ and the true right holder would have to take the risk of lack of financial resources on the part of the patentee of the misappropriated patent. Thus, if a retroactive effect is not recognized, the problem that remains after the transfer is to be settled between the true right holder and the patentee of the misappropriated patent, without affecting any third party. This would make the system simpler.

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7.4.2.6. Other Problems

Various practical problems remain unsolved with regard to Articles 74 and 79-2 of the Patent Act. For example, although it is possible to transfer a patent right on the basis of a contract concluded between the true right holder and the patentee of the misappropriated patent, this is a ordinary type of transfer and may not be asserted against a third party. The transfer under Article 74 is effected based on a declaratory judgment in principle. Then, can a record of settlement resulting from an ordinary or speedy trial procedure replace a declaratory judgment? A declaratory judgement would turn out to be meaningless if the patentee of the misappropriated patent assigns or abandons the patent right while a suit to seek the transfer of the patent right is pending. In that case, is it possible for the true right holder to seek a provisional disposition prohibiting the disposal of property in order to avoid the change of the other party to litigation?⁹ Although this may be outside the scope of the 2011 Revision, a question also arises as to whether it is possible to seek such a provisional disposition based on the right to obtain a patent before a patent is granted in order to have the applicant of the misappropriated application remain to be the litigant¹⁰. If this is possible, there are questions concerning procedural matters, such as how to publicly announce such prohibition and who should bear the burden of proof.

7.4.3. Transfer of Right during the Pendency of a Patent Application

The 2011 Revision did not provide that the transfer of a patent right may be sought before the registration of the patent right, and thus there seems to be no change to the conventional handling of such case. The reason why the transfer of a patent right yet to be registered was not included in the 2011 Revision may be because judicial precedents had

⁸ As there may be cases where the misappropriated patent right has been transferred to another, who should take the ultimate responsibility would be decided on a case-by-case basis.

⁹ Makiko Takabe, “Bōnin ni yoru Iten Tōroku no Jitsumu” (Practice of Registration of Transfer by Reason of Misappropriation), *L&T (Law & Technology)* No. 55 (2012), p. 6.

¹⁰ Makiko Takabe, “Bōnin ni yoru Iten Tōroku no Jitsumu” (Practice of Registration of Transfer by Reason of Misappropriation), *L&T (Law & Technology)* No. 55 (2012), p. 8, states that a provisional disposition may not be issued in such case.

established the rule for handling this case and the lawmakers did not find the necessity of legislation.

The assignment of a right to obtain a patent during the pendency of a patent application shall become effective upon notification to the JPO Commissioner (Article 34, paragraph (4) of the Patent Act). A person who makes notification of his/her succession to the right must submit a document proving the succession in title, such as a contract for assignment (Article 5, paragraph (1) of the Patent Act Enforcement Ordinance). On this occasion, the successor is not required to seek cooperation of the original right holder, and therefore is not able to request the original right holder to take the procedure to change the name of the applicant. However, in practice, if the true right holder has filed a suit against the applicant of the misappropriated application to seek a declaratory judgment that he/she has a right to file a patent application, and submits the judgment to the JPO Commissioner, the JPO regards it as a document proving the succession to the right and accepts the notification (Formality Examination Manual, 45.25 Handling of Notification of Change of Name of Applicant Accompanied by Declaratory Judgment), and thus the true right holder can change the name of the applicant to his/her name while the application is pending.¹¹ In the case of a misappropriated application, the issue of the change of the name of the applicant would have never arisen because the right to obtain a patent has belonged to the true right holder from the beginning. However, for the sake of convenience, the true right holder had been virtually allowed to seek the transfer of the right by employing this method, as if a declaratory judgment could serve as an alternative to a contract for assignment.

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The 2008 Revision introduced a provisional exclusive license and a provisional non-exclusive license as new systems regarding the right to obtain a patent. Even if the name of the applicant is changed after either of these provisional licenses is established, such change is an ordinary type of transfer and the true right holder would not become the applicant retroactively and the provisional license would remain in effect. Any damage sustained by the true right holder from this outcome should be settled between the true right holder and the applicant of the misappropriated application. On the other hand, if the true right holder seeks the transfer of a registered patent right, the transfer would be effective retroactively, and the dispute would be settled by applying Article 79-2 even after the provisional license becomes a formal license. The 2011 Revision provides for only the case of the transfer after the registration of a patent right, but the true right holder would need to seek the return of the right from the applicant of the misappropriated application while the application is

¹¹ The Tokyo District Court Judgment, June 5, 1963, *Kamin* Vol. 14, No. 6, p. 1074/*Hanta* No. 146, p.146 (the Volumetric Powder Feeder case), which is related to a utility model right, and other cases.

pending. The conventional solution based on judicial precedents handles this case as the case of assignment of the right to obtain a patent. Issues such as the retroactive effect of the transfer and protection of a third party cannot be solved by judicial precedents. Legislative solution to these issues will be required in the future.

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§8. Infringement

8.1. General Remarks

A patent right has the effect of exclusion (passive effect), which prevents others from working the invention without proper authority and enables the patentee to demand compensation for damages against an infringer. In addition, criminal penalties are stipulated regarding a patent infringement. Although an exclusive right to use technical information is recognized for a patent right, that is only under the current Act, and it is not irrational to contemplate a principle that a patent right recognizes no right of exclusion but only the right to demand compensation. It is solely a matter of legislative policy. Under the current Act, it is considered that the effectiveness of a patent right is not secured without the right to seek an injunction, but if, as in the case of the United States, the treble or punitive damages systems, etc. were introduced to add a punitive function to compensation for damage, the significance of the right to seek an injunction would be reduced accordingly. In other words, patent law is an artificially built legal system, which can be designed more freely as compared to such laws as the civil code.

In recent years, there has been a remarkable progress in technology that has not been seen previously, as exemplified by biotechnology, and in some technical fields, we now see the advent of such a patent by which the patentee can seize the upstream technology and take control of all of the downstream technologies (e.g., research tool patents). In other words, if the upstream technology were seized, downstream technologies that are likely to be invented in the future would also be seized in effect, and this could undermine the incentive for inventing downstream technologies, and run counter to the purpose of the Patent Act. A question has been raised as to whether this kind of patent rights can really contribute to the development of industry, or would they rather impede development. Furthermore, the restriction of the use of some types of technology would cause great confusion in society at large, such as the stoppage of electricity, a bank's financial system, or the railways. Although these problems can be solved by granting non-exclusive licenses by way of awards (Article 93), it is still possible to reconsider them as issues relating to the effects of a patent right. In the future, the debate over the substance and effects of a patent right is expected to become more active.¹ Compared to the right to claim damages, the

¹ See "Shingai Soshō Tō Ni Okeru Tokkyo No Antei Sei Ni Shisuru Tokkyo Seido/Un'ei Ni Kansuru Chōsa Kenkyū Hōkokusho" (Establishment and Operation of a Patent System Conducive to Patent Stability in Infringement Lawsuits) (FY2013 JPO-commissioned research study report on the issues related to the industrial property rights system, 2014, Institute of Intellectual Property).

right to seek an injunction in particular could have a larger impact on society or could cause the infringer's disadvantage to be inappropriately larger than the right holder's advantage. Also, patent trolls have become a major issue in recent years. Thus, the exercise of the right to seek an injunction based on a patent right is expected to generate considerable debate.² This issue would need to be discussed not merely within the framework of patent law, but within the framework of private law in general.³

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Incidentally, infringement only refers here to cases where a third party having no title works the patented invention, and does not include cases that practically obstruct the working of the exercise of the patent. Therefore, such acts as stopping the working by force, stopping a loan by putting pressure on the financial institution or stopping the supply of the raw materials so as to make it impossible practically to work the invention can constitute the forcible obstruction of business (Article 234 of the Penal Code) or torts, but they are not recognized as acts of infringing patents.⁴

The first instance of actions relating to patent rights is under the exclusive jurisdiction of the Tokyo District Court if the actions are filed in East Japan (the areas under the jurisdiction of the Tokyo High Court, the Nagoya High Court, the Sendai High Court, or the Sapporo High Court) and under the exclusive jurisdiction of the Osaka District Court if they are filed in West Japan (the areas under the jurisdiction of the Osaka High Court, the Hiroshima High Court, the Fukuoka High Court, or the Takamatsu High Court) (Article 6, paragraph (1), items (i) and (ii) of the Code of Civil Procedure). The third instance of such actions is under the exclusive jurisdiction of the Tokyo High Court (paragraph (3) of said Article), and handled by the Intellectual Property High Court, which is a special branch of the Tokyo High Court (Article 2 of the Act for Establishment of the Intellectual Property High Court).

Since the system of a trial for confirmation of the scope of a right existed before the

2 Ryūta Hirashima, "Sashidome Seikyū No Seigen: Rironteki Kanousei Ni Tsuite No Kōsatsu" (Restrictions on the Right to Seek an Infringement: Discussion on Theoretical Possibilities) *Gakkai Nenpō*, No. 33 (2009), p. 53; Ryūta Hirashima, "Tokkyoken Ni Motozuku Sashidome Seikyūken No Gōriteki Konkyo To Genkai" (Resonable Grounds and Limits of a Right to Seek an Injunction Based on a Patent Right), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza I* (Lecture on Modern Intellectual Property Law I), p. 133; Ryūta Hirashima, "Tokkyoken Ni Motozuku Sashidome Seikyūken Ni Okeru 'Naizaiteki Genkai'" ("Intrinsic Limits" of a Right to Seek an Injunction Based on a Patent Right), *Patent*, Vol. 66, No. 5 (Separate Volume No. 10) (2013), p. 1; Masabumi Suzuki, "Tokkyoken Shingai Ni Taisuru Minji Kyūsai Ni Kansuru Oboegaki: Sashidome Sochi Seigen No Kanousei Wo Megutte" (Memorandum on Civil Remedies Against Patent Infringement: Possibilities of Restricting Injunction Measures), *Patent*, Vol. 66, No. 5 (Separate Volume No. 10) (2013), p. 43.

3 Yasuyuki Echi, "Minpōgaku Ni Okeru Sashidome Seikyūken Riron To Chiteki Zaisan Hō Ni Okeru Sashidome Seikyūken" (Theory of the Right to Seek an Injunction under Civil Law and Right to Seek an Injunction under Intellectual Property Law) *Patent*, Vol. 66, No. 5 (Separate Volume No. 10) (2013), p. 12.

4 The following is a copyright-related case: the Yokohama District Court Judgment, October 29, 1985, *Hanji*, No. 1176, p. 126, *Hanta*, No. 609, p. 98 (the Case of a Bird with a Flower in Its Beak). In this case, the court held that the act of obstructing the production of a movie (a cinematographic work) by force is not a copyright infringement, and stated that an act in the manner of harming the use of the copyright holder's work itself does not constitute an act of infringement. This reasoning also applies to a case of patent infringement.

Act of 1959, patent infringement had rarely been disputed in civil actions at that time. Most such suits have taken place under the current Act. In addition, many of the infringement suits that occurred in the period between 1955 and 1964 were cases seeking provisional dispositions, but now infringement is mostly claimed in principal actions.

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8.2. Civil Remedies

8.2.1. Right to Seek an Injunction (Article 100 of the Patent Act)

(1) Significance of the right to seek an injunction

There were no provisions on the right to seek an injunction under the former Act (Act of 1921), but the right had been recognized in court judgments and academic theories from the viewpoint that a patent right was a right having an aspect of a real right. The current Act has provisions setting out this interpretation, and makes it clear that, in addition to demanding the stopping of any infringement, it is possible to demand the disposal of products constituting an act of infringement, the removal of facilities used for an act of infringement, or other measures necessary for the prevention of infringement (Article 100, paragraph (2) of the Patent Act). A demand for such disposal or removal, which is not a demand for an injunction but a demand for a feaisance, cannot be made independently; it can only be made together with a demand for an injunction.¹ Therefore, if infringement has occurred in the past, but it is not likely to occur in the future, a demand for an injunction cannot be made, so a measure necessary for the prevention of infringement cannot be demanded under Article 100, paragraph (2) of the Patent Act either.

Instead of being a law in extension of the tort law, the Patent Act has been legislated as a law that grants a right, and it recognizes the right to seek an injunction as one of the effects of that right. This is considered to be a right to demand which is similar to a real right, with which a demand can be made merely based on the objective existence of an act of infringing a right without having to satisfy subjective requirements such as intention or negligence. Article 100 of the Patent Act is similar to Article 198 (Actions for Maintenance of Possession) of the Civil Code also, in respect of the structure of the provision, and it does not impose subjective requirements for the constitution of an infringement. In addition, an injunction can also be requested against one's original invention which is not an imitation, as long as it falls within the scope of a patent right (this is called a suspensive effect). Therefore, the Patent Act is not a law prohibiting imitation in the strict sense. On the other hand, the Copyright Act is a law prohibiting imitation, so one cannot demand an injunction against one's original work.

¹ In the Tokyo District Court Judgment, September 29, 1993, *Torikeshishū*, 1994, p. 635 (the Tiekapto case), the court held that the right to demand disposal and the right to demand removal can only be exercised together with the exercise of the right to demand the stoppage or prevention of an infringement and cannot be exercised independently; so after the expiration of the duration of the patent right, disposal, etc. cannot be demanded for products which constituted an act of infringement before the expiration of the duration of the patent right as an act necessary for preventing an infringement. Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 291.

Since a patent right is a title under which one can acquire exclusive profits from the exclusive use of certain technical information, the primary issue in countering an infringement would be to recover the exclusivity, that is, the exercise of the right to demand an injunction. In contrast, while the right to claim compensation for damage is generally considered to be a system for compensating for actual damage, if punitive compensation were to be recognized, as is the case in the United States, compensation for damage could also have a deterrent effect.

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An injunction can be demanded when an infringement has actually occurred or is likely to occur (Article 100, paragraph (1) of the Patent Act). Even if the defendant does not produce or sell the products in question, an injunction may be demanded if the court finds that there is a likelihood of infringement.²

(2) Persons having the right to seek an injunction and the subject of an injunction

The patentee and an exclusive licensee have the right to seek an injunction, but a non-exclusive licensee is not considered to have that right. This point will be discussed in the part about non-exclusive licenses. The grant of an exclusive license restricts the working of the invention by the patentee to an extent (Article 77, paragraph (2) of the Patent Act), but it should be construed that the license does not obstruct the patentee from exercising the right to seek an injunction.³ Although there are some opposing views, we should apply the same idea whereby the right to demand the abatement of a nuisance based on ownership is recognized even after the grant of a limited real right. In practical terms as well, if a person working an invention without the authorization of the patentee is left as is, it would affect the patentee's royalty income, and as result of such a person's products being sold on the market, the value of the patent right could fall after the expiration of the term of the exclusive license.

By making a demand for the disposal of products constituting an act of infringement,

2 In the Tokyo District Court Judgment, July 10, 1987, *Mutai Saishū*, Vol. 19, No. 2, p. 231 (the Herbicide case), the court held that the entrustment of trial experiments of another person's patented agricultural chemical and the application for its registration as an agricultural chemical are acts of preparation for selling, using, or assigning the products by a person who is not the patentee, so a demand for an injunction against these acts is an act necessary for preventing a future infringement.

3 The Yamaguchi District Court Judgment, February 28, 1963, *Kamin*, Vol. 14, No. 2, p. 331/*Hanta*, No. 142, p. 184 (the Synthetic Float case); the Tokyo District Court Judgment, March 18, 1964, *Hanji*, No. 377, p. 63/*Hanta*, No. 160, p. 133 (the Trousers Waist Lining case). In the Tokyo District Court Judgment, February 6, 2003, *Hanji*, No. 1870, p. 107 (the Method of Searching for Ligand Molecule case), which is a judgment holding contrary to the former two judgments, the court held that, where an exclusive license is established for a patent right, only the exclusive licensee can exercise the right to seek an injunction with regard to the licensed scope of the patent, and the patentee cannot exercise the right to seek an injunction. However, in its appellate instance, the Tokyo High Court Judgment, February 27, 2004, *Hanji*, No. 1870, p. 84, the court held that the patentee who has granted an exclusive license also has the right to seek an injunction. The same judgment was given in the final instance, the Supreme Court Judgment, June 17, 2005, *Minshū*, Vol. 59, No. 5, p. 1074/*Hanji*, No. 1900, p. 139/*Hanta*, No. 1183, p. 208, and the interpretation became fixed in practice. For details, see Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyō Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1020 [written by Masabumi Suzuki].

one can seek the disposal of products that are necessarily involved in the act of infringement—in the case of the invention of a product or the invention of a process of producing products, the products produced by working the invention. By making a demand for the removal of the facilities used for an act of infringement, one can demand the removal of products that were used to facilitate the act of infringement—in the case of the invention of a product or the invention of a process of producing products, products used for the purpose of working the invention, such as dies, catalysts, or equipment, and in the case of the invention of a process, products used when working the invention. Meanwhile, delivery cannot be demanded in lieu of such disposal or removal.⁴ Whereas the right to seek a disposal is a right specially recognized under the Patent Act, delivery cannot be allowed unless there are special provisions permitting such delivery. If delivery were to be permitted, there would also be a need to stipulate provisions on the cost and method of retention after delivery, the risk of loss in the case of having caused damage to the products or facilities, the obligation to reship the products and facilities after the lapse of the patent right, and other matters. The fact that such provisions are not stipulated in the Patent Act suggests that the Act is not intended to allow such a complicated process.

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In addition, one can demand measures necessary for preventing an infringement (Article 100, paragraph (2) of the Patent Act). There are conflicting views as to what kind of measures are regarded as necessary measures, between an objective theory insisting that they should be determined objectively and a subjective theory emphasizing that they should be determined based on the subjective intention of the person who carries out the measures. It is not possible to standardize these views, so the question of whether or not certain measures are “necessary measures” should be determined by comprehensively considering both the objective nature of the measures and the subjective intention of the person who carries out the measures. If the scope of the measures necessary for the prevention of an infringement is too broad, it would improperly broaden the effectiveness of the patent right, and if the scope is too narrow, it would undermine such effectiveness. Specifically, the effectiveness of a patent right should be sufficiently secured and the “necessary measures” should be limited to what are truly necessary, by taking into account the contents of the

4 Minoru Takeda, *Chiteki Zaisanken Shingai Yōron (Tokkyo/Ishō/Shōhyō Hen) [Dai 5 Han]*, p. 392; Etsuhiro Nozaki, “*Tokkyoken Shingai no Teishi Oyobi Yobō Seikyū* (Demand for Stoppage or Prevention of a Patent Infringement),” *Makono/Kōgyō Shoyūken Soshō Hō* (Industrial Property Litigation Act) (*Saiban Jitsumu Taikei* (Outline of Court Practices) 9), p. 61 (this states that there is no room to recognize a demand by which one would be allowed to freely use or consume the articles or the facilities after their delivery); Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 947 [written by Shigetoshi Matsumoto, Katsuhiko Mise]. While no theories recognize the free use or disposal of the articles or the facilities by the patentee after delivery, the following theory supports the right to demand delivery: Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 465. It states that as long as the destruction of a product is recognized, delivery of possession should also be justifiably recognized. The same opinion is expressed in Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 354.

patented invention, the mode of the act of infringement, and the specific details of the injunction, among other matters.⁵

(3) Infringement in which multiple people are involved

The principle of the Patent Act is to treat an act that meets all of the constituent elements of the claims as infringement, and exceptions to this principle are indirect infringement (Article 101) and the doctrine of equivalents. While the Patent Act basically assumes an infringement whereby a single person works all of the constituent elements of the claims of the patented invention, it has provisions on indirect infringement for an infringement whereby multiple people are involved (see “8.3. Indirect Infringement (Deemed Infringement)”) and has a finite list of acts that constitute an indirect infringement (Article 101 of the Patent Act). Therefore, a person who induces or aids the commission of an infringement will not be an infringer, in principle, since such act does not constitute an indirect infringement.⁶ When multiple people are involved in committing an infringement, the act is generally not regarded as an infringement, and particularly a person who produces and sells general-purpose products is not regarded as an infringer. In fact, however, due to the development of the Internet environment, there are often cases where multiple people are involved in working an invention in a way that does not constitute an indirect infringement, such as the case of an electronic payment system, e-commerce, or cloud computing, and such cases sometimes include individuals who do not work the invention as a business. In particular, if any part of the working of the invention takes place outside Japan, the problem becomes more complicated. This type of dispute is expected to increase in the future.

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In the case of the invention of a product, even if the individual parts constituting the claims are produced by different people, the person who finally assembles those parts and produces a product that satisfies all of the constituent elements is usually the direct infringer, and the producers of the parts will not be infringers, in principle, unless their acts constitute

⁵ In the Supreme Court Judgment, July 16, 1999, *Minshū*, Vol. 53, No. 6, p. 957/*Hanji*, No. 1686, p. 104/*Hanta*, No. 1010, p. 245 (the Physiologically Active Substance Measurement Method case), the court held that, "necessary measures" should be those that can ensure the effectiveness of the exercise of the right to seek an injunction and those that are within the scope necessary for putting the right to seek an injunction into practice, and concluded that the patentee cannot seek, based on a patent right relating to the invention of a process, the disposal of drugs of which the quality standards have been tested by using the said process and withdrawing an application for listing the drugs on the national health insurance drug price standard.

⁶ In the Tokyo District Court Judgment, August 17, 2004, *Hanji*, No. 1873, p. 153/*Hanta*, No. 1172, p. 302 (the Iron Manhole Cover Replacement Method case), the court stated that a person who is infringing or is likely to infringe a patent right as referred to in Article 100 means a person who independently performs or is likely to perform the working of the patented invention or any of the acts prescribed in Article 101, and does not include a person who induces or aids such working or acts, and held that, even if, as a result of preparing and distributing pamphlets disclosing a patented process, a third person works the process and infringes the patent right by looking at the pamphlet, the patentee cannot demand an injunction as long as the third person's act does not constitute any of the acts prescribed as an indirect infringement.

an indirect infringement. Nevertheless, recently there has been an increase in inventions relating to a system that is constructed on a network, and claim descriptions of such inventions often assume the working of the inventions by multiple people. In particular, where a patented system (product) is to be used (worked) by multiple people, there are often cases where people such as the system administrator, the service provider, and system users independently work the respective parts of the claims and, as a result, all constituent elements are worked. Since each person is only using a part of the claims, and they often do not have a joint intention of committing an infringement, there is a question of who will be the infringer. Although it depends on the claim description, the person who constructed the system will likely be an infringer if the person has engaged in an act of production (working of the invention), but the main question here is who is committing an act of infringement through the use of the system. While the recommended claim description is to have no human acts involved, such a style of description would be difficult to apply or would lead to an inaccurate and awkward claim description for certain types of invention. In such a case, the issue will be whether or not the system operator can be identified as a person working the invention.⁷

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In the case of an invention of a process or an invention of a process for producing a product, the same problem occurs when the process involves multiple steps, and multiple people work those steps separately, and although all steps are completed as a result, no person has worked the overall claims. In such a case, it would be questionable to conclude that nobody is an infringer in spite of the fact that the products constituting an infringement have been produced or a process constituting an infringement has been worked as a result, and it may be reasonable to find infringement in some cases; but the problem would be its theoretical structure. First, if the individual people involved in the working of the invention have jointly taken part in an infringement, all of these people could be deemed to have jointly committed the act of infringement (joint direct infringement).⁸ A typical case is

7 Hiroki Saitō, “Nettowāku Riyō Tokkyo No Jisshi Kōi To Shingai No Shutai -- Kakō Renzu Kyōkyū Shisutemu Jiken To JAddress Sābisu Jiken O Chūshin To Shite” (Infringing Actions and Infringers of Patents Related to Computer Networks: Eyeglass Lens Order System Case, JAddress Service Case, and Beyond), *Chizai Kanri* (Intellectual Property Management), Vol. 61, No. 1 (2011), p. 8 insists that the concept of “use” should be broadly interpreted to “include an act of providing a service to make a product relating to the patented invention available in a way that achieves the purpose of use.”

8 In the Osaka District Court Judgment, May 4, 1961, *Kamin*, Vol. 12, No. 5, p. 937 (the Expanded Polystyrene case), the court stated in obiter dicta that “when an act of working a part of another person’s patented process, in combination with another person’s act of working a part of the invention, results in working said patented process as a whole, such as when a person works all the steps involved in the invention by having another person undertake one or more of the steps, and additionally works the other steps by himself/herself, or when multiple people jointly work all of the steps involved by sharing the steps between them, the former case is no different from the outsourcer working all of the steps involved and the latter case is no different from multiple people jointly working all of the steps, so both cases constitute an act of patent infringement.” The court further pointed out that “a mere act of supplying raw materials or intermediate substances with a prediction that the act may result in working another person’s patent or an act of recommending the use of such substances for working another person’s patented process” will not constitute a patent infringement.

where people jointly conducting a business each undertake different steps of work, and as a result, products constituting an infringement are produced or a process constituting an infringement is worked. In such case, each person would be responsible for not only the act the person has committed, but for the entire infringement as an infringer, so the individual people would need to have the joint intention of committing an act of infringement jointly, and if they have committed the acts separately without such joint intention, their acts should be construed as not constituting a joint act of direct infringement.⁹ However, some scholars hold opposite views regarding this point. It is considered that the subjective intentions of the people committing the acts do not need to be taken into account in determining whether or not an act of infringement was committed, that is, whether their acts constitute an infringement, but such people's joint intention should be taken into account in determining who should be held liable for the act. Introducing a subjective requirement in the determination of infringement is not completely free of theoretical problems.¹⁰ However, if a joint direct infringement is found solely based on the objective requirement, the scope of infringement will be too broad, and some kind of limitation would be required. Article 101, items (ii) and (v) of the Patent Act, which are provisions on indirect infringement, set forth the subjective requirement of "knowing that ... the said product is used for the working of the invention." Thus, it would not be irrational to impose a subjective requirement when determining the scope of joint direct infringers.

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Meanwhile, if a person uses another person who works a part of the claimed invention, as a mere organ or tool, and commits an act of infringement as a result, the acts of the person serving as the organ or tool are evaluated as being committed by the user (the person who uses said person as the organ or tool), and the user could be regarded as a direct

9 Naoki Mizutani, "Fukusūsha Ga Tokkyo Shingai Ni Jijitsujō Kan'yo Shite Iru Baai No Shingai Shutai No Nintei" (Determination of Infringers in the Case Where Multiple People Are Practically Involved in Patent Infringement), Makino Toshiaki Sanju Kinen, *Chiteki Zaisanken Hōri To Teigen* (Doctrines of and Recommendations Concerning Intellectual Property Rights), p. 121; Makiko Takabe, "Fukusū Shutai No Kan'yo To Tokkyoken Shingai" (Involvement of Multiple People and Patent Infringement), Toshiaki Makino, Toshiaki Iimura, Makiko Takabe, Yōichirō Komatsu, and Tomoki Ihara eds., *Chiteki Zaisanken Soshō Jitsumu Taikei I* (Outline of Intellectual Property Lawsuit Practices I), p. 416.

10 Hideo Ozaki, "Konpyūta Puroguramu To Tokkyo Shingai Soshō No Sho Mondai" (Various Problems in Computer Program and Patent Infringement Litigation), Toshisuke Kiyonaga and Ryūichi Shitara, *Gendai Saiban Hō Taikei 26 Chiteki Zaisanken*, p. 230; Ryūta Hirashima, "Fukusū Shutai Ga Kaizai Suru Tokkyoken Shingai Hōri Wo Meguru Aratana Hōkōsei Ni Tsuite Oboegakiteki Kentō" (Note on Analysis of New Directions for the Doctrine of Patent Infringement Involving Multiple Infringers), Makino Toshiaki Sanju Kinen, *Chiteki Zaisanken Hōri To Teigen* (Doctrines of and Recommendations Concerning Intellectual Property Rights), p. 153.

infringer.¹¹ A person who has used another person as an organ or tool is regarded as having conducted the acts carried out by said other person not only under the Patent Act, but also in many other legal domains, including the indirect principal in crime under the Penal Code. The question is what specific situation is required for applying the tool theory. It is possible to have cases where a person uses another person as a tool based on their personal relationship,¹² and cases where a person takes advantage of the act of another person conducted in good faith.¹³

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Where an act does not constitute a joint direct infringement and is not found to be an act carried out as a tool, could such an act constitute an infringement in some cases?¹⁴ Also, with regard to a patent on a process, a court has found a service provider to be an infringer.¹⁵ Considering the development of Internet business, an infringement may be more frequently committed through the use of a patented invention rather than through its future production. At the same time, the style of such claim description whereby its constituent elements are met through a combination of acts carried out by multiple independent people is expected to become more common. Since the Patent Act has provisions on an indirect infringement for an infringement committed by multiple people, and those provisions has a finite list of

11 In the Sendai High Court Akita Branch Judgment, December 19, 1973, *Hanji*, No. 753, p. 28 (the Horseshoe case), the court held that, where a subcontractor of one of the joint owners of a patent right has worked the patented invention without the permission of the other joint owner, the subcontractor engaged in the manufacturing as an organ of the joint owners, and the court denied such act to be an infringement on the basis that the act has been carried out under the control and management of the joint owners on the joint owners' own account (the final appeal against this judgment was dismissed; the Supreme Court Judgment, December 24, 1974, *Tokkyo Nyūsu* (Patent News), p. 4096). In addition, in the Tokyo District Court Judgment, September 20, 2001, *Hanji*, No. 1764, No. 112/*Hanta*, No. 1094, No. 245 (the Method of Creating Images Electrodeposited on Clock Faces case), which was a case where six out of the seven steps involved in the invention of a process were carried out by the defendant, but the single remaining step was taken by the dial face manufacturer who purchased the product from the defendant by way of peeling off the release paper at the back of the product and adhering the product to a dial face or another object, the court found infringement, holding that the defendant used the dial face manufacturer as a tool and that the defendant could be deemed to have been working all of the processes constituting all of the constituent elements of the invention. For details, see "8.3. Indirect Infringement (Deemed Infringement) (Article 101 of the Patent Act)."

12 In the Supreme Court Judgment, October 17, 1969, *Minshū*, Vol. 23, No. 10, p. 1777/*Hanji*, No. 577, p. 74/*Hanta*, No. 241, p. 81 (the Globe-shaped Transistor Radio Design case), which is a case concerning prior use, the court held that the working of an invention required for a prior user's right to be effective "includes a case where the prior user places orders with another person who has a business facility to manufacture products relating to the design in question only for the prior user, and sells the products after receiving the delivery thereof from such person."

13 In a criminal case, if a person uses a mail carrier to deliver an explosive, the person who mailed the explosive is construed to be the offender, and the mail carrier was merely used as a tool.

14 The Copyright Act does not have provisions on an indirect infringement, but the Supreme Court has found the manager of a karaoke restaurant who is not an actual performer to be an infringer based on a theory called the karaoke doctrine, and mainly based on two benchmarks (management/control status and business interests).

15 In the Intellectual Property High Court Judgment, March 24, 2010, *Hanta*, No. 1358, p. 184 (the JAddress case), which is related to the invention of a process for accessing an information page, comprising a phase of providing the client's descriptor (an act of the user operating the client's PC), a phase of processing on a directory server and presenting the identified page to the client (an act of administering and managing the server), the court found that the person working such invention is the person implementing the "process of providing access," and found the service provider to be an infringer. In this case, the court stated that the patented invention related to a process for providing access to a server, not a process for accessing a server, which means that the patent cannot be infringed unless a client accesses the server, and held that the person who works the invention is construed to be the person who provides access to the server as the interpretation of the patent claim.

infringing acts so as to demarcate the limits of infringements, we should not broaden the interpretation of those provisions too easily. Yet in reality, there have been increasing cases where an infringer should be construed in a normative manner and a person who is engaged in some kind of control/management should be regarded as an infringer.¹⁶ Maybe the provisions on an indirect infringement should be reviewed to cover Internet-related patent rights as well, but when interpreting the current Act, the question would be how far the interpretation of the concept of control/management can be broadened in determining the infringer.¹⁷

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The above are conceptual categories, and it is difficult to clearly delineate the border between them in reality. For example, it is hard to clearly distinguish if a person is acting as an organ/tool or is engaged in control/management. In any case, a patent infringement is established when a single person works all of the constituent elements described in the scope of claims of the patent, in principle, and one must be careful in broadening the interpretation.

So far, we have discussed the issue of the infringer, that is, the issue of who is the person against whom an infringement can be demanded. Compensation for damage will be an issue of joint tort by inducement or accessoryship under the tort theory of the Civil Code, so in some cases compensation for damage may be claimed against a person who has only worked a part of a patent claim. Also, penal provisions are sometimes applied to a person who has only worked a part of a patent claim, based on the complicity theory of the Penal

16 In the Tokyo District Court Judgment, December 14, 2007, court website (the Supply System for Eyeglass Lens case), the court stated that, "with regard to whether the constituent elements are met, it is sufficient to determine, based on a premise that two or more people are involved, whether the people who are intended to be those to carry out the acts have performed the respective acts described in the scope of the patent claims, or whether they possess or own the respective parts of the system, and the fact that one or some of the people who actually carried out the acts were not the agents of the manufacturer in performance is not relevant with regard to the issue of whether the constituent elements are met." On such a basis, the court held that "the question of the person against whom an injunction or damages can be demanded, that is, the person who is working the invention (Article 2, paragraph (3) of the Patent Act) should be decided by determining the person who is controlling and managing the system in question, which differs from the issue of whether the constituent elements are met."

17 See Naoki Mizutani, "Bizinesu Hōhō Tokkyo No Kōshi Ni Tomonai Aratani Shōjite Kuru Mondai" (Problems Arising out of Enforcing Business Method Patents), *Jurist*, No. 1189 (2000), p. 40; Naoki Mizutani, "Fukusūsha Ga Tokkyo Shingai Ni Jijitsujō Kan'yo Shite Iru Baai No Shingai Shutai No Nintei" (Determination of Infringers in the Case Where Multiple People Are Practically Involved in Patent Infringement), Makino Toshiaki Sanju Kinen, *Chiteki Zaisanken Hōri To Teigen* (Doctrines of and Recommendations Concerning Intellectual Property Rights), p. 104; and Kei Iida and Naoki Okumura, "Intānetto Nanbā Jiken" (The Internet Number Case), Nakamura & Partners ed., *Chiteki Zaisan Soshō No Genzai* (Intellectual Property Litigation Today), p. 225. Nobuyasu Ogata, "Fukusū Shutai Ni Yoru Shingai (Jisshi No Gainen) Ni Tsuite" (Infringement by Multiple Infringers [Concept of Working an Invention]), *Jurist*, No. 1227 (2002), p. 59 states that, with regard to a patent on a process, the concept of use should basically be determined objectively, but if appropriate protection cannot be extended by such a method, it may be allowable to broaden the scope of the protection exceptionally, while giving consideration to the subjective aspects and personal relationships, specifically listing the following: (i) the accused person should be aware of the probability that the steps comprising the constituent elements should be taken in order to attain the intended function and effect of the invention, and there should be a willingness to take those steps; (ii) the accused person has a personal relationship with another person whereby the accused person follows the other person's inventive steps comprising the constituent elements in order to attain the intended function and effect of the invention; and (iii) an injunction should be effective for eliminating the infringing situation.

Code. Therefore, the issue of the infringer boils down to the question of whether or not to recognize the right to seek an injunction, which is a problem specific to the Patent Act.

8.2.2. Border Measures (Customs Act)¹

The conventional intellectual property legislations had adopted the principle of regulating imports and not regulating exports. It had been considered sufficient to deal with matters concerning exports based on the law of the destination country (the country in which the place where the products are to be delivered or the person who is to receive the goods exists). However, as products infringing intellectual property rights have come to be traded around the world, a need arose to restrict such cross-border distribution of infringing products at the export phase. As a result, export was added to the types of acts of working an invention under the Patent Act, and substantively based on such provisions, products infringing patent rights are specified as export-prohibited goods under the Customs Act.²

As the working of an invention under the Patent Act includes importing and exporting (Article 2, paragraph (3)), an injunction can be requested against the import or export of infringing products in infringement litigation. In reality, however, it is physically difficult or too time-consuming to deal with such importing or exporting through litigation, and it is often difficult to seize such products once they are imported and spread within Japan. Also, once products are exported, they can no longer be stopped. Therefore, a border measure to stop the products from coming in or going out at customs is necessary. While such border measure is an obligation under the TRIPS Agreement, the Patent Act only provides that importing and exporting are regarded as the working of an invention (Article 2, paragraph (3) of the Patent Act), and all matters concerning suspension at the customs are provided under the Customs Act. It must be noted, however, that the Customs Act does not specify the importing or exporting of patent infringing products as an illegal act, but specifies products that are illegal under the Patent Act as import- or export-prohibited goods and stipulates various provisions for suspending their import or export. For example, the Act on the Circuit Layout of a Semiconductor Integrated Circuit (Semiconductor Integrated Circuit Act) does not prohibit the export of infringing products, so the Customs Act does not specify such articles for export as export-prohibited goods. In short, in order to treat products as import- or export-prohibited goods under the Customs Act, they need to be

1 See CIPIC (Customs Intellectual Property Information Center), *Shin Chiteki Zaisanken Shingai Buppin No Mizugiwa Torishimari Seido No Kaisetu* (New Explanation of the Border Control System for Intellectual Property Right Infringing Products) (Japan Tariff Association, 2003).

2 Article 16 of the Anti-Counterfeiting Trade Agreement (ACTA) (which is already signed and ratified by Japan, but which has yet to become effective) provides “Each Party shall adopt or maintain procedures with respect to import and export shipments under which...,” regulating not only import but also export.

specified as being illegal under a substantive law such as the Patent Act.

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Many of the import- and export-prohibited goods under the Customs Act are those which are regulated for the protection of the public interest from a perspective whereby such goods are unadulterated social evils, such as narcotic drugs, guns, and forged banknotes. In contrast, patent infringing goods are not types of articles whose import is essentially impermissible, and there is no problem in importing those goods if the patentee gives his/her consent. Even if certain articles were infringing goods when they were imported or exported, if the right holder and the importer or exporter subsequently reach a settlement and conclude a license, such articles would become legal retroactively. In other words, whether or not the import or export of an article should be allowed can be freely decided by the patentee. Therefore, there is a need for a procedure which differs from that for treating goods that are unadulterated social evils. Making dispositions on such matter at the customs had been difficult in some ways because, conventionally, there had been no procedural provisions concerning dispositions by the Directors-General of Custom-Houses regarding goods infringing intellectual property rights, so in actuality such dispositions had been made only after the right holder had offered relevant information.³

The history of border measures for goods infringing intellectual property dates far back to when “goods that violate imperial law concerning patents, utility models, trademarks and copyrights” were listed along with opium and books that contravened public order and morality as import-prohibited goods in the customs tariff schedule attached to the former Customs Tariff Act enacted in 1897 (and became effective in 1899). Later, with the 1954 revision of the Customs Tariff Act of 1910, “goods that infringe patent rights, utility model rights, design rights, trademark rights, and copyrights” were listed in Article 21 of the Act. In addition, provisions on confiscation, disposal, and reshipment of import-prohibited goods were introduced, and goods that infringed neighboring rights were added to import-prohibited goods on the 1970 revision. In 1986, officials in charge of illegal products, etc. were introduced at the customs as a measure to enhance the framework for examining goods infringing intellectual property rights. After that, provisions on border measures were established in Article 51 onward of Part III, Section 4: Special Requirements Related to Border Measures of the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights; effective since 1995) of the WTO (the Marrakesh Agreement) concluded in 1994. In response, Japan revised Article 21 of the Customs Tariff

³ The specific procedures had been decided by the Basic Directive on the Customs Act (June 5, 1992, *Zōkan*, No. 519, Regulation of Goods Infringing Intellectual Property), but this directive was abolished upon the 1994 revision of the Customs Act, and a new directive was issued (December 28, 1994, *Zōkan*, No. 1192). The directive was further amended before the present directive was issued.

Act in 1994 (it came into effect on January 1, 1995), and established the procedure for identifying whether or not suspect goods are infringing goods and the system of application for import suspension. In addition, the Customs Tariff Act Enforcement Order was revised (addition of provisions from Articles 61-3 through 61-9; Cabinet Order No. 414), the Rules on Deposit Money for Compensation for Damage Pertaining to Application for Import Suspension (Ordinance of the Ministry of Justice and Ministry of Finance No. 5)) were established, and a directive was revised. As a result, provisions on the infringement identification procedure were stipulated, the right to apply for import suspension was recognized for trademark right holders, copyright holders, and holder of neighboring rights, and a system was introduced to deposit money for compensating any damage that may be caused to the importer (Article 21-3 of the Customs Tariff Act).⁴ Later, the right to file an application for import suspension was also recognized for patentees, utility model right owners, and design right owners, and the system for seeking the opinion of the JPO was introduced with the 2003 revision. In 2006, all of the provisions on border measures that had been stipulated under the Customs Tariff Act were moved to the Customs Act. In line with this, an expert advisor system⁵ was established to hear the opinions of experts in the system of application for import suspension and the infringement identification procedure. At the same time, in preparation for Japan's accession to the Anti-Counterfeiting Trade Agreement (ACTA), which was advocated by Japan, the Patent Act was also revised to include exporting in acts of infringement, and with the 2006 revision, patent infringing articles were also added to export-prohibiting goods under the Customs Act (Article 69-2, paragraph (1), item (iii) of the Customs Act).⁶

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Article 69-2, paragraph (1), item (iii) of the Customs Act lists patent infringing goods as export-prohibited goods, and Article 69-11, paragraph (1), item (ix) of the Customs Act lists patent infringing goods as import-prohibited goods. The Directors-General of Custom-

4 Since the importer faces the risk of suffering damage from not being able to import the goods until the procedures are completed, the Directors-General of Custom-Houses can order applicants to make a deposit of a reasonable amount of money in order to provide security for such damage (Article 21-3 of the Customs Tariff Act at the time; Article 53 of the TRIPS Agreement). Such a system where the applicant provides security for the respondent in response to an administrative disposition made by an administrative agency, which is the Director-General of a Custom-House in this case, is a completely new type of system, which was legislated as an obligation under the TRIPS Agreement.

5 The Director-General of the Custom-House commissions the task to a person with knowledge and experience of intellectual property rights, such as a lawyer, patent attorney, or scholar, who has no interest in the case concerned (Article 69-14 of the Customs Act).

6 With regard to details on the revisions and their background, see Kazuhisa Saitō, “Zeikan Ni Okeru Chiteki Zaisan Shingai Buppin No Mizugiwa Torishimari” (Border Control of Intellectual Property Infringing Goods at the Customs), CIPIC Journal No. 171 (2006), p. 43; Institute of Intellectual Property, *Chiteki Zaisan Shingai Buppin No Mizugiwa Torishimari Seido No Kaisetsu* (Explanation on the Border Regulation Measures for Goods that Infringe Intellectual Property) (CIPIC (Customs Intellectual Property Information Center), 2009), p. 9; Makoto Saitō, “Mizugiwa Kisei Ni Yoru Kenri No Shikkō -- Gyōsei Hō No Shiten Kara” (Enforcement of Right by Border Regulation -- From the Perspective of Administrative Law), *Chosakuken Hō Kenkyū* (Annual of the Copyright Law Association of Japan), No. 22 (1995), p. 9.

Houses can order the confiscation, disposal, or reshipment (which is naturally inapplicable to export) of such infringing goods (Article 69-2, paragraph (2) and Article 69-11, paragraph (2) of the Customs Act).⁷ Meanwhile, a person who exports infringing goods is punished by imprisonment with work for a term not exceeding ten years or a fine not exceeding ten million yen or a combination thereof (Article 108-4, paragraph (2) of the Customs Act), and a person who imports such goods is punished by imprisonment with work for a term not exceeding ten years or a fine not exceeding seven million yen or a combination thereof (Article 109-2, paragraph (2) of the Customs Act).

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In order to suspend the clearance of patent infringing goods at Customs, the question of whether or not the goods infringe a patent right needs to be determined, and the organization that makes this determination differs by country. In some countries, the courts make such a determination (European countries, etc.), or a third-party organization makes such a determination (the International Trade Commission of the United States, the Korea Trade Commission of South Korea, etc.), but Japan has a system whereby the Director-General of Custom-Houses make the determination and suspend importing or exporting as an administrative disposition.

If suspect intellectual property infringing goods are found at the customs and the goods are not subject to offense investigation (Article 119 onward of the Customs Act; investigation on whether or not goods are subject to the penal provisions of the Customs Act⁸), investigation is commenced to identify whether the goods infringe intellectual property. Import or export may be suspended at the customs either *ex officio* by the Director-General of a Custom-House or by application filed by a party. The infringement identification procedure may also be commenced *ex officio* when a customs official discovers intellectual property infringing goods in the process of import inspection. The procedure based on application filed by a party is discussed below.

The procedure is divided into the procedure of application for import suspension, which the patentee files with the Director-General of a Custom-House to identify whether or not the goods in question are patent infringing goods, and the identification procedure⁹ that is conducted after the Director-General accepts the application (the two procedures are sometimes collectively referred to as the “identification procedure”).

7 The details of the procedures are specified in Chapter 6 Customs Clearance, Section 7 Intellectual Property Infringing Goods (Export) and Section 8 Intellectual Property Infringing Goods (Import) of the Basic Directive on the Customs Act.

8 Investigation is conducted for cases of violation that fall under the penal provisions of the Customs Act (offense cases) by a method similar to criminal investigation, and prosecution is instituted after the Director-General of a Custom-House makes an accusation.

9 The procedure is stipulated in the provisions as “a procedure for identifying whether or not said goods fall under any of the categories of goods set forth in these items” (Article 69-12, paragraph (1)).

In the case of import, the patentee may submit to the Director-General of a Custom-House necessary evidence for making a prima facie showing of the fact of infringement¹⁰ by goods which the patentee finds to be infringing his/her patent right and, if the goods are to be imported, file an application with the Director-General to conduct an identification procedure for those goods (Article 69-13, paragraph (1) of the Customs Act). The subject of application is the import goods, so the application may be filed even if the infringer (importer) has not been identified. When this application is filed, examination is conducted to determine whether or not to accept the application, and a decision of acceptance, non-acceptance, or pending¹¹ is made¹² (paragraphs (2) and (3) of said Article).

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Under that process, the Director-General of the Custom-House may seek the opinion of an expert advisor (Articles 69-14) if an interested party submits a written opinion, if there is a dispute (litigation, etc.) or a dispute is found likely to occur between the applicant and an interested party over the presence or absence of infringement, if it is difficult to determine whether or not a prima facie showing of the fact of infringement has been made in the examination of an application for import suspension, or if it is found appropriate to hear the opinion of an expert advisor with regard to an application for import suspension, etc.¹³ The matters on which an expert advisor's opinion may be sought include the technical scope of a patented invention, as well as grounds for preventing the establishment of infringement (such as parallel import, exhaustion of the right, prior use, experiment or

10 Here, the fact of infringement includes not only cases where the infringing goods have already been imported into Japan, but also cases where such goods are likely to be imported into Japan. For example, it includes a case where the goods have been exhibited at an overseas trade fair and are likely to be imported, or a case where the goods are sold on an Internet shop and are likely to be imported.

11 Sometimes the decision on acceptance is pending until the court issues a judgment.

12 If a party is dissatisfied with the disposition by the Director-General of a Custom-House, the party may raise an objection against the Director-General (Article 89, paragraph (1) of the Customs Act), and further request the Minister of Finance to conduct an administrative review, in which case the Minister must consult with a council (Article 91 of the Customs Act). If the party is dissatisfied with the determination by the Minister of Finance, the party may file administrative litigation for rescission of that determination.

13 The detailed procedure is described in a notice issued by the Custom and Tariff Bureau, Zaikan No. 657 (July 1, 2014) "Chiteki Zaisan Shingai Buppin No Torishimari Ni Kansuru Senmon Iin Seido No Un'yō Tō Ni Tsuite" (Implementation of the Export Advisor System Concerning Regulation of Intellectual Property Infringing Goods, etc.).

research, invalidity of the right,¹⁴ abuse of the right, etc.). When suspect goods are considered to be included in the goods that are to be imported following the approval of an application for import suspension, an infringement identification procedure is commenced (Article 69-12, paragraph (1) of the Customs Act), and determination is made as to whether or not the goods subject to the procedure are patent infringing goods. The Director-General of the Custom-House must notify the patentee and the importer of the fact that an identification procedure will be conducted, the fact that they may submit evidence and state their opinions on whether or not the goods are patent infringing goods, and other matters specified by Cabinet Order (said paragraph).¹⁵ The Director-General of the Custom-House may not order confiscation, disposal, or reshipment of goods unless the Director-General has completed this identification procedure (paragraph (4) of said Article).

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With the 2007 revision, a system was introduced to allow the patentee to follow a simplified procedure when the importer does not intend to dispute an infringement (the proviso to Article 62-16, paragraph (1) and paragraphs (4) and (5) of said Article of the Customs Act Enforcement Order). However, Article 62-16, paragraph (3), item (vii) of the Customs Act Enforcement Order (the identification procedure for goods that must not be imported) provides “excluding an application relating to a patentee, utility model right owner, or a design right owner,” so the simplified procedure is not applied to patent infringing goods.¹⁶

When the infringement identification procedure begins, the Director-General of the

14 In the Kobe District Court Judgment, January 19, 2006, court website (the Stone Lantern case), an importer whose import of stone lanterns was suspended due to patent infringement demanded the Director-General of a Custom-House (more precisely, the head of the Rokko Island Sub-Branch Customs of the Kobe Customs to whom the authority had been delegated) to rescind the disposition on the basis that the patent in question lacked an inventive step, which was grounds for patent invalidation. Article 104-3 of the Patent Act provides that the right may not be exercised “in litigation concerning the infringement of a patent right,” and the issue was whether invalidity of a patent right can be asserted against a disposition at the customs. The court held that denial of the assertion of invalidation would give excessive protection to the patentee while giving an inappropriate disadvantage to the person declaring the import of goods, which runs against the principle of equity, and that there is no need or rationality for the Director-General of a Custom-House to make a disposition on identification of infringement even in such a case where the patentee’s exercise of the patent right would be restricted in infringement litigation. The court took a careful step whereby, instead of directly applying Article 104-3, it referred to said Article and interpreted that the “patent right” set forth in Article 69-11, paragraph (1), item (ix) of the Customs Act “indicates a patent right which does not have grounds for invalidation.” Following this judgment, invalidity of the right was added to the matters on which an expert advisor’s opinion may be sought. Section 1(2), Chapter 1 Treatment of the Hearing of the Opinion of an Expert Advisor with Regard to an Application for Import Suspension of Zaikan No. 657 (July 1, 2014) “Chiteki Zaisan Shingai Buppun No Torishimari Ni Kansuru Senmon Iin Seido No Un’yō Tō Ni Tsuite” (Implementation of the Export Advisor System Concerning Regulation of Intellectual Property Infringing Goods, etc.) states “it should be noted that the customs does not determine the invalidity of a right,” but this merely states the natural fact that a disposition by the customs is not effective against the public, unlike a trial decision of invalidation.

15 For details, see Izumi Hayashi, “Chiteki Zaisan Shingai Buppun No Zeikan Deno Torishimari (Mizugiwa Sochi)” (Regulation of Intellectual Property Infringement Goods at Customs [Border Measures]), *Jurist*, No. 1405 (2010), p. 126.

16 Chapter 6 Customs Clearance, Section 7 Intellectual Property Infringing Goods (Export), 69-1-1-2(2) Simplified Procedure of the Basic Directive on the Customs Act excludes applications concerning patents, utility models, and designs from the simplified procedure.

Custom-House must give both parties an opportunity to inspect (check the external appearance of) the cargo (Article 69-13, paragraph (4) of the Customs Act). The patentee may request the Director-General of the Custom-House for his/her approval to examine (check the internal structure, etc. of) a sample of the suspect goods, in which case the Director-General must notify the importer (Article 69-16, paragraph (1) of the Customs Act). The Director-General of the Custom-House may, in the identification procedure, hear the opinion of the JPO Commissioner (Article 69-17, paragraph (1) of the Customs Act), and if necessary,¹⁷ seek the opinion of an expert advisor with regard to matters outside the technical scope of the right (Article 69-19 of the Customs Act). As for matters within the technical scope of the right, the Director-General hears the opinion of the JPO Commissioner (Article 69-17, paragraph (1) of the Customs Act).

During the infringement identification procedure, the goods are held at a bonded warehouse. In order to secure compensation for any damage incurred by the importer due to not being able to import the goods in question until the identification procedure is completed, the Director-General of the Custom-House may order the applicant to deposit security to a reasonable amount (Article 69-15, paragraph (1) of the Customs Act).¹⁸ In principle, if an infringement is not identified within ten days (20 days if extended), the importer may file a request for the discontinuance of the identification procedure by providing security to cover any damage caused by the import (Article 69-20 of the Customs Act; Article 53, paragraph (2) of the TRIPS Agreement). If, finally, the goods are found to be non-infringing, the goods pass through customs, and if they are found to be infringing, unless they are voluntarily dealt with by the importer, they are confiscated or disposed of, or the importer is ordered to reship them (Article 69-11, paragraph (2) of the Customs Act). If a party is dissatisfied with the identification results, he/she may dispute the results based on the Administrative Appeal Act and the Administrative Case Litigation Act. The speed of the procedure for border measures is greater than that of litigation, so the parties concerned need to make their responses accordingly.

In the case of an export, a procedure similar to that for an import is basically followed although there are slight differences in some steps such as the sample examination by the right holder (Articles 69-2 through 69-10 of the Customs Act), but due to the nature of export, the goods are not reshipped as a matter of course.

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¹⁷ The Director-General hears the opinion of an expert adviser when it is difficult to determine whether the goods in question are infringing goods due to issues that had not been raised in the procedure of application for import suspension, or the like.

¹⁸ However, deposit of security seems to have never been ordered to date (as of 2015).

The above procedures are followed when tangible goods are to pass through customs and be brought into Japan; but intangible goods, such as computer programs and music which are not stored on a physical medium, are often transmitted into Japan via the Internet without going through customs. Goods that are most strongly affected by such characteristic digital technology are copyrighted works and programs. Since such goods do not pass through customs, they cannot be made subject to border measures, so if they are used in Japan, such use will be regulated.

For the concept of import and export that are regarded as the working of an invention, see “7.2.2.2. Working of the Invention of a Product.”

8.2.3. Right to Claim Compensation for Damage¹

8.2.3.1. Introduction

The Patent Act has a presumptive provision on the amount of damages with regard to patent infringement, but it does not provide for the basis for claiming compensation for damage. Therefore, the damages are claimed based on the tort provisions under Article 709 of the Civil Code. A possible legislative measure would be to establish a provision for claiming damages under the Patent Act. However, as it is hardly likely for a patent infringement to be an act other than a tort in actual cases, the result would be the same either with or without such a provision under the Patent Act, and it will only be a matter of a legislative technicality.²

In order to claim compensation for damage caused by an act of tort, the plaintiff must bear the burden of proof regarding the intent or negligence of the infringer (hereinafter including the case of a suspected infringer), the causal relation between the act of infringement and damage, and the amount of damages, in principle. Nevertheless, in the

1 With regard to this issue, see: Industrial Property Council, “Songai Baishō Nado Shō Iinkai Hōkokusho -- Chiteki Zaisan Ken No Tsuyoi Hogo” (Report of Subcommittee on Compensation for Damages, Industrial Property Council -- Powerful Protection of Intellectual Property Right), (1997); Japan Patent Office, “21 Seiki No Chiteki Zaisan Ken O Kangaeru Kondankai Hōkokusho -- Korekara Wa Nihonn Mo Chiteki Sōzō Jidai” (Report by the Commission on Intellectual Property Rights in the Twenty-first Century -- Toward the Era of Intellectual Creation), (1997); Institute of Intellectual Property, “Chiteki Zaisan Ken Shingai Ni Kakaru Minji Teki Kyūsai No Tekiseika Ni Kansuru Chōsa Kenkyū Hōkokusho” (Research and Study on Rectification of Civil Remedies concerning Intellectual Property Infringement), (1997); Institute of Intellectual Property, “Chiteki Zaisan Ken Shingai Ni Taisuru Songai Baishō/Bassoku No Arikata Ni Kansuru Chōsa Kenkyū Hōkokusho” (Report on Research and Study of the Ideal Compensation for Damages and Penalties concerning Intellectual Property Infringement), (1998); Institute of Intellectual Property, “Sankyō Zaisanken Funsō Wo Meguru Genjō Ni Kansuru Chōsa Kenkyū Hōkokusho” (Study on Current Conditions Regarding Industrial Property Disputes) (2006); Institute of Intellectual Property, “Nichi Bei Kan Ni Okeru Tokkyoken No Kōshi Ni Kansuru Shomondai Ni Tsuite No Chōsa Kenkyū Hōkokusho” (Problems Related to Patent Enforcement in Japan, the United States and South Korea) (FY2007 JPO-commissioned research study report on issues related to the industrial property rights system; 2008).

2 Article 4 of the Unfair Competition Prevention Act provides for the obligation to compensate for damage and Article 5 of the Act provides for a presumption of the amount of damages that is similar to Article 102 of the Patent Act. However, the conclusion is unlikely to differ even without such provision as Article 4 of the Unfair Competition Prevention Act.

case of the infringement of a patent or other intellectual property, there is a considerable difficulty in proving all of these matters due to the character of intellectual property as information, so the Patent Act has provisions for presuming negligence and provisions for presuming and deeming that a certain amount should be the amount of damages (Articles 103 and 102 of the Patent Act).

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Since there had been criticism that the amount of damages recognized by the courts was too small, Article 102 of the Patent Act was revised in 1998 and 1999 to make proving of the amount of damages easier than before.

8.2.3.2. Presumption of Negligence (Article 103 of the Patent Act)

The subject matter of a patent right—an invention—is technical information, which is difficult to manage physically and whose existence is difficult to search due to its nature as information property. Therefore, it is generally difficult to prove the intent or negligence of the infringer. While even originally developed technology, which is not an imitation, can constitute a patent infringement, if the infringer asserts a defense of non-negligence against a claim for damages, often the patentee cannot rebut the defense. Accordingly, the Patent Act adopts the publication system, and provides that negligence shall be presumed (Article 103 of the Patent Act). Although there was no presumptive provision on negligence in the Act of 1921, negligence was often presumed by court judgments, and such presumption was also supported by academic theories. Therefore, the provisions only stipulated conventional practice, and there was hardly any change following the introduction of such provisions.

All registered patents are published,³ and the current Act presumes the infringer to know the contents of patent rights because public notification of patent rights is provided, transferring the burden of proof to the infringer. The party concerned is an entity operating business since only working an invention as a business constitutes an infringement, thus it had been considered that no major trouble would occur by presuming the negligence of the infringer, that is, by imposing on the infringer an obligation to research the registration. In

³ There was a secret patent system under the former Act, and unpublished patents existed, but no such patents exist under the current Act. However, most countries worldwide have a secret patent system.

reality, a defense of non-negligence has hardly ever been successful.⁴

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The effects of a patent right extend not only to the production but also to the use and assignment, etc. of the invention (Article 2, paragraph (3) of the Patent Act). Therefore, not only an act by a producer, but also an act of using or selling the product as a business constitutes a patent infringement. However, in actuality, it is often not reasonable to obligate all users to conduct patent searches. For instance, a taxi company uses automobiles as a business, and as the operation of automobiles that infringe patents constitutes an infringement, practically it would be difficult to obligate such taxi company to search patent rights concerning automobiles.⁵ Also, if retailers sell infringing goods, such acts constitute an infringement, but retailers cannot be expected to conduct patent right searches in a majority of cases. In addition, mechanical devices involve numerous patents, and it is almost impossible for users to search those patents. Although it depends on the case, it seems reasonable to overturn the presumption of negligence with regard to compensation for damage in some such cases, but such attempt has failed in an overwhelming majority of court cases.⁶ Even if the presumption of negligence is overturned, negligence after a warning, or at least after the service of a complaint, will be found, so compensation for damage after that will be recognized.

As for the presumed details of the negligence, it is clear that negligence is presumed with regard to not knowing of the existence of the patent right. Next, negligence is presumed with respect to not knowing that the act fell within the scope of the right of the patent. Otherwise, the proof of negligence would be extremely difficult unless an infringement is committed in completely the same mode as the scope of patent claims, and the patent right would have no practical meaning. There is a view that negligence should not be found when the infringer has sought the opinion of an expert, such as a lawyer or a patent attorney, with regard to infringement/non-infringement, but negligence is hardly

4 Under the Design Act, the registration date and the gazette publication date sometimes differ, and a design right is not publicly notified during the period from registration until publication in the gazette, so there is a question of whether the provisions on presumption of negligence are applicable to use of the design during this period. The following are cases under the Design Act where the court found no negligence: the Osaka District Court Judgment, March 29, 1972, *Mutai Saishū*, Vol. 4, No. 1, p. 137 (the Road Safety Fence case); the Osaka District Court Judgment, November 28, 1973, *Hanta*, No. 308, p. 278 (the Duster Handle case); the Osaka High Court Judgment, May 27, 1994, *Chiteki Saishū*, Vol. 26, No. 2, p. 447 (the Clamp Design case). In the following case, which was a rather complicated case, the court, while recognizing that presumption could be rebutted under special circumstances as a generality, held that the presumptive provision was applicable even before the design was published in the Design Gazette: the Nagoya District Court Judgment, December 17, 1979, *Mutai Saishū*, Vol. 11, No. 2, p. 632 (the Screw Machine case). It should be construed that, under the Design Act, negligence is not presumed until the design gazette is published, also from the viewpoint of achieving balance with the secret design system (the proviso to Article 40 of the Design Act).

5 Automobiles and computers are often used a business, but it is impossible for their users to search an enormous number of patent rights.

6 In the Tokyo District Court Judgment, October 31, 1984, *Hanta*, No. 543, p. 200 (the Successive Noodle Boiling Method case), the court upheld a claim for damages, holding that, even if a company running a restaurant were merely using a machine purchased from another company, that does not reduce the generally expected obligation to search for the presence or absence of the patent rights involved.

ever denied in such a case in actuality.⁷ In actual litigation, the presumption of negligence is hardly ever overturned, so the presence or absence of negligence is rarely disputed. In light of such circumstances, Article 103 of the Patent Act, which is legally a presumptive provision, is applied in a manner closer to a deeming provision due to the difficulty in destroying the presumption. However, it is problematic to apply the presumptive provision even to cases where the performance of the search obligation is practically impossible, and overturning of the presumption of negligence should be admitted depending on the specifics of the case.

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Incidentally, the degree of negligence is not presumed under Article 103 of the Patent Act, so a person who asserts that the act has been conducted “without gross negligence” as provided under Article 102, paragraph (4) of the Patent Act bears the burden of proof.⁸

8.2.3.3. Calculation of the Amount of Damages (Article 102 of the Patent Act)⁹

(1) Generality

The Patent Act has special provisions concerning amounts of damages (Article 102 of the Patent Act). Although the plaintiff bears the burden of proof regarding the amount of damages according to the principle of tort law, it is often difficult to prove the amount of damages resulting from a patent infringement. Since the subject matter of a patent right is intangible information, which has a characteristic that an infringement can be committed concurrently by multiple infringers in multiple places. Therefore, it is more difficult to prove the amount of damage caused by an act of infringement compared to a case

7 In the Osaka District Court Judgment, October 30, 1984, *Hanta*, No. 543, p. 263 (the Handle for a Handbag case), the court found negligence even where the infringer had obtained a patent attorney's opinion that the act in question was not an infringement. In the Tokyo District Court Judgment, April 25, 2002, court website (the Equipment for Separating and Removing Foreign Substances from Raw Seaweed case), the court held that the sole fact that the infringer has sought the opinion of his/her patent attorney or lawyer with regard to non-infringement of the patent right is insufficient for overturning the presumption of negligence.

8 Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 1133 [written by Reiko Aoyagi].

9 Essays on this issue include the following: Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*; and Yoshiyuki Tamura, *Kinōteki Chiteki Zaisanken No Riron (Chiteki Zaisan Kenkyūjo Sōsho 1 (Theory of Functional Intellectual Property Law (Institute of Intellectual Property Series 1)) (Shinzansha, 1996), p. 205 onward (the contents of this essay are summarized in the following essay: Yoshiyuki Tamura, “Tokkyoken Shingai Ni Taisuru Songai Baishō” [Compensation for Damages concerning a Patent Infringement], *Shihō* [Private Law] [Japan Association of Private Act], No. 54 [1992], p. 269). Yōichi Maeda, “Minpō Ni Okeru Songairon No Genjō To Tokkyo Hō 102 Jō I Kō / Shōhyō Hō 38 Jō I Kō” (Current Status of Damage Theories under the Civil Code and Article 102, Paragraph (1) of the Patent Act / Article 38, Paragraph (1) of the Trademark Act), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damage), p. 1. Related court judgments are overviewed in Harumi Kojō, “Tokkyo/Jitsuyō Shinan Shingai Soshō Ni Okeru Songai Baishō No Santei” (Assessment of the Amount of Damages in Patent/Utility Model Infringement Litigation) 1-6, *Hatsumei* (Invention), Vol. 86, No. 1 (1989), p. 16 onward. Other references include the following: Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 972 [written by Reiko Aoyagi]; Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1510 [written by Kei Iida]; Kaoru Kamata, “Chiteki Zaisan Soshō Ni Okeru Songai Baishō Hōri” (Principle of Compensation for Damage in Intellectual Property Litigation), *Tokkyo Kenkyū* (Patent Studies), No. 17 (1994), p. 4.*

concerning tangible property. Since damage caused by a patent infringement is not damage to the patent right itself, but is a “lost profit” with a special characteristic whereby damage becomes apparent through a market, which involves uncertainties, the causal relation between an act of infringement and damage is often unclear. In extreme cases, the sale of infringing goods could activate the market of the patented product, and could lead to profits for the right holder as well. Accordingly, if the amount of damages is assessed solely based on the general principles under tort law, there is a high risk that it would not be possible to prove the causal relation and the amount of damages. As this could encourage infringements, there was a need to design a system that enables a plaintiff to claim a reasonable amount of damages from the infringer. Thus, the Patent Act has special provisions concerning the presumption, etc. of a reasonable amount of damages (Article 102 of the Patent Act).

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Because an act of patent infringement is a tort, it is possible to claim damages in accordance with the provisions of Article 709 of the Civil Code, without using the presumptive provisions under Article 102 of the Patent Act.¹⁰ In such a case, damages can be claimed for any damage that has a reasonable causal relation with the act of infringement. However, since a patent is intangible information, the information itself is unlikely to be damaged through its unauthorized use by another person,¹¹ and the actual damage would mainly be lost profit, that is, profit that could have been gained if the act of infringement had not been committed. Theoretically, damages can also be claimed for damage caused by a loss of credibility of the patent right, but such a claim has been upheld in only very few cases in actuality.

Under the general principle of tort law (Article 709 of the Civil Code), compensation can be claimed for damage pertaining to any reduced sales caused by an act of infringement. In addition, if the selling price had to be lowered due to the act of infringement,

10 With regard to a claim for damages under Article 709 of the Civil Code, see Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 2; Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 981 [written by Reiko Aoyagi].

11 It may be possible to cancel another person’s patent registration by using false documents, but this is not an issue of patent infringement.

compensation can be claimed for the resulting damage.¹² Compensation can also be claimed for damage pertaining to any reduction in royalty income caused by the act of infringement. Besides these, compensation can be claimed for attorney's fees and infringement investigation fees in some cases. In reality, however, unlike an act of infringement of the ownership on a corporeal thing, which is the typical mode of infringement of a property right, it is often difficult to prove the causal relation between an act of patent infringement and the damage suffered therefrom due to the involvement of factors like economic conditions and consumer preferences, besides the determination of the infringer's technical capability, capital, advertising ability, experience, efforts, and the presence of alternative products. In other words, it is usually quite difficult to prove that the reduced sales of the right holder, the lowered price, or the reduced royalty income was only attributable to the act of patent infringement.

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Special provisions on the calculation of the amount of damages have been established under the Patent Act due to the peculiar nature of patent infringements. While there are some grounds for reducing the amount of damages, roughly speaking, Article 102, paragraph (1) of the Patent Act (introduced upon the 1998 revision) sets out that the amount of damages is estimated to be the sum of money obtained by multiplying the quantity of the assigned infringing articles by the profit per unit quantity that could have been gained by the patentee, paragraph (2) of said Article presumes the profits gained by the infringer through the act of infringement are the amounts of damages, and paragraph (3) of said Article deems an amount equivalent to the amount of money that the patentee would have been entitled to receive for the working of the patented invention to be the damages. This does not mean that a right to claim damages exists for each of these paragraphs, but a single right to claim damages based on an act of tort exists as the subject matter of litigation and the respective paragraphs of Article 102 explain its calculation methods.

Since these presumptive provisions did not exist under the former Act (Act of 1921),

¹² In the Okayama District Court Judgment, May 29, 1985, *Hanta*, No. 567, p. 329 (the Punch Hanger case), the court stated that compensation can be claimed for lost profits resulting from not being able to maintain the selling price, which could have been maintained were it not for the infringement, as a case of passive damages. After the court recognized the profit gained by the infringer as the amount of damages suffered pursuant to Article 102, paragraph (1) of the Patent Act (before the 1998 revision; current paragraph (2)), it added the damages caused by the discount in prices, and recognized their total amount as the amount of damages to be awarded. In the Tokyo High Court Judgment, December 17, 1991, *Chiteki Saishū*, Vol. 23, No. 3, p. 808 (the Woodgrain Decorative Paper case), the court held an act of selling a product that completely imitated the pattern of another person's woodgrain decorative paper that was in no way the defendant's work in a competitive area at a low price to be an act of tort, and recognized the amount of damages to be the difference between the discounted price and the original price. Although this court judgment is not an intellectual property infringement case, the recognition of the amount of damages in the case where an identical product was sold by way of an act of tort also can be analogized to the case of a patent infringement, so it serves as a good reference. However, it should be noted that this is a tort case, so the amount of damages was found by considering all the circumstances including the selling method apart from the issue of the infringer directly imitating another person's work.

there had been various theories regarding the amount of damages. Accordingly, upon legislating the current Act (Act of 1959), the present provisions were added for the purpose of reducing the burden of proof within the framework of the damage compensation system for an act of tort.¹³ The report released by the revision council at the time of enactment of the Act of 1959 had set out that a claim can be made for the return of the profits gained by the infringement or for compensation for the damage actually suffered by the infringement.¹⁴ However, this was later revised to the framework under the current Act because of the criticism that, if the infringer had to return the entire amount of the profits when the profits were higher than the amount of damages suffered by the patentee, the protection would be excessive for the patentee and too severe for the infringer, while it would also go against the general principle of the Act on Compensation for Damages. In other words, the legislators had the intention of abolishing the idea of returning the profits and processing the issue within the framework of tort law.¹⁵

(2) Article 102, paragraph (1) of the Patent Act

Upon the 1998 revision, paragraph (1) was newly added to Article 102 of the Patent Act, and the conventional paragraphs were moved down accordingly. New paragraph (1) provides that, if the infringer assigned¹⁶ articles that led to the act of infringement, the amount of damage sustained by the right holder may be considered to be the amount of profit per unit of articles which would have been sold by the right holder if there had been no such act of infringement, multiplied by the quantity of articles assigned by the infringer, the maximum of which shall be the amount attainable by the right holder in light of his/her capability to work such articles. However, the paragraph provides that if any circumstances exist under which the patentee or the exclusive licensee would have been unable to sell the assigned quantity, the amount calculated as the number of articles not able to be sold due to such circumstances shall be deducted. In other words, the main clause of paragraph (1) provides that the amount of damages is to be within the capability of the right holder, and

13 For the detailed process of legislation of the current Act, see Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 48.

14 *Kōgyō Shoyūken Seido Kaisei Shingikai Tōshin Setsumeisho* (Explanation on the Report of the Council on Revision of Industrial Property Systems), p. 105; Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 301.

15 In contrast, Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 237 indicates a possibility that the return of the profits could be recognized under the name of compensation for damage, because no consideration is being given to whether the right holder could have actually gained such an amount of profits in the absence of the infringement.

16 "Assign" here is only a typical example, and it should be construed to include leases, etc. (Kaoru Kamata, "Tokkyoken Shingai To Songai Baishō" [Infringement of Patent Right and Compensation for Damages], *CIPIC Journal*, Vol. 79 [1988], p. 1; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 347). However, assignment is unlikely to be carried out as a mode of working an invention relating to a simple process, so paragraph (1) will not apply, and paragraphs (2) onward will apply in such a case.

the proviso provides that such amount is to be reduced by taking into account other circumstances (such as the existence of competing goods). While the right holder has the burden of proof with regard to the main clause of paragraph (1), the infringer has the burden of proof with regard to the “circumstances ... under which the patentee or the exclusive licensee would have been unable to sell” set forth in the proviso. Conventionally, the causal relation of such circumstances had been considered to be difficult to prove, but the law revision facilitated proof by stipulating such circumstances as grounds for reducing the amount of damages. In applying paragraph (1), whether or not the articles were assigned for value or for free is irrelevant. This is because, even if they were assigned for free, they still deprive the right holder of the opportunity to sell once they are placed on the market.¹⁷ In reality, there may be a circumstance where users use the articles if they get them for free but not if they have to buy them. In such case, the infringer would have the burden of proof to establish that circumstance as grounds for reducing the amount of damages.

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The term “presume” which had been used in former paragraph (1) (current paragraph (2)) was avoided, because presumptive provisions often resulted in all-or-nothing types of solution since presumption could no longer be applied once facts to rebut the presumption (such as that the right holder had not worked the invention) had been proved.¹⁸ On the contrary, new paragraph (1) assumes the profit per unit of articles which the right holder would have been unable to sell if there had been no act of infringement, multiplied by the assigned quantity, to be the damage sustained by the right holder to the extent that it does not exceed the right holder's capability to work such articles, and deducts the amount calculated as the number of articles that would not have been sold by the right holder. Also, under former paragraph (1) which had calculated the amount of damages based on the profit gained by the infringer, the amount of damages tended to be underestimated when the infringer's profit was small or when the right holder's product was expensive but the infringer's product was poor-quality and cheap. However, under new paragraph (1), which calculates the amount based on the profit which the right holder would have been able to gain, the right holder is able to claim damages even when the infringer has not gained any profit, and the amount of damages awarded is expected to grow higher than that under former paragraph (1).

Damages under Article 102, paragraph (1) of the Patent Act shall be set at an amount of which the maximum shall be the amount attainable by the right holder in light of his/her

¹⁷ The Intellectual Property High Court Judgment, January 24, 2012, court website (the Solid Golf Ball case).

¹⁸ Under the provisions of presumption of damage, occurrence of damage could not be presumed if the right holder had not worked the invention, so the presumption would be rebutted, and the right holder would need to produce evidence from scratch.

capability to work the articles in question. This is because any amount beyond his/her capability is a portion for which the right holder would not have been able to work the articles, and as such, no lost profit is considered to exist for such portion. This paragraph is applied to such cases as where the right holder is a small company while the infringer is a large company, and their manufacturing capabilities differ tremendously. If the right holder's capability to work the invention is strictly interpreted, the amount of profit achieved by fully operating the existing factories, etc. would be the upper limit of the damages, but then the significance of introducing new paragraph (1) would be diminished. Actually, if products sell well, the right holder can often increase production by expanding capital investment or hiring part-time workers through such measures as obtaining a loan from a bank, etc.¹⁹ So the capability to work the invention should be determined by including the right holder's potential capability, taking into consideration such varied circumstances.²⁰

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The phrase “articles which would have been sold by the patentee or the exclusive licensee if there had been no such act of infringement” refers to the right holder's products that can be substituted for the infringing goods in the market. The substitutability is a sufficient requirement. For example, even articles with different quality, design, or sales channels can be regarded as articles which would have been sold, as long as they are

19 Case-by-case determination would be required in such a case as expanding a factory by obtaining a new loan. The capability to work the invention would likely be denied for a product that is manufactured for one season, but the capability would likely be recognized for a product that is manufactured over a long term.

20 In the Tokyo District Court Judgment, July 17, 1999, court website (the Recording Sheet case), the court held that, considering that the right holder is sometimes forced to refrain from making a capital investment for the manufacture and sale of his/her products as a result of a large quantity of infringing goods going on the market, if the strict interpretation of the right holder's capability to work the invention would result in a lack of appropriate relief for the right holder, it would go against the purpose of the Patent Act revision to introduce new paragraph (1) for expanding the protection of the right holder's rights. The court further stated that an infringer's act of selling infringing goods on the market not only directly reduces the sales of the right holder's product by competing with such product during the sales period in relation to traders and consumers, but also reduces the sales of the right holder's product even after the sales period of the infringing goods as a result of the infringing goods being stored as inventory by traders or continuously used by consumers. The court concluded that the capability to work the invention as prescribed in Article 102 of the Patent Act cannot be construed as referring to the specific manufacturing capability and selling capability during the period strictly matching the time of the sales of the infringing goods, and if the patentee has the potential capability to manufacture and sell a certain amount of products during the duration of the patent right by such means as receiving a loan from a financial institution and making a capital investment, the patentee should be regarded as having the capability to work the invention, in principle. In the Tokyo District Court Judgment, March 19, 2002, *Hanji*, No. 1803, p. 99/*Hanta*, No. 1119, p. 244 (the Slot Machine case), the court stated that the capability to work the invention cannot be construed as referring to the specific manufacturing capability and selling capability during the period strictly matching the time when the infringing goods were sold, and if the patentee has the potential capability to manufacture and sell a certain amount of products during the duration of the patent right by such means as receiving a loan from a financial institution and making a capital investment, it is reasonable to construe that the patentee has the capability to work the invention, in principle.

substitutable for the infringing goods.²¹

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When a product worked by an infringer does not conflict with a patented invention which the right holder owns and works, but conflicts with another patented invention owned but not worked by the patentee, and when the product worked by the patentee and that worked by the infringer are in competition with each other, there is a question of whether paragraph (1) or paragraph (3) will be applied since the right holder is not working the infringed patented invention. This becomes an issue when, for example, the right holder owns substance patents for Drug A and Drug B, which have slightly different chemical structural formulae, but have the same effects and are competitors in the market, and the right holder works the invention of Drug A but does not work the invention of Drug B. Damages claimable for a patent infringement assume the profit which would have been gained if there had been no act of infringement (lost profit), similar to the case of an ordinary act of tort; so if the infringer's product *B* and the plaintiff's patented product *A* are competing with each other and there is a circumstance whereby it can be assumed that the right holder's patented product would have been sold if the infringer's product had not been manufactured and sold, a reasonable causal relation should be found between the act of the infringer and the damage, and the application of paragraph (1) should be allowed.²² Since

21 Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 312; Yoshiyuki Tamura, “Songai Baishō Ni Kansuru Tokkyo Hō No Kaisei Ni Tsuite” (Revision of the Patent Act, etc. with Regard to Compensation for Damage), *Chizai Kanri* (Intellectual Property Management), Vol. 49, No. 3 (1999), p. 331. In the Osaka District Court Judgment, April 19, 2007, *Hanji*, No. 1983, p. 126 (the Goggles case), while the patentee's product had competed with the infringing product in the market and demand for the product would have been increased if the infringing product had not been on sale, the court held that the patentee's product was competitive with the infringing product in the market even if there were differences in design and added functions. The same view is indicated in the Intellectual Property High Court Judgment, January 24, 2012, court website (the Solid Golf Ball case). An opposite view is indicated in Ryōichi Mimura, “Chiteki Zaisanken Shingai Soshō Ni Okeru Songai No Santei Ni Tsuite” (Calculation of Damage in Intellectual Property Infringement Litigation), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damage), p. 270.

22 Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 348; Kazuhiko Yoshida, “Songai Baishō” (Compensation for Damage), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza II* (Lecture on Modern Intellectual Property Law II), p. 163; Hideo Ozaki, “Tokkyo Hō 102 Jō 1 Kō No Shoronten” (Issues Concerning Article 102, Paragraph (1) of the Patent Act), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damages), p. 20. In the Tokyo High Court Judgment, June 15, 1999, *Hanji*, No. 1697, p. 96 (the Sumithermal case; a case concerning Article 102, paragraph (2) of the Patent Act), the court held that there is a reasonable causal relation between the act of infringement and the loss of an opportunity to sell a competitive product in which the patented invention is not used, and awarded damages in an amount equivalent to the profit. In the Tokyo District Court Judgment, October 8, 2009, court website (the Orally Administered Absorbent case), the court stated that paragraph (2) is applicable if there is any profit which would have been gained by the right holder if there had been no act of infringement (while this is a case concerning paragraph (2), the same is considered to apply to paragraph (1)). In the Intellectual Property High Court Judgment, January 24, 2012, court website (the Solid Golf Ball case), the court stated as follows: given that the main clause of Article 102, paragraph (1) of the Patent Act does not literally require the right holder's products to be those in which the patent has been worked, it is sufficient for the right holder's products to be substitutable for competing products which would have been sold by the right holder if there had been no act of infringement, and they do not need to be products in which the right holder's patent has been worked. The same view is indicated in the Tokyo District Court Judgment, January 30, 2014, court website (the Automatic Telephone Number Data Creating Device case).

paragraph (1) indicates a method for the calculation of damages, there should be no problem in applying the paragraph if there is a situation where the right holder's product would have been sold in the absence of the infringement. This issue, which is also applicable to paragraph (2) (paragraph (1) before the revision), had been argued since before the 1998 revision.

If there is a circumstance such as that a portion of the demand for the infringer's product is not oriented toward the right holder, that portion serves as the grounds for reduction of the amount of damages under the proviso to paragraph (1). Also, when using the same patent, if the products in question are not competing at all in the market, such as where the right holder's product is television and the infringer's product is radar, paragraph (1) will not apply, and the application of paragraph (3) will be considered.

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The prevalent theory is to construe that the amount of the right holder's profit based on which the amount of damages under paragraph (1) should be calculated is the right holder's marginal profit,²³ that is, the amount obtained by deducting variable expenses from the right holder's sales, and that, in principle, the deduction of such expenses as investment in development and general administration should not be permitted.²⁴ For the

23 Marginal profit is an accounting term, which is an amount obtained by deducting variable expenses from sales and which incorporates profit and fixed costs, but in law, the term often seems to be used in a more relaxed manner than a strict accounting concept. Here, it should be considered as a question of how much extra cost would have arisen if the right holder were to additionally manufacture the same quantity of products as those sold by the infringer.

24 Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 235; Harumi Kojō, "Tokkyo/Jitsuyō Shingan Shingai Soshō Ni Okeru Songai Baishō No Santei" (Assessment of the Amount of Damages in Patent/Utility Model Infringement Litigation) 2, *Hatsumei* (Invention), Vol. 86, No. 2 (1989), p. 45; Reiko Aoyagi, "Tokkyo Hō 102 Jō 1 Kō (Songai Baishō No Suitei) Ni Tsuite (Discussions on Article 102, Paragraph (1) of the Patent Act [Presumption of Compensation for Damage])," NBL Additional Volume, No. 33 (1996), p. 13, Shigeki Chaen, "Tokkyoken Shingai Ni Yoru Songai Baishō" (Patent Infringement Damages), *Jurist*, No. 1162 (1999), p. 51. In the Tokyo District Court Judgment, October 30, 1995, *Hanji*, No. 1560, p. 24/*Hanta*, No. 908, p. 69 (the Control Program case; a copyright case), the court stated that, presumptive provisions are found to premise a social fact supporting the presumption of the probability that as long as the infringer has gained some profit by using a copyrighted work, the copyright owner can obtain the same profit by using the copyright work in the same manner. On such basis, the court mentioned that the meaning of the profit obtained by the infringer, which is a fact premised upon presumption, should not be bound by the financial and accounting concept of profit, but should be determined based on its relationship with the presumed fact. The court held that, to the extent of the number of units that can be manufactured and sold without new capital investment or the additional employment or training of workers, the plaintiff's lost profit should be considered to be the marginal profit obtained by deducting only the variable expenses for manufacturing and sales from the amount of sales. In the Tokyo District Court Judgment, February 21, 1997, *Hanji*, No. 1617, p. 120 (the Plastic Infant Toy case; a case relating to the Unfair Competition Prevention Act), the court held that, if the plaintiff is already manufacturing and selling the product in actuality after investing in development and other areas, to the extent of the number of units that can be manufactured and sold without investment in new development or the additional employment of workers, the plaintiff's lost profit should be considered to be the sales profit obtained by deducting only the variable expenses for sales, such as purchase costs, from the amount of sales of the plaintiff, and the number of units of the defendant's product sold is found to be within the extent of the number of units that the plaintiff could have manufactured and sold, so it is reasonable to consider that the profit obtained by the person who has committed an act of unfair competition, which is a fact premised upon presumption, is the amount obtained by deducting only the variable expenses such as purchase costs from the amount of sales of the defendant's product, and not deducting the development costs, personnel costs, general administration costs or manufacturing management costs relating to the defendant's product. The same view was indicated in the Tokyo District Court Judgment, October 7, 1998, *Hanji*, No. 1657, p. 122/*Hanta*, No. 987, p. 255 (the System for Loading Device case); the Tokyo District Court Judgment, February 8, 2001, *Hanji*, No. 1773, p. 130/*Hanta*, No. 1092, p. 266 (the Toy With Automatic Bullet Supplying Mechanism case); the Osaka District Court Judgment, April 19, 2007, *Hanji*, No. 1983, p. 126 (the Goggles case).

right holder, the development costs and personnel expenses are often sunk costs which have already been invested, so the issue should not be the average profit calculated by deducting all of such expenses from the sales amount, but the profit calculated by premising such investments and deducting from the gross profit the additional costs that would be required when manufacturing the same quantity of products as the quantity of infringing products sold.²⁵ In reality, however, what kind of additional costs would be required for the additional manufacturing differs case by case, so a flexible interpretation is necessary.²⁶ For example, in the case of a product for which the personnel expenses, advertising costs, and general administration expenses are linked with its sales, such expenses would also be deducted, in principle. In addition, if there is a situation where there is a large quantity of infringing goods, and it was impossible to manufacture the same quantity of products unless the manufacturing equipment was beefed up, such capital investment may be deducted.

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If part of the patent rights involved in the right holder's product has been infringed, the damages should be determined according to its contribution rate.²⁷ In particular, when an extremely large number of patent rights are involved in a single product, such as in the case of an electronic device or automobile, it is quite problematic to determine that the profit from the product has been lost due to the infringement of a single patent right. The contribution rate is not merely the percentage of the price which is accounted for by the component, but to what extent the infringed portion contributes to stimulating the purchasers' demand for the product should also be a factor to be determined. However, since the calculation of such contribution rate is extremely difficult, or almost impossible, there may be cases where the damages would be ultimately determined based on Article 105-3 (Determination of Reasonable Damages) of the Patent Act.

25 For example, damages to be paid when a passenger has ridden a train without paying a 100 yen train fare should not be the railway company's profit incorporating the railway track construction costs and personnel expenses (e.g., 10 yen per passenger), but should be 100 yen (it is a separate issue that a large penalty charge is sometimes imposed under the conditions of carriage). This is because, the railway company does not hire workers or construct railway tracks each time in order to transport the passenger who has failed to pay the fare, but would have earned a profit of 100 yen if the company had transported that passenger under the regular fare.

26 Although it is a case prior to the 1998 revision, in the Tokyo District Court Judgment, October 12, 1998, *Chiteki Saishū*, Vol. 30, No. 4, p. 709/*Hanji*, No. 1653, p. 54/*Hanta*, No. 986, p. 144 (the Cimetidine case), the court held that among the direct expenses (the bulk powder fee, the drug formulation and packaging costs, the patent license fee, and the shipping and sales management costs) and general administration expenses, an amount equivalent to expenses that increase or decrease in proportion to the amount of sales of the plaintiff's drug product should be deducted from the damages.

27 The Intellectual Property High Court Judgment, January 24, 2012, court website (the Solid Golf Ball case). In contrast, Hideo Ozaki, "Tokkyo Hō 102 Jō 1 Kō No Shoronten" (Issues Concerning Article 102, Paragraph (1) of the Patent Act), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damages), p. 26 states that, irrespective of the contribution rate, if one unit of the right holder's product is sold the right holder gains the profit per unity quantity, and the contribution rate does not affect the profits gained by the right holder, so it is reasonable to evaluate the contribution rate as one of the "circumstances ... under which the right holder would have been unable to sell" set forth in the proviso. However, it feels uncomfortable to construe the contribution rate as a circumstance for being unable to sell.

Paragraph (1) provides that if any circumstances exist under which the right holder would have been unable to sell the assigned quantity of articles, the amount calculated as the number of articles not able to be sold due to such circumstances shall be deducted. By proving the existence of such circumstances, the infringer can reduce the amount equivalent to the proportion which has been proved to exist from the amount obtained by multiplying the infringer's assigned quantity by the amount of profit per unit of articles which would have been sold by the right holder. Such circumstances are generally considered to include the presence of alternative products, the infringer's brand power, selling capabilities, and company size, and the fact that the infringing goods are more affordable and/or have a better performance than the right holder's product. Due to this measure, the amount of damages is expected to be reasonable, since an all-or-nothing type of solution (such as that under paragraph (1)) can be avoided, and damages can be determined proportionately. However, to what extent such circumstances should be taken into consideration is a difficult issue.

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The presence of a patent right tends to be only one of the many factors leading to good sales of a product, so if the provisions are loosely interpreted and the grounds for reducing the amount of damages are broadly construed, the amount of damages awarded would be reduced and the legislative purpose of the provisions would be lost.²⁸ However, if the provisions are too strictly interpreted, the right holder would gain an unreasonably large profit.²⁹ Here again, there is a fundamental question of what is meant by damage caused by a patent infringement. If the purpose of paragraph (1) is construed within the framework of current tort law to mean compensation for actual damage, circumstances such as the extremely low price of infringing goods, the infringer's large investment in advertising costs,

28 As a case in which the provisions were loosely interpreted, in the Osaka District Court Judgment, April 19, 2007, *Hanji*, No. 1983, p. 126 (the Goggles case), the court held that, as a result of considering various circumstances, it would be reasonable to determine that the quantity of products, after deducting the quantity of the plaintiff's products which he/she was unable to sell, is 1 percent of the assigned quantity of the infringing products. The quantity was also determined to be 1 percent in the Intellectual Property High Court Judgment, September 25, 2006, court website (the Chair-type Air Massage Machine case).

29 As a case in which the provisions were strictly interpreted, in the Tokyo District Court Judgment, March 19, 2002, *Hanji*, No. 1803, p. 99/*Hanta*, No. 1119, p. 233 (the Slot Machine case), the court held that we cannot interpret these provisions as being those established under a fiction that infringing goods have a complementary relationship with the right holder's products on the market, based on the nature of the patent right as an exclusive monopolistic right, but that we can have an interpretation whereby, when regarding the damage caused by sales of infringing goods as a loss of the patentee's market opportunity, such factors as the infringer's sales efforts and the presence of alternative goods or competitive goods other than the infringing goods on the market correspond to the circumstances under which the right holder would have been unable to sell the assigned quantity as referred to in the proviso to Article 102, paragraph (1). Additionally, in the Tokyo District Court Judgment, April 25, 2002, court website (the Equipment for Separating and Removing Foreign Substances from Raw Seaweed case), the court held that such factors as the infringer's sales efforts and the presence of alternative goods or competitive goods other than the infringing goods on the market cannot be interpreted as corresponding to the circumstances under which the right holder would have been unable to sell the assigned quantity as referred to in the proviso to Article 102, paragraph (1).

the attractive characteristics of the infringing goods that are unrelated to the patent in question, the presence of other competitive products on the market, and the infringer's strong brand power would be taken into consideration as important factors.³⁰ On the other hand, if the purpose of paragraph (1) is construed in a more normative manner, so as also to include a general preventive meaning, the above factors would hardly be taken into consideration, and only special circumstances such as the infringing goods being highly seasonable products would be taken into account.³¹

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While former paragraph (1) (current paragraph (2)) had presumed that the infringer's profit constituted the damages, current paragraph (1) basically provides that the amount of profit per unit of articles which would have been sold by the right holder, multiplied by the infringer's assigned quantity, can be considered to be the amount of damages, although there is a possibility of reducing the amount, so as to determine the amount of damages based on the profits of the right holder's side. With the introduction of new paragraph (1), most problems associated with the difficulty of proving the loss of profit caused by a decrease in the right holder's sales in proportion to the quantity sold by the infringer have been resolved. Nevertheless, in addition to the requirement that the maximum damages shall be the amount attainable by the right holder in light of his/her capability to work the invention, the proviso to the paragraph stipulates that if any circumstances exist under which the right holder would have been unable to sell the assigned quantity, the amount of damages should be reduced accordingly. In general, it is not considered that paragraph (1) alters the principle of tort law. Since the profit rate is often a trade secret, the later-mentioned protective order may be required in some cases.

30 In the Osaka District Court Judgment, December 12, 2000, court website (the Multiple-Layer Tire case), the court found that the right holder would not have been able to sell 70 percent of the quantity of the infringer's sales due to such factors as the price of the right holder's product being 7 to 50 times higher than that of the infringing goods. In addition, in the Intellectual Property High Court Judgment, September 25, 2006, court website (the Chair-type Air Massage Machine case), the circumstances under which the right holder would have been unable to sell his/her products are not restricted to circumstances specific to products that could have been sold by the patentee, etc., but can also include the presence of competitive goods and alternative goods on the market, the infringer's sales efforts, brand power and sales capabilities, other characteristics (design, function, etc.) of the infringing goods that would have motivated consumer purchases, and the price of the infringing goods. Meanwhile, in the Osaka District Court Judgment, April 19, 2007, *Hanji*, No. 1983, p. 126 (the Goggles case), the court held that it is reasonable to construe that such circumstances as the price of the infringing goods, the sales routes of the infringing goods, the presence of competitive products, and the contribution rate of the patent in question to the assigned quantity of the infringing goods can be taken into consideration as the circumstances under which the right holder would have been unable to sell his/her goods, and, on the basis that the main clause of Article 102, paragraph (1) provides for a legal fiction to consider the amount calculated by the above method to be the amount of damages, a claim asserting that the circumstances under which the right holder would have been unable to sell as prescribed in the proviso to that paragraph should be interpreted restrictively cannot be upheld.

31 Ryōichi Mimura, "Songai Baishō (1) – Tokkyō Hō 102 Jō 1 Kō" (Compensation for Damages (1) – Article 102 (1) of the Patent Act), Toshiaki Makino and Toshiaki Iimura eds., *Shin Saiban Jitsumu Taikei 4 Chiteki Zaisan Kankei Soshō Hō*, p. 296. Ryōichi Mimura, "Chiteki Zaisanken Shingai Soshō Ni Okeru Songai No Santei Ni Tsuite" (Calculation of Damage in Intellectual Property Infringement Litigation), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damage), p. 269.

Although there is a measure for reducing the amount of damages in certain cases, paragraph (1) is established on a legal fiction that the patentee's patented product and the infringing goods are in a complementary relationship in the market. In other words, it premises that only the right holder is allowed to sell articles that use the right holder's technology because the right holder is entitled to monopolistically work the technology, and the right holder's sales would fall in proportion to the sales of the infringing goods. It establishes a fiction that the amount of damages would be the amount of profit per unit of articles which would have been sold by the right holder if there had been no act of infringement, multiplied by the assigned quantity, and deducts any amount that needs to be deducted. Nevertheless, a monopoly of technology and a monopoly of the market often do not coincide, and in reality, competitive technology tends to exist. Thus, it is rare for the patented product to be able to command a completely monopolistic status in the market based on the patent right.³² The patent right is usually only one of the factors based on which the patented product commands a superior position in the market. The outcome would also differ depending on factors other than the patent right, such as the right holder's capital strength, brand power, selling capabilities, and sales efforts. In other words, new paragraph (1) was established in spite of a lack of an empirical rule that the right holder's product would lose sales in proportion to the infringing goods sold. One reason for this would be the realistic issue that it is difficult to prove the amount of damage suffered by a patent infringement, and another reason may be to not merely compensate for loss of profit, but also take a step forward into the domain of disgorgement of profits or normative damages, although it may deviate from the legislators' intention to construe Article 102 within the framework of tort law. If so, while paragraph (1) provides buffers, namely, “the maximum damages shall be the amount attainable by the right holder in light of his/her capability to work the invention” and “if any circumstances exist under which the right holder would have been unable to sell the assigned quantity, the amount calculated as the number of articles not able to be sold due to such circumstances shall be deducted,” and maintains the appearance of not exceeding the framework of tort law, we should also be cautious about allowing a decrease in the amount of damages when interpreting these buffers.

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When the damages claimed are determined to have exceeded the right holder's capability to work the invention, Article 102, paragraph (1) will not be applied to such excess portion, but the amount equivalent to a license fee under paragraph (3) of said Article

³² Hideo Ozaki, “Tokkyo Hō 102 Jō 1 Kō No Shoronten” (Issues Concerning Article 102, Paragraph (1) of the Patent Act), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damages), p. 18.

should be claimable, in principle.³³ However, there are many court decisions and academic

33 For example, when an infringer has manufactured 100 articles, but the right holder has a capability of manufacturing 70, damages may be claimed under paragraph (1) with regard to the 70 articles, and damages may be claimed under paragraph (3) with regard to the remaining 30. See Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Ge* (New Explanatory Notes on the Patent Act Vol. 2), p. 1604 [written by Kei Iida]. Yoshiyuki Tamura, “Songai Baishō Ni Kansuru Tokkyo Hō No Kaisei Ni Tsuite” (Revision of the Patent Act, etc. with Regard to Compensation for Damage), *Chizai Kanri* (Intellectual Property Management), Vol. 49, No. 3 (1999), p. 239; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 1012 [written by Reiko Aoyagi]; Yoshiyuki Tamura, “Isshitsu Rieki No Suitei Fukumetsu Go No Sōtō Jisshiryōgaku Baishō No Kahi” (Permissibility of Awarding an Amount of Reasonable License Fee After the Presumption of Lost Profit Has Been Overturned), *Intellectual Property Law and Policy Journal*, No. 31 (2010), p. 1; Ryōichi Mimura, “Chiteki Zaisanken Shingai Soshō Ni Okeru Songai No Santei Ni Tsuite” (Calculation of Damage in Intellectual Property Infringement Litigation), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damage), p. 284; Toshiya Kaneko, “Tokkyo Hō 102 Jō 1 Kō Tadashigaki Ni Sōtō Suru Sūryō He No 3 Kō Tekiyō No Kahi (Isushiki Massājiki Jiken)” (Applicability of Paragraph (3) to the Quantity Corresponding to the Proviso of Article 102, Paragraph (1) of the Patent Act [the Chair-type Air Massage Machine Case]), *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) [4th ed.] Case 84 (2012); Yasuyuki Echi, “Tokkyo Hō 101 Jō 1 Kō Tadashigaki Ni Yoru Suitei Fukumetsu Go No 3 Kō No Tekiyō No Kahi” (Applicability of Paragraph (3) After the Presumption Under the Proviso to Article 101, Paragraph (1) of the Patent Act Has Been Overturned), *Chizai Kanri*, vol. 62, No. 10 (2012), p. 1477; Yasuyuki Echi, “Tokkyo Hō 102 Jō 1 Kō Tadashigaki Ni Yoru Kōjo Sūryōbun He No 3 Kō No Tekiyō” (Application of Paragraph (3) to the Quantity to Be Reduced Under the Proviso to Article 102, Paragraph (1) of the Patent Act), *L&T*, No. 60 (2013), p. 55; Akimitsu Arai, “Songai Baishō (2)” (Compensation for Damage [2]), Toshiaki Makino, Toshiaki Imura, Makiko Takabe, Yōichirō Komatsu, and Tomoki Ihara eds., *Chiteki Zaisan Soshō Jitsumu Taikei II* (Outline of Intellectual Property Litigation Practice II), p. 24; Toshiya Kaneko, “Tokkyoken Shigai Ni Yoru Shingai No Futatsu No Omota Toraekata - Uriage Genshō Ni Yoru Isshitsu Rieki To Jisshiryō Sōtōgaku No Kankei” (Two Major Concepts of Damage Caused by Patent Right Infringement: Relationship Between the Lost Profit Resulting From a Decrease in Sales And the Amount Equivalent to a License Fee), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 440. In the Tokyo High Court Judgment, June 15, 1999, *Hanji*, No. 1697, p. 96 (the Sumithermal case), the court stated that, because there is room to claim damages based on paragraph (3) if a claim for damages under paragraph (1) was completely denied, there is also room to claim damages under paragraph (3) for a part of a claim for damages filed under paragraph (1) if said part of the claim was denied (the court found that 40 percent of the quantity of products sold by the infringer could not have been sold by the right holder due to the existence of competitors, and allowed application of paragraph (3) to that portion). In the Osaka High Court Judgment, April 10, 2002, court website (the Multiple-Layer Tire case), the court stated that damages cannot be claimed under Article 102, paragraph (1) of the Patent Act for 70% of the quantity because there were circumstances under which the right holder would have been unable to sell his/her products, but it is construed that the reasonable amount of compensation under Article 102, paragraph (3) of said Act can be claimed for that portion, because they are also products produced by working the invention without a license. In the Osaka District Court Judgment, February 10, 2005, *Hanji*, No. 1909, p. 78 (the Sample Preparation Tray case), which is a special case concerning utility model right infringement, the court applied paragraph (1) to the products which the defendant sold for value, and applied paragraph (3) to half of the quantity of the products which the defendant assigned for free, holding that the demand for receiving the products would usually be considerably larger when the products are assigned for free, in comparison to when they are sold for value.³⁴ Makiko Takabe, *Jitsumu Shōsetsu Tokkyo Kankei Soshō* [2 Han] (Detailed Explanation of Practice of Patent-Related Litigation [2nd Ed.]), p. 248; Kazuhiko Yoshida, “Songai Baishō” (Compensation for Damage), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka eds., *Gendai Chiteki Zaisan Hō Kōza II* (Lecture on Modern Intellectual Property Law II), p. 182; Hideo Ozaki, “Tokkyo Hō 102 Jō 1 Kō No Shoronten” (Issues Concerning Article 102, Paragraph (1) of the Patent Act), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damages), p.24. In the Intellectual Property High Court Judgment, September 25, 2006, court website (the Chair-type Air Massage Machine case), the court stated that, if it is construed that the amount equivalent to a license fee can be claimed even for the portion which the patentee could not have sold, it will be allowing the patentee to receive compensation for damage exceeding the scope of lost profits which he/she could fundamentally claim as damages against the act of infringement. The same view has been indicated in the Osaka District Court Judgment, April 19, 2007, *Hanji*, No. 1983, p. 126 (the Goggles case) and the Intellectual Property High Court Judgment, December 22, 2011, *Hanji*, No. 2152, p. 69 (the Heavy Metal Immobilization Agent case). In the Intellectual Property High Court Judgment, January 24, 2012, court website (the Solid Golf Ball case), the court denied application of paragraph (3), stating that, if it is construed that the amount equivalent to a license fee can be claimed even for the portion which the patentee could not have sold, it will be allowing the patentee to receive compensation for damage exceeding the scope of lost profits which he/she could fundamentally claim as damages against the act of infringement. Recent Intellectual High Court judgments are tended toward the theory to deny application of paragraph (3), and it is considered that the theory to deny the application is more predominant in practice.

theories that oppose this idea.³⁴ In short, it is a question of whether or not Article 102, paragraphs (1) and (2) can be regarded to cover all damages that need to be evaluated. The concept of damage in patent right infringement cannot be regarded the same as that in infringement of a thing (corporeal object). Unlike a thing, a patent right is a right of prohibition, and cancellation of the right of prohibition (i.e. a license) can theoretically be granted for an unlimited number of products, irrespective of the right holder's capability to work the invention. As a result, there is no upper limit to the total amount of license fees. The damage under paragraph (1) supposes the damage of not being able to sell the right holder's own products, that is, the ordinary lost profit, which is damage within the right holder's capability to work the invention. In contrast, the damage under paragraph (3) is the amount equivalent to a license fee, which can be infinitely large irrespective of the right holder's capability to work the invention. An opposite view asserts that the amount of damage calculated under paragraph (1) covers all lost profit, and if the damages under paragraph (3) are awarded, it would be the awarding of damages in an overlapped manner in an amount exceeding the lost profit. While it has been regarded that compensation for damage caused by patent right infringement is the compensation for damage under Article 709 of the Civil Code, and that Article 102 of the Patent Act is merely a provision for calculating the amount of damage, there is a need to study the substance of lost profits caused by infringement of information property. Unlike in the case where a person's house has been used by another person without permission, a patentee may unexpectedly receive an enormous amount of damages when another person infringes his/her patent right. In other words, the amount of compensation for patent right infringement has a fundamental nature of being decided by the circumstances of the infringer rather than those of the right holder. From such a viewpoint, paragraphs (1) and (3) should not to be a choice of one or the other; damages under paragraph (1) should be awarded for the scope of products which the right holder could manufacture, and the compensation of an amount equivalent to a

34 Makiko Takabe, *Jitsumu Shōsetsu Tokkyo Kankei Soshō* [2 Han] (Detailed Explanation of Practice of Patent-Related Litigation [2nd Ed.]), p. 248; Kazuhiko Yoshida, “Songai Baishō” (Compensation for Damage), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka eds., *Gendai Chiteki Zaisan Hō Kōza II* (Lecture on Modern Intellectual Property Law II), p. 182; Hideo Ozaki, “Tokkyo Hō 102 Jō 1 Kō No Shoronten” (Issues Concerning Article 102, Paragraph (1) of the Patent Act), Ryū Takabayashi ed., *Chiteki Zaisanken Shingai To Songai Baishō* (Intellectual Property Infringement and Compensation for Damages), p.24. In the Intellectual Property High Court Judgment, September 25, 2006, court website (the Chair-type Air Massage Machine case), the court stated that, if it is construed that the amount equivalent to a license fee can be claimed even for the portion which the patentee could not have sold, it will be allowing the patentee to receive compensation for damage exceeding the scope of lost profits which he/she could fundamentally claim as damages against the act of infringement. The same view has been indicated in the Osaka District Court Judgment, April 19, 2007, *Hanji*, No. 1983, p. 126 (the Goggles case) and the Intellectual Property High Court Judgment, December 22, 2011, *Hanji*, No. 2152, p. 69 (the Heavy Metal Immobilization Agent case). In the Intellectual Property High Court Judgment, January 24, 2012, court website (the Solid Golf Ball case), the court denied application of paragraph (3), stating that, if it is construed that the amount equivalent to a license fee can be claimed even for the portion which the patentee could not have sold, it will be allowing the patentee to receive compensation for damage exceeding the scope of lost profits which he/she could fundamentally claim as damages against the act of infringement. Recent Intellectual High Court judgments are tended toward the theory to deny application of paragraph (3), and it is considered that the theory to deny the application is more predominant in practice.

license fee under paragraph (3) should be awarded for the portion exceeding that scope, in other words, the portion corresponding to the proviso to paragraph (1) (the portion for which the right holder does not have the capability to work the invention) should be treated in a similar manner as having granted a license. With regard to the potential market of the patent right, the lost profit in the ordinary sense becomes an issue for the portion within the patentee's capability to work the invention, but it should be construed that the right holder can also claim an amount equivalent to the license fee for the portion exceeding that capability because it was possible to grant a license for such exceeding portion as well. This can be considered to be the same as a business practice where a right holder often works the invention within his/her capability to do so, but licenses out the portion in excess. It was possible to license out the right even for the portion for which the right holder had no capability to sell products. Therefore, if the right holder's manufacturing ability is low, application of paragraph (1) should be allowed within the scope of the manufacturing ability, and the application of paragraph (3) should be allowed for the remainder (in the case of the proviso to paragraph (1)), deeming that it could have been licensed out. This issue leads to the question of what kind of idea the damage caused by patent right infringement is, and also concerns the peculiarity of information property (see "(5) Limits of tort law" and "(6) Peculiarity of an infringement of information goods").

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Paragraph (1) only provides for the damage caused by a decrease in sales, and such expenses as attorney's fees could be claimed separately under Article 709 of the Civil Code.

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(3) Article 102, paragraph (2) of the Patent Act³⁵

Article 102, paragraph (2) (former paragraph (1)) presumes the infringer's profit to be the amount of damage suffered by the right holder, and if the amount is higher than the damage actually suffered by the right holder, that amount will be reduced. This paragraph is used when it is easier for the right holder to prove the infringer's profit rather than the amount of damage he/she sustained or when the right holder does not wish to disclose his/her profit rate. Particularly after the establishment of Article 105 (Production of Documents, etc.) and Article 105-2 (Expert Opinion for Calculation of Damages). The general view is that this paragraph has been basically stipulated as an issue concerning proof, within the framework of tort law.

According to conventional court judgments and the majority of theories, Article 102,

³⁵ See Ryū Takabayashi, "Tokkyo Hō 102 Jō 2 Kō No Saiteigi" (Re-defining Article 102, Paragraph (2) of the Patent Act), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Essays in Honor of the Seventieth Birthday of Professor Nobuhiro Nakayama: Spreading Wings - Intellectual Property Law in the 21st Century), p. 456.

paragraph (2) is a provision for presuming damages, so it applies to presumption of the lost profit resulting from a decrease of sales, but it does not apply to presumption of the occurrence of an infringement (facts serving as a premise for the presumption). Accordingly, the plaintiff has been believed to bear the burden of proof and pleading with regard to the occurrence of an infringement, which is a requirement for application of Article 709 of the Civil Code.³⁶ Due to the difficulty of proving the amount of damage caused by patent right infringement, paragraph (2) was established to facilitate such proof. Since occurrence of some damage also needs to be proved in the case of an ordinary tort, the provision is considered to have been introduced based on the idea that the same applies in the case of patent right infringement. Specifically, when the right holder does not work the invention himself/herself, the idea of the occurrence of passive damages does not stand, so the presumption in Article 102, paragraph (2) has been considered to be inapplicable.³⁷ However, paragraph (2) is only a presumptive provision, and it does not deem the profits of the infringer to be the damages, so such strict interpretation does not seem to be necessary.

36 In the Tokyo District Court Judgment, June 26, 1972, Hanta, No. 282, p. 267 (the Electric Stand Design case), the court denied application of the presumptive provision and held that only an amount equivalent to the license fee can be claimed, stating that the amount claimed by the plaintiff was not found to be entirely attributable to the defendant's act of tort, because it could not be asserted that the defendant was the only person selling goods of a design similar to the design in question. According to the view held in this judgment, the right holder has to plead and prove various circumstances supporting the fact that he/she would have gained profits equivalent to those gained by the infringer in the absence of the infringement, not only including the fact that the subject matter of the right had not been worked by other third parties but also that the right holder had a sufficient manufacturing capacity or a sufficient distribution system. This would practically undermine the significance of having established the presumptive provision. Since the presumptive provision under paragraph (2) is considered to have been established due to the extreme difficulty to prove these matters, many court judgments have not imposed such strict requirements.

37 The first judgment that indicated such view was the Tokyo District Court Judgment, September 22, 1962, Hanta, No. 136, p. 116 (the Double-Barreled Toy Gun case; a utility model case). Subsequent judgments include the Tokyo District Court Judgment, March 27, 1978, *Mutai Saishū*, Vol. 10, No. 1, p. 102 (the Morimitsu case; it is a trademark case, so it cannot be directly applied to a patent right, but it would serve as a reference); the Nagoya District Court Judgment, April 25, 1980, *Hanji*, No. 992, p. 93 (the Flower Crest case; a trademark case where, out of three trademarks, paragraph (2) [before the 1998 revision; currently paragraph (3)] was applied to one that was not in use but was a stock trademark, and was also applied to the other two for lack of proof of the actual damage suffered; in its appellate instance, the Nagoya High Court Judgment, July 17, 1981, *Hanji*, No. 1022, p. 69, the court allowed application of paragraph (1) [before the 1998 revision] regarding the two trademarks that were in use); the Osaka District Court Judgment, June 17, 1980, *Mutai Saishū*, Vol. 12, No. 1, p. 242 (the Nameplate case); the Osaka High Court Judgment, February 19, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 71 (the Building Materials case; a trademark case); the Osaka District Court Judgment, December 20, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 832 (the Plover case; a trademark case); the Tokyo High Court Judgment, June 15, 1999, *Hanji*, No. 1697, p. 96 (the Sumithermal case). In the Tokyo District Court Judgment, March 10, 2015, *Hanji*, No. 1918, p. 67 (the Tunnel Cross-Section Marking Method case), the court applied paragraph (2) to one of the joint owners of the patent right who was working the invention, and applied paragraph (3) to the other joint owner who was not working the invention. Shōzō Yoshihara, "Tokkyoken Shingai Ni Yoru Songai Baishō Seikyū Soshō No Yōken Jijitsu" (Fact Requirements in a Damage Suit concerning Patent Infringement), *Ishiguro Junpei Tsuitō Kinen*, p. 186; Yutaka Tsutsui, "Songai (1) -- Suitei Kitei No Tekiyō Yōken" (Damages (1) -- Requirements for Application of the Provision of Presumption), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshōhō*, p. 323; Ryūichi Shitara, "Songai (2) -- Shingai Kōi Ni Yori Uketa Rieki" (Damages (2) -- Profits Gained through Infringement), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshōhō*, p. 330; Toshisuke Kiyonaga, "Songai (4) -- Fucusū No Shingaisha" (Damages (4) -- Multiple Infringers), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshōhō*, p. 350; Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 1017 [written by Reiko Aoyagi]. Influential views that oppose these majority views were indicated in Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 24, and Kaoru Kamata, "Chiteki Zaisan Soshō Ni Okeru Songai Baishō Hōri" (Principle of Compensation for Damages in Intellectual Property Litigation), *Tokkyō Kenkyū* (Patent Studies), No. 17 (1994), p. 4.

Many court judgments had applied the presumptive provision under paragraph (2) (paragraph (1) before the 1998 revision) on the basis that as long as the right holder engaged in the same type of act of working the invention even to the slightest extent, some kind of damage would be predicted to be caused by the act of infringement, in principle.³⁸ Nevertheless, all-or-nothing types of conclusions tended to be derived whereby, if the right holder has not worked the invention at all, the presumptive provision under paragraph (2) would not be applied, and if he/she has worked the invention even to a slight extent, the presumption under paragraph (2) would apply. If the right holder has not worked the invention, damages would be claimed in an amount equivalent to a license fee under paragraph (3), and many court judgments have applied paragraph (3) and have only recognized an amount equivalent to the license fee.

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In contrast, the Intellectual Property High Court Grand Panel Judgment (the Waste Storage Device case)³⁹ in 2013 has drawn attention as an opposite judgment. In this judgment, the court indicated a new determination that "the application of Article 102, paragraph (2) of the Patent Act does not require the patentee to have worked the patented invention when there are any circumstances suggesting that the patentee could gain profits if no patent infringement had been made by the infringer." The court stated that "various circumstances, such as the difference between the patentee and the infringer in terms of the manner of business, shall be taken into consideration as circumstances that call for a reduction in the presumed damage amount," and held that the damage amount would not be reduced in this case because the defendant has not presented any specific allegation or proof concerning the amount of profit, etc. gained by the plaintiff's sales agent in Japan. Since this judgment has been rendered by the Grand Panel of the Intellectual Property High

38 For specific cases, see Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 9.

39 In the Intellectual Property High Court Grand Panel Judgment, February 1, 2013, *Hanji* No. 2179, p. 36/*Hanta*, No. 1388, p. 77 (the Waste Storage Device case; appeal dismissed/appeal unaccepted), the right holder (plaintiff) located overseas was importing and selling products through a sole agent, and the infringer (defendant) was selling products imported from China, but the plaintiff right holder itself had not manufactured and sold products in Japan. The court stated that "taking into account that Article 102, paragraph (2) of the Patent Act was provided for the purpose of reducing the difficulty in proving the damage amount and that the effect thereof is merely presumptive, there are no reasonable grounds for making the requirement for the application of said paragraph particularly strict," and held that paragraph (2) could be applied even when the right holder has not worked the invention. See Yoshiyuki Tamura "Shingai Ni Yoru Rieki Wo Suitei Suru Tokkyo Hō 102 Jō 2 Kō No Tekiyō No Yōken To Suitei No Fukumetsu No Kahi" (Requirements for Application of Article 102, Paragraph (2) of the Patent Act Which Presumes Profits Gained Through Infringement And the Possibility of Overturning the Presumption) *Chizai Kanri* (Intellectual Property Management), Vol. 63, No. 7 (2013), p. 2107; Nobuhide Ōtomo, "Tokkyo Hō 102 Jō 2 Kō No Tekiyō Yōken—Gomi Chozōki Jiken Chizai Kōsai Daigōgi Hanketsu" (Requirements for Application of Article 102, Paragraph (2) of the Patent Act: the Intellectual Property High Court Grand Panel Judgment on the Waste Storage Device Case), *Tokkyo Kenkyū* (Patent Studies), No. 56 (2013). Incidentally, the Tokyo District Court Judgment, December 26, 2011, court website, which is the prior instance of this case, applied paragraph (3) by holding that the case lacks the premises for applying the presumption under paragraph (2) in accordance with past court judgments.

Court, it is expected to have an extremely large influence on future practice.⁴⁰ The conventional theory asserting that the "damage sustained as a result of the infringement" in paragraph (2) only refers to damage sustained by a right holder who had worked the invention by himself/herself has no grounds stipulated in the provisions. It would be more natural to construe that the existence of some kind of damage would suffice. In this case, however, the court did not uphold the application of paragraph (2) unconditionally, but it required "circumstances suggesting that the patentee could gain profits if there had been no act of infringement" which are not necessarily limited to the working of the invention by the right holder himself/herself. While this was a case concerning a sole agent, the treatment in the case where the right holder has no such close relationship but is merely licensing out his/her right⁴¹ or in the case where the right holder is a university or the like which cannot work the invention by itself would be a future issue.

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As discussed in the abovementioned Intellectual Property High Court Grand Panel Judgment, paragraph (2) is a presumptive provision, so if there is any problem, it would be sufficient to resolve the problem by overturning the presumption. For example, in the case where an act of infringement has been committed, but the mode of working the invention does not compete with that of the right holder in the market, the presumption would likely be overturned. There is a possibility that the above judgment would have a great influence not only on the case of calculating the amount of damages caused by infringement, but also on companies' future intellectual property strategies. For example, there is a business model whereby a business group has a management company collectively manage the group's patents and other intellectual property rights by using trusts, and has the company license out the rights to the group companies in order to manage the group's intellectual property strategies uniformly and strategically. Such business model had a disadvantage of not being able to use Article 102, paragraph (2), but in the future, such model may see progress.

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Next, there is an argument over whether the profit under paragraph (2) refers to the infringer's net profit or gross profit. In the past, the majority of the theories seemed to consider such profit to be net profit based on the reason that paragraph (2) provides for a

40 The same view was subsequently indicated in the Tokyo District Court Judgment, January 30, 2014, court website (the Automatic Telephone Number Data Creating Device case; a case in which the right holder was manufacturing and using not the patented products in question, but products that compete with those of the infringer), and its appellate instance, the Intellectual Property High Court, September 11, 2014, court website.

41 Toshiaki Makino and Naoya Isoda, "Songai Baishō" (Compensation for Damage), Toshiaki Makino, Toshiaki Iimura, Makiko Takabe, Yōichirō Komatsu, and Tomoki Ihara eds., *Chiteki Zaisan Soshō Jitsumu Taikei II* (Outline of Intellectual Property Litigation Practices), p. 45 states that the application of paragraph (2) may be allowed in such cases as where there are provisions on running royalties based on sales, because "it establishes a relationship under which the right holder's profits would be lost by the act of infringement."

system for compensating damages actually suffered.⁴² Therefore, not only variable expenses but also general administration expenses, etc. were deducted from gross profit, leading to lowering of the damages awarded, while application of paragraph (2) was often denied for lack of proof of the amount of profit due to the plaintiff's not being able to prove net profit, and the significance of having established the presumptive provision was often lost.⁴³ Thus, recently, the profit under paragraph (2) came to be regarded as the infringer's marginal profit,⁴⁴ and the marginal profit theory became prevalent. It is a theory to consider that, to the extent that the infringer can manufacture the infringing goods without making new capital investment or hiring new workers, the infringer's general administration expenses should not be deducted, in other words, only the costs that newly came to be required with regard to manufacture of goods constituting the infringing goods should be

42 See Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 1024 (written by Reiko Aoyagi), and the theories and the court judgments cited therein. In the Tokyo District Court Judgment, April 27, 1988, *Mutai Saishū*, Vol. 20, No. 1, p. 209 (the Louis Vuitton case; a trademark case), the court mentioned that the amount of profit is not the amount of gross profit obtained by subtracting the purchase cost from the sales amount of the product, but an amount obtained by subtracting all costs required for the sales, including the purchase cost, advertising cost, personnel expenses, and rents for stores and exhibition sites, from the sales amount of the product, and denied application of paragraph (1) (which is paragraph (2) under the current Act) due to lack of proof for net profit. The same view was indicated in the Okayama District Court Judgment, May 29, 1985, *Hanta*, No. 567, p. 329 (the Punch Hanger case). In the Tokyo District Court Judgment, February 9, 1990, *Hanji*, No. 1347, p. 111/*Hanta*, No. 725, p. 213 (the Lead Chromate Pigment Composition case), the court stated that general administration expenses, non-operating profit and loss, and extraordinary profit and loss are not unrelated to the act of manufacture and sales of infringing goods, and ruled that the profit gained by the infringer is the net profit obtained by deducting these expenses. In contrast, in the Osaka District Court Judgment, June 28, 1985, *Mutai Saishū*, Vol. 17, No. 2, p. 311 (the Etiquette Brush case; a trademark case), the court ordered compensation in an amount equivalent to the amount of gross profit, stating that as long as the plaintiff has given certain proof with regard to the gross profit, the burden is on the defendant to prove any factors for reducing this amount. The court mentioned, as the ground for the order, that because the plaintiff often cannot prove anything more than the gross profit in response to an order to produce documents, imposition of an additional burden on the plaintiff to also prove the net profit would produce a result contrary to the purpose of having established the presumptive provision, which is to facilitate proof. Actually, not many theories strictly adopt the net profit theory or the gross profit theory, and most theories are considered to be based on either one of these theories, with some suitable modifications added thereto.

43 Ikuo Hata, “‘Handa Zuke Yō Yōzai’ No Gijutu Teki Han’i No Kaishaku Oyobi Ikko No Seihin No Ichibun Dake Ga Tokkyoken O Shingai Suru Kōsei Ni Natteiru Bāi No Songai Gaku” (Interpretation of the Technical Scope of “Soldering Solvent” and Amount of Damages in the Case Where Only One Part of a Product Infringes Patent Right), Umase Fumio Koki Kinen, *Hanrei Tokkyo Shingai Hō* (Case Law on Patent Infringements), p. 745.

44 Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 5 Han]* (Patent Law from the Ground Up [5th ed.]), p. 276 calls this idea the theory of marginal profit on the infringer's side. In the Tokyo District Court Judgment, February 8, 2001, *Hanji*, No. 1773, p. 130/*Hanta*, No. 1092, p. 266 (the Toy With Automatic Bullet Supplying Mechanism case), the court held that the amount of profit under Article 102, paragraph (2) refers to what can be called "marginal profit" obtained by deducting from the sales amount of the infringing product any portion of the expenses for purchases, processing, packaging, storage, or transport which was required only for the manufacture and sales of the infringing product.

deducted.⁴⁵

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The profit under paragraph (2) should be construed to be marginal profit on the infringer's side, but in terms of proof, if the right holder proves the amount obtained by deducting variable expenses from the infringer's sales amount, and the infringer proves that the damage actually suffered by the right holder is lower, for example by way of proving the expenses directly required by the infringer for committing the act of infringement, the presumption under paragraph (2) would be overturned to that extent. Since fixed cost, etc. would not be deducted, in principle, paragraph (2) could be applied even if the infringer is nominally making no profit. Also, the amount would be reduced if the infringer proves that his/her profit is smaller than the amount of profit proved by the right holder. For instance, if the right holder has granted a license to another party, it could serve as a factor for reducing the amount of damages.⁴⁶ The infringer's selling capabilities and brand power, as well as the rate of contribution of the patent in the infringing product may also serve as factors for reducing the amount of damages, but opposite views have also been indicated.

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45 In the Tokyo District Court Judgment, October 30, 1995, *Hanji*, No. 1560, p. 24/*Hanta*, No. 908, p. 69 (the Control Program case; a case relating to former paragraph (1) of the Copyright Act), which is a case before the 1998 revision, the court stated that "it is reasonable to consider that the profit obtained as a result of an act of infringement is an amount obtained by deducting only variable expenses for manufacturing and selling the defendant's product from the amount of sales of the defendant's product, and other expenses such as the cost for developing the defendant's product, the personnel cost required for the mastery of manufacturing skills (including the cost for the extra work hours required due to the workers' unfamiliarity with the manufacturing work at the start of the manufacturing), general administrative cost, non-operating expenses, taxes and dues, and the amortization expenses for the manufacturing equipment should not be deducted." The same view has been indicated in the following judgments: the Tokyo District Court Judgment, October 7, 1998, *Hanji*, No. 1657, p. 122/*Hanta*, No. 987, p. 255 (the Load Device System case; a case relating to former paragraph (1)); the Tokyo District Court Judgment, May 29, 1998, *Hanji*, No. 1663, p. 129/*Hanta*, No. 990, p. 251 (the Bow-Legs Walking Correcting Apparatus case); the Osaka District Court Judgment, September 16, 1999, *Hanta*, No. 1044, p. 246 (the Alinabig A25 case, a case relating to the Unfair Competition Prevention Act); and the Tokyo District Court Judgment, February 8, 2001, *Hanji*, No. 1773, p. 130/*Hanta*, No. 1092, p. 266 (the Toy With Automatic Bullet Supplying Mechanism case). In the Tokyo District Court Judgment, April 24, 2007, court website (the Film Unit with Lens case), the court called it "contribution margin" (marginal profit in the broad sense). In this judgment, the court held as follows: "For example, when a large company, which is engaged in manufacture and sales of multiple kinds of products, has manufactured and sold one kind of infringing goods, the deductible amount would only be variable expenses such as the direct raw material cost and shipping cost. However, when a small company has manufactured and sold infringing goods alone, or has built a new factory only for the purpose of manufacturing and selling the infringing goods, not only variable expenses should be deducted but fixed expenses including the depreciation cost for the factory and machines and the wages for the factory workers should be regarded as individual fixed expenses that have a reasonable causal relation with the manufacture and sales of the infringing goods, and the contribution margin should be calculated by deducting such expenses from gross profit. Therefore, in calculating the contribution margin, the expenses (variable expenses and individual fixed expenses) that have a reasonable causal relation with the manufacture or sales of the infringing goods must be calculated, while comprehensively considering various factors including the defendant company's size, the percentage of the sales of the product in question in the defendant company's total sales, the facilities, machines and labor force that were required for manufacturing and selling the infringing goods, and the period during which the infringing goods were manufactured and sold." See the Intellectual Property High Court Judgment, April 11, 2013, *Hanji*, No. 2192, p. 105 (the Equipment for Separating and Removing Foreign Substances from Raw Seaweed case).

46 In the Tokyo District Court Judgment, July 16, 1999, *Hanji*, No. 1698, p. 132/*Hanta*, No. 1017, p. 245 (the Equipment for Freeing a Car Stuck in Rough Road case), the court held that, of the damages presumed based on the infringer's profit, the amount corresponding to two-thirds of the quantity will be overturned, given that a non-exclusive licensee was manufacturing and selling the product.

Here, the concept of damage assumed in Article 102, paragraph (2) becomes an issue. While Article 102, paragraph (2) is a provision on the legal presumption of facts, such a provision is usually established when there is an empirical rule that backs up that conclusion, and such rule provides a basis for justifying the shift of the burden of proof. Then, is there an empirical rule that allows for the presumption as set out in paragraph (2) in the case of a patent infringement? The answer is that, just as in the case of paragraph (1), there is no empirical rule that can sufficiently support such presumption. It is rare for the infringer to gain profit through the act of patent infringement alone. Various factors are involved, including the infringer's efforts, management ability, selling capabilities, brand power, capital strength, labor force, and know-how, as well as consumer preference, the presence or absence of other competitors, and economic conditions. The circumstances on the right holder's part, such as whether he/she was capable of increasing production, would also greatly affect the amount of damages. In addition, in an extreme case, the right holder even increases sales, owing to the market cultivation by the infringer. In short, the sales amount is not only decided by the patent right but by multiple intertwined factors. Thus, it can be said that the presumption is not being made in accordance with an empirical rule, but merely due to the existence of a presumptive provision.⁴⁷ Since legislators have construed Article 102, paragraph (2) within the framework of tort law, the paragraph is stipulated in the form of a presumptive provision, which neither squarely stipulates the return of profit nor deems the profit of the infringer to be the amount of damages suffered by the right holder. Therefore, the presumption can be rebutted upon production of contrary evidence. However, even though rebuttable, the significance of having purposefully established a presumptive provision that runs counter to the empirical rule should be reviewed.⁴⁸ Since the paragraph presumes the profit of the infringer to be the amount of damages suffered by the right holder, contrary to the empirical rule, it could be interpreted that damages in a patent infringement

47 In the Osaka District Court Judgment, October 31, 1980, *Mutai Saishū*, Vol. 12, No. 2, p. 632 (the Children's Vehicle Tire case), the court stated in obiter dictum as follows: "In general, when the infringer has gained some profit through the act of infringement, there is no reasonable ground to always deem that the patentee has suffered the same amount of damages as the profit gained by the infringer. When damages have been claimed, the infringer's profit is immediately deemed to be the patentee's damages only due to the existence of the presumptive provision stipulated in Article 102, paragraph (1) (which is paragraph (2) under the current Act) of the Patent Act." Also, in the Osaka District Court Judgment, March 27, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 336 (the Float Indicator case), the court held that, although it was a case where Article 38, paragraph (1) of the Trademark Act before the 1998 revision (a provision similar to Article 102, paragraph (1) of the Patent Act before the revision) was analogically applied to a case violating the (old) Unfair Competition Prevention Act, it was clearly against the empirical rule to consider that all of the profits gained by the infringer resulted from selling the product that attached the indication in question, and that a considerable part of the profits was acquired by the infringer's own corporate efforts such as sales effort and management effort. Akio Morishima, "Fuhō Kōi Hō Kara Mita Chieki Shoyūken" (Intellectual Property from the Perspective of Tort Law), *Tokkyo Kenkyū* (Patent Studies), No. 8 (1989), p. 10; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 237.

48 Kaoru Kamata, "Chiteki Zaisan Soshō Ni Okeru Songai Baishō Hōri" (Principle of Compensation for Damages in Intellectual Property Litigation), *Tokkyo Kenkyū* (Patent Studies), No. 17 (1994), p. 4 also explains that Article 102 of the Patent Act was an attempt to allow the return of the profits gained by the infringer. Essays that urge reconsideration of the concept of damage under the Patent Act include Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*.

are not solely intended for compensating the actual damages that could be proved but are normative damages that could serve as an incentive for not committing infringement, although this may not comply with the intention of the legislators.⁴⁹

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As new paragraph (1) was established in 1998, the significance of new paragraph (2) was questioned anew. One possible direction is to consider that, because the right holder's circumstances are determined in paragraph (1), paragraph (2) only needs to take into consideration the infringer's circumstances. The other direction is an idea to have paragraph (1) deal with lost profit, and to have paragraph (2) play the function of stripping the infringer of his/her profit. However, since there is no change in the wording of paragraph (2), it would be unreasonable to construe that the nature of paragraph (2) has changed to that of quasi-benevolent intervention in another's affairs due to the introduction of new paragraph (1). In view of the legislative purpose as well, paragraph (2) is intended for making the damage compensation system practically effective, in combination with paragraph (1), so the conventionally built up interpretation would basically be useful. However, there would be a need to reconsider what damage is in a patent infringement (an infringement of information goods). It is an issue of generality in the case of an infringement of information goods.

(4) Article 102, paragraph (3) of the Patent Act

In accordance with Article 102, paragraph (3) of the Patent Act, an amount equivalent to a license fee can be claimed as the minimum amount of damages irrespective of whether or not the right holder was working the invention. If an infringer were to work the invention legally, the patentee may claim an amount equivalent to the license fee irrespective of whether or not the patentee is working or has the capability to work the invention, and there is basically no upper limit to that amount. Because the infringer was supposed to pay a license fee by concluding a license agreement, it is natural that the infringer must at least pay an amount equivalent to the license fee if he/she were to work the patented invention illegally. The provision is consequential from this viewpoint,⁵⁰ but it is not so, theoretically, from the viewpoint of lost profit of the right holder. If an infringer has used someone's land without authorization, there would be no objection that an amount equivalent to the land rent would at least be determined to be damages. In the same way, it would be a straightforward interpretation to consider that an amount equivalent to a license fee may be claimed as damages, also in the case of a patent infringement. However, an amount

49 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 237 states that “there may be room to recognize a return of profits under the name of compensation for damage,” and this also seems to assume a normative concept that is different from the conventional concept of compensation for damage.

50 There was no provision corresponding to paragraph (3) under the former Act, but an amount equivalent to a license fee had been awarded as damages in court judgments.

equivalent to land rent will be determined automatically based on the average land rent in the neighborhood, and it is not relevant who the infringer is, or whether the infringer demonstrates superior selling capabilities and makes enormous profit or conversely fails to make good sales and suffers large losses. In contrast, in the case of patent rights, there is theoretically no quantitative limit to the working of a patented invention, so an amount equivalent to a license fee differs completely depending on the quantity associated with the infringer's working of the invention. Even if a patent has been infringed by the same method, the amount of damages would be totally different between the case where a large company committed the act of infringement in large quantities and the case where a small company committed the act in small quantities. The right holder may happen to obtain an amount of damages that could never have been obtained on his/her own account, thanks to the infringement. Thus, there remains the same question of whether paragraph (3) assumes the same concept of damages as those caused by an ordinary act of tort.⁵¹

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Before the 1998 revision, Article 102, paragraph (2) had a provision to the effect that the amount of money that the right holder was “normally” entitled to receive for the working of the invention could be claimed as damages. However, due to the presence of the word “normally,” court judgments and many theories treated this license fee to be a reasonable license fee at the time of the infringement, that is, the amount that would have been paid if a license contract had been concluded at the time of the infringement. Specifically, the amount of damages was often calculated by referring to licensing contracts previously concluded for the patent in question, the average license fee in the industry, or the license fee for a state-owned patent.⁵²

As a result, the amount of damages to be paid when the infringement was discovered *ex post facto* and the amount of license fee to be paid by concluding a licensing contract in advance would be the same. Considering the possibility that the infringement might go unnoticed and that the patentee might hesitate to file litigation, it would be more profitable for the infringer to commit an infringement than not, simply with respect to compensation for damage. There was even a risk that such system could encourage infringements,

51 Meanwhile, there is a theory stating that while a land owner is not obstructed from using the land and gaining profit therefrom after the infringement, a patentee loses the opportunity to exploit the market due to the act of infringement, which means that the value of the patent has diminished to that extent (Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 213). This may be reasonably explained by supposing the concept of the right holder's market opportunity, and considering that the market opportunity has been lost to the extent that the infringer has worked the invention, in other words, that the right holder's infinite power to grant licenses has been infringed. However, the concept of market opportunity, which may be persuasive as a concept for explanation, would be unclear in substance.

52 Court judgments on this issue are reviewed in Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 24.

contrary to its purpose.⁵³ Such problem had been criticized by many experts since the past. Accordingly, in the revised Act, paragraph (2) was moved to paragraph (3), and the word “normally” was deleted, making it possible to assess the amount by considering the circumstances specific to individual cases. It became possible to consider an amount equivalent to a license fee to be a reasonable license fee at the time of the litigation, instead of that at the time of the infringement, and to determine damages by taking into account all kinds of circumstances specific to individual cases that are found by the time the case is closed, such as the maliciousness of the infringer.⁵⁴ While a right holder is generally able to impose various conditions including a license fee when concluding a licensing contract, and can control the market through such imposed conditions, if the court were to only award an amount equivalent to a license fee normally charged in the industry, it would be extremely disadvantageous for the right holder. Thus, this revision is considered to be a natural course.

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Since the amount under paragraph (3) can be claimed as a minimum guarantee irrespective of the damage actually suffered by the right holder, it is essentially different from lost profit.⁵⁵ If paragraph (3) is only dealing with the right holder's lost profit, it is sufficient to apply the general principles under the Civil Code, and there would be no need to establish a special provision under the Patent Act.⁵⁶ Also, it is interpreted that paragraph (3) provides for a minimum guarantee, so damages can always be claimed within this scope, but whether or not damages can always be claimed without exception is not without questions.⁵⁷

53 Of course, if a company commits an infringement, it cannot continue the business after receiving an injunction, it earns a disreputable reputation relating to the infringement, it must pay the litigation cost, and it may receive a criminal penalty. Nevertheless, from the viewpoint of compensation for damage, mere payment of an amount equivalent to a license fee would have little effect of restraining infringements. Considering that some malicious infringers only engage in the infringement for a short period of time and are no longer working the invention when an injunction is given, and that some do not care about disreputable reputation, charging a small amount of damages is meaningless for such infringers.

54 For the specific calculation method, see Nobuhiro Nakayama and Naoki Koizumi, eds, *Shin/Chūkai Tokkyo Hō Ge* (New Explanatory Notes on the Patent Act Vol. 2), p. 1692 (written by Kei Iida).

55 Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 211 describes that “the context of paragraph 2 (before the 1998 revision) indicates the fact that the paragraph always considers the reasonable amount of compensation for the act of infringement to be the amount of damages, and inevitably assumes a concept of damages other than lost profit.” It mentions that attention should be paid to “what the patentee has lost” instead of what kind of license agreement has been concluded, with regard to paragraph (2).

56 See Yoshiyuki Tamura, *Chiteki Zaisanken To Songai Baishō [Shinpan]*, p. 211.

57 In the Supreme Court Judgment, March 11, 1997, *Minshū*, Vol. 51, No. 3, p. 1055 (the Kozo-Zushi case), which was a trademark case and cannot be discussed on the same level as patent cases, the court stated that Article 38, paragraph (2) of the Trademark Act (paragraph (3) under the current Act) is a provision for reducing the injured party's burden of pleading and proof, and it exceeds the basic framework of tort law to find that the defendant has the obligation to compensate for damage even when damage has clearly not occurred. The court has limited the scope of that decision to trademarks by stating that a trademark does not have property value in itself like a patent, but is essentially intended to protect general consumers by protecting business reputations and maintaining the distribution order, so if it clearly has not contributed to the sales of a third party's products, it has not caused damage of an amount equivalent to the license fee the right holder was entitled to receive. However, even in the case of patents, there could be cases where the infringement had not contributed to the sales at all.

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A claim under paragraph (3) does not prevent any relevant party from claiming compensation for damage in an amount exceeding the amount provided for therein (the first sentence of Article 102, paragraph (4) of the Patent Act). This sentence stipulates what is taken for granted, just in case. When damages exceeding the amount under paragraph (3) have been claimed, if the infringer has committed the infringement without intent or gross negligence (in the case of slight negligence), the court may take such circumstances into consideration (the second sentence of Article 102, paragraph (4) of the Patent Act). This is because, compared to infringements of tangible property, it is often unclear whether an act constitutes an infringement in patent infringement cases, and if a person has infringed a patent by mistake, it would be an excessively heavy burden on such person to have to pay an enormous amount of damages. Since damages under paragraph (3) have the meaning of minimum compensation, even if the amount of damages were reduced pursuant to the second sentence of paragraph (4), it cannot be lower than the amount prescribed in paragraph (3).

(5) Limits of tort law

In light of the circumstances above, there is a need to review whether or not it is appropriate to consider the compensation for damage caused by a patent infringement within the framework of general tort law as has been intended by the legislators and expressed in court judgments and the majority-view theories. It would also be necessary to examine whether there is, first of all, no problem in considering an infringement of information that is an asset like a patent in the same manner as an infringement concerning tangible property. There are also some doubts as to the feasibility of concretely assessing the lost profits regarding an infringement of a patent, which is a monopolistic right to use information goods, and as to the appropriateness of considering the lost profit to be the damages.

Additionally, since a patent infringement, which involves neither possession nor seizure, is not restricted either in location or time, infringement is easier and its discovery or prevention is more difficult than an infringement of tangible property. In addition, the fact that a patent infringement does not involve a direct or violent act of harm, such as seizing another person's possession, strengthens the temptation to infringe. The present tort law is intended to compensate for losses, with no punishing function. Nevertheless, considering the above, the system for compensation for damage caused by a patent infringement requires some institutional guarantee to prevent infringements, so it would

not be irrational to add punishing functions to a certain extent.⁵⁸ It might then become possible to establish an interpretation of the amount of damages that is different from the conventional court judgments and majority of theories. At the very least, there is a need for an interpretation that does not serve as an incentive for infringement. However, it must be noted that patent rights and other intellectual property rights generally do not have clear boundaries with regard to the protected subject matter, compared to the case of tangible property, and, at the same time, many people would want to work the invention, if it is superior technology. Therefore, it is not unjust to work technology that is extremely close to such superior patent to the extent that it does not conflict with that patent right. As a result, a person sometimes commits an infringement without having awareness of such, and is also presumed to have been negligent. In such a case, it is often very severe for the infringer to have to pay an excessively large amount of damages, and it could have an effect of withering new technological development. From this viewpoint, it is reasonable to conclude that the amount of damages should be the same as the actual damage, but it is also true that if such conclusion is always derived without exception, it could serve as an incentive for infringements. In short, it is an issue of balance.

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(6) Peculiarity of an infringement of information goods

Since the conventional theories had considered the damage caused by patent infringement to be within the scope of the principle of tort law, which was to compensate for the damage suffered by the right holder, it was extremely difficult to secure necessary and sufficient compensation for the right holder within the framework of Article 102 of the Patent Act. As a result, Article 102 could not fully function, and many theories called for legislative measures instead of trying to remedy the situation by interpretation.

Determination of the amount of damages resulting from an intellectual property infringement or, even broader, an infringement of property information, always involves difficult issues. Fundamentally, information better contributes to enhancing social welfare by sharing it among the public than allowing it to be monopolized, but that would reduce people's incentive to create, and could lead to underproduction of information in the future. Accordingly, the Patent Act deliberately allowed monopolistic use of information in order to increase the incentive for invention, due to industrial and other needs. In the case of an

58 As long as the present Japanese tort law exists, it would be impossible to introduce a treble damage system or a punitive damage system, which have extremely strong punishing functions, as are adopted in the United States (the Tokyo District Court Judgment, February 18, 1991, *Hanji*, No. 1376, p. 79/*Hanta*, No. 760, p. 250 [the Vansei case]; and its appellate instance, the Tokyo High Court Judgment, June 28, 1993, *Hanji*, No. 1471, p. 89/*Hanta*, No. 823, p. 126; and its final instance, the Supreme Court Judgment, July 11, 1997, *Minshū*, Vol. 51, No. 6, p. 2573/*Hanji*, No. 1624, p. 90/*Hanta*, No. 958, p. 93 [this was a complicated case where the court held that execution of a U.S. court judgment ordering payment of punitive damages contravenes public order in Japan, but this is only an interpretation based on Japan's current law]). However, it would not be impossible to add a small facet of punishment by changing the composition of the conceptual framework of damage caused by an intellectual property infringement.

infringement of a patent, which has such character, it is not always clear what should be regarded as damage, so it is natural that the matters to be considered are different from the case of infringement of tangible property. It is said that due to the presence of a premise that an infringement of a patent right should be dealt with within the framework of general tort law, sufficient compensation is often not recognized, as a result of being bound to tort law.⁵⁹

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Tangible property and information are both important as economic goods, but it is questionable whether or not the same legal principle is naturally applicable with respect to determination of the amount of damages caused by an infringement in both cases. This question goes to the issue of how information should be treated along with tangible property under tort law, or more widely, under the Civil Code. It is in no way possible to fully discuss such a vast issue, which even involves the possibility of transforming the legal paradigm in an information society, but the following could be said about the issue.

As there is no exclusivity (competitive nature) in consumption of information, even if another person uses the information without authorization, it does not obstruct the right holder's intended use of information. However, unless the market is practically limitless, existence of an unauthorized user may cause the right holder an economic loss by threatening the right holder's monopolistic status, so some kind of obligation to compensate for the damage must be imposed. Nevertheless, since the size of the market is almost impossible to determine, the causal relation between the act of infringement and the damage is not clear in a strict sense, so determination of the amount of damages is fundamentally difficult. In other words, caught between the idea of considering the damages to be the actual loss in a pure sense (the difference in the amount between when the infringement did and did not occur) and the idea of considering the damages to be something similar to a quasi-benevolent intervention in another's affairs (stripping the infringer of his/her profit), one arrives at a question of whether a solution should be sought to achieve balance between these two extremes.

8.2.3.4. Facilitation of Proof⁶⁰

⁵⁹ As can be seen in the treble damage system and the punitive damage system, the idea of compensation for damage is fundamentally different between Japan and the United States, and Japan does not necessarily have to follow the U.S. style. An excessive amount of damages can induce new problems in itself, so careful measures would be required, but it is not so desirable to have a large gap between the two countries either, in this era of globalization. Accordingly, Japan should investigate a truly appropriate amount of damages without being bound to the perspective of compensating the actual damage that has been proved.

⁶⁰ See Yūkyō Hishida, "Chizai Soshō Ni Okeru Shōko Hō No Kadai" (Challenges Facing Rules of Evidence in Intellectual Property Litigation), *Jurist*, No. 1346 (2007), p. 26.

Since production of proof for a patent infringement involves difficulties that differ from the case of other acts of tort, provisions including presumption of the amount of damages, etc. in Article 102 were revised upon the 1998 revision. However, as difficulties still remained in respect to proof, further revisions were made in 1999.⁶¹ The revision with regard to presumption of negligence (Article 103) has been discussed in an earlier section, so it will be omitted in this section.

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(1) Presumption of (patented) producing process (Article 104 of the Patent Act)

Generally, an invention of a producing process is often worked within the factory of the infringer (suspected infringer), so it is often not only difficult to detect an infringement but also difficult to produce proof even when an infringement is suspected. This is because, in the case of a product invention, the identity of the product can often be determined by analyzing the commercially sold products, but in the case of an invention of a producing process, it is often difficult to determine the identity of the producing process by analyzing the products. Accordingly, as a rule, the party alleging an infringement bears the burden of proof with regard to the fact of commission of an infringement, but with regard to a patent on a process of producing a product, if the product was not publicly known in Japan, an identical product is presumed to have been produced by the patented process, and the burden of proof is transferred to the infringer, who will have to prove that he/she has not committed an infringement (Article 104 of the Patent Act). Article 34 of the TRIPS Agreement is a similar provision. If the infringer has not committed an infringement, the infringer can prove non-infringement by disclosing the process he/she implements, so the transfer of the burden of proof would not cause much inconvenience. This presumptive provision is applied both in the case of a claim for an injunction and a claim for damages. However, it should be construed to be inapplicable to criminal cases involving an infringement.⁶² There is no need to apply a presumptive provision to criminal cases, because in a criminal case, it is questionable to find a party to be guilty by presumption, and the police and public prosecutors have the right to investigate. Detection and proof of an infringement are similarly difficult with regard to an invention of a simple process, but no presumptive provision is in place for such invention, because there is no product produced by such process.

As an interpretation of Article 104, there is a view insisting that it is sufficient for the

61 Kōichi Miki, “Tokkyoken Shingai Soshō Ni Okeru Tōjisha No Jōhō Shūshū Shudan No Kakujū” (Expansion of the Parties' Means to Collect Information in Patent Infringement Litigation), *Jurist*, No. 1162 (1999), p. 55.

62 Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 1141 (written by Reiko Aoyagi). In contrast, Japan Patent Office ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 303 mentions that presumption is construed to be also applied when determining a crime of infringement.

infringer to disclose the producing process he/she is implementing,⁶³ and a view asserting that the infringer needs to prove that he/she has not committed an infringement.⁶⁴ If Article 104 is considered to be a provision established to ease the difficulty of proof, it may be possible to find it sufficient for the infringer to only disclose the producing process he/she implements. However, according to the wording of the provision to presume a product to have been produced by the patented process, it would seem more reasonable to require the infringer to prove that he/she has not committed an infringement. However, the infringer's side holds most of the evidence related to infringement, and the purpose of Article 104 is to have the infringer disclose such evidence. If the evidence is disclosed, both parties would have equal weapons. It is not considered to be the purpose of Article 104 to make interpretation based on such evidence. In particular, the doctrine of equivalents has been recognized in recent years, and it would be too harsh on the infringer's side to have to prove non-equivalence. While disclosure of a producing process involves a risk of leakage of trade secrets, the later-explained protective order will be used against such risk.

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The presumption applies only to a product that was not publicly known in Japan “prior to the filing of the patent application.” Since a product that was not publicly known prior to the filing is highly probable to have been produced by the patented process, we can say that there is sufficient empirical rule to make the presumption. The question is whether the time of filing the patent application in the case of a patent application containing a priority claim is the priority date or the date of filing the application in Japan. While a theory interpreting such date to be the date of filing the application in Japan is also popular,⁶⁵ a theory interpreting such date to be the priority date (the filing date of the first application)

63 In the Tokyo District Court Judgment, February 10, 1978, *Mutai Saishū*, Vol. 10, No. 1, p. 1/*Hanji*, No. 903, p. 64 (the Method of Producing Carboxylic Acids case), the court held that, in order to eliminate the presumption, it is sufficient for the opponent to plead and prove his/her own manufacturing process, and the opponent does not need to plead and prove that his/her process is outside the technical scope of the patented invention. The same view was indicated in the Tokyo District Court Judgment, March 23, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 157 (the Dipyridamole case; see the following footnote for its second instance judgment). Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 1150 (written by Shigetoshi Matsumoto and Yūzō Yasuda).

64 In the Tokyo District Court Judgment, July 21, 1972, *Mutai Saishū*, Vol. 4, No. 2, p. 433/*Hanji*, No. 698, p. 77/*Hanta*, No. 282, p. 100 (the Method For Producing Tetracycline case) and the Tokyo High Court Judgment, June 30, 1982, *Mutai Saishū*, Vol. 14, No. 2, p. 484/*Hanta*, No. 499, p. 192 (the Dipyridamole case), the court stated that, in order to overturn the result of presumption, it is insufficient for the opponent to disclose the process he/she implements, and the opponent must plead and prove that his/her process differs from the process claimed in the patented invention, and that it does not infringe the patent right.

65 Masao Miyake, “Tokkyo Hō 104 Jō Tekiyō No Jōken” (Conditions for Application of Article 104 of the Patent Act), Toyosaki Mitsue Tsuitō Kinen Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 252; Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 406.

is more prevalent.⁶⁶

(2) Obligation to clarify the specific conditions (active denial) (Article 104-2 of the Patent Act)⁶⁷

While Article 79, paragraph (3) of the Rules of Civil Procedure provides that when denying a fact alleged by the opponent, the party must state the reason therefor (this is referred to as active denial or denial with a reason), the 1999 revision of the Patent Act established Article 104-2 as a provision for further promoting the active denial under the Rules of Civil Procedure.

Specifically, in order to deny the specific conditions⁶⁸ of a product (including a program, etc.)⁶⁹ or process that a right holder claims as one that composed an act of infringement, the adverse party must clarify the specific conditions of his/her act. The right holder must first specify the specific conditions of the product or process subject to infringement based on certain grounds. Then, it is not sufficient for the party denying the allegation to merely deny (simple denial) or indicate some reason (active denial under Article 79 of the Rules of Civil Procedure) but he/she must make an active denial by means of positively disclosing the conditions of his/her act. In the case of a patent infringement, the product or process constituting the infringement often exists only on the alleged infringer's side, so this provision was established because the actual production of proof can be extremely difficult without such a provision. This stipulation can be used to prevent the other party from taking a bad faith attitude in conducting the litigation.

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The proviso to Article 104-2 stipulates that the provision does not apply when there exist reasonable grounds preventing the adverse party from clarifying the specific conditions. The provision is not applied when the specific conditions of the infringer's act include a trade secret, or when the right holder's pleading is merely an unfounded accusation (special provision on active denial). The adverse party bears the burden of proof

66 The Tokyo District Court Judgment, November 26, 1971, *Mutai Saishū*, Vol. 3, No. 2, p. 367/*Hanji*, No. 650, p. 52/*Hanta*, No. 271, p. 130 (the Vitamin B6 Manufacturing Method case); the Tokyo District Court Judgment, July 21, 1972, *Mutai Saishū*, Vol. 4, No. 2, p. 433/*Hanji*, No. 698, p. 77/*Hanta*, No. 282, p. 100 (the Method For Producing Tetracycline case); and the Tokyo District Court Judgment, September 27, 1972 (the Propyl Carbamate case). Many cases involving Article 104 were filed at the time when substance patents were still not recognized. Many of them were cases of infringement of foreign companies' patents on inventions which could not be claimed as inventions of substances but had to be claimed in the form of processes for producing products. As a result, the meaning of the filing date became a major issue.

67 See Hideo Ozaki, "Gutaiteki Taiyō No Meiji Gimu—Tokkyō Hō 104 Jō No 2 Wo Chūshin Ni" (Obligation to Clarify the Specific Conditions: Centering on Article 104-2 of the Patent Act), Makino Toshiaki Sanju Kinen, *Chiteki Zaisanken Hōri To Teigen* (Legal Principles of Intellectual Property and Recommendations), p. 63.

68 It is not sufficient to merely plead that the adverse party is committing an infringement. The right holder needs to indicate the conditions specifically to an extent that does not cause hindrance to the adverse party's defensive activity.

69 The word "bukken" (article) was used upon the 1999 revision, but since programs, etc. were included in "mono" (products) (Article 2, paragraph (3) of the Patent Act) upon the 2002 revision, the term under this provision was also changed to "product" so as to confirm that programs, etc. are included.

with regard to the reasonable grounds. Upon the 2004 revision, Article 105-4 (Protective Order) was introduced, which together with the provision on active denial, form an effective system. Specifically, application of the special provision on active denial would not be permitted when a protective order has been issued.

There is no provision on sanctions to be imposed in the case where a party does not respond according to the provision without a good reason, but the court is expected to derive its conclusion based on its free determination in light of the entire purport of the pleadings by also taking such circumstance into account. In addition, when a party does not respond according to the provision without a good reason, the court would be more likely to order the production of documents (Article 105 of the Patent Act), and such circumstance would serve as a material for determining whether or not there are reasonable grounds for the party to refuse the order to produce documents.

(3) Production of documents (order to produce documents) (Article 105 of the Patent Act)⁷⁰

Since the time of enactment of the current Act, Article 105 of the Patent Act had provided for an order to produce documents. The provision had only provided for the production of “documents that are required to calculate the damages,” but since the obligation to submit documents was reinforced under Article 220 of the Code of Civil Procedure as revised in 1996, and it became possible to submit documents for proving an infringement, the provision on an order to submit documents under Article 105 was reinforced upon the 1999 revision of the Patent Act, and it became possible to submit not only “documents that are required to calculate the damages,” but also “documents that are required to prove the act of infringement,” upon a motion of a party. The “reasonable grounds” for the opponent to refuse production of the documents would most likely be the case where the documents contain a trade secret. Reasonable grounds would also be found when the opponent cannot be expected to possess the documents in question. An order to produce documents under this Article may also be demanded by the infringer's side, often for the purpose of proving that the damages under Article 102 are smaller than the presumed amount.

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While grounds for exemption from an obligation to submit documents under the Code of Civil Procedure are listed (Article 220 of the Code of Civil Procedure), such grounds are only generally provided as “reasonable grounds” under the Patent Act. Under

⁷⁰ With the 1999 revision, it became possible to demand production of documents also in the case of seeking an injunction, but this matter is discussed in this section on compensation for damage, for the sake of convenience.

the Patent Act, the opponent does not need to produce documents when there are reasonable grounds to refuse the production of documents, and this has not changed since the time of enactment of the current Act. However, with the 1999 revision, it was provided that, when the court finds it necessary for determining whether or not there are such reasonable grounds, it may cause the person possessing the documents to present such documents (Article 105, paragraph (2) of the Patent Act). However, even if the documents were presented, in order to keep the documents confidential, no one can demand disclosure of the documents, and as a result, the documents are only seen by the judge. This is the same as in Article 223, paragraph (6) of the Code of Civil Procedure as revised in 1996 (*in camera* procedure). In this Japanese version of the *in camera* procedure, the judge sees the presented documents and determines whether or not there are reasonable grounds to refuse to produce those documents. In actuality, when documents contain technically difficult issues, the court would have to make the determination by only hearing the one-sided view of the party who has produced the documents (the person possessing the documents). Thus, there remains a problem that the judge may gain a conviction in a process where the opponent or his/her agent cannot take part.

Thus, in line with the 2004 revision of the Court Act, Article 105, paragraph (3) was introduced in the Patent Act. As a result, where the court finds it necessary to hear opinions by disclosing the presented documents in order to make a decision concerning the existence of reasonable grounds for refusing production of the documents, the court became able to disclose the documents even to the parties, etc.,⁷¹ attorneys or assistants, at its discretion. When the documents are disclosed, the opponent will come to know the secrets against the will of the party possessing the documents, so the later-mentioned protective order will be used concurrently with such disclosure. This *in camera* procedure under the Patent Act is a procedure that has taken the *in camera* procedure under the Code of Civil Procedure one step further.

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Given the presence of these procedures, it should be construed that a party would not be able to refuse production of documents merely because they contain a trade secret.⁷² We should regard that a party can refuse to produce documents when, even with such *in camera* procedure, the disadvantage which the party would receive by producing the documents exceeds the disadvantage which the person requesting the submission would receive by non-submission of the documents. If so, the permissible grounds for refusing the

71 The "etc." refers to the following persons: if the parties are individuals, their agents (excluding attorneys and assistants), employees and other workers; and if the parties are juridical persons, the parties (or, in the case of juridical persons, their representatives), their agents (excluding attorneys and assistant), employees and other workers.

72 The Tokyo High Court Judgment, May 20, 1997, *Hanji*, No. 1601, p. 143 (the Tranilast Preparation case).

production of documents would be extremely limited.

When a party refuses an order to submit documents without reasonable grounds or when a party damages the documents in order to prevent the opponent from using them, the principle under the Code of Civil Procedure will be applied, and the court may recognize that the opponent's allegations are true (Article 224 of the Code of Civil Procedure).⁷³

Furthermore, paragraph (4) (paragraph (3) until the 2004 revision) was introduced with the 1999 revision, and the procedures set out under paragraphs (1) through (3) came to be applied *mutatis mutandis* also to the presentation of the subject matter of the inspection that is required to prove the act of infringement. This provision was established since, in patent litigation, inspection of manufacturing equipment, etc., which are also infringing articles, is sometimes indispensable. Article 232 of the Code of Civil Procedure also provides for presentation of the subject matter of observation, and since Article 105 of the Patent Act is a special provision of the Code of Civil Procedure, the provision of the Code of Civil Procedure will be applied to matters that are not provided for under the Patent Act.

(4) Expert for calculation of damages (Article 105-2 of the Patent Act)

Even if documents necessary for calculating damages were produced based on an order to produce documents, etc. under Article 105 of the Patent Act, such documents are often complicated and enormous in volume, and lawyers could have difficulty in understanding the contents. Thus, an effective means would be to utilize those having knowledge of bookkeeping and accounting (e.g. a certified public accountant).

The expert for the calculation of damages is an expert witness under the Code of Civil Procedure, and is designated according to the provision on expert witnesses under the Code (Article 213 of the Code of Civil Procedure). However, although Article 133 of the Rules of Civil Procedure provides that an expert witness has the right to attend examination proceedings, the right to request examination to the presiding judge, and the right to ask questions, it does not directly stipulate the parties' obligation to cooperate in the examination by the expert witness and the obligation to provide explanation to the expert witness. When evidence is data output from computers, or when special codes and abbreviations are used, an expert who has been selected often cannot sufficiently perform his/her duties without the appropriate cooperation of the parties. Thus, the party's obligation to provide explanation to the expert for the calculation of damages was introduced under Article 105-2 of the Patent Act with the 1999 revision. Nevertheless, there

⁷³ In the Intellectual Property High Court Judgment, January 28, 2009, *Hanji*, No. 2045, p. 134/*Hanta*, No. 1300, p. 287 (the Scrap Wood Cutter case), the court found the patentee's allegation of the number of units sold for calculating the amount of damages to be true, pursuant to Article 224, paragraph (3) of the Code of Civil Procedure, because the alleged infringer failed to comply with an order to submit documents.

is no provision on sanctions against a violation of the obligation of explanation, so when a party fails to fulfill his/her obligation to provide explanation, the court would derive its conclusion from the entire purport of the pleadings by also taking such circumstance into account, as in the case of active denial.

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The documents examined by the expert are documents produced in response to an order to produce documents, documents voluntarily produced by the parties in the court proceedings, and documents voluntarily produced by the party upon the expert examination. The expert is designated by the court on a motion by a party, but the court decides whether or not to order that an expert opinion be obtained, at its discretion.⁷⁴ The expert examination under this provision is limited to matters necessary for calculating the damages. The examination of other matters is performed as the ordinary expert examination under the Code of Civil Procedure.

(5) Determination of reasonable damages (Article 105-3 of the Patent Act)⁷⁵

The Patent Act has provisions on presumption of the amount of damages, and these provisions were further reinforced upon the 1998 revision (Article 102 of the Patent Act). However, proof of the amount of damages could still be difficult in some cases despite these provisions; for example, the amount of damages in the case where the degree of contribution of the patented invention in the infringing goods is difficult to calculate, where the cause for a decline in the price of the product is complicated, or where it is practically difficult to investigate proof on a nationwide level due to monetary and time limitations.

Article 248 of the Code of Civil Procedure provides that, where it is found that any damage has occurred, “if it is extremely difficult, from the nature of the damage, to prove the amount thereof,” the court, based on the entire import of the oral argument and the result of the examination of evidence, may determine a reasonable amount of damages. It is not quite clear whether the phrase “from the nature of the damage” only refers to cases where the proof is extremely difficult unless based on a certain assumption, such as the damages pertaining to the death of an infant, or if it also includes cases where, like the case of a patent infringement, it is not impossible to produce proof, but it is extremely difficult to gather evidence, etc. Therefore, Article 105-3 of the Patent Act was established to clarify that the court can also determine the reasonable amount of damages when it is extremely difficult, due to the nature of the facts, to prove the facts necessary to determine the amount

⁷⁴ An expert for the calculation of damages was used in the following cases: the Tokyo District Court Judgment, April 22, 1999, *Hanji*, No. 1691, p. 131 (the Card Reader case); the Tokyo District Court Judgment, February 8, 2001, *Hanji*, No. 1773, p. 130/*Hanta*, No. 1092, p. 266 (the Toy With Automatic Bullet Supplying Mechanism case).

⁷⁵ See Ichirō Kasuga, “Tokkyo Ken Songai Soshō Ni Okeru Songaigaku No Nintei -- Minji Tetsuzuki Hō No Kantan Kara” (Determination of Damages in Patent Infringement Litigation: From the Viewpoint of Civil Procedure Law), *Jurist*, No. 1162 (1999), p. 43.

of damages. There may be an opinion that, since the Code of Civil Procedure has only been revised recently, implementation of such a measure should wait until the interpretation of Article 248 of the Code of Civil Procedure takes shape. However, that would take a considerable amount of time, so Article 105-3 of the Patent Act was established based on a judgment that the recent situation surrounding the Patent Act cannot wait until then.

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The calculation of the amount of compensation for a patent infringement involves items that are very difficult to prove, such as the degree of contribution of the patented invention and the trend of the market. The revision has substantially facilitated the determination of damages suffered from a patent infringement.

(6) Protective order, etc. (Articles 105-4 through 105-6 of the Patent Act)

Since patent litigation is open to the public, there is a risk that both the plaintiff and the defendant would refrain from submitting their trade secrets in fear of their disclosure to the public, and would not be able to carry out sufficient litigation activities. While it is sometimes necessary to disclose trade secrets in the briefs, etc., unless the disclosed trade secrets are protected, the parties would hesitate to present their trade secrets, and the court would not be able to render a proper judicial decision. Conventionally, there have been such procedures as the procedure for restricting inspection, etc. of records by third parties under Article 92 of the Code of Civil Procedure, the procedure to seek an injunction under the Unfair Competition Prevention Act, and the procedure to claim damages suffered due to an act of tort. However, there are often cases where a party does not want to disclose his/her trade secrets to the other party to the suit, and conventional legal systems were insufficient to deal with such situation. Therefore, the Patent Act was revised in line with the 2004 revision of the Court Act. The revision took the provisions of the Code of Civil Procedure one step forward, and introduced a provision to prohibit use of a trade secret for a purpose other than the litigation and to prohibit disclosure of a trade secret to a third party, based on a trade secret protective order, in litigation concerning the infringement of a patent right or exclusive license (Article 105-4 of the Patent). However, this provision is only applied to litigation concerning the infringement of a patent right or exclusive license.⁷⁶ For example, although a trade secret often becomes an issue in litigation concerning an employee's invention, Article 105-4 is not applied, so there are strong calls from companies to revise this system.

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Where there is prima-facie evidence of the fact that trade secrets (refers to trade

⁷⁶ The Supreme Court Decision, January 21, 2009, *Minshū*, Vol. 63, No. 1, p. 271/*Hanji*, No. 2035, p. 127/*Hanta*, No. 1292, p. 154 (the LCD Monitor case) made it clear that the provision can also be applied in a case of provisional disposition. However, possibly because the protective order is a grave procedure, its use has been scarce.

secrets as provided in the Unfair Competition Prevention Act) possessed by a party fall under all of the following grounds, the court may, upon a motion of the party, order by a ruling that the parties, etc., attorneys or assistants shall neither use the trade secrets for any purpose other than those for the proceedings of the litigation nor disclose the trade secrets to any person other than those who receive the trade secret protective order (the main clause of Article 105-4, paragraph (1) of the Patent Act). The trade secrets can be used for conducting the litigation, but they cannot be disclosed to any person other than those who received the protective order, so, for example, they cannot be disclosed to a university professor in order to hear his/her opinion.

The grounds of which prima-facie evidence should be shown are as follows:

- (i) the trade secrets possessed by the party are contained in the briefs or such trade secrets are contained in the evidence to be examined; and
- (ii) it is necessary to restrict the use or the disclosure of the trade secrets to prevent any possible interference with the party's business activities that might arise if the trade secrets are used for any purpose other than those for the proceedings of the litigation or if the said trade secrets are disclosed.

The order is addressed to the parties, etc., attorneys or assistants, but when there is a need to disclose the trade secrets also to a technical expert within the company to study, such technical expert would also be added to the recipients of the order as an assistant. It should be noted, however, that if a technical expert who is a worker of the party learns a trade secret, that expert will be under a confidentiality obligation thereafter, and may face difficulty engaging in any related research and development after that.

A protective order does not apply to those trade secrets which are contained in briefs but are already obtained or possessed by the recipients of the order (the proviso to Article 105-4, paragraph (1)). This is because the protective order is a system for facilitating the parties to produce trade secrets in litigation in order to ensure fair judicial proceedings, and trade secrets that have been obtained outside the litigation are unrelated to the purport of this system.⁷⁷ It is a separate issue that trade secrets obtained outside litigation, which may be unrelated to a protective order, may constitute violation of the Unfair Competition Prevention Act or an act of tort, depending on how they were obtained.

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According to the Code of Civil Procedure, litigation is open to the public in principle. Apart from opening the judicial proceedings, any person may make a request to a court

⁷⁷ Masaaki Kondō and Tomoyoshi Saitō, *Chiteki Zaisan Kankei Ni Hō, Rōdō Shinpan Hō* (Two Intellectual Property-Related Laws, Labor Tribunal) (Shojihomu, 2004), p. 94 states that, while only a civil injunction is recognized by winning litigation on merit under the Unfair Competition Prevention Act, if a protective order could be issued in such case, the order would be guaranteed by criminal punishment, and the party would be able to obtain a result more powerful than the case of having won litigation on merit, before the rendering of the judgment on merit.

clerk for the inspection of a case record (Article 91, paragraph (1) of the Code of Civil Procedure), and the parties and a third party who has made a prima facie showing of his/her interest may make a request for the copying, etc. of the case record (paragraph (3) of said Article), but if trade secrets are contained in the case record, upon the petition of a party concerned, the court may, by an order, only allow the parties to make such request (Article 92, paragraph (1) of the Code of Civil Procedure). In the case of patent litigation, however, a party often wants to keep his/her trade secrets confidential from the opponent, who is a competitor, more than anyone else, and if the opponent could freely inspect the case record, the party would be reluctant to produce his/her trade secrets in the litigation proceedings. Accordingly, the following procedure was established.

Where a party requests inspection etc. of a case record of litigation in which a protective order was issued, but said requester is not subject to the protective order, the court clerk must immediately notify the party who filed the motion for the order (excluding the person who filed the request) of the fact that said request has been filed (Article 105-6, paragraph (1) of the Patent Act). The court clerk must not allow the requester to inspect etc. the part in which confidential information is contained before a lapse of two weeks from the date of said request (or, where a motion requesting a protective order is filed before the lapse of two weeks, before the decision on the motion becomes final and binding) (paragraph (2) of said Article). The party who wishes to protect his/her trade secrets can protect the secrets by filing a motion requesting a protective order within such two weeks and newly adding the person who has requested the inspection, etc. to the recipients of the protective order.

Since there is a penal provision against a breach of a protective order (Article 200-2 of the Patent Act), a protective order takes effect as of the date the written ruling is served to the person(s) to whom the protective order is issued, instead of the time when the order is issued (Article 105-4, paragraph (4) of the Patent Act). An immediate appeal may be filed against a decision dismissing a motion requesting the protective order (paragraph (5) of said Article). However, no immediate appeal may be filed against a judgment approving such motion; a written ruling is served on the recipients of the order and the order takes effect immediately. If a party is dissatisfied, he/she is to file an action for rescinding the protective order. This is because, if an immediate appeal can be filed against a judgment approving the motion, there will be a risk that the secrets may leak until a ruling is rendered by the court in charge of the appeal. Article 105-5, paragraph (1) provides for rescission of a protective order, and stipulates the grounds for rescission to be that the requirements for a protective order are no longer met (e.g., the secret ceased to be a secret ex-post facto) or have not been met (e.g., the information was not a secret at the time when the order was

issued). The decision on a motion requesting the rescission of a protective order is subject to immediate appeal (Article 105-5, paragraph (3) of the Patent Act). In this case, there is no risk for leakage of the secrets because the effect of the protective order continues until a ruling is rendered by the court in charge of the appeal.

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Even when a trade secret subject to a protective order ceases to be a secret, a protective order does not cease to be effective automatically. No time limit is set for a protective order, so in order to extinguish the effect of a protective order, the person who has filed a motion therefor or a person who has received the order files a motion requesting the rescission of the protective order on the basis that the information is no longer a trade secret, and the order ceases to be effective when a decision to the effect that a protective order is to be rescinded becomes final and binding (Article 105-5 of the Patent Act). There was a view that a balance cannot be achieved between third parties and a recipient of a protective order, if third parties are able to freely use a trade secret that has ceased to be a secret but a recipient of the order cannot use it unless he/she files an action seeking rescission of the protective order. However, because it is difficult to set a specific time limit for protection of trade secrets and also difficult to determine whether certain requirements are no longer met, the court's decision on rescission will be required.⁷⁸

A person who fails to comply with a protective order is punished by imprisonment with work for a term not exceeding five years or a fine not exceeding 5,000,000 yen (or combination thereof) (Article 200-2, paragraph (1) of the Patent Act), and a person who commits such crime outside Japan is also punished (paragraph (3) of said Article). These criminal punishments are processed through a procedure under the Code of Criminal Procedure, unlike in the case of punishments for criminal contempt in the United States. Since criminal proceedings are open to the public, whether or not a criminal action is commenced substantially affects the party who has requested the protective order. Therefore, prosecution of the breach of a protective order may not be initiated unless a complaint is filed (paragraph (2) of said Article). However, no complaint needs to be filed to initiate such prosecution for a person who has committed the crime outside Japan (paragraph (3) of said Article). The party who possesses trade secrets may feel reluctant to bring an accusation since the judicial proceedings will be open to the public, but the establishment of criminal punishments for the crime has a general deterrent effect.

⁷⁸ Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]*, p. 317, while stating that "a decision to the effect that a protective order is to be rescinded only becomes effective when the decision becomes final and binding," mentioned that "an act of breaching the order inevitably constitutes a crime of breach of the order, but the illegality of the act will be denied." However, since the crime of breach of a protective order is not a crime of having infringed a trade secret, but a crime of having failed to comply with the order, under the current Act, the crime would have to be formally determined on the basis that a protective order remains effective until it is rescinded.

Since a protective order is a grave procedure backed by a criminal penalty, in actuality, the matter is often dealt with by a non-disclosure contract between the parties to the litigation.

(7) Ban on open examination of parties, etc. (Article 105-7 of the Patent Act)

When a party, etc. is examined as a party to the litigation or as a witness, if it is obvious that making statements in an open examination will significantly interfere with the business activities of the party based on such trade secrets and a proper decision may not be made based solely on other evidence, the court may, by a ruling, hold closed examinations upon the unanimous consent of all judges (Article 105-7, paragraph (1) of the Patent Act). This provision on ban on open examination was added upon the 2004 revision. [407]

Article 105-7 is only applied to matters that will be a basis for the determination of the existence or non-existence of an infringement of a patent right or exclusive license, and is not applied to matters concerning calculation of damages. It is not applied to litigation concerning an employee's invention or litigation for rescinding a trial decision either. In rendering a ruling of closed proceedings, the court must hear the opinions of the parties in advance (paragraph (2) of said Article). In this case, if necessary, the court may cause the parties, etc., to present a document outlining the gist of the matters on which they will be making statements, and no person may request the disclosure of the document presented (paragraph (3) of said Article), but if necessary, the court may disclose the document to the parties, etc., their attorneys or assistants (paragraph (4) of said Article). When the examination is to be conducted through closed proceedings, the court must declare such fact and reasons therefor prior to requiring the public to leave the court (paragraph (5) of said Article). The requirements are much stricter than those for inspection of records, and the system is not easy to use, but this is because it makes an exception to Article 82 of the Constitution, which provides for open judicial proceedings. Among intellectual property laws, a similar provision exists under the Utility Model Act, the Unfair Competition Prevention Act and the Plant Variety Protection and Seed Act, but no such provision exists under the Design Act, the Trademark Act and the Copyright Act. It is a result of having established such provision only where suspension of open proceedings was typically required in spite of the requirement under the Constitution to make examination of parties, etc. open to the public. If closed proceedings are required under the Design Act, etc., it may be possible to carry out closed proceedings by directly applying Article 82, paragraph (2) of the Constitution, but such cases are considered to be rare.

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8.2.4. Right to Claim Return with Regard to Unjust Enrichment or Quasi Benevolent Intervention in Another's Affairs

8.2.4.1. Unjust Enrichment (Article 703 of the Civil Code)

There are no provisions on unjust enrichment under the Patent Act, but according to court judgments and the prevalent theories, a person who works another person's patented invention without authority and earns a profit therefrom meets the requirements for unjust enrichment (Article 703 of the Civil Code) in principle, so the right holder's claim for return of actual enrichment is approved.¹ In short, the right to claim compensation for damage and the right to claim return of unjust enrichment conflict with each other. However, even if a certain amount of money corresponds to unjust enrichment in theory, the right holder must prove the causal relation where the enrichment was acquired by an act of patent infringement and that it caused a loss in order to claim return of that amount. Nevertheless, the enrichment acquired by the infringer is not solely attributable to the patent but involves various elements as mentioned in the part on compensation for damage, so proof of the causal relation is often difficult.²

Because of this, in actuality the right holder often claims an amount equivalent to the license fee also in the case of claiming return of unjust enrichment. In other words, the infringer, having escaped from paying a due license fee, must have enjoyed enrichment at least to that extent, and the right holder, having not received that receivable license fee, must have suffered a loss at least to that extent, so a certain causal relation can be observed

1 There used to be theories that denied unjust enrichment but today hardly any objections are expressed against application of the idea of unjust enrichment either in court judgments or theories. Fumio Umase, "Tokkyo No Mudan Jitsuyōka To Futō Ritoku" (Unauthorized Commercialization of a Patent and Unjust Enrichment), Taniguchi Tomohei Kanreki Kinen, *Futō Ritoku/Jimu Kanri No Kenkyū (1)* (Study on Unjust Enrichment/Management Without Mandate (1)), p. 259, p. 275; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 1123 (written by Reiko Aoyagi); Minoru Takeda, *Chiteki Zaisanken Shingai Yōron (Tokkyo/Ishō/Shōhyō Hen) [Dai 5 Han]*, p. 455; Honma Takashi, "Songai Baishō To Futō Ritoku No Henkan No Dōji Seikyū No Mondai" (Issue of Concurrently Claiming Compensation for Damage and Return of Unjust Enrichment), *Tokkyo Kanri* (Patent Management), Vol. 22, No. 6, p. 567.

2 Although there are theories to analogically apply the presumptive provision under Article 102 of the Patent Act also in the case of unjust enrichment (Fumio Umase, "Tokkyo No Mudan Jitsuyōka To Futō Ritoku" [Unauthorized Commercialization of a Patent and Unjust Enrichment], Taniguchi Tomohei Kanreki Kinen, *Futō Ritoku/Jimu Kanri No Kenkyū (1)* (Study on Unjust Enrichment/Management Without Mandate (1)), p. 266, p. 268, p. 273), such analogical application is considered to be not easy, because while tort is a system for compensating damage of the infringed party, unjust enrichment is a system for having the infringer's enrichment returned, and the two systems differ in their purpose, requirements and effects. Analogical application was denied in the following case: the Osaka District Court Judgment, October 31, 1980, *Mutai Saishū*, Vol. 12, No. 2, p. 632 (the Children's Vehicle Tire case), and the second instance judgment on the same case, the Osaka High Court Judgment, January 28, 1982, *Mutai Saishū*, Vol. 14, No. 1, p. 41. As an exception, in the Osaka District Court Judgment, October 14, 1987, *Mutai Saishū*, Vol. 19, No. 3, p. 389 (the Okeya case; a trademark case), the court determined the amount of profits gained by the defendant to be the amount of losses suffered by the plaintiff, stating that due to the fame of the plaintiff's trademark, it could be assumed that the trademark had wholly accounted for the defendant's sales.

between the two.³ In this respect, the amount would practically be the same as the amount of damages claimable under tort law, but while the period of prescription of the right to claim compensation for damage caused by an act of tort is three years from the time of coming to know of the damages and the identity of the perpetrator, that of the right to claim return of unjust enrichment is ten years, so the latter right is used as an alternative means after the right to claim compensation for damage lapses by prescription. Even if the right holder had not worked the invention, it would make no difference in that the infringer would have had to pay a license fee to work the invention and the right holder was entitled to receive a license fee, so such a right holder can also claim return of unjust enrichment⁴.

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8.2.4.2. Quasi Benevolent Intervention in Another's Affairs (Article 697 of the Civil Code)

An infringer of another person's patent is conducting the act for himself/herself, and not managing the affairs on behalf of another person, so the provision on benevolent intervention in another's affairs (Article 697 of the Civil Code) is considered not to be applicable. Thus, there is a question of whether or not to recognize quasi benevolent intervention in another's affairs with regard to a patent infringement, although there is no provision on quasi benevolent intervention in another's affairs under the Civil Code of Japan. While quasi benevolent intervention in another's affairs is typically discussed in relation to the sales, etc. of another person's products, there are also theories which try to recognize quasi benevolent intervention in another's affairs with regard to unauthorized use of another person's intellectual property.⁵

Since there is no provision on quasi benevolent intervention in another's affairs under the Patent Act, it is basically left to the interpretation of the Civil Code. The council report upon establishing current Article 102 of the Patent Act included a statement that “the

3 The Tokyo District Court Judgment, July 3, 1967, *Kamin*, Vol. 18, No. 7/8, p. 739 (the Streptomycin case); the Osaka District Court Judgment, March 28, 1975, *Hanta*, No. 328, p. 364 (the Coupler Attached in a Door-Latch Fashion case); the Tokyo High Court Judgment, August 29, 1991, *Chiteki Saishū*, Vol. 23, No. 2, p. 618 (the Nibbling Die Mechanism case). Meanwhile, Fumio Umase, “Tokkyo No Mudan Jitsuyōka To Futō Ritoku” (Unauthorized Commercialization of a Patent and Unjust Enrichment), Taniguchi Tomohei Kanreki Kinen, *Futō Ritoku/Jimu Kanri No Kenkyū (1)* (Study on Unjust Enrichment/Management Without Mandate (1)), p. 263 states that an amount equivalent to the license fee is the minimum amount of unjust enrichment; thus, the amount can be higher. However, in reality it is often difficult to prove an amount exceeding the amount equivalent to the license fee.

4 The Toyama District Court Judgment, September 7, 1970, *Mutai Saishū*, Vol. 2, No. 2, p. 414 (the Melamine Resin case); the Osaka District Court Judgment, October 28, 1983, *Hanta*, No. 514, p. 303 (the Attachable Ventilator case); the Osaka District Court Judgment, September 27, 1984, *Tokkyo To Kigyō* (Patents and Enterprises), No. 191, p. 63 (the Register with Attached Plastic Cord case).

5 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 241; Kiyomitsu Yoshimi, “Jun-Jimu Kanri No Sai-Hyōka - Futō Ritoku Hō Nado No Kentō O Tsūjite” (Re-evaluation of Quasi Benevolent Intervention in Another's Affairs -- Through Analysis of the Law of Unjust Enrichment), Taniguchi Tomohei Kanreki Kinen, *Futō Ritoku/Jimu Kanri No Kenkyū (3)* (Study on Unjust Enrichment/Management Without Mandate (3)), p. 371.

patentee can claim return of the enrichment acquired through an infringement from the person who intentionally or negligently infringed his/her patent right.” This report had the intention of stripping the infringer of his/her enrichment (profit), and it could be regarded as practically equal to having recognized quasi benevolent intervention in another's affairs. However, in the end, this proposal failed to be adopted, and the provision under the current Act (Article 102 of the Patent Act) was adopted instead. When considering this matter within the framework of tort law, the idea proposed in the report would cause an imbalance with other acts of tort, so after all it was decided to process the matter within the framework of tort law.

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Supposing that quasi benevolent intervention in another's affairs were recognized, the profits gained by the infringer would have to be delivered to the right holder, so the provision under Article 102, paragraph (2) of the Patent Act to presume the profits gained by the infringer to be the damages would lose most of its meaning. Due to such a legislative circumstance, recognition of quasi benevolent intervention in another's affairs is regarded to be difficult to accept as an interpretation of the current Act, although it is worth considering from a legislative approach.

However, the unique concept of damage in an intellectual property infringement makes it difficult to legally reckon quasi benevolent intervention in another's affairs as a basis for damages, but it may not be unreasonable to reach a similar conclusion by some constructive theory or legislative measure. In sum, it seems to go against justice for the infringer to retain the profits he/she has acquired through an illegal act on the one hand, but on the other hand, it seems to go against equity to deliver all of the profits acquired by the infringer through his/her own ability, funds and efforts to the right holder. The challenge is to find the most reasonable stance between these two considerations.

8.2.5. Measures to Restore Credibility (Article 106 of the Patent Act)

The court may, upon the request of a patentee or exclusive licensee, order an intentional or negligent¹ infringer to take measures necessary to restore the business credibility of the patentee or exclusive licensee (Article 106 of the Patent Act). The typical case is where the impression of the patent has deteriorated due to goods of poor quality, and measures to restore credibility in such a case include publication of an advertisement of apology.² However, unlike in the case of an infringement of a mark, such as a trademark,

1 Since negligence is presumed under Article 103, this requirement hardly becomes a problem.

2 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 326.

it would be rare for an infringement of a patent to injure business credibility.³ That would only happen in special cases where the products manufactured and sold by an act of infringement were poor in quality and, at the same time, they created the impression of being related to the patent.

3 As a case in which a demand for publication of an advertisement was approved, in the Osaka District Court Judgment, April 26, 1984, *Hanta*, No. 536, p. 410 (the Protective Cover for Electric Wires case), which was a case related to the Design Act, the court ordered that an advertisement of apology be published in a newspaper. Meanwhile, in the Kobe District Court Judgment, April 21, 1986, *Hanta*, No. 620, p. 179 (the Fractured Rib Fixing Belt Design case), the court ordered placement of an advertisement of apology (not in a general newspaper but in a trade newspaper), considering the proportion of the plaintiff's products in the plaintiff's business, the damages suffered by the plaintiff from demand for a discount, the number of the infringing products sold, the extent of similarity between the two designs, and the fact that the plaintiff had not claimed compensation for damage, as well as the fact that the defendant had already stopped the manufacture and sales and that the plaintiff's credibility was only directly injured in relation to medical equipment dealers. (It is questionable whether the facts found in this case can be considered to be the factors for ordering placement of an advertisement of apology, but it is introduced here since it is one of the very few court judgments of this type which has been published.) Meanwhile, a demand for publication of an advertisement of apology was not approved in the following cases: the Osaka District Court Judgment, June 8, 1965, *Hanji*, No. 459, p. 69/*Hanta*, No. 180, p. 193 (the Sport Spike case); the Tokyo District Court Judgment, July 24, 1968, *Hanta*, No. 229, p. 231 (the Antibiotic Substance Pulverizing Device case); the Tokyo District Court Judgment, May 25, 1973, *Mutai Saishū*, Vol. 5, No. 1, p. 128 (the Motorcycle Design case).

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8.2.6. Exhaustion of Right

8.2.6.1. Exhaustion Theory

(1) Significance of exhaustion

When products pertaining to a patent (patented products) are lawfully put on the market¹ by the right holder,² the effect of the patent does not extend to the distributed products, and the permission of the right holder is not required to be obtained every time the products are resold, according to the common legal practice. If a person's act of purchasing a product sold by the right holder and reselling it or using it by himself/herself is deemed to be a patent infringement, it would confuse the distribution system and disable proper economic activities. Thus, such an act of working by a third party is naturally considered to be legal around the world, and the only remaining problems are its theoretical structure and interpretation of marginal cases such as repair or refurbishment, the relationship between exhaustion of components and finished products, and overseas distribution (international exhaustion). An issue that may present a problem in the future is exhaustion of organisms with a self-propagating function. For example, an act of using seeds which are patented products is to produce them, and there is a problem of how to interpret the relationship between the process of purchasing the seeds, sowing them and cultivating crops, collecting seeds from the crops and further propagating them, and exhaustion.³

While such an act of working an invention may seem to constitute an infringement

1 "Kakufu" (placement on the market) means to put products in the distribution system. In the Osaka High Court Judgment, December 1, 2000, *Hanta*, No. 1072, p. 234 (the Paper Core for Drug Packaging Machine case), the court denied an agreement on retention of ownership, and approved exhaustion on the basis that the product was lawfully put on the market.

2 The right holder refers to a patentee or licensee (including a statutory licensee and compulsory licensee). Even if a licensee puts the products on the market, the situation is no different from the case where they were put on the market by the patentee. This fact was stated in the following court judgments: the Tokyo District Court Judgment, October 13, 1964, *Hanta*, No. 168, p. 152 (the Chain Joining Device case; the court held that an act of selling the products purchased from a person who acquired a non-exclusive license based on prior use was legal); the Osaka District Court Judgment, June 9, 1969, *Mutai Saishū*, Vol. 1, p. 160 (the Automatic Bowling Pin Setting Device case); the Nara District Court Judgment, May 26, 1975, *Hanta*, No. 329, p. 287 (the Synthetic Resin Door Frame case; the court held that an act of a person who sold the products purchased from the licensee was a justifiable act that did not infringe the utility model right); the Chiba District Court Judgment, December 14, 1992, *Chiteki Saishū*, Vol. 24, No. 3, P. 894 (the Connecting Device for Face Structural Members case; the court held that an act of a person who acquired products from a prior user under the Design Act was legal). In the Osaka District Court Judgment, July 20, 2006, *Hanji*, No. 1968, p. 164 (the Carriage Fixing Device case), the court stated that a patent right is considered to have attained its purpose and is exhausted also when the patented product is assigned by the person who is to be the patentee and the establishment of a patent right is subsequently registered.

3 Ryūta Hirashima, "Tokkyo Hō Ni Okeru Jisshi gainen To Shōjin Hōri Wo Meguru Aratana Rironteki Kadai—Nōgyō Bun'ya Ni Okeru Genshō Wo Keiki To Shite" (New Theoretical Issues on the Concept of Working of an Invention and the Exhaustion Doctrine under the Patent Act: Prompted by Phenomena in the Agricultural Field), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Spreading Wings - Intellectual Property Law in the 21st Century), p. 308.

formally due to the lack of a provision that legitimatizes such an act under the Patent Act, various theories have been advocated in order to avoid this conclusion.

Among old court judgments, there was a case where the court held that the effect of the patent does not extend to a product that has been lawfully acquired, as part of the effect of the ownership to that product,⁴ but this judgment, which has confused patent rights with ownership, is not supported today.

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There is also a theoretical structure which considers that the right holder's act of lawfully placing products pertaining to a patent on the market means that the right holder has implicitly given authorization for working the invention, and such theory is prevalent in some countries. However, if implicit authorization for working the invention is considered to have been given, it would be difficult to provide theoretical explanations for special cases such as where authorization apparently has not been given. This is likely to be the reason that this theory gains little support in Japan.⁵

The prevalent opinion in Japan is to consider that, when the right holder places products pertaining to a patent on the market, it means that the patent has already attained its purpose as far as those products are concerned, and the patent right has been exhausted regarding those products.⁶ The substantive grounds that are often mentioned for such opinion are the safety of transactions and prevention of double profits. The purpose of the patent system is to increase the incentive for invention through guaranteeing profits by recognizing monopolistic working of the invention, and in terms of increasing the incentive alone, the effect of a patent right should be as strong as possible. However, the effect must always be determined in balance with the public interest. The limits of the effect of a patent right are not theoretically derived, but, rather, are determined based on policy. Because guaranteeing phased distribution of products is essential for economic activities, if the patent system were to obstruct such distribution, it would run contrary to the purpose of the Patent Act to contribute to the development of industry (Article 1 of the Patent Act). In light of this, the theory of exhaustion of rights should be recognized. Denial of exhaustion would be equal to giving the patentee the authority to control distribution, which would make the power of the patentee too strong, and could cause the Patent Act to approve an

4 The Supreme Court Judgment, October 9, 1912, *Minroku*, Vol. 18, p. 827.

5 Even if the theory of implicit authorization were adopted, it would be necessary to assume authorization as a legal fiction, so the outcome would not be so different from the exhaustion theory.

6 The Supreme Court Judgment, July 1, 1997, *Minshū*, Vol. 51, No. 6, p. 2299/*Hanji*, No. 1612, p. 3/*Hanta*, No. 951, p. 105 (the BBS case); the Supreme Court Judgment, November 8, 2007, *Minshū*, Vol. 61, No. 8, p. 2989/*Hanji*, No. 1900, p. 3/*Hanta*, No. 1258, p. 62 (the Ink Tank case).

act that is considered to be an unfair trading method under the Anti-monopoly Act.⁷ From such viewpoint as well, an exhaustion theory is required and it would be desirable to expressly stipulate it in a provision,⁸ but even without such statutory grounds, the exhaustion theory should be recognized.⁹

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Meanwhile, rights in products which were not lawfully distributed are not exhausted, and even a person who has acquired and used such product in good faith and without negligence cannot assert exhaustion. Exhaustion is not an issue of acquisition in good faith, but an issue of the effect of a patent right, i.e. that the effect does not extend to products that have been lawfully distributed by the right holder.

The problem of exhaustion does not occur in relation to a simple process invention, in principle, because the process itself is never distributed by the right holder.¹⁰ With regard to an invention of a process of producing a product, this matter should be dealt with in the same manner as in the case of a product invention. Specifically, the patent right is also construed to be exhausted when the products produced by that process are lawfully put on the market by the right holder. In addition, when the right holder of a process of producing products has assigned any product to be used exclusively for that process or a product indispensable for the resolution of the problem, exercise of the right on that product should not be permitted.¹¹

7 Article 21 (Article 23 before the 2000 revision) of the Anti-monopoly Act provides that the Act is not applicable to an act that is recognizable as the exercise of a right under the Patent Act. There are arguments over the interpretation of this provision with regard to what kinds of acts of the patentee are excluded from the application of the Anti-monopoly Act, but the details shall be left to studies in the field of economic law. Incidentally, a right of distribution (a non-exhaustible right to control distribution) is presently recognized for cinematographic works under the Copyright Act, and the question of whether sales and purchases of used game software (which are also often regarded to be cinematographic works) can be prohibited became an issue, but the court held that the right is exhausted based on policy determination in such case, in the Supreme Court Judgment, April 25, 2002, *Hanji*, No. 1785, p. 9 (the Used Software case).

8 Article 12, paragraph (3) of the Act on the Circuit Layout of a Semiconductor Integrated Circuits expressly provides for this exhaustion principle.

9 In the Supreme Court Judgment, July 1, 1997, *Minshū*, Vol. 51, No. 6, p. 2299/*Hanji*, No. 1612, p. 3/*Hanta*, No. 951, p. 105 (the BBS case), which was a case of parallel import, the court recognized domestic application of the exhaustion theory in its obiter dictum. The court also recognized domestic exhaustion as a generality, in the Supreme Court Judgment, November 8, 2007, *Minshū*, Vol. 61, No. 8, p. 2989/*Hanji*, No. 1900, p. 3/*Hanta*, No. 1258, p. 62 (the Ink Tank case).

10 It would not be appropriate to find infringement when a patentee has assigned any product to be used exclusively for that process or any product to be used exclusively for that process which is indispensable for the resolution of the problem by the invention and the assignee or a subsequent acquirer works the patented process by using that product. However, there would remain a problem of whether it is exhaustion or implicit authorization (the same view is adopted in the conclusion of the Intellectual Property High Court Grand Panel Judgment, January 31, 2006, *Hanji*, No. 1922, p. 30/*Hanta*, No. 1200, p. 90 [the appellate instance of the Ink Tank case]).

11 The Intellectual Property High Court Grand Panel Judgment, January 31, 2006, *Hanji*, No. 1922, p. 30/*Hanta*, No. 1200, p. 90 (the appellate instance of the Ink Tank case).

As exhaustion of a patent right limits the effect of the patent right for policy reasons, the right holder should not be given the power to change its effect by his/her intention. Accordingly, even if the patentee prohibits sales of the patented products outside Hokkaido, it only binds the contracting parties as an effect of the contract, and the patentee cannot stop any third parties who have purchased the products from re-selling the products outside Hokkaido. Any kind of contract can be concluded between the contracting parties unless it violates other enforceable regulations (such as Article 90 of the Civil Code and the Anti-Monopoly Act), so the right may sometimes appear not to be exhausted between the parties as a result. For instance, it is possible to conclude a contract between the parties to the effect that the assignee shall only use the product pertaining to the patent by himself/herself, and shall not assign the product to a third party. However, since the effect of such contract does not extend to a third party, if the assignee further assigns the product to a third party in breach of this contract, there would only be the problem of default of an obligation, in principle, and the third party would be able to assert exhaustion of the patent right.

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(2) Repair or refurbishment, processing, and replacement of a component

Exhaustion becomes a problem domestically almost only in relation to repair, refurbishment, and replacement of components.¹² Even if a product has been distributed by the right holder and the patent right has exhausted with regard to that product, if its material part has been refurbished (repaired) or modified, or its material component has been replaced, it could be viewed as new production, and could constitute a patent infringement. There is no objection to this generality, but as an actual issue, it is usual for a purchaser of a machine, etc. to use it by making repairs and improvements to some extent, and it is difficult to determine the extent of refurbishment, modification, etc. that would be

Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 217 mentions that “there would still be a problem if the machine for such purpose were assigned to another person, but an implicit authorization to work the invention is considered to be granted if that machine is only used for working a process invention.” In the Intellectual Property High Court Grand Panel Judgment, May 16, 2014, *Hanji*, No. 2224, p. 89/*Hanta*, No. 1402, p. 226 (the Apple vs. Samsung case), the court stated for confirmation in the obiter dicta that when a patentee, etc. has assigned components, exercise of the patent right should not be restricted because products that fall within the technical scope of the patented invention are newly produced by using products that do not fall within the technical scope of the patented invention. It stated, however, that “if the patentee can be considered to have impliedly consented to the production of a patented product by the use of said Item (i) Product, the effect of the patent right does not extend to the production of the patented product by the use of said Item (i) Product or the use, assignment, etc. of such patented product,” indicating an implicit authorization theory.

¹² As a special example, there can be a case where a patentee assigns seeds of a patented plant, and its acquirer cultivates plants from those seeds. The patent right would extend to the first cultivation carried out by the first acquirer of the seeds, but a question arises for an act of further collecting seeds from those plants and cultivating them. Treatment of plants which have a self-propagating function had not been considered in the past. Plants such as grass which propagate without having to collect seeds would present a greater problem.

regarded as production.¹³ Recently, disposable products, such as disposable cameras and ink tanks, have increased. There have been arguments over whether an act of modifying a used disposable camera and selling it after reloading film, or an act of sterilizing and reusing a disposable syringe or contact lens, which is supposed to be disposed of in order to prevent infection does not constitute an infringement on the basis that the right has exhausted or constitutes an infringement on the basis that it is new production. When a used product has been reused without being processed in any way, such as in the case of a disposable syringe,¹⁴ it is normally difficult to consider the act to be reproduction. Thus, there has been a judgment (later mentioned) stating that reuse of such product after having completed its function also constitutes one type of exhaustion. However, while a theory that regards such cases to be exhaustion is likely to have borne in mind in such case as where a person purchases a large number of used syringes from many people, sterilizes them, and resells them, there is slight strangeness in a conclusion whereby a doctor who uses a disposable syringe twice will be immediately regarded to have committed a patent infringement (the fact that this can cause a hygienic problem is a different issue).

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This issue generally tends to be considered an extension of the exhaustion theory. Many court judgments dealing with this issue adopt a logical structure to examine in what

13 For details, see Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 434; Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Jō* (新・Explanatory Notes on the Patent Act Vol. 1), p. 1026 [written by Masabumi Suzuki]. While it is a case concerning an indirect infringement, in the Osaka District Court Judgment, April 24, 1989, *Mutai Saishū*, Vol. 21, No. 1, p. 279 (the Sand Producing Machine Hammer Case), the court held as follows: "In a case where a purchased machine or equipment breaks down before achieving the planned purpose of use, and the purchaser, etc. who is no longer able to collect the amount of value he/she had paid to the utility model owner, etc. as had been planned, replaces the broken component in order to restore the function of said broken machine or equipment, such an act can be considered to fall within the scope of an act of collecting the value paid, so it is permissible as an act of repair. However, in the case of using the machine or equipment by newly replacing a component after achieving the purpose of use that had been planned at the time of purchase and after collecting the value that had been paid to the utility model owner, etc. as had been planned, it would mean using the device beyond the value paid to the utility model owner, etc. as a result of the replacement, so it would be reasonable to construe that such act is not automatically permitted. This is because an act of the purchaser, etc. to use a device beyond the value paid to the utility model owner, etc. would harm the monopolistic interest that should be guaranteed for the utility model owner, etc. [...] Replacement of a component cannot be considered to be a mere act of repair, if, as a result of the replacement, the device will be used beyond the value paid to the utility model owner, etc., and it would be reasonable to construe such replacement to correspond to "manufacture" as prescribed in said provision [Article 28 of the Utility Model Act; due to the difference in the protected subject matter, the Utility Model Act uses the term "manufacture" (author's note: Article 2, paragraph (3) of the Utility Model Act), but the term "production" is used under the Patent Act]. Court judgments in which the court held that an act of reselling a recycled product made from a defective product that has been assigned to a third party for the purpose of disposal constitutes an infringement include the Osaka District Court Judgment, February 29, 1996, *Hanji*, No. 1573, p. 113 [the Gas Sensor case].

14 Since a disposable syringe cannot bear reuse unless it is sterilized, it may not be impossible to deem the sterilization as processing, but it feels unnatural to treat such case differently from the case where a disposable syringe is reused in an unsanitary manner without sterilization.

kinds of cases a right is exhausted.¹⁵ However, if a certain patented product is lawfully sold, the right relating to the product will have been exhausted in the sales phase, so the purchaser of the product is supposed to be able to freely use or assign the product. It is only that the purchaser cannot conduct a new act of production using a component of that product. Such act of infringement constitutes an infringement not only in the case of a using a component of a “product” for which the right has exhausted, but also in the case of reusing a “product” for which the right has not exhausted (e.g., a still unsold product) and making a product identical to the patented product. As long as the act corresponds to “production,” it constitutes an infringement. In sum, the idea is not that a right, which has once been exhausted as a result of sales, revives, and the purchaser's act of repair or refurbishment conflicts with the revived right, but it would be sufficient to question whether or not the recycling business operator's act corresponds to production, irrespective of whether the right has been exhausted.¹⁶

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Even if a patented product partly breaks and has become unusable as a whole, some usable components still remain, so there can be cases where the usable components are reused to produce or they are recycled into a product identical to the patented product (a patent infringing product). Also, there can be cases where a product, which is not physically unusable but is unusable from a social viewpoint (e.g., disposable contact lenses or a disposable syringe), is reused. In such case, there is no need to question whether or not the right for that “product” has been exhausted, but it is sufficient to determine whether or not the act of the recycling business operator deserves to be determined as “production.” Ultimately, it comes down to the question of what “production” is in the sense intended by the Patent Act, that is, whether the act of the recycling business operator corresponds to repair or refurbishment which is legal under the Patent Act, or if it goes beyond that and corresponds to production, which is illegal. The determination of whether or not an act of a person who has conducted repair or refurbishment corresponds to the “production” under the Patent Act is a determination on infringement itself, which has a strong legal nature. Therefore, when determining whether or not an act is production, not only the extent of

¹⁵ In the Intellectual Property High Court Grand-Panel Decision, January 31, 2006, *Hanji*, No. 1922, p. 30/*Hanta*, No. 1200, p. 90 (the Ink Tank case), the court divided cases where the right is not exhausted into two categories: (1) the case where the patented product was reused or recycled after completing its function by ending its service life as a product (Category 1); and (2) the case where a third party processes or replaces all or part of the components constituting an essential part of the patented invention in the patented product (Category 2). The court held that, in these categories of cases, the patent right is not exhausted, and the patentee will be permitted to enforce his/her right based on the patent right with regard to the patented product.

¹⁶ In the Tokyo District Court Judgment, December 8, 2004, *Hanji*, No. 1889, p. 110 (the Ink Tank case), the court stated that, among the effects of a patent right, the right to produce cannot be exhausted, so even if a person has lawfully purchased a patented product, if such person conducts an act that would be regarded as having produced a new, separate subject matter that uses the patented invention, the act infringes the patent right.

repair or refurbishment should be determined but a normative determination on whether or not the act deserves to be determined as production, or an infringement, would be required. In that process, attention should be paid to the following points.

The first point is the relation between the specific contents of the repair or refurbishment and the scope of claims. When an infringement becomes a problem, a product that conflicts with the scope of claims is actually being created, so the question will be how much the recycling business operator needs to have been involved in completing the product in order for the act to be regarded as infringing “production.” Since it is a determination on patent infringement, it is naturally determined based on the contents of the scope of claims, and from such viewpoint, the person who has repaired or refurbished material elements of the features disclosed in the scope of claims would be determined to be the producer. In addition, when a material part disclosed in the scope of claims has become difficult to use (or has been destroyed), and as a result, the product has lost its meaning as the patented product, an act of restoring it into its original form would be regarded as “production” using such part as a component.

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In addition to this, the determination should be made by comprehensively considering such factors as the objective characteristics of the patented product including its functions, structure, materials, and use, the contents of the patented invention (particularly the scope of claims), the normal mode of use of the patented product (e.g., whether it is aimed at ensuring safety, such as the case of medical instruments, or aimed at achieving handiness and low cost, such as the case of disposable cameras), the extent of the processing, and the actual conditions of transactions.¹⁷ Similar issues are also recognized in other countries as difficult issues, and they include delicate problems, but we should be careful about broadening the concept of production to cases where the patented product has

17 In the Supreme Court Judgment, November 8, 2007, *Minshū*, Vol. 61, No. 8, p. 2989/*Hanji*, No. 1990, p. 3/*Hanta*, No. 1258, p. 62 (the Ink Tank case), the court held that, in the case where a patented product assigned by the patentee has been processed or its component has been replaced, the question of whether the patentee is allowed to use his/her patent right with regard to that patented product on the basis that such processing, etc. corresponds to new manufacture of the patented product should be determined by comprehensively considering the attributes of the patented product, the contents of the patented invention, the mode of the processing or replacement of component, as well as the actual conditions of transactions. The factors considered in the determination almost fully adhere to the standards for constituting infringement indicated in its original instance by the Intellectual Property High Court Grand Panel Judgment, January 31, 2006, *Hanji*, No. 1922, p. 30/*Hanta*, No. 1200, p. 90, and there seems to be no substantial difference in their conclusions. Toshiaki Iimura, "Inku Tanku Jiken" (Ink Tank Case), *Jurist*, No. 1475 (2015), p. 31 states that this Supreme Court Judgment and the Intellectual Property High Court Grand Panel Judgment in the original instance "seemingly take different approaches at a glance, but the Supreme Court has not particularly denied using the factors determined in the 'exhaustion approach' by the Intellectual Property High Court as the factors to be considered in this case, and has reorganized them to better comply with actual practices. See Tetsurō Nakayoshi, "Inku Kātorijji Jiken Jōkokushin Hanketsu No Kaisetsu" (Explanation of the Judgment in the Final Appellate Instance in the Ink Cartridge Case), *L&T*, No. 39 (2008), p. 69.

not been processed at all.¹⁸ With regard to such products as disposable contact lenses and disposable syringes, there would be a problem in finding patent infringement merely by the fact that they have been sterilized and reused.

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(3) Relationship between components and finished products

There is a question of whether an act of purchasing a component manufactured by a patentee of a certain finished product or a licensee thereof¹⁹ and then working a finished product that incorporates said component constitutes patent infringement; in other words, whether it can be said that, if the patent right for a component has exhausted, the patent right for a finished product using that component has also exhausted. A company often purchases a large number of component parts from other companies when manufacturing a single finished product. Such tendency is particularly noticeable for electronic products, etc. It is not rare for a company to procure almost all components from other companies. If the component is a general-purpose product, exhaustion of the patent right in the component does not extend to a finished product (a patented product) that incorporates the component manufactured by the patentee, etc.²⁰ For example, if a person legitimately purchases a general-purpose semiconductor chip manufactured by the patentee, etc. of the finished

18 The Tokyo High Court Judgment, November 29, 2001, *Hanji*, No. 1779, p. 89/*Hanta*, No. 1104, p. 259 (the Acyclovir case) was a peculiar case where a party purchased 7,000 tablets of a drug containing Aciclovir as an active substance (Zovirax), which was a product using the patent in question, disintegrated the tablets, extracted and purified the active substance, Acyclovir, and manufactured and sold a drug containing Aciclovir as an active substance (Acirovec). The court held as follows: "With regard to a patented product assigned by the patentee, if the subject matter using the patented invention which was used in such product remains within the scope of identity, the rights to use, assign, etc. the patent right, from among the rights to work the patent right, have been exhausted and are no longer effective, and when the patented product has been deformed, the effect of the patent right only extends to the case where there has been an act that is regarded under the Patent Act to be an act of newly producing a product that uses the patented invention. Even in the case of an act of deforming a patented product, as long as the subject matter that uses the patented invention remains within the scope of identity, an act of merely repairing the patented product by replacing its components or through overhaul and making the product last throughout its service life is still construed as not being an act of production. Meanwhile, whether an act of deforming a patented product remains within the scope of mere repair, etc. of the patented product or is regarded to be an act of producing new subject matter that uses the patented invention depends on whether or not the act of deformation can be regarded as an act of production, which is an act of working the patented invention. A typical case where such act can be regarded as an act of production is an act of replacing a component which is a main constituent feature of the patented invention with a component manufactured by a third party. Then, whether or not the act can be regarded as an act of production, which is an act of working the patented invention, should be determined by concretely understanding the act of deformation conducted with regard to the patented product, and evaluating whether, in view of the objective nature and mode of use of the patented product and the subject matter using the patented invention, such act corresponds to production of new subject matter using the patented invention, or if it is an act conducted within the scope of identity of the subject matter using the patented invention, such as a repair for making the patented product last through its service life, based on the constitution and working effects or the technical idea of the patented invention."

19 While there is no problem when a licensee of a patented product distributes the product, but when a licensee of a component distributes the component, a complicated problem could arise due to the relationship between the patentee of the finished product and the licensee of the component. See Toshiaki Iimura, "Kanseinin Ni Kakaru Tokkyo No Hoyūsha Ga Buhin Wo Jōto Shita Baai Ni Okeru Tokkyoken No Kōshi No Kahi Ni Tsuite" (Possibility of Exercise of a Patent Right in the Case Where the Patent Holder of the Finished Product Assigns Components), Nakayama Nobuhiro Koki Kinen Ronbunshū, *Habataki - 21 Seiki No Chiteki Zaisan Hō* (Spreading Wings - Intellectual Property Law in the 21st Century), p. 351.

20 Intellectual Property High Court Grand Panel Judgment, January 31, 2006, *Hanji*, No. 1922, p. 30/*Hanta*, No. 1200, p. 90 (the Ink Tank case).

product and manufactures a finished product (a patented product) that incorporates the chip, it cannot be said that the exhaustion of the patent right in the component has caused exhaustion of the right in the finished product, and that the patent right does not extend to the finished product.

There is an Intellectual Property High Court Grand Panel Judgment²¹ regarding this issue. In the obiter dicta,²² the court cited the Supreme Court Judgments in the BBS case²³ and the Ink Tank case,²⁴ stating as follows: when a patentee, etc. has assigned a component that would constitute an indirect infringement as referred to in Article 101 of the Patent Act (a product exclusively used or designed to be used for the working of the invention; hereinafter referred to as "said component"), the patentee is not permitted to exercise the patent right for said component, as long as said component retains its original form; however, when a third party produces a patented product by using said component, the patentee is not restricted from exercising the patent right, because a product that falls within the technical scope of the patented invention is newly produced by using a product that does not fall within the technical scope of the patented invention. Yet, the court stated that, even in such case, the effect of the patent right does not extend to the finished product if the patentee is found to have implicitly accepted the production of a patented product by using said component. In practice, if a contract has been concluded to prohibit production of a patented product by using said component, the effect of the patent right would extend to the finished product even if the counterparty produces a finished product by using the component sold by the patentee or a licensee. This Intellectual Property High Court Judgment does not take a theoretical approach to conclude that the patent right in the component is exhausted when the right holder assigns a component which is an exclusive product and the purchaser manufactures and sells the finished product. Instead, it takes an approach to assess whether the right holder had given implicit authorization. The approach of implicit authorization would allow a more flexible interpretation than the exhaustion theory in determining the cases in which implicit authorization is regarded to have been given. This Intellectual Property High Court Grand Panel Judgment dealt with an issue that was easy to resolve by an explicit or implicit contract, because it was a dispute between a

21 Intellectual Property High Court Grand Panel Judgment, May 16, 2014, *Hanji*, No. 2224, p. 89/*Hanta*, No. 1402, p. 166 (the Apple vs. Samsung case).

22 Exhaustion does not become a problem because the licensing contract between the patentee and the component manufacturer has terminated, but since the court made the statement while "supposing that the license contract has not terminated and the Baseband Chip is covered by the contract," this part constitutes obiter dicta. The Intellectual Property High Court is likely to have wanted to indicate a court judgment on the issue of components and exhaustion. While the Intellectual Property High Court is a trial court, Grand Panel Judgments in particular also have the role of unifying court judgments, given the background of establishment of the court, so it is considered that the court purposefully provided such an explanation as a generality.

23 Supreme Court Judgment, July 1, 1997, *Minshū*, Vol. 51, No. 6, p. 2299 (the BBS case).

24 Supreme Court Judgment, November 8, 2007, *Minshū*, Vol. 61, No. 8, p. 2989 (the Ink Tank case).

person who purchased a component from a licensee of a patent right and the patentee, and not a case in which said component was distributed from one to another. In general terms, there would be a problem in that the effect of exhaustion extends to third parties in the case of the exhaustion theory, but the effect of a contract does not extend to third parties in the case of the implicit authorization theory.²⁵[419]

8.2.6.2. Exhaustion of a Patent Right and Parallel Imports (International Exhaustion of a Patent Right)

(1) Identification of the problem

Apart from the case of repair, refurbishment, etc., hardly any problems occur in recognizing the exhaustion theory as a general concept when the transactions are completed within Japan. The disputes actually observed are mostly cases of parallel imports (imports of genuine products). When a patented product is lawfully distributed (put on the market) overseas by the right holder or an equivalent person, a problem arises as to whether or not the Japanese patent right is exhausted, which is the issue of international exhaustion of a patent right.

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Then, what kinds of problems do parallel imports give rise to in relation to interpretation of the law?²⁶ Article 2, paragraph (3) of the Patent Act includes the act of importing within the scope of working the invention, and provides for no exceptions. Therefore, to be formalistic, it is possible to interpret that unauthorized import of all products that fall within the scope of the patent right, including genuine products, constitutes an infringement. On the other hand, however, many people oppose prohibiting the import of genuine products, interpreting that the act of importing under Article 2, paragraph (3) of the Patent Act does not include genuine products. The questions of which conclusion should be adopted and on what theoretical grounds are the issues regarding parallel imports. With regard to parallel imports, various discussions were held in the process of establishing the WTO's TRIPS Agreement, but agreement could not be reached. Article 6 of the Agreement provides that “For the purposes of dispute settlement under this Agreement, (omitted) nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.” While the negotiation process involved complicated circumstances, in conclusion, no agreement whatsoever could be reached with

²⁵ Components can vary from general-purpose products to exclusive products, and some components are almost in the form of a finished product, so determination would be made case by case.

²⁶ With regard to this point, see Nobuhiro Nakayama, “Tokkyo Seihin No Heikō Yunyū Mondai Ni Okeru Kihonteki Shiza” (Basic Viewpoint concerning the Issue of Parallel Imports of Patented Products), *Jurist*, No. 1094 (1996), p. 59.

regard to parallel imports. Therefore, if Japan allows parallel imports or prohibits them, it will not be a breach of the TRIPS Agreement either way.²⁷

In the past, there were strong views to formalistically deny international exhaustion of a patent right based on the independence of patents, without demonstrating the appropriateness of this conclusion.²⁸ As long as the world's present patent systems are based on the independence of patents (Article 4*bis* of the Paris Convention), a patent right in one country is independent from a patent right for an identical invention in another member country. However, the lapse of a right on a specific product pertaining to a patent cannot be discussed in the same manner. The independence of patents merely means that patents in other countries and patents in one's own country exist independent from each other, so the patents in other countries do not affect the patents in one's own country. The independence of patents does not prohibit one from taking into consideration a fact that occurred in another country when determining the concrete effect of a patent right in one's own country. For instance, it does not conflict with the independence of patents to refuse or invalidate a patent application or a patent registration based on the reason that the invention was described in a printed publication that was distributed in another country (Article 29, paragraph (1), item (iii) and Article 123, paragraph (1), item (ii) of the Patent Act). Each country can freely decide on such matter. The same idea should basically apply in the case of parallel imports, and the question of how the fact that the right holder lawfully put the product on an overseas market should influence the effect of the patent right in Japan should be free for Japan to decide as an interpretation of the Japanese Patent Act. In other words, whether or not to prohibit import is not a matter of the independence of patents under the Paris Convention, but a matter of interpretation or legislation of Japan's patent law. Exhaustion is not an issue of whether the patent right itself lapses, but an issue of whether or not the effect of the patent extends to the parallel import products.²⁹ The issue

27 With regard to this issue, see Naoki Koizumi, "Heikō Yunyū No Kokusai Keizai Hō Teki Kisei -- Kokusai Kōgyō Shoyūken Hō/Chosakuken Hō No Shiten Kara" (Regulations on Parallel Imports from the International Economic Law Aspect -- From the Viewpoint of International Industrial Property Law and Copyright Law), *Nihon Kokusai Keizai Hō Gakkai Nenpō* (Annual of the Japan Association of International Economic Law), No. 6 (1977), p. 45.

28 In the Osaka District Court Judgment, June 9, 1969, *Mutai Saishū*, Vol. 1, p. 160 (the Automatic Bowling Pin Setting Device case), the court stated as follows: "A patent right has geographical limitations, and the patents of each country are independent from each other, so the theory of exhaustion of a patent should only be applicable within the territory of the country in which the patent was granted. If so, even if a patent in one country were to be exhausted with regard to a certain product, there is no reason to consider that a patent in another country should also be automatically exhausted based on the same grounds." A similar view is indicated in the commentary of Teruo Doi, Jurist, No. 460 (1970), p. 141. Teruo Doi, "Chosakuken Hogo No Zokuchi Shugi To Chosakubutsu No Fukuseibutsu Oyobi Rokuonbutsu No Yunyū Ni Yoru Chosakuken Shingai (Jō) (Chū) (Ge)" (Territoriality Principle of Copyright Protection and Copyright Infringement by Import of Reproductions and Sound Recordings of Works (Vol. 1)(Vol. 2)(Vol. 3)), *Kōsei Torihiki* (Fair Trade), No. 362 (1980), p. 16 / No. 363, p. 38 / No. 364 (1981), p. 35 states that parallel imports of genuine products are unacceptable, although this statement is about copyright.

29 This has been recognized as a natural fact in the BBS case by the district court, the high court and the Supreme Court. The following is a related essay concerning copyright: Naoki Koizumi, "Chosakuken Ni Yoru Kokusai Shijō No Bunkatsu -- Heikō Yunyū Ron No Kōzō" (Division of International Markets by Copyright -- Structure of Parallel Imports), *Kōbe Hōgaku Zasshi* (Kobe Law Journal) Vol. 40, No. 1 (1990), p. 133.

of exhaustion is an issue of infringement, and merely an issue of whether or not parallel import can be construed to correspond to the act of importing as prescribed in Article 2, paragraph (3) of the Patent Act. In other words, while the independence of patents is an issue of the validity status of patents, exhaustion is an issue of the scope of effects of a patent right.

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As mentioned earlier, when the transactions are completed within Japan, an act that can be considered to be illegal formalistically is regarded as being legal by applying the theory of exhaustion, which is not stipulated in law. Similarly, in the case of parallel imports, the rightfulness of the interpretation should ultimately be derived from the appropriateness of the conclusion. In short, this issue can only be solved by formulating a desirable interpretation based on the desired conclusion.

(2) Court judgments

Although many academic theories exist regarding parallel imports of patented products,³⁰ for a long time, only one court judgment was given on the issue, in 1969.³¹ In the judgment, the court held that international exhaustion of a patent right does not take place due to the independence of patents, in other words, even a genuine product could constitute a patent infringement if it is imported into Japan. Since this judgment was extremely advantageous for the right holder, it would have been natural for instances of patent enforcement to increase. Regardless of this decision, however, it is a known fact that there have been many cases of parallel imports of automobiles and other genuine products. Court judgments were successively rendered in relation to the Trademark Act, but somehow no such court judgments were handed down in relation to the Patent Act for as long as a quarter of a century. After that, the BBS case triggered many lawsuits, but the

30 For theories, see those listed in note 2 of Nobuhiro Nakayama, “Tokkyo Seihin No Heikō Yunyū Mondai Ni Okeru Kihonteki Shiza” (Basic Viewpoint concerning the Issue of Parallel Imports of Patented Products), *Jurist*, No. 1094 (1996), p. 68. Other references include: Takashi Ōseto, “Tokkyo Seihin No Heikō Yunyū” (Parallel Import of Patented Products), *Ritsumeikan Hōgaku* (Ritsumeikan Law Review), No. 243/244 (1966), p. 1608; Seiji Ōno, “BBS Jiken Saikōsai Hanketsu To Jitsumu Jō No Taiō” (Supreme Court Judgment on the BBS Case and Practical Measures), *CIPIC*, Vol. 71 (1997), p. 43; Shōen Ono, “BBS Tokkyo Heikō Yunyū Jiken Hanketsu” (Court Decisions on the BBS Patent Parallel Import Case), *AIPPI*, Vol. 42, No. 8 (1997), p. 2; Naoki Koizumi, “Heikō Yunyū No Kokusai Keizai Hō Teki Kisei -- Kokusai Kōgyō Shoyūken Hō/Chosakuken Hō No Shitenkara” (Regulations of Parallel Imports from the International Economic Law Aspect -- From the Viewpoint of International Industrial Property Law and Copyright Law), *Nihon Kokusai Keizai Hō Gakkai Nenpō* (Annual Report of the Japan Association of International Economic Law), No. 6 (1997), p. 45; Hiroaki Niki “Tokkyo Seihin No Heikō Yunyū Ni Tsuite No Hitotsu No Shiron” (A Tentative Assumption concerning Parallel Imports of Patented Products), *Patent*, Vol. 49, No. 9, (1996) p. 2; Yoshiyuki Tamura, “Heikō Yunyū To Tokkyoken -- BBS Jiken Saikōsai Hanketsu No Igi To Sono Kentō” (Parallel Import and Patent -- Objections against and Discussions of the Supreme Court Decision on the BBS Case), *NBL*, No. 627 (1997), p. 29; Hideyuki Murata, “Heikō Yunyū Ni Tsuite -- Sōsaku Hō To Hyōshiki Hō” (Parallel Imports -- Laws concerning Creativity and Laws concerning Marks), *Kōgyō Shoyūken Hō Kenkyū* (Studies on Law of Industrial Property Rights), No. 116 (1996), p. 8; Eiji Katayama, “Heikō Yunyū” (Parallel Import), Toshiaki Makino and Toshiaki Iimura eds., *Shin Saiban Jitsumu Taikei 4 Chiteki Zaisan Kankei Soshō Hō*, p. 133.

31 The Osaka District Court Judgment, June 9, 1969, *Mutai Saishū*, Vol. 1, p. 160 (the Automatic Bowling Pin Setting Device case).

problem was finally settled in practice in 1997 when the Supreme Court rendered a judgment on the BBS case.³²

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The BBS case, being a revolutionary court judgment regarding the parallel import issue, needs to be studied in detail. In this case, the courts from the first through the final instance did not adopt the theories of denying international exhaustion based on the independence of patents or the principle of territoriality, but instead derived their conclusions as an issue of interpretation of the Japanese Patent Act.

The Tokyo District Court in the first instance³³ ruled as follows. International exhaustion could not have been the common understanding at the time of legislation of the Patent Act, and also from the economic viewpoint, recognition of parallel imports is not considered to comply with the purpose of the Patent Act at present, so parallel import constitutes patent infringement. On the other hand, the Tokyo High Court in the second instance³⁴ stated that, considering the actual conditions of current international economic transactions, it is sufficient to remunerate the patentee once for disclosing his/her invention, and it should be construed that the patent right has been exhausted and parallel imports are legal.

Against this judgment, the Supreme Court stated the following. The patent right is exhausted when the patented product is assigned within Japan, but the same does not necessarily apply when it is assigned overseas. The patentee may not own a corresponding patent right in the country in which the patented product was assigned, and even if he/she does, exercise of the right in Japan does not immediately mean that the patentee gains double profits. However, in light of the present situation where international economic transactions are developing more widely and becoming more advanced in modern society, freedom of distribution of products needs to be respected as much as possible, and even in the case of economic transactions outside Japan, transactions generally take place on the assumption that the assignor transfers all of his/her rights on the product to the assignee, and it can naturally be expected that the assignee or a person who has acquired the product from the assignee would import the product into Japan. Therefore, it would be impermissible for the patentee to exercise the patent right in Japan against the assignee, except when an agreement has been concluded with the assignee to exclude Japan from the locations of sales or use of the product, or against a person who acquired the product from

32 The Supreme Court Judgment, July 1, 1997, *Minshū*, Vol. 51, No. 6, p. 2299/*Hanji*, No. 1612, p. 3/*Hanta*, No. 951, p. 105 (the BBS case). It was a pure and simple parallel import case where BBS, the plaintiff, owned German and Japanese patents on an aluminum wheel and the defendant engaged in parallel import of the plaintiff's product that had been lawfully sold in Germany.

33 The Tokyo District Court Judgment, July 22, 1994, *Chiteki Saishū*, Vol. 26, No. 2, p. 733 (the BBS case).

34 The Tokyo High Court Judgment, March 23, 1995, *Chiteki Saishū*, Vol. 27, No. 1, p. 195 (the BBS case).

the assignee, except when an agreement to the same effect has been concluded with the assignee and an indication to that effect is attached to the patented product. If the patentee has assigned the patented product overseas without concluding an agreement with reservations, the patentee should be considered to have implicitly granted the right to control the product in Japan, without any patent restrictions, to the assignee or the person who subsequently acquires the product from the assignee. In this regard, the conclusion would not differ based on the existence of a foreign patent right corresponding to the Japanese patent right. In this case, no pleadings or proof was made to the effect that the abovementioned type of agreement had been concluded or that such fact had been indicated on the product in question, so no injunction or compensation for damage could be demanded based on the patent right.

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This Supreme Court judgment denies international exhaustion of the patent right as a generality, but, from the viewpoint of the international distribution of products, finds the patentee to have given an implicit authorization to accept parallel imports except when the patentee has concluded an agreement to exclude Japan from the locations of sales and use with regard to the assignee and when a statement to that effect has also been clearly indicated on the product with regard to a person who acquired the product from the assignee. Given that the Supreme Court has stated that the right to control the product free from the effects of the patent is considered to have been implicitly granted when the right holder assigns the product overseas without concluding an agreement with such reservations, it is possible to construe that the Supreme Court regards parallel imports to be illegal in principle, but legal only when the right has been granted either expressly or implicitly. Nevertheless, since the purport of the judgment is not necessarily clear, it is also possible to read it as stating that parallel imports are legal in principle, but exercise of the right is exceptionally recognized only when said agreement and indication have been made.³⁵ Apart from theoretical problems, in practice, the legality would likely be determined by the presence or absence of the agreement and indication on the product. Therefore, the problems in actual practice are expected to shift to issues including what kind of agreement should be sufficient for blocking parallel imports, how the indication to that effect should be made³⁶, what happens if that indication is erased or vanishes in the course of distribution,

³⁵ Explanation given in *Hanta*, No. 951, p. 108.

³⁶ Specific issues would be whether it should be indicated on the product or whether it is sufficient to indicate it on the packaging or the tag, and how the country to which export is prohibited should be indicated. The question is, for example, whether it is sufficient to indicate that export to countries other than the country where the product was sold is prohibited, or if there is a need to specifically indicate that export to Japan is prohibited.

and which language should be used for the indication.³⁷

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Nevertheless, the theoretical ground for the Supreme Court judgment is not necessarily convincing, so arguments are expected to continue in the academic world in the future. A party naturally cannot import products covered by the scope of a patent right if there is an implicit agreement with the right holder not to carry out parallel imports. Accordingly, an important point in this case is that, as long as there is the indication, an effect to disallow imports will arise also against third parties other than the counterparty to the agreement, and the Supreme Court judgment is considered to be significant in stating that, under the present international economic situation, lack of an agreement and indication would mean implicit authorization (the judgment stated that authorization was implicitly granted).

The judgment adopted the theory of implicit authorization, but it is considered to have adopted an idea close to estoppel in reality. Therefore, even if the theory set forth by the Supreme Court were to be adopted, the same conclusion could have been derived regarding a person who acquired the product from the assignee, merely based on the presence or absence of the indication attached to the product, without considering the issue of agreement (provided, however, that an agreement is required between the right holder and the assignee). Since the issue is whether or not the patentee can exercise the right against a person who acquired the product from the assignee, it is considered sufficient for the right holder to create an appearance of not exercising the right, that is, to not attach the indication to the product. In that case, lack of the indication would be considered as a “conclusive presumption” rather than a “rebuttable presumption” of implicit authorization and, in actuality, the permissibility of the parallel import would depend not on the intention of the right holder but on the fact of whether the indication has been attached to the product. There is room for future argument over the meaning of the phrase “implicitly granted” that is used in the judgment. For instance, dispute will continue in the future over whether parallel imports would be allowed when there are circumstances that negate the grant of implicit authorization, such as a case where the right holder thoroughly made it known to the public by newspaper advertisements, etc. that import of the product is prohibited, or where the right holder directly notified the parallel importer that the import of the product is prohibited, even if he/she did not attach a clear indication to the patented product, and as to whether or not the presence of the indication itself is an absolute requirement.

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³⁷ If the emphasis were to be laid on the agreement, it would be important that the language can be understood by both the right holder and the first assignee, but in view of safe trading, it would also be important that the language can be understood by the import trader.

(3) Theoretical problems

If the admissibility of parallel imports were to be determined based on the existence of an agreement and an indication as in the Supreme Court judgment, the right holder would be able to block parallel imports by concluding the agreement and attaching the indication with regard to the products, excluding those that cannot carry the indication due to their nature. With regard to this issue, however, we must first examine whether or not parallel imports should be allowed in the first place.³⁸

At present, the economy is rapidly becoming more borderless, and companies are becoming more multinational. Today, production bases of companies are no longer limited to within their home countries, but rather, products are produced in countries with high production efficiency, etc., and they are distributed across national borders. On the other hand, national borders still exist in terms of law, and applicable laws differ by country. The issue of parallel imports can be considered as a phenomenon that has occurred between those two worlds of law and economy.

If parallel imports were prohibited, it would practically be possible to divide the international market, and right holders would be able to maximize their profits, but consumers would be deprived of choices and opportunities to buy products at low prices. Therefore, in the absence of express provisions, the ultimate conclusion would depend on policy determination under the Patent Act: whether to consider that (i) unless excess profits are allowed for patentees by prohibiting parallel imports, the incentive for new technological development would be lost and a negative effect would occur on economic growth; or (ii) no negative effect would occur either on technological development or economic growth even if parallel imports were allowed and the world market would be considered to be unified as far as genuine products are concerned. The effects, particularly the economic effects, that arise by either allowing or not allowing parallel imports have not necessarily been clarified.³⁹ They will have to be clarified in future economic studies, but there would be a wide range of factors that must be considered.

What can be said at least is that to prohibit parallel imports means to allow international division of market with regard to that product by use of the patent right, which has an economic effect similar to that of division of market by an international cartel, and to allow right holders to acquire excess profits gained by the disparity between domestic and foreign prices (profits gained by dividing the market).

38 For details, see Nobuhiro Nakayama, "Heikō Yunyū To Tokkyoken Shingai" (Parallel Imports and Patent Infringement), *Chizaiken 5 Shūnen Kinen Ronbunshū* (Articles Commemorating IIP 5th Anniversary), p. 273; Nobuhiro Nakayama, "Tokkyo Seihin No Heikō Yunyū Mondai Ni Okeru Kihonteki Shiza" (Basic Viewpoint concerning the Issue of Parallel Imports of Patented Products), *Jurist*, No. 1094 (1996), p. 59.

39 The following provides an economic analysis: Hirokazu Hamada, "Tokkyoken Ni Yoru Heikō Yunyū Sashidome No Zehi Ni Tsuite -- Keizaigaku Teki Kōsatsu" (Appropriateness of Giving an Injunction against Parallel Imports Based on a Patent -- Economic Examination), *Jurist*, No. 1094 (1996), p. 73.

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In contrast, to allow parallel imports means that, disregarding other factors such as distribution channels and tariff- or non-tariff barriers, the right holder or the licensee would, in theory, produce the products in the country that best conforms with economic rationality and export the products worldwide at the price in that country, so international price gaps would disappear. In reality, however, there is no international market that is close to such a conceptual form, and there are public interventions in prices as in the case of pharmaceuticals, so, it can be easily assumed that the allowing of parallel imports alone would not lead to the unification of world markets or the disappearance of the disparity between domestic and foreign prices. Nevertheless, it would undoubtedly serve as one of the effective means toward correction of the situation. An internationally unified market is desirable from the viewpoint of the world economy, and allowing parallel imports is based on the fundamental judgment that creation of such market should be the appropriate direction of the policy. The issue of parallel imports is an issue of determining which of the above two contradictory views should be regarded as reasonable.

Next, some of the specific problems that would arise when parallel import of a patented product is prohibited shall be pointed out. The first problem is the relation with trademarked products. It has become more or less established that parallel imports should be allowed in principle under the Trademark Act,⁴⁰ and this idea is supported by academic theories.⁴¹ Therefore, if parallel imports of patented products were prohibited, the patented products and trademarked products would, practically, become incompatible. Many of the patented products subject to parallel imports are consumer goods, so they are trademarked products at the same time. Accordingly, even if the parallel import could not be stopped under the Trademark Act, it could be stopped by using the Patent Act. Since cases under the Utility Model Act and Design Act can be considered to be the same as cases under the Patent Act,⁴² parallel imports of a handbag that is a famous trademarked product could be stopped by, for instance, registering a design on the handbag or a utility model on the clasp of the bag.

The relationship of rights would be extremely complicated when a product involves

40 The Supreme Court Judgment, February 27, 2003, *Minshū*, Vol. 57, No. 2, p. 125/*Hanji*, No. 1817, p. 33/*Hanta*, No. 1117, p. 216 (the Fred Perry Parallel Import case).

41 In actuality, they are not all typical parallel import cases, but many of them involve complicated facts, but as a generality, parallel imports of trademark products are regarded to be legal.

42 The Patent Act, the Utility Model Act and the Design Act are all industrial property laws concerning creativity, having a similar law structure, so there is no reason to interpret their provisions differently from each other. They are also treated the same in the Japan Custom's notice revised on March 26, 1998 (Notice No. 257 of the Japan Customs, Ministry of Finance) (it is set out in "Control of Intellectual Property Infringing Goods," 5. "Treatment of Parallel Import Products Pertaining to Trademark Rights, etc.," (3) that the treatment of parallel import products pertaining to patent rights should be applied *mutatis mutandis* to that of such products pertaining to utility model rights and design rights).

a large number of patents, such as an automobile or an electric home appliance. For instance, one car involves patent rights of most of the world's leading automobile manufacturers and parts manufacturers, and possibly even the patents of individual inventors. If patentees were to be able to stop parallel import of such products, then there would be a considerably large number of people in the world who would have the right to seek an injunction against the parallel import of an automobile, which may cause confusion.

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In addition, prohibition of parallel imports would also have the negative effect of compelling Japanese nationals to purchase products at a price higher than that overseas. To begin with, parallel importing is in principle a method of importing products that have been sold overseas, which is not a rational importing method considering import costs, lots, and other factors. Thus, the fact that parallel import is conducted indicates that the disparity between domestic and foreign prices is considerably large.⁴³

Conversely, there is the idea that allowing parallel imports would obstruct international licensing. The reasoning behind this idea is that the incentive for licensing would be lost if a product that was licensed from Japan to overseas, especially to developing countries, were sold at a low price and imported back into Japan. Nevertheless, there seems to be little concern about such outcome at present with regard to patents, so the relevancy of the theory is unknown. If this theory were to be adopted, however, parallel imports of trademarked products and copyrighted works⁴⁴ would particularly have to be prohibited for achieving balance.

There is also a theory stating that even if parallel imports were to be allowed, Japan would be disadvantaged if they were allowed by Japan alone, so at least all industrialized countries should adopt the same policy together by a treaty, etc. This is a fair argument in a sense, but such a treaty is not likely to be established in the near future, and it would be a violation of national treatment or most-favored-nation treatment to conclude a treaty only with some countries and allow parallel imports only between such countries (Article 3 [national treatment] and Article 4 [most-favored-nation treatment] of the TRIPS Agreement). Also, the same practice would have to be applied for trademarked products under this theory, but in reality, parallel imports of trademarked products are allowed.

Judging comprehensively from the above, it seems appropriate to allow parallel

43 The disparity between domestic and foreign prices is not decided solely by the allowance or prohibition of parallel imports. For instance, Japan's land prices and business practices also affect the disparity. However, since many such factors are also borne by parallel importers as well, they can be considered as a cause of the disparity between domestic and foreign prices but not as a cause of an unjust price difference.

44 Although there are no provisions prohibiting parallel imports under the Copyright Act in general, Article 113, paragraph (5) of the Copyright Act revised in 2004 provides that import of a commercial phonogram for domestic distribution to Japan may be prohibited exceptionally under certain requirements. This provision was legislated for the purpose of preventing domestic right holders from suffering losses, and to promote their overseas advance.

imports. The greatest reasons for this are, above all, to promote international distribution and to ensure the safety of transactions. As a matter of course, given that the present world does not have a unified market, the question of which policy should be prioritized in the interpretation of the law is important.

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Supposing parallel imports were to be allowed, the next problem would be the specific requirements. It should be considered that the fact that parallel imports are allowed as an interpretation of the Patent Act is not because the patentee has given authorization but because genuine products do not constitute an infringement since they are not included in the concept of the act of importing under Article 2, paragraph (3) of the Patent Act, although this differs from the Supreme Court judgment. The rationale behind this would be the idea of international exhaustion of the patent right. International exhaustion of a patent right is not a concept under positive law but is merely used for convenience to justify the idea of allowing parallel imports. Therefore, it is not appropriate to derive specific contents from the word “exhaustion” itself. Instead, the word has to be given a specific meaning. Its requirements and grounds are not under any logical necessity, so they are naturally different depending on the theory. Assumable grounds include prevention of double profits and securing international distribution of the product (safety of transactions). The central ground seems to be to secure distribution, but various opinions are set forth in theories and court judgments.

In order for a parallel import to be allowed, the import goods must be genuine products to begin with. Since there is no notion to allow parallel imports of infringing goods, the requirement of genuineness is considered to be natural, but it is often difficult in actuality to judge whether or not a product is genuine. Particularly, when the product has been illegally sold by a subcontractor of the right holder, judgment is difficult because the product is genuine in quality, but it merely has not received the authorization of the right holder. In addition, as the seller is the subcontractor of the right holder, it can also be difficult to even judge whether or not its sale was illegal. There could also be cases where a genuine product that has been processed in a third country is imported into Japan. Nevertheless, this is not an issue specific to parallel imports but an issue that can also occur in ordinary infringement cases.

Next, the right holder needs to have placed the product into distribution lawfully and voluntarily. Although “lawfully” is a natural requirement, if the parallel import product is genuine but a stolen product, the parallel import will not be allowed. If only the safety of distribution were to be emphasized, parallel import may need to be allowed as long as the product is genuine, even if it had been stolen from the right holder. However, no theory

supports the idea of allowing parallel import in such case. In contrast, the requirement of “voluntarily” presents a problem. If emphasis were to be placed on the safety of distribution, perhaps exhaustion should also be recognized for products that were involuntarily put on the market, but that would be too disadvantageous for the right holder. If the safety of trade alone were to be emphasized, perhaps parallel import should be allowed even for a product stolen from the right holder. It is a question of what the treatment should be when the government intervenes in prices and distribution, and the right holder is unable to control the market, as in the case of pharmaceuticals, or a question of whether an act of manufacturing and selling a product based on a ruling of compulsory license can be regarded as the right holder's voluntary act. Consequently, the issue is to find a balance between the interest of society (safety of distribution being part of this) and that of the right holder.

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The holder of the Japanese patent and the person who placed the product into distribution overseas must be the same or must be able to be deemed as such. This requirement also involves ambiguous borderline cases. For instance, there would be a problem when a foreign patent has been assigned and the foreign patentee becomes different from the Japanese patentee, or when the parties who used to conclude a licensing contract between them no longer have a contractual relationship.

Then, there would be a question of whether or not the existence of a corresponding foreign patent right should be required. Many of the theories that support allowing parallel imports require the existence of a corresponding patent right. Therefore, they face trouble in explaining the cases in which there was a difference in the claims, or a difference in the duration of the patent between the Japanese patent right and the corresponding foreign patent right, and come to a dead-end as a result. With regard to this point, it should be considered that the existence of a corresponding patent right is not required from the viewpoint of the safety of distribution, as stated in the Supreme Court judgment on the BBS case. This is because, when considering the present situation of the international economy, it is reasonable to interpret that the right holder's act of placing a product into distribution in any country in the world is deemed as placing the product on the international market, regardless of the existence of a patent in that country (the theory of double profits should not be the ground for allowing parallel imports.)

(4) The remaining problem

Supposing that parallel imports of patented products were allowed as a generality, there would still be cases where it would not be reasonable to allow them. That would be

when the patentee involuntarily places a patented product on the market due to public regulations, etc. The cases can be divided into those where a compulsory license has been established⁴⁵ and those where there is a compulsory price.⁴⁶ The main ground for allowing parallel imports is that the right holder voluntarily put the product on the market at his/her own pricing in a country of his/her choice. The right holder would have been able to set the most advantageous conditions by considering various circumstances with the international market in view, so there should be no need to further allow international division of market based on the patent right. This voluntary distribution, however, does not have a statutory ground, but should be dealt with by a legislative measure. However, it is too arbitrary and elaborate to allow parallel imports as a generality when there are no statutory grounds for allowing parallel imports, and to further recognize exceptions to it without statutory grounds. On the other hand, although some legislation is required for parallel imports, it is difficult for Japan to take a legislative measure in the present situation where no international consensus has been reached. As there are weak points in both allowing and not allowing parallel imports, the current law would undeniably have to be interpreted in an unnatural manner under either conclusion.

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The issue of parallel imports arises because while a product is transferred across national borders by trade, the intellectual property right attached to it is not transferred but remains with the right holder. Therefore, this issue does not only involve patent rights but intellectual property rights in general. Since technologies are often substitutable, serious problems do not occur so much from prohibiting parallel imports when the product is an ordinary commodity, at least as a generality, although there may be a price issue. However, when the technology is particularly brilliant and unrivalled, the patented product is not so substitutable, so competition does not occur easily. Thus, when parallel import is prohibited, unreasonable situations are likely to occur in relation to the disparity between domestic and foreign prices and other aspects, and it could yield to international market segmentation. Also, when technology has been standardized, stoppage of parallel import products could cause a problem, but it may be sufficient to deal with such cases under the Anti-monopoly Act.

On the other hand, as trademarked products can be differentiated by brand power and cannot be substituted easily, greater problems would occur from prohibiting parallel

45 It is also possible to interpret that such a person who obtained a compulsory license does not correspond to a licensee in terms of parallel imports in the first place, so he/she should not be considered to be the same as the patentee.

46 Some products such as pharmaceuticals are subject to public pricing or pricing close to it. Even if a product was placed into distribution voluntarily, the fact of not being able to set a voluntary price has an extremely important meaning in the free economy, and it should naturally be evaluated rather similarly to the involuntary case, since it could cause prices to be substantially different between countries. However, this decision is difficult to make for some price regulations, such as the case of an administrative directive, so problems remain.

imports. The problems would be even greater in the case of copyright. Accordingly, the issue of parallel imports is expected to be discussed as an issue of whether the right to import should be recognized as one of the bundle of rights of copyright in the future.⁴⁷

47 Unlike the Patent Act and the Trademark Act, the Copyright Act does not provide that the right extends to the act of importing itself, in principle (Article 123, paragraph (1), item (i) of the Copyright Act). Therefore, it is easier under the Copyright Act to recognize parallel imports compared to the Patent Act. However, there is presently an international argument over the right to import with regard to copyright, so there would be a need to examine the permissibility of parallel imports separately from Japanese positive law. The issues involved with copyright shall not be described in detail here, but as a generality of intellectual property law, products that can be reproduced (or worked) at lower costs are more vulnerable to parallel imports. For instance, in the case of a patented product like an automobile, it is difficult to create a massive disparity between domestic and foreign prices since production thereof requires a fair amount of cost. On the other hand, a computer program requires a considerable amount of cost to create, but once it is complete it can be reproduced merely at a negligible amount of cost that is needed for the medium, etc. Therefore, as the program can be sold at a minimum price (it is at least more profitable than not selling it), it can be sold at a considerably different price in each country depending on the national income level and other factors. If parallel imports were allowed without limitation, the products would flow in from countries where the price was set extremely low, which could make such country-by-country pricing meaningless. This problem, which particularly applies to digital copyright works in general, needs to be addressed in the future. However, discussions on parallel imports via customs may become meaningless with regard to digital works, if they come to be distributed internationally via the Internet without passing through customs with the future progress of communications technology.

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8.3. Indirect Infringements (Acts Deemed to Be Infringement) (Article 101 of the Patent Act)

The technical scope of a patented invention is determined based on the patent claim (Article 70, paragraph (1) of the Patent Act), and an act of working the entire claim, in principle, constitutes an infringement (direct infringement) (an exception is when the doctrine of equivalents applies).¹ However, certain acts, which do not directly constitute infringement, are specially deemed to constitute infringement, as preliminary acts or contributory acts with a high likelihood of infringement (Article 101). These are called “acts deemed to constitute infringement” in the text of the Patent Act, and are also referred to as indirect infringements, fictitious infringements in academic studies. There were no provisions on indirect infringement under the old Act, and such an act was handled as an issue of joint tort. Under the current Act, the following acts are stipulated as “acts deemed to constitute infringement” (indirect infringement).

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(i) in the case of the invention of a product, acts of producing, assigning, etc., importing or offering for assignment, etc. any product to be used exclusively for the producing² of the said product as a business (sometimes referred to as “*nomi hin*” or “*senyō hin*” in Japanese) (item (i));

(ii) in the case of the invention of a product, acts of producing, assigning, etc., importing or offering for assignment, etc. any product (excluding those widely distributed within Japan) to be used for the producing of the said product and indispensable for the resolution

1 It is not necessarily a requirement that the infringer independently works the invention in its entirety. Direct infringement can be found where the alleged infringer makes use of another person but the act performed by such other person can be deemed to be performed by the alleged infringer. With regard to this issue, see “8.2.1.(3) Infringement in which multiple people are involved.”

2 “Producing” here is a concept that includes the following acts besides the literal act of producing in the ordinary meaning: assembly, installation of parts (Tokyo District Court judgment on February 25, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 139 (Single Lens Reflex Camera Case)); and repair of an important portion of the product (Osaka District Court judgment on April 24, 1989, *Mutai Saishū*, Vol. 21, No. 1, p. 279 (Sand Producing Machine Hammer Case). The act of installing a program in a computer also falls within the scope of the concept of “producing” (Intellectual Property High Court Grand Panel judgment on September 30, 2005, *Hanji* No. 1904, p. 47, *Hanta* No. 1188, p. 191 (Ichitaro Case). In the Osaka District Court judgment, September 27, 2012, *Hanji*, No. 2188, p. 108/*Hanta*, No. 1398, p. 326 (the Pioglitazone case), the court stated that the producing of a product means an act of newly creating “a product that fulfills all constituent features of the invention” by using a “product that does not fulfill the constituent features of the invention” as a material, and it is not construed to include an act of merely using the material for its originally intended purpose, and held that an act of merely using a material for its originally intended purpose does not constitute the producing of a product. The Tokyo District Court judgment on May 15, 2002, *Hanji* No. 1794, p. 125, *Hanta* No. 1108, p. 275 (Ceramic Blade Case) is a rare case in which the court held that, while the constituent requirement of the patented invention is that “the ceramic cover coat consists of a layer with a maximum thickness of 0.25 mm,” the person who purchased the accused product, which does not meet this requirement (with a thickness of between 0.525 and 0.313 mm), used the product as a material, without making any modifications to it, and due to such use, the product might be worn and become thinner to a level where it falls within the scope of the patent claim only in appearance; however, this results from the ordinary way the product is used, and according to the socially accepted idea, such use by the purchaser of the product cannot be regarded as the act of producing the product.

of the problem by the said invention as a business, knowing that the said invention is a patented invention and the said product is used for the working of the invention (item (ii));

(iii) in the case of the invention of a product, acts of possessing the said product for the purpose of assigning, etc. or exporting it as a business (item (iii));

(iv) in the case of the invention of a process, acts of producing, assigning, etc., importing or offering for assignment, etc. any product to be used exclusively for the use of the said process as a business (item (iv));

(v) in the case of the invention of a process, acts of producing, assigning, etc., importing or offering for assignment, etc. any product (excluding those widely distributed within Japan) to be used for the use of the said process and indispensable for the resolution of the problem by the said invention, knowing that the said invention is a patented invention and the said product is used for the working of the invention as a business (item (v)); and

(vi) in the case of the invention of a process, acts of possessing the product produced by the said process for the purpose of assigning, etc. or exporting it as a business (item (vi)).

These provisions have been established because, although these acts do not directly infringe the claim, they are performed as preliminary acts of infringement, and are likely to induce an infringement if left unaddressed, and it would be difficult to arrest the infringement once it has been committed. The provisions on indirect infringement are designed to set up a system for practically securing the actual effects of a patent right, but on the other hand, they must be carefully employed so as not to expand the scope of a patent right unjustly.

Opinions are divided regarding whether or not the constitution of an indirect infringement is premised on the existence of a direct infringement. There is a “dependent” theory that states infringement is premised,³ and an “independent” theory that states it is not premised.⁴ By strictly adhering to each theory, acts of providing parts, which could be an indirect infringement, to the person having title to the working of the invention (e.g. a licensee), providing such parts to a person who merely works the invention for the purpose of experiment or research, providing such parts to a person who does not conduct a business,

3 The dependent theory is advocated in Takashi Hashiba, “*Kansetsu Shingai Ni Tsuite (Sono 1) (Sono 2)*” (Indirect Infringement, (I) (II)), *Tokkyo Kanri* (Patent Management), Vol. 26, No. 11 (1976), p. 1115, Vol. 27, No. 5 (1977), p. 479 (1971). The Osaka District Court judgment on April 24, 1989, *Mutai Saishū* Vol. 21, No. 1, p. 279 (Sand Producing Machine Hammer Case) can also be read as supporting a dependent theory. Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō (Jō) [3 han]* (Annotated Patent Act), 1st volume [3rd ed.], p. 959 (written by Shigetoshi Matsumoto, Katsuhiko Mise), can also be read as supporting a dependent theory but the authors point out the necessity of modification of this theory.

4 The independent theory is advocated in Kosaku Yoshifuji, *Tokkyo Hō Gaisetsu [13 han]* (Outline of Patent Act [13th ed.]), p. 461; Kentarō Fukuda, “*Kansetsu Shingai Seiritsu Yōken No Handan Kijun Ni Tsuite* (Criteria for the Elements for constitution of an Indirect Infringement),” *Patent*, Vol. 51, No. 5 (1998), p. 37. In the Tokyo District Court judgment on February 25, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 139 (Single Lens Reflex Camera Case), the court denied constitution of an indirect infringement as a conclusion in its judgment, but stated in obiter dicta that supply to a person not engaged in business can also constitute an indirect infringement.

providing such parts to a person who works the invention after the expiration of the duration of the patent right,⁵ or importing such parts to be assembled at the country of destination (the export counterpart), would not be infringements under the dependent theory due to a lack of the existence of a direct infringement, whereas these acts would be infringements under the independent theory. However, strict adherence to either theory causes inconvenience, so the present academic theory of indirect infringement makes some adjustments to both of them to attain soundness.⁶ This academic theory does not try to derive a conclusion directly from the independent theory or the dependent theory, but tries to derive a reasonable conclusion either from whether or not the working leads to the same profitable status as a direct infringement, or from the purpose of the Patent Act. Although some court judgments seem to discuss the issue from either of these standpoints, it often merely means that such an interpretation was appropriate in that specific case. The courts rather seem to be solving cases individually depending on the circumstances of each case.

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Then, a question arises as to whether or not there can be indirect infringement of an indirect infringement, that is, whether or not an act of producing, assigning, etc. a product that can only be used for indirectly infringing the patent further constitutes infringement. If a claim of such further indirect infringement were recognized, an indefinite series of linked acts would also be found to constitute infringement. Therefore, infringement must be denied in such case.⁷ If such acts were to be recognized as infringement, a legislative measure should be taken to make an arrangement so that such indefinite chain of infringements can be avoided.

The next question is how to evaluate an act of exporting a product that would indirectly infringe a patent right, that is, an act that would assist the production of the infringing products overseas. The 2006 revision modified the definition of “working” set forth in Article 2, paragraph (3), and exporting now falls within the category of working.

5 This is exemplified by the case where after the plant is completely constructed, it is obvious that the duration of the patent right will expire before the production of the product that falls within the scope of the patent right starts.

6 Kazuko Matsuo, “*Kansetsu Shingai* (Indirect Infringement) (1),” Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshōhō* (Outline of Judicial Practice 9, Industrial Property Litigation Law), p. 271; Minoru Takeda, Chiteki Zaisanken *Shingai Yōron (Tokkyo, Ishō, Shōhyō Hen)* [5 han] (Summary of Intellectual Property Infringements; Patents, Designs, Trademarks) [5th ed.], p. 241; Shinya Yoshii, *Tokkyoken Shingai Soshō Taiyō* (Outline of Patent Infringement Litigation), p. 88; Kazuo Masui, Yoshiyuki Tamura, *Tokkyo Hanrei Gaido* (3 han) (Guide to Patent-related Court Decisions) [3rd ed.], p. 182.

7 In the Intellectual Property High Court Grand Panel judgment on September 30, 2005, *Hanji* No. 1904, p. 47, *Hanta* No. 1188, p. 191 (Ichitaro Case), the court held that use of a computer in which word-processing software manufactured and sold by the appellant (defendant) is installed can constitute the indirect infringement prescribed in Article 101, item (iv) of the Patent Act pertaining to an “information processing method,” but an act of manufacturing and assigning, etc. the software that is used to produce the computer does not constitute indirect infringement (the court found an indirect infringement with regard to the product invention, but denied infringement by accepting a defense of invalidity). See Kiyokazu Yamagami, “Sofutowa Tokkyo To Kansetsu Shingai: Ichitarō Jiken Kōsoshin Wo Sozai Ni” (Software Patents and Indirect Infringement: Focusing on the Appellate Instance of the Ichitaro Case,” *Chizai Kanri* (Intellectual Property Management), Vol. 56, No. 2 (2006), p. 195; Naho Ebata, “Ichitarō Jiken” (The Ichitarō Case), *Jurist*, No. 1475 (2015, p. 13). There are many arguments against a theory that denies tertiary infringement.

However, as exporting is not included in any of the acts that shall be deemed to constitute infringement as provided in the items of Article 101, an act of exporting a product that would indirectly infringe a patent right is not deemed to constitute infringement.⁸ This is because the effect of a Japanese patent right does not extend to any act of producing a product overseas, and if the exporting of such product is deemed to be an infringement, this would practically result in making the Japanese Patent Act effective outside the country, even with respect to production overseas. Therefore, exporting as set forth in Article 2, paragraph (3) refers to the exporting of a product that directly infringes a patent right, and does not include the exporting of a product that assists overseas production. However, there would be room to construe that a law-evading act of disassembling a product completed in Japan, exporting the individual parts, and re-assembling the product overseas corresponds to an act of exporting an infringing product, by deeming these acts to be one collective act.⁹

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Before the 2002 revision, the Patent Act included the provisions corresponding to items (i) and (iv) of the current Act but did not include those corresponding to other items, and only such acts as producing, etc. any product to be “exclusively” used for producing the invented product, or producing, etc. any product to be “exclusively” used for using the invented process, were to constitute indirect infringement. If products that could also be used for other purposes were made subject to an indirect infringement, it would also cover acts other than preliminary or contributory acts; that is, acts that do not constitute an infringement of the patent right, and that would unjustly expand the patent right. The term “exclusively” was used to set a limit from this viewpoint. However, in reality, a number of disputes took place over the interpretation of the term “exclusively.” According to court judgments, it was considered that such “other purposes” cannot merely be the possibility of abstract or experimental use, but must be purposes that can be recognized to be economic,

⁸ The following is the case before the 2006 revision: the Osaka District Court judgment on October 24, 2000, *Hanta* No. 1081, p. 241 (Bread Machine Case). In the Osaka District Court judgment on December 21, 2000, *Hanta* No. 1104, p. 270 (Polyolefin Clearing Agent Case), the court denied indirect infringement, stating that the defendant exclusively exported the product that could indirectly infringe the patent, and there is no likelihood that the defendant will manufacture or sell the product in Japan in the future. The following is the case after the 2006 revision: the Tokyo District Court judgment on February 27, 2007, *Hanta* No. 1253, p. 241 (Articulated Conveying Equipment Case).

⁹ Tetsu Iwatsubo, “Kokugai Seisan No Tameno Kikan Buhin No Yushutsu” (Export of Key Components for Overseas Production), *Chizai Kanri* (Intellectual Property Management), Vol. 58, No. 2 (2008), p. 211.

commercial or practical in accordance with socially accepted ideas.¹⁰ In actual disputes, infringement was sometimes denied even where the defendant was apparently engaged in infringement, just because the product in dispute could be used for other purposes, and this tendency was subject to criticism. Furthermore, when discussing an indirect infringement, there usually seemed to be a matter-of-course premise that the indirectly infringing product would also fully serve other purposes as it was. However, as in the Single Lens Reflex Camera Case,¹¹ a new issue arose as to whether appropriate determination can be made at all with regard to a systematized product or a multi-functional product, by applying conventional criteria alone.

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Recently, indirect infringements have become highly problematic in relation to

10 There are slight differences in nuance, but the following court judgments take the same stance: the Tokyo District Court judgment on November 10, 1975, *Mutai Saishū*, Vol. 7, No. 2, p. 426 (Olefin Polymerization Catalyst Case); the Osaka District Court judgment on February 16, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 48 (Decorative Laminate Case); the Tokyo District Court judgment on February 25, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 139 (Single Lens Reflex Camera Case); the Tokyo High Court judgment on March 29, 1990, *Mutai Saishū*, Vol. 22, No. 1, p. 245 (Hoya Clean Case); the Osaka District Court judgment on September 30, 1991, *Chiteki Saishū*, Vol. 23, No. 3, p. 711 (Water Tank Case); the Tokyo District Court judgment on July 29, 1994, *Hanji*, No. 1513, p. 155, *Hanta*, No. 871, p. 281 (Wet Rice Milling Method Case), and its appellate instance, the Tokyo High Court judgment on May 18, 1995, *Chiteki Saishū* Vol. 27, No. 2, p. 332; the Osaka District Court judgment, October 24, 2000, *Hanta*, No. 1081, p. 241 (the Bread Making Machine case); the Tokyo High Court judgment, February 27, 2004, *Hanji*, No. 1870, p. 84 (the Ligand Molecule Search Method case). In the Osaka District Court judgment on January 31, 1972, *Mutai Saishū*, Vol. 4, No. 1, p. 9 (Tube Mat Case), the court strictly interpreted the requirement of “exclusively,” and stated that other uses must be objectively unknown, but it was a case where the existence of other uses was apparent. In the Tokyo District Court judgment on February 29, 1988, *Mutai Saishū* Vol. 20, No. 1, p. 76, *Hanji* No. 1267, p. 134, *Hanta* No. 663, p. 188 (Soft Contact Lens Washing Method Case), the court denied infringement, stating that the patented method can also be used for washing hard contact lenses.

11 The Tokyo District Court judgment on February 25, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 139 (Single Lens Reflex Camera Case). The point of dispute was whether or not an act of producing and selling an interchangeable lens for a single lens reflex camera constituted an indirect infringement of a patent right. The interchangeable lens in question could both be installed in a TTL stop-down metering camera relating to the patented invention and an old model camera that was unrelated to the patent. However, the preset stop-down lever, which was the main portion of the patent, was not in use when used in the old model camera. Thus, the court held that the case did not satisfy the requirement “exclusively” because the interchangeable lens could also be used in an old model camera that was unrelated to the patent. In its appellate instance, no determination was made regarding an indirect infringement, but the defendant lost the case merely based on claim interpretation (the Tokyo High Court judgment on July 14, 1983, *Hanji*, No. 1095, p. 139). Meanwhile, in the Osaka District Court Judgment, October 24, 2000, *Hanta*, No. 1081, p. 241 (the Bread Making Machine case), the court found indirect infringement in a case where a bread making machine was a multifunctional product which could be used without using a certain function. In the Intellectual Property High Court Judgment, June 23, 2011, *Hanji*, No. 2131, p. 109 (the Food Wrap-Shaping Method and Device case; appeal dismissed/appeal unaccepted), which was rendered after the revision of the provision on indirect infringement, the court stated that “exclusively” needs to be interpreted as a purpose which is found to be economical, commercial, or practical under social conventions, as in the past. On such a basis, the court found indirect infringement, holding that “even if a product used for the method pertaining to a patented invention could be used in such a way that does not work the patented invention, unless a mode of use that only uses a function that does not work the patented invention and does not use a function that works the patented invention at all is recognized as an economic, commercial, or practical mode of use of that product, the manufacture, sale, etc. of that product is highly likely to induce an act of infringement which is still the same.” In this case, however, the delivered product was a non-infringing product, but it was possible to change the stopper position, remove the stopper, and replace the nozzle material, and such remodeling made the product more practical. Since it was a case where the product, which was a non-infringing product when delivered, became an infringing product by slight modifications, it may have been reasonable to dispute it as an issue of Article 101, item (ii) after the 2002 revision, but in that case, the subjective requirement needs to be proved. See Shunji Matsuda and Ichirō Ueda, “Tokkyo Hatsumei Wo Jisshi Shinai Taiyō De Nōnyū Sareta Seihin Ni Yoru Kansetsu Shingai No Seiritsu” (Establishment of Indirect Infringement by a Product Delivered in the Form of Not Working the Patented Invention), *Chizaiken Fōramu* (Institute of Intellectual Property Forum), No. 87 (2011), p. 11.

patents on software-related inventions. While patents on software-related inventions used to be granted only in the form of an apparatus claim or process claim, in reality, software is often sold while being stored on a storage medium. Therefore, the act of manufacturing or selling the storage medium on which such software is stored is the working of only part of the claim, and in order to find an infringement, it was necessary to adopt a theoretical structure to the effect that the manufacturing or sale of the storage medium constitutes indirect infringement. In this context, the question of whether or not such act met the requirement of “exclusively” had been argued in actual cases.¹² However, the Implementing Guidelines for Inventions in Specific Fields was revised in 1997 to permit describing a storage medium that has a program recorded on it as an invention of a “product” in the claim. Then, the 2002 revision included a computer program itself in the category of the subject matter of a patent. These legislative measures made it easier for the right holder to allege direct infringement and seek an injunction as well as damages, and thereby mostly eliminating the need for taking the ambiguous approach of applying the concept of indirect infringement regarding software-related patents.

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Meanwhile, the council report for the revision in 1959, which led to the establishment of the current Act, proposed a subjective requirement for the constitution of an indirect infringement, stating that the perpetrator must “have the intent to infringe a patent or knowing that the product would be mainly used for patent infringement.” In the end, however, it was changed to an objective requirement expressed with the term “exclusively,” without setting forth such subjective requirement. In other words, it was decided that subjective elements concerning the perpetrator shall not be taken into account in determining the constitution of an indirect infringement under the current Act, and only the cases which satisfied the objective requirement, i.e. where no other purposes exist, were supposed to be judged as resulting in a direct infringement. Nevertheless, due to this strict limit imposed on using the term “exclusively,” there was considerable difficulty in establishing an indirect infringement. To cope with this problem, in addition to conventional cases wherein indirect infringement is to be established if the product meets the objective requirement of “exclusively” (an exclusive product), the 2002 revision added new types of indirect infringements by combining the objective requirement and the

¹² It does not cause much of a problem if the patented software is produced and sold together with specific equipment, such as a washing machine or a refrigerator. However, when a medium storing the software is produced and sold separately from specific equipment, the medium alone cannot constitute a direct infringement, so the issue of an indirect infringement arises. In cases of financial and inventory control devices (e.g. Patent Publication No. 1123814; generally known as the YES Case), the most popular mode of use would be to purchase the commercially available software and use it on a multi-purpose computer. Nevertheless, since the software alone would only constitute part of the claim, there is the problem of whether or not the production and sale of this commercially available software constitutes an indirect infringement.

subjective requirement, wherein indirect infringement is to be established if the product in dispute is to be used for producing the invented product (or to be used for using the invented process), it is not widely distributed within Japan (it is not a general-purpose product), it is indispensable for the resolution of the problem by the invention,¹³ and the alleged infringer knows that the invention is a patented invention and the product in dispute is used for the working of the invention (such types of infringements are also referred to as non-exclusive-product indirect infringement, multifunction indirect infringement, or subjective indirect infringement) (items (ii) and (v)). Also, if a patented product is distributed widely, there is a possibility that products which are indispensable for the resolution of the problem and which constitute an indirect infringement are also distributed widely, so determination should be made by focusing on not merely the distribution volume, but whether or not the product is a general-purpose product.¹⁴

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In order for the indirect infringement under items (ii) and (v) to be established, the product to be produced, assigned, etc. must be "indispensable for the resolution of the problem by the invention." This is a restrictive requirement for preventing improper expansion of the scope of indirect infringements, but its specific details present an issue. Items (ii) and (v) provide "indispensable for the resolution of the problem" instead of "indispensable for the working of the invention." Therefore, it does not simply mean that the product is required for working the invention, but it must constitute an essential part of the invention, in other words, it must be indispensable for resolving the problem which could not be resolved by prior art.¹⁵ Such product is often likely to be indispensable for realizing the essential part of a constituent element of the invention that is described in the patent claim, but it would also include a component, raw material, tool, etc. which is used for an invention of a process of producing a product and which is indispensable for the

13 In the Tokyo District Court judgment on April 23, 2004, *Hanji* No. 1892, p. 89, *Hanta* No. 1196, p. 235 (the case of Jig Clips for Printed-Circuit Boards), the court held that even a component, ingredient, etc. described in the scope of the claims would not be regarded as an indirectly infringing product if it does not directly form the characteristic technical means that is newly disclosed by the invention for the purpose of solving the intended problem. In the Intellectual Property High Court Grand Panel Judgment, September 30, 2005, *Hanji*, No. 1904, p. 47/*Hanta*, No. 1188, p. 191 (the Ichitarō case), the court found that the text editing software was indispensable for the invention to solve the problem, but in conclusion, the patentee lost the case on the basis of lack of an inventive step.

14 As a literal interpretation, the nuance of "general-purpose" could be conveyed through the word "generally."

15 Legislative Affairs Office, General Affairs Division, General Affairs Department, Japan Patent Office ed., *Heisei 14 Nen Kaisei Kōgyō Shoyūken Hō No Kaisetsu* (Explanation of the 2002 Revision of Industrial Property Acts), p. 27. For example, supposing that there are publicly known technologies, A+B, and a person makes a new invention, A+B+C, and obtains a patent for it, A+B are constituent elements of the invention but also publicly known technologies, and the essence of the invention for solving the problem is in the addition of C. Thus, A+B are not essential parts of the invention, and an act of supplying components, etc. relating to them basically does not constitute the non-exclusive-product-type indirect infringement referred to in items (ii) and (v). This is because A+B themselves are known elements and their manufacture, sales, etc. do not constitute indirect infringement.

resolution of the problem, even if it is not a constituent element of the invention.¹⁶ Nevertheless, such product can also be used for a lawful purpose, so if the court were to find an indirect infringement, there would be a difficult problem in writing the main text of the judgment. It is not a problem specific to an indirect infringement; a similar problem occurs, for example, in the case of a use invention relating to a pharmaceutical.

It is clear in light of the provisions that general-purpose products are excluded even if they are material components, but there is a question of whether an indirect infringement is never established in the case of an invention that combines only general-purpose products. In such case, it should be considered that an indirect infringement will not be established, in principle, except in such case as where a party sells the components while enclosing a manual for making an infringing product by combining the components (this treatment also relates to the case of good faith mentioned below).

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To “know” that the product is used for the working of the invention, the alleged infringer must actually have knowledge of it, and he/she shall not be held liable for indirect infringement if he/she fails to have knowledge of it by negligence. This means that the supplier of a component does not have to investigate how the component is actually used. If a product is a non-exclusive product, often the supplier does not know how the component will be used, so this requirement was established because it is not desirable from the viewpoint of legal stability to find an infringement even when such non-exclusive products are indispensable for the resolution of the problem by the patented invention. However, how to determine that a person has known that the product is used for the working of the invention is a difficult question.¹⁷ It may be relatively easy to find that the manufacturer/seller of the component had the knowledge if the manufacturer/seller has supplied the components while actually being aware that the purchaser is using the components for an illegal purpose, or if the manual or explanatory document, etc. contains a statement to the effect that the component can be used for manufacturing the patented invention, but such cases would be rare. Most cases are where there is high probability that the component will be used also for an illegal purpose, and whether or not the

¹⁶ In the Tokyo District Court judgment on April 23, 2004, *Hanji* No. 1892, p. 89, *Hanta* No. 1196, p. 235 (Case of Jig Clips for Printed-Circuit Boards), the court stated that “when the ‘problem to be solved by the invention’ can only be solved by using the component, tool, raw material, etc., such component, tool, raw material, etc. is regarded to be ‘indispensable for the resolution of the problem to be solved by the invention.’” In the Osaka District Court, February 21, 2013, *Hanji*, No. 2205, p. 94/*Hanta*, No. 1401, p. 341 (the case of Particulate Material Mixing and Fine Powder Removing Method and Apparatus), the court stated that “with regard to the distinctive technical means that cannot be found in prior art, which the invention newly discloses as the means for solving the problem in prior art, a distinctive component, raw material, tool, etc. which directly brings about the specific composition or component that characterizes said means” is regarded to be indispensable for the resolution of the problem to be solved by the invention.

¹⁷ See Rika Nishi, “Hisenyōhin-Gata Kansetsu Shingai (Tokkyo Hō 101 Jō 2 Gō/5 Gō) Ni Okeru Sashidome No Han’i To Shukanteki Yōken” (Scope of Injunction for Non-Exclusive-Product-Type Indirect Infringement [Article 101, Items (ii) and (v) of the Patent Act]), *L & T*, No. 63 (2014), p. 8.

manufacturer/seller can be found to have had the knowledge in such cases as well presents a question. Since penal provisions are stipulated for indirect infringements (Article 196-2), there is a problem in overly expanding the scope of manufacturers/sellers who are found to have the knowledge. In the case of non-exclusive products, if a manufacturer/seller is only found to have the knowledge when the person who uses the product for an illegal purpose has been identified, the scope of establishment of indirect infringements would be too narrow, and the purpose of the 2002 revision would be lost. Also, if a manufacturer/seller is found to have the knowledge when he/she is generally aware of the possibility that the product may be used for an illegal purpose, it may result in excessive prohibition. The key point is to pay attention so as to ensure the effectiveness of the law while preventing overprotection. The meeting point is considered to be in-between. A manufacturer/seller should be found to have the knowledge when there is extremely high probability that the product is used for an illegal purpose, and when the manufacturer/seller accepts such use.¹⁸ Meanwhile, the burden of proof of the subjective requirement is to be borne by the claimant (usually the patentee), and it may be difficult to prove this in many cases. When proving is difficult, the claimant may issue a warning, etc. to the potential infringer in advance to make the latter aware of the situation. A manufacturer/seller, which could legally work a component that has another usage before receiving a warning, can no longer work the component after receiving the warning due to gaining the knowledge. Even in such case, however, the component is a non-exclusive product, so it should be construed that the manufacturer/seller will only become unable to supply the component to the infringer, and will not be obstructed from manufacturing the component and supplying it to persons who use it for another purpose. Otherwise, the effect of the patent right will extend to other acts of working the component which are practically beyond the effect of the patent right. The subjective requirement does not need to be applied to patent right infringement cases, in principle, but indirect infringement cases are exceptional.¹⁹

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18 In the Tokyo District Court Judgment, June 10, 2011, court website (the Stomach Wall Fixing Tool case). Meanwhile, in the Supreme Court Judgment, December 19, 2011, Keishu, Vol. 65, No. 9, p. 1360/Hanji, No. 2141, p. 135/Hanta, No. 1366, p. 103 (the Winny File-Sharing Software case), which is a case of accessoryship to copyright infringement, the court stated that “(Winny) can be used both for legitimate purposes and for the unlawful purpose of infringing copyrights, and it is basically left to each user to decide whether he/she will use Winny for the purpose of infringing copyrights or for other purposes,” and “ providing a software program should not be regarded as constituting an act of aiding copyright infringement only because there is a general possibility that the software program would be used for the purpose of infringing copyright, the provider has released and provided the software program while perceiving and accepting such possibility, and copyright infringement has actually been committed with the use of said software. In order for such act of providing a software program to constitute accessoryship, there must be not only said general possibility but further the specific circumstances where the software program is used in a manner that infringes copyright, and it is also required that the provider perceives and accepts such circumstances.” Although this judgment is not directly linked to interpretation of the Patent Act because the Copyright Act does not provide for indirect infringement and this case is a criminal case, it would provide a useful reference.

19 Also in the case where multiple people infringe a patent right based on a joint intent, the prevalent theory asserts that the subjective requirement of jointly committing an act of infringement needs to be met as an exception.

The 2006 revision further introduced Article 101, items (iii) and (vi), providing that the act of possessing an infringing product or a product produced by an infringing method for the purpose of assigning or exporting it shall be regulated as an indirect infringement. These new provisions were designed with the aim of remedying the situation where, unless the infringing products are seized at the stage of possession (before assignment or export takes place), it would be difficult to prevent their spreading. The introduction of the regulation on possession for the purpose of exporting was in line with the inclusion of exporting in the category of acts of working (Article 2, paragraph (3)).

The fact that the provisions on indirect infringement have been established means that an injunction will be granted within the scope of these provisions; or, to put it the other way round, an injunction would not be granted against a person who has merely induced or aided infringement.²⁰ However, although mere inducement or the aiding of infringement would not constitute indirect infringement, and would not be subject to an injunction, such acts might constitute a joint tort under the Civil Code. Whether or not a particular act constitutes a joint tort depends on the specific facts; therefore, even an act of merely providing a general-purpose component might be regarded as a joint tort, depending on the mode of the act. In such case, the provisions on the presumption of negligence or the presumption of the amount of damages shall not apply but the case shall be subject to the general rules under tort law, so there would be considerable difficulty in proving infringement. Furthermore, there is the possibility that inducing or aiding infringement would constitute the crime of inducement or accessoryship (Article 61 or Article 62 of the Penal Code), but no penalty shall be imposed if it is committed by negligence. The existing legal framework might seem to be somewhat ill-balanced in that an injunction cannot be claimed against a person who has induced or aided infringement, whereas damages in tort can be claimed and a penalty might be imposed against such person, but this is inevitable under the current Act.

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Determination as to the time of satisfaction of the requirement for indirect infringement in connection with the claim for an injunction is to be made based on the time of the conclusion of oral argument. If indirect infringement is found despite the fact that the product in question was intended for an exclusive purpose at the time of the

²⁰ In the Tokyo District Court judgment on August 17, 2004, *Hanji* No. 1873, p. 153, *Hanta* No. 1172, p. 302 (Iron Manhole Cover Replacement Method Case), the court stated that a person who is infringing or is likely to infringe a patent right as referred to in Article 100 means a person who independently performs or is likely to perform the working of the patented invention or any of the acts prescribed in Article 101, and does not include a person who induces or aids such working or acts. Meanwhile, as an interpretation of the Copyright Act, the Osaka District Court judgment on February 13, 2003, *Hanji* No. 1842, p. 120, *Hanta* No. 1124, p. 285 (Hit One Case) granted an injunction against the person who aided infringement, but in this judgment, the court stated that this case under the Copyright Act is different from cases under the Patent Act.

infringement but has acquired other intended purposes by the time of the conclusion of oral argument, the effect of the patent right would even extend to other purposes that are unrelated to the patent claim, which would unjustly expand the patent right. Also, in cases where a person who did not know the patent at the time of the infringement but has become aware of the patent by the time of the conclusion of oral argument, it is unavoidable that such person should be ordered to stop the alleged act afterward (if litigation starts, the person would be found to have become aware of the patent in most cases). Nevertheless, a determination of compensation for damage should be made based on the time of the infringement, because the point at issue is compensation for an act in the past.²¹ Since there was no other purpose of use at the time of the infringement and the patent right would have been infringed at that stage, it would be reasonable to award compensation for damage.

Before the 2006 revision, there had been no penal provisions specifically applicable to indirect infringement, and those regarding patent infringement were thought to be applied. However, upon the 2006 revision that increased the level of the severity of penalties, Article 196-2 was introduced as a penal provision applicable to the crime of indirect infringement, clearly stipulating the punishment of imprisonment with work for not more than five years or a fine of not more than five million yen, or both, which is lighter than the penalty for the crime of direct infringement.

21 Makiko Takabe, *Jitsumu Shōsetsu Tokkyo Kankei Soshō* [2 Han] (Detailed Explanation of Practice of Patent-Related Litigation [2nd Ed.]), p. 162. In contrast, Ken'ichi Tomioka, "Kansetsu Shingai Ni Okeru 'Nomi' No Kaishaku To Sono Handanji" (Interpretation and the Timing of Determination of "Exclusively" in Indirect Infringement), *Chizai Kanri* (Intellectual Property Management), Vol. 39, No. 7 (1989), p. 824 states that indirect infringement should be strictly restricted, and asserts that compensation for damage should also be determined at the time of the conclusion of oral proceedings.

8.4. Defense of Invalidity

8.4.1. Background

In Japan, since the Meiji era, a patent had been treated as valid until a trial decision of invalidation became final and conclusive, and even the court had been considered incapable of determining its validity either in civil or criminal cases.¹ One could neither claim invalidation of the patent nor seek declaration of invalidity in infringement litigation, and the same applied in criminal cases. Under such circumstances, a patent involving a ground for invalidation must first undergo a trial for invalidation. However, the trouble of going through both the lawsuit and the JPO's trial procedure is undesirable from the perspective of judicial economy. It is desirable for a dispute to be settled by a single procedure in as short a time as possible. This issue relates to all of the grounds for invalidation listed in Article 123 of the Patent Act, but the following arguments focus on the cases of novelty and inventive steps, which account for the majority of the grounds for which the invalidity of patents is disputed and which are also important in practice.

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A patent is granted for a technology that exceeds publicly known technologies (technologies that are novel and involve an inventive step) in existence at the time of filing. However, it is difficult to conduct a complete search of such technologies, and there are cases where the scope of claims includes a publicly known technology. How then the court should deal with such claims in an infringement case presents a great issue.

Where a patent is granted for a publicly known technology, it is unfair if a person who is merely working the publicly known technology is judged to be an infringer, prohibited from working the technology, held liable for damages and, in some cases, given a criminal penalty, only because he/she had not undergone a trial for invalidation (a case involving a prior user's right is another issue).² This can be considered as a natural limitation inherent in a private right, rather than an issue of patent law. Since the JPO's granting of a patent is an administrative act, many of the theories and court rulings in

1 This conception was adopted in the Supreme Court Judgment (in pre-war Japan), September 15, 1904, *Keiroku* No. 10, p. 1679 (Fuse Manufacturing Appliance Case) and many court rulings thereafter.

2 In the Osaka District Court Judgment, April 17, 1970, *Mutai Saishū* Vol. 2, No. 1, p. 151 (Metal Wire Woven Basket Case), the court stated as follows: "Considering the major principle of the Civil Code that a private right shall comply with the welfare of the public, just as the idea that a technology that was publicly known or used at the time of filing should be the common property of all people, there is no reason to easily permit property that had been commonly owned by all people until then to be prohibited from use by the public and be made subject to exclusive use by a specific applicant alone under the name of a utility model." Meanwhile, Shinya Yoshii, *Tokkyoken Shingai Soshō Taiyō* (Outline of Patent Infringement Litigation), p. 39 states that, since a publicly known technology (free technology) is property commonly shared by all people, which has been released to the public, irrespective of the existence of a patent right, "the view that the restriction of its working cannot be helped until the a trial decision of invalidation of the patent becomes final and conclusive is equal to giving a disposition to a kind of expropriation by the administrative disposition of granting a patent, which is irrational."

Japan tended to cite the general rules about administrative acts, and distinguish the authority of the JPO from that of courts in order to establish a sanctuary that cannot be interfered with by the courts. Then, in order to break through this tendency, theories and court judgments emerged that tried to allow some kind of defense for the infringer.³

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Conventionally, courts had not treated a defective patent and a patent without a defect in the same manner. Even if the invalidation of a patent was under the exclusive authority of the JPO, determination of the scope of a patent was under the authority of the courts, so conventional court judgments had derived reasonable conclusions while taking publicly known technologies into account through the process of determining the scope of rights. The Supreme Court held that publicly known technologies must naturally be taken into account when determining the scope of a right,⁴ and later, the court further stated that when a publicly known portion is included in a portion of the claim, the scope of a right should be determined by excluding that portion (theory of excluding the publicly known portion).⁵ This means that if any of the technical ideas comprised in a patented invention were publicly known, the relevant portion should be excluded. Reasoning conversely, it is almost equivalent to considering that when the technology worked by the infringer is publicly known, it does not constitute an infringement. In cases where the claim was entirely constituted by a publicly known technology, many court judgments have denied the existence of an infringement by interpreting the scope of a right most narrowly as having the literal content of the statements of the claim or by interpreting the

3 Takashi Hashiba, “*Kōchi Gijutsu To Tokkyo Tōzen Mukō* (Publicly Known Technologies and Justifiable Invalidation of a Patent),” *Kigyō Hō Kenkyū* (Study of Business Act), No. 148 (1967), p. 12; Ryūichi Murabayashi, “*Zenbu Kōchi No Hatsumei To Tokkyoken* (Invention Entirely Constituted by a Publicly Known Technology and Patent Rights),” *Kigyō Hō Kenkyū*, No. 257 (1976), p. 20; Akio Noguchi, “*Saibansho Ha Tokkyoken No Mukō Ni Tsuite Shinri Wo Surukotoga Dekiruka* (Whether a Court is Eligible to Examine Invalidity of a Patent Right),” *Patent*, Vol. 23, No. 4 (1970), p. 45. Nobuhiro Nakayama, “*Tokkyo Shingai Soshō To Kōchi Gijutsu* (Patent Infringement Litigation and Publicly Known Technologies),” *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 98, No. 9 (1981), p. 1115. The following court judgment, though it was a case about a design, recognized the defense of a publicly known technology: the Tokyo District Court Judgment, April 25, 1997, *Chiteki Saishū* Vo. 29, No. 2, p. 435 (Rubber Ball Case). In this case, the court stated that the party against whom a claim for injunction was filed based on a defective design right could allege as a defense that such a claim had not come into existence.

4 In the Supreme Court Judgment, December 7, 1963, *Minshū*, Vol. 16, No. 12, p. 2321 (the Coal Tub Push Car Derailment Prevention Device case), which was a case to seek confirmation of the scope of right under the old Act, the court stated as follows: “When taking into account the kind of invention to which the patent right had been granted, one must inevitably think about the technological level at the time. This is because the portion that had been publicly known at that time cannot be regarded as a novel invention, as long as a patent right is granted to a novel industrial invention.” This judgment had a significant influence on the court rulings rendered thereafter.

5 In the Supreme Court Judgment, August 4, 1964, *Minshū*, Vol. 18, No. 7, p. 1319 (the Rotary Fuel Oil Firing Equipment case), which was a case to seek confirmation of the scope of right under the old Utility Model Act, the court stated as follows: “According to the empirical rule, the applicant often describes in the claim matters that are not the gist of the device but merely relate to the device, or conversely, fails to describe matters that are judged to be the gist of the device, so when determining the scope of right of a utility model, the gist of the device should always be practically determined by also taking into account the nature and the purpose of the device, as well as the overall descriptions in the detailed explanation and the attached drawings, without being bound solely to the literal meaning of the statements of the claim. Also, when determining the scope of right of a utility model that includes a device that was already publicly known or publicly used at the time of filing, those publicly known or publicly used portions should be excluded and the tenor of that new device should be clarified.” Many later lower court judgments followed this precedent.

scope of the right to be limited to the working example, based on the idea that as long as the patent is established as a right, it cannot be treated as having no content.⁶ These court judgments all denied the existence of an infringement based on interpretation of the scope of right, and in reality, the technology was treated as not being an infringement if the entire claim were made up of a publicly known technology. This measure would provide a remedy to most of the infringers who were merely working a publicly known technology, but theoretically, as far as the measure is based on the theory of excluding the publicly known portion, there remains the problem of researching the remainder after exclusion; that is, determining the extent of the remaining scope of a right. Such an interpretation can be evaluated as a reasonable method of settling a case, but it would be difficult to theoretically explain a case where the claim is entirely constituted by a publicly known technology.⁷

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In contrast, some other court judgments did not uphold a claim of infringement by judging that such a case corresponded to an abuse of rights,⁸ or did not uphold such claim for the reason that publicly known technologies are property that is commonly owned by all people.⁹ However, most of the court judgments tried to draw acceptable conclusions in order to settle specific disputes by interpreting the scope of right. In conclusion, the courts denied infringement in almost all cases where the claim was entirely constituted by a publicly known technology; what remained to be solved was only the matter of theoretical structure.

Accordingly, a new approach to interpretation came into fashion, advocating the defense of a publicly known technology (the defense of “free technology”), which means

6 The Tokyo District Court Judgment, September 29, 1972, *Mutai Saishū*, Vol. 4, No. 2, p. 517 (the Work Gloves case), and many other cases took this approach.

7 In the Supreme Court Judgment, August 4, 1964, *Minshū*, Vol. 18, No. 7, p. 1319 (the Rotary Fuel Oil Firing Equipment case), which is considered to be a case in which the claim was virtually publicly known in its entirety, the court interpreted the scope of right extremely flexibly, and by determining the part that was not concretely described in the claim to be the gist of the device, held that the act was not an infringement because the alleged infringer was not working the gist of the device. The court seemed to have inevitably applied a forced theoretical structure as a result of following the attitude of the conventional court judgments in handling the issue of publicly known technology as an issue of determining the scope of right, and pursuing a practical and reasonable way to offer a remedy to those who merely worked a publicly known technology.

8 The Osaka District Court Judgment, November 30, 1970, *Mutai Saishū*, Vol. 2, No. 2, p. 612 (the Gauge Box Synthetic Resin Cover case; the court recognized room for interpreting the case as an abuse of rights, but in actuality, judged that it did not correspond to an abuse of rights); the Nagoya District Court Judgment, November 26, 1976, *Hanji*, No. 852, p. 95 (the Glass Container Manufacturing Method case); the Urawa District Court Judgment, May 2, 1984, *Hanta*, No. 536, p. 324 (the Honeycomb Core Manufacturing Method case; while the court recognized application of the principle of abuse of rights as a generality, it held that the case was not abuse of rights by recognizing the involvement of an inventive step); the Nagoya District Court Judgment, July 31, 1991, *Hanji*, No. 1423, p. 116, *Hanta*, No. 771, p. 240 (the Game Hall Thin Lending Machine case; the court suggested the possibility of the case being an abuse of rights); the Osaka District Court Judgment, October 31, 1995, *Chiteki Saishū*, Vol. 27, No. 4, p. 736 (the Etching Metal Plate Design case; the court held that the case was an abuse of rights, considering the circumstance that the applicant had filed the application knowing that the invention included grounds for invalidation due to it being publicly known).

9 The Osaka District Court Judgment, April 17, 1970, *Mutai Saishū*, Vol. 2, No. 1, p. 151 (the Metal Wire Woven Basket case).

that a person can avoid being held liable for an infringement if the technology that he/she is working is a publicly known technology, irrespective of whether or not the subject article is covered by the scope of the patent right.¹⁰ The defense of a publicly known technology is unrelated to the validity of the patent but is designed with the aim of drawing a conclusion from the axiom that the effects of a patent right does not extend to any publicly known technology, so it does not step into the argument over power sharing between the JPO and the courts.

Nevertheless, not all problems are solved by the mere defense of a publicly known technology. There are cases where the technology worked by the alleged infringer is not publicly known, but it is apparent that there are grounds for invalidating the patent (e.g., unlawful division of an application). When it is apparent that such a ground for invalidation exists, it is not reasonable for the patentee to win in an infringement lawsuit. Thus, new theories emerged, arguing that a defense of patent invalidity can be claimed in an infringement lawsuit against the exercise of a patent right that includes a ground for invalidation.¹¹ This view was adopted by the lower courts,¹² and when the Supreme Court decided the Kilby Case,¹³ the defense of invalidity became established in court judgments. Since the practical reason for allowing a defense of invalidity is almost the

10 Regarding the defense of a publicly known technology, see: Nobuhiro Nakayama, “Tokkyo Shingai Soshō To Kōchi Gijutsu (Patent Infringement Litigation and Publicly Known Technologies),” *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 98, No. 9 (1981), p. 1115; Nobuhiro Nakayama, “Kōchi Gijutsu No Kōben No Kyohi (Whether Defense of a Publicly Known Invention is admissible),” Umase Fumio Koki Kinen, *Hanrei Tokkyo Shingai Hō* (Case Law on Patent Infringements), p. 305; Ryūichi Shitara, “Tokkyo Hatsumei Ga Zenbu Kōchi De Aru Bāi No Gijutsuteki Han’i No Kaishaku (Interpretation of the Technical Scope When the Patented Invention is Entirely a Publicly Known Technology),” Toshiaki Makino, ed., *Shin Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshōhō* (New Outline of Judicial Practice 9, Industrial Property Litigation Law), 149; Shinya Yoshii, *Tokkyoken Shingai Soshō Taiyō* (Outline of Patent Infringement Litigation), p. 40; Takashi Hashiba, “Kenri Hogo Han’i Kakutei Ni Kansuru Kōsatsu Hōhō (Approach to Determination of the Scope of Protection of the Right) II,” *Tokkyo Kanri* (Patent Management), Vol. 19, No. 2 (1969), p. 47. The following court judgments clearly denied the defense of a publicly known technology: the Tokyo District Court Judgment, June 7, 1974, *Hanta*, No. 315, p. 310 (the Pachinko Ball Counter case); the Osaka High Court Judgment, February 10, 1976, *Mutai Saishū*, Vol. 8, No. 1, p. 85 (the Metal Wire Woven Basket case); the Tokyo District Court Judgment, November 28, 1990, *Mutai Saishū*, Vol. 22, No. 3, p. 760 (the Ion Tooth Brush case).

11 Yoshiyuki Tamura, “Tokkyo Shingai Soshō Ni Okeru Kōchi Gijutsu No Kōben To Tōzen Mukō No Kōben (Defense of a Publicly Known Technology and Defense of Justifiable Invalidity in Patent Infringement Litigation) (1) (2),” *Tokkyo Kenkyū* (Study on Patents), No. 21 (1996), p. 4/No. 22, p. 4; Naohiko Tatsumi, “Tokkyo Shingai Soshō Ni Okeru Tokkyo Hatsumei No Gijutsuteki Han’i To Saibansho No Kengen (Technical Scope of the Patented Invention and the Authority of the Court in Patent Infringement Litigation),” *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 17 (1993), p. 41; and others.

12 In the Osaka District Court Judgment, October 30, 1991, *Hanji*, No. 1407, p. 34 (the t-PA case), the court first stated a generality that when there is a serious and apparent ground for invalidation, such as when the claim is entirely composed of a publicly known technology, the court can judge it to the extent required to resolve the case, and then held that such ground for invalidation was not found in the case in question. In the Tokyo High Court Judgment, September 10, 1997, *Chiteki Saishū* Vol. 29, No. 3, p. 819, *Hanji*, No. 1615, p. 10 (the Kilby Case), which was a lawsuit for confirmation of the non-existence of the right to claim compensation for damages, the court stated that because it was highly probable that the division of the patent was judged to be illegal and invalid, exercise of the right against a third party based thereon was an abuse of rights.

13 In the Supreme Court Judgment, April 11, 2000, *Minshu* Vol. 54, No. 4, p. 1368, *Hanji* No. 1710, p. 68, *Hanta* No. 1032, p. 120 (the Kilby case), the court held that, even if it is before the patent invalidation trial has become final and binding, since there are apparent grounds for invalidation of the patent, and special circumstances such as where a request for correction has been filed cannot be found, the claim for damages based on the patent right in question constitutes an abuse of the right and therefore it is impermissible.

same as that for the defense of a publicly known technology, now that the defense of invalidity can be recognized, the role of the defense of publicly known technology has almost ended.¹⁴

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The view that the courts shall have the authority to determine invalidity had been subject to much opposition. This is considered to be because there had been a strongly-held idea that determination of the validity of patents should always be made consistently. The invalidity of a patent used to be regarded as meaning invalidity that is effective in relation to everyone (invalidation in the sense of annulling a patent registration), so there was no such idea that a single patent right was valid for one person and invalid for another person, and it was considered to be difficult to accept the concept of the invalidity of a patent between the parties concerned. However, although consistent determination is required for an invalidation that is effective against the public, in ordinary civil cases, the effect of a court judgment only extends, in principle, to the parties concerned, and it is not rare in civil actions to have varied determinations depending on how the parties carried out the litigation. On an international basis, it is common to claim invalidity in infringement lawsuits. While the defense of a publicly known technology does not formally need to involve the issue of the validity of the patent, the defense of invalidity would require a determination of the validity of the patent. In other words, the defense of invalidity is also related to the effect of an administrative act of granting a patent (it is discussed as an issue concerning the tentative validity of an administrative act), and involves complicated issues, so it took a long time to arrive at a court decision that can solve this issue.

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Then, the abovementioned Supreme Court judgment on the Kilby Case presented a new approach and brought some fresh air to the situation, exerting a decisive impact on the subsequent legal revision. In this case, the court employed the doctrine of abuse of rights and dismissed the exercise of the patent right that apparently involved the grounds for invalidation. The doctrine of abuse of right usually means that where the right itself contains no defect but the exercise thereof is defective, such exercise of the right shall not be permitted. As compared to this, the approach of applying this doctrine when the exercise of the right is not defective but the right itself contains a defect seems to play the role of a transitional measure for allowing a new type of defense. In this respect, the Supreme Court judgment on the Kilby Case gave a direction to the subsequent legislative

¹⁴ In the case of a defense of invalidity, non-infringement is established when grounds for invalidation exist, whereas in the case of a defense of publicly known technology, non-infringement is established when the technology one is working is a publicly known technology, regardless of the claims. Since the objects to be proved in these two cases differ, it cannot be said that a defense of publicly known technology has become completely meaningless, but it can be regarded to have almost ended its role.

process and played that exact role. In this judgment, the court stated that the abuse of a right is found where it is apparent that the patent involves the grounds for invalidation (this is called the requirement of apparent grounds for invalidation). In the subsequent legislative process, there was a fierce controversy over whether or not to legislate this requirement. In the end, this requirement was not introduced, and the courts are now authorized to determine all of the grounds for invalidation. In this judgment, the court also stated that the abuse of a right could be found “unless there are special circumstances such as where the request for a trial for correction has been filed.” Even where a patent involves any grounds for invalidation, the patentee can sometimes remove such grounds by correcting the patent, and if an invalidation trial is filed, the patentee can also request such correction as a measure for avoiding the invalidation of the patent. This is the result of having given consideration to the patentee’s opportunity to make a correction, while recognizing a defense of invalidity.

Following this judgment, it became common for the alleged parties in infringement suits to raise the defense of invalidity, which has been recognized in many court judgments. This trend led to the subsequent solution by legislation.

8.4.2. Legislative Solution (Article 104-3 of the Patent Act)

Since the Kilby Case, the issue of whether or not to legislate the defense of the invalidity of a patent was discussed at the Office for Promotion of the Justice System Reform and the Intellectual Property Strategy Headquarters. As a result, Article 104-3 was introduced upon the revision to the Patent Act in 2004, to make a legislation that is basically close in content to the judgment on the Kilby Case.¹ This new clause provides that, in litigation concerning patent right infringement,² the exercise of a patent right shall not be allowed where the patent is recognized as one that should be invalidated by a trial for patent invalidation, or where the registration of an extension of the duration of a patent right is recognized as one that should be invalidated by a trial for invalidation of the registration of an extension of duration according to which the courts are authorized to

1 For an essay that criticizes the defense of invalidity, see Hidetaka Aizawa, “Shinpan Tetsuzuki To Mukō No Kōben” (Trial Procedure and Defense of Invalidity), *Gakkai Nenpō*, No. 34 (2010), p. 231.

2 Naturally, Article 104-3 is also applied to a case concerning provisional disposition.

examine basically all of the grounds for invalidation.³ The effect of a judgment in an infringement case only extends to that case; it is not possible to cancel the patent registration based on that judgment, and the registration continues to exist after the judgment of invalidation becomes final and binding, so the patentee is able to file litigation against another infringer. Meanwhile, as a premise for the determination of invalidation under Article 104-3, the gist of the patented invention needs to be identified. It is identified in the same manner as the specific contents of patent claims which the JPO (trial body) should identify in the procedure for requesting a trial for patent invalidation.⁴ The validity of a patent came to be examined both by the JPO and the court (the so-called "double track") with the introduction of this defense for invalidation, and public attention was drawn to how the adverse effects of this double track can be eliminated.

Article 104-3 is usually used as a defense, but it can also be used as an offensive means in an action seeking a declaration of non-existence. This clause is subject to the condition that the court may, upon a motion or ex officio, render a ruling to the effect that the allegation or defense of invalidity is to be dismissed when the court considers that such allegation or defense is submitted for the purpose of unreasonably delaying the proceedings (Article 104-3, paragraph (2)). Even where the dismissal ex officio is not regarded as an allegation or defense submitted belatedly as referred to in Article 157, paragraph (1) of the Code of Civil Procedure, it shall be dismissed if it is found to have been submitted for the purpose of unreasonably delaying the proceedings. No appeal may be filed independently against a ruling to dismiss this defense. However, even if a defense of invalidity is dismissed because it will unreasonably delay the proceedings or because it was submitted belatedly, if a trial for invalidation is requested based on the same ground, that ground for invalidation will be disputed in the trial, so for this reason, it is sometimes not useful for early resolution of a dispute.

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The legislative purpose of Article 104-3 is to realize the principle of equity and

3 After a heated debate, the "requirement of apparent grounds for invalidation" indicated in the Kilby judgment was decided not to be introduced. As a result, it seems that the courts can examine all of the grounds for invalidation in litigation. However, the "apparentness" referred to in the Kilby Case means that the court is convinced that the patent in question is bound to be invalidated, and the case "where the patent is recognized as the one that should be invalidated" set forth in the text of the current Act also means that the court is convinced that the patent in question is bound to be invalidated. Thus, practically, there may not be so much difference between the two. Makiko Takabe, "Chiteki Zaisanken Soshō—Kongo No Kadai (Jō)" (Intellectual Property Right Litigation—Future Issues (1st volume)), *NBL* No. 859 (2007), p. 16; Nobuhiro Nakayama and Naoki Koizumi, ed., *Shin Chūkai Tokkyo Hō Jō*, p. 1818 (written by Hiroyuki Morisaki). Meanwhile, Yutaka Koike, "Tokkyo Hō 104 Jō No 3 No Seitei Ni Itaru Haikai To Sono Un'yō Ni Tsuite" (Background of Establishment of Article 104-3 of the Patent Act and Its Application), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 34 (2010), p. 263 recognizes the "requirement of apparent grounds for invalidation" as an interpretation of the current Act.

4 The Intellectual Property High Court Grand Panel Judgment, January 27, 2012, *Hanji*, No. 2144, p. 51/*Hanta*, No. 1397, p. 199 (the Pravastatin Sodium case). Whether there is any difference in the identification of the gist between the case of infringement litigation and a JPO trial (or patent examination) had been controversial, but since Article 104-3 was introduced, they should be construed to be the same. See Ryō Shimanami, Tatsuhiro Ueno, and Hisayoshi Yokoyama, *Tokkyo Hō Nyūmon* (Introduction to the Patent Act), p. 337.

ensure the prompt settlement of disputes. This clause has rectified the problematic situation where invalidity cannot be claimed in litigation unless the patent in question first undergoes an invalidation trial procedure, and in this respect, it is conducive to the prompt settlement of disputes. However, even after the introduction of this clause, it was possible to request a trial for invalidation, and the right holder has had to defend the validity of his/her right both in an invalidation trial procedure before the JPO and in an infringement suit before the court, that is, the right holder is now forced to take measures on the double tracks, the JPO procedure and the litigation, with regard to the same issue in dispute. Also, multiple invalidation trials can be filed at the same time, or an invalidation trial can be filed multiple times by the same person or different persons. Right holders, who need to win both in the invalidation trial and the infringement litigation, began to complain. Since this double track did not necessarily contribute to the one-time resolution of a dispute, it was frequently criticized by the industry, and it imposed a heavy burden on SMEs and venture companies with limited financial resources, in particular. Accordingly, provisions on restrictions on the period for making corrections and those on restrictions on retrials were reviewed upon the 2011 revision.

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In the examination process, the JPO needs to handle a vast amount of applications, so it cannot take much time for examining every application, while in the infringement suits, the court is supposed to examine and collect references available all around the world and it is often able to find some grounds for the invalidation of a patent. Accordingly, the defense of invalidity has been more frequently recognized by the courts and it has become usual practice to submit a defense of invalidity in an infringement suit. Since the introduction of Article 104-3, the probability of the right holder winning the infringement case has been low. This tendency is considered to discourage right holders from filing infringement suits. In particular, given that the number of patents containing reasons for invalidation has grown since the opposition system was abolished upon the 2003 revision, the defense of invalidity plays a significant role. However, the opposition system was revived with the 2014 revision (see “3.1. Opposition System”).

Article 104-3 stipulates that the exercise of a patent right shall not be allowed “where the patent is recognized as one that should be invalidated by a trial for patent invalidation.” This clause is established while taking into account a trial for correction or a request for correction. The patentee, against whom a trial for invalidation is filed, shall have the opportunity to file a request for the correction of his/her patent in order to avoid invalidation; however, in an infringement suit, if the patentee would not be given such opportunity to correct his/her patent when it involves any grounds for invalidation and would be immediately given a court decision to dismiss his/her claim of infringement, this would be inconsistent with the system of an invalidation trial and would also be unfair

to the patentee. There would be no problem if a JPO trial decision on correction has become final and binding by the time of the conclusion of oral argument in the infringement suit, but there may be cases where correction has yet to be finally determined in the procedure of a trial for correction. In such cases, if the court, while giving no consideration to the possibility of correction, finds the patent to be invalid and dismisses the claim of infringement, this could lead to an unreasonable consequence if the JPO trial decision on correction later becomes final and binding. The abovementioned condition has been established in order to avoid such a situation.⁵ However, the court practice is that, in order to make this re-defense of correction, it is not sufficient to merely assert that the patent right could escape invalidation by making a correction, but it is necessary for the patentee to be actually requesting a trial for correction or requesting a correction in a trial for invalidation.⁶ If re-defense of correction can be made by mere assertion, the plaintiff could win the suit without actually making the correction, and the uncorrected patent right could survive. Thus, the above court practice is implemented in order to avoid such situation. Even when correction is allowed, if the correction does not eliminate the ground for invalidation or if the target article does not fall within the technical scope of the corrected patented invention, it cannot be said that “special circumstances” exist.

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In the case of a misappropriated patent or a patent in violation of an obligation of joint application, the person entitled to request a trial for invalidation of said patent was an “interested person” before the 2011 revision; but after the revision, it was revised to a “person having the right to obtain a patent” (Article 123, paragraph (2) of the Patent Act). This is because it became possible for the true right holder to request the owner of a misappropriated patent or a patent in violation of an obligation of joint application to transfer that patent right or a share of the right (Article 74 of the Patent Act) with the 2011 revision, and it is not appropriate to allow a person other than the true right holder to request a trial for invalidation and to cause a patent right to be extinguished. In line with this, a revision was also made to the defense of invalidity so that a person other than the true right holder will not be precluded from submitting materials used for an allegation

5 In the Tokyo District Court Judgment, February 27, 2007, *Hanta* No. 1253, p. 241 (Articulated Conveying Equipment Case), the court stated that ‘*whether or not the patent is recognized as the one that should be invalidated in a trial for patent invalidation*’ should be determined depending on whether or not the patent will still be recognized as such when the correction of the patent becomes final and binding in the future.

6 Makiko Takabe, *Jitsumu Shōsetsu Tokkyō Kankei Soshō* [2 Han] (Detailed Explanation of Practice of Patent-Related Litigation [2nd Ed.]), p. 201 states that “it may be an idea to interpret that it would be sufficient for the patentee to assert the specific claims in the form of ‘definitely making such correction during the period in which correction can be requested’ before the time is overdue, and to request (a trial for) correction by the time of conclusion of oral proceedings in fact-finding proceedings. Meanwhile, in the Supreme Court Judgment, April 24, 2008, *Minshū*, Vol. 62, No. 5, p. 1262/*Hanji*, No. 2068, p. 142/*Hanta*, No. 1317, p. 130 (the Knife Working Device case), which is a case before the 2011 revision, Justice Tokuji Izumi indicated an opinion stating that it is not required for a trial for correction to have already been requested, but it is sufficient to allege and prove that the invalid part could be eliminated if a trial for correction is requested at all and that the defendant's products would fall within the technical scope of the invention based on the restricted scope of claims.

or defense to show that the patent is invalid due to misappropriation (Article 104-3, paragraph (3) of the Patent Act). There is no problem in recognizing a defense of invalidity by a person other than the true right holder, because the effect of the judgment will be limited to the parties, and the registration of a right will not be cancelled based on the invalidity of the right in an infringement suit. Moreover, even if a defense of invalidity is recognized in the infringement suit, the true right holder is still able to request the owner of a misappropriated patent to transfer the patent. Also, when the true right holder's request for a transfer is accepted, the patent right is deemed to have been owned by the true right holders from the start (Article 74, paragraph (2) of the Patent Act), so the true right holder will never request a trial for invalidation after the transfer. In addition, after the transfer of the patent, a defense of invalidity due to misappropriation will no longer be accepted in an infringement suit, because the reason for the invalidation has already been cured.

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Incidentally, before the 2011 revision, it had been provided that a person may not file a request for a trial on the basis of the same facts and evidence (Article 167 of the Patent Act before the revision). Thus, there was a question of whether, after a trial decision to the effect that an invalidation trial has failed becomes final and binding, a suspected infringer who is a third party is permitted to submit a defense of invalidity based on the same facts and evidence in an infringement suit. However, because Article 167 was revised upon the 2011 revision, and a trial decision became effective only against the parties to the trial and the intervenors, there was no longer a problem in a third party submitting a defense of invalidity based on the same facts and evidence in an infringement suit.

The defense of invalidity being recognized in an infringement suit means that there is the possibility that the court and the JPO might examine the same matter with regard to the validity of the patent concurrently. Although there are no direct provisions on the case where an inconsistency occurs between the determinations made by the court and the JPO, the court has been able to suspend the court proceedings at the request of the party when it has found it necessary (Article 168, paragraph (2)),⁷ and the trial examiner has also been able to suspend the trial proceedings when he/she has found it necessary (paragraph (1) of said Article). In this connection, the 2004 revision has introduced additional rules in order to promote the linkage between the court proceedings and the trial proceedings: upon receiving an infringement action and upon conclusion of the court proceedings, the court shall notify the JPO Commissioner of such action (paragraph (3)

⁷ In the past, suspension of court proceedings had caused prolongation of the litigation period, because the JPO trial took a long time. However, the JPO has made efforts to expedite the trial in recent years, and according to the 2011 statistics, the average time required for processing a trial was 8.5 months for trials for invalidation and 1.9 months for trials for correction.

of said Article); the JPO Commissioner shall notify the court as to whether a request for a trial with regard to the patent right has been filed (paragraph (4) of said Article); if a request for a trial has been filed, the court shall notify the JPO Commissioner of the document submitted thereto which states the allegation or defense (paragraph (5) of said Article); and the JPO Commissioner who has received said notice may request the court to deliver copies of any record of the action which the trial examiner considers necessary for the trial (paragraph (6) of said Article). In practice, ordinarily, the trial examiner can acquire the relevant documents submitted in the infringement suit through the hearings in the trial proceedings, but if the parties do not cooperate with this, he/she would request such documents from the court pursuant to Article 168, paragraph (6). These measures are expected to reduce the inconsistency between court judgments and trial decisions.

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8.5 Retrial (Article 104-4 of the Patent Act)⁹⁹⁰

With the 2004 revision, it also became possible to dispute invalidity in an infringement suit. However, since court proceedings are based on an adversary system, whereas the JPO trial procedure is based on an ex officio system, or since there can be a difference between the determination by a court judge and that by a trial examiner, the determination on the patent validity may differ between an infringement suit and an invalidation trial. As long as a double track system of litigation and trial is adopted, a certain degree of difference is inherent in the system. Nonetheless, in order to realize a one-time resolution of disputes, that is, to eliminate detrimental prolonged disputes and ensure legal stability, a provision on the restriction on retrials was introduced upon the 2011 revision (Article 104-4 of the Patent Act). In litigation, the submission of an allegation or defense out of time and the rehashing of disputes should not be admitted as a generality, and although this revision premises the use of the double track system, it aims to achieve an effect equivalent to prohibiting the out-of-time submission of an allegation or defense and the rehashing of disputes. Even before the 2011 revision, various theories had been proposed to prevent the rehashing of disputes by retrials (application of the fair and equitable principle in litigation or application of the proviso to Article 338, paragraph (1) of the Code of Civil Procedure by analogy), but this issue was resolved through legislation under this revision. Article 338, paragraph (1), item (viii) of the Code of Civil Procedure sets forth “the ... administrative disposition, based on which the judgment pertaining to the appeal was made, has been modified by a subsequent judicial decision or administrative disposition” as a ground for a retrial. This is a remedial measure for not being able to dispute the validity of a subsequent administrative disposition in the relevant litigation. In the case of a patent right infringement, however, the validity of a patent can be disputed in the relevant litigation (Article 104-3 of the Patent Act), so if a retrial were allowed, it would be possible to dispute the invalidity of a patent at the court twice. Accordingly, the recent revision which prohibited retrial is an appropriate measure.

Even where a double track system is adopted, if a trial decision of invalidation becomes final and binding first, the patent right will be deemed never to have existed as a result of the retroactive effect of the trial decision, where the only small problem is that the patentee loses in the infringement suit.

990 See Makiko Takabe, “Shingai Soshō Hanketsu Kakuteigo No Shinketsu No Kakutei” (Trial Decision Becoming Final and Binding After Judgment Becomes Final and Binding in Infringement Suit), *Gakkai Nenpō*, No. 34 (2010), p. 195; Takashi Shimizu, “Saishin No Uttae Ni Kansuru Tokkyō Hō Kaisei” (Revision of the Patent Act Concerning an Action for Retrial), *Jurist*, No. 1436 (2012), p.60; Jun’ichi Kitahara, “Saishin” (Retrial), *Jurist*, No. 1438 (2012), p. 81.

If, after the court renders a judgment to dismiss the plaintiff's claim in an infringement suit (the patentee loses the suit), a trial decision to the effect that the request for an invalidation trial is invalid⁹⁹¹ becomes final and binding in an invalidation trial, it does not mean that the administrative disposition on which that court judgment was rendered is changed by the subsequent administrative disposition, and it will not serve as grounds for a retrial.⁹⁹² The determination in the court judgment that the patent is found to deserve to be invalid is only stated in the reason for judgment, and it does not have the force of *res judicata*.

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The biggest problem is the case where a trial decision of invalidation becomes final and binding after a court judgment becomes final and binding in an infringement suit won by the right holder's side. When a trial decision of invalidation becomes final and binding, the decision has a retroactive effect (Article 125 of the Patent Act), so it means that the administrative disposition on which the court judgment on the infringement case was based was changed by the subsequent administrative disposition, which corresponds to grounds for a retrial according to a principle under Article 338, paragraph (1), item (viii) of the Code of Civil Procedure.⁹⁹³ In addition, since there is no time limit for requesting an invalidation trial, and an invalidation trial can be requested repeatedly unless it is based on the same facts and evidence,⁹⁹⁴ a final and binding judgment lacked stability, facing the risk of being overturned at any time by a retrial, which obstructed the one-time resolution of a dispute. There were also cases where the right holder's claim was dismissed in an infringement suit due to the existence of a reason for invalidation, but where a subsequent trial decision for correction to narrow the scope of the right⁹⁹⁵ became final and binding. This removed the reason for the invalidation so it was possible to establish an infringement on the premise of the scope of the patent claims which had been corrected; however the right holder rehashed the dispute by requesting a retrial.

In infringement litigation, the defendant (the suspected infringer) can assert patent invalidity, and the plaintiff (the patentee) can request a trial for correction in response, which means that the parties have opportunities to submit allegations or defenses. Allowing

991 This trial decision only signifies that there are no grounds for invalidation of the patent on the basis of the same facts and evidence as those examined in the trial proceedings, and it does not declare that the patent right is definitely valid.

992 Masaaki Kondo, Tomoyoshi Saito, *Chiteki Zaisan Kankei Ni Hō, Rōdō Shinpan* (Two Intellectual Property-Related Laws, Labor Tribunal) (Shojihomu, 2004), p. 62.

993 In the Intellectual Property High Court Judgment, July 14, 2008, *Hanji*, No. 2050, p. 137/*Hanta*, No. 1307, p. 295 (the Equipment for Separating and Removing Foreign Substances from Raw Seaweed case), the court accepted a retrial for a case where a trial decision of invalidation became final and binding after a judgment upholding an injunction became final and binding, and dismissed the patentee's claim by revoking the final and binding judgment (non-acceptance of the final appeal).

994 After the 2011 revision, it became possible for a third party to request a trial for the invalidation of a patent based on the same facts and evidence (the term "no one" was deleted from Article 167).

995 The same applies to the case of a correction made by filing a request for correction (Article 134-2).

a person who has lost in an infringement suit to continue the dispute in an invalidation trial, and further dispute in a retrial after obtaining a trial decision of invalidation in spite of having such opportunities would lead to the unnecessary lengthening of a dispute. In particular, SMEs with a weak economic foundation may not be able to financially afford to cover the expenses for such prolonged dispute.

Thus, with the 2011 revision, it was provided that, after a final judgment in a patent infringement suit, an exclusive license infringement suit, or a suit to claim compensation (Article 65, paragraph (1) and Article 184-10, paragraph (1) of the Patent Act) becomes final and binding, a person who was a party to that suit cannot assert the fact that a trial decision of patent invalidation, a trial decision of invalidation of the registration of an extension of the duration, or “a trial decision to the effect that the description, scope of claims or drawings attached to the application of the patent is to be corrected, which is specified by Cabinet Order” became final and conclusive after said judgment was rendered, when requesting a retrial (Article 104-4, items (i) through (iii) of the Patent Act). Among the trial decisions on correction rendered after the court judgment became final and conclusive in an infringement suit, those that cannot be asserted in a retrial are limited to those specified by Cabinet Order (Article 104-4, item (iii) of the Patent Act).⁹⁹⁶ Due to this revision, this type of request for a retrial is dismissed by an order on the basis of lack of grounds for a retrial because the fact that a trial decision became final and binding cannot be asserted (Article 345, paragraph (2) of the Code of Civil Procedure). After the revision, a retrial cannot be requested against a court judgment finding an infringement, even if a trial decision of invalidation or a trial decision of correction, etc. becomes final and binding after a final judgment in infringement litigation, etc. becomes final and binding, so the parties need to do everything they can in the infringement litigation. Legislation restricting the retroactive effect of a trial decision of invalidation could have also been possible,⁹⁹⁷ but the revising Act adopted the approach of restricting the matters that can be asserted in a retrial.

There are no provisions on filing the same action seeking a future injunction for a case where, after a defense of invalidity is accepted and the plaintiff loses the case, a trial

⁹⁹⁶ The trial decisions on correction based on which a retrial cannot be requested are limited to the following types of trial decisions on correction under Article 13-4 of the Patent Act Enforcement Order.

“1. If the final judgment that became final and binding in the litigation prescribed in Article 104-4 of the Patent Act is a judgment in favor of the patentee, exclusive licensee, or other person who claimed compensation: a trial decision for ensuring that the patent will not be invalidated in a trial for patent invalidation based on a fact other than that proved in the litigation.

2. If the final judgment that became final and binding in the litigation prescribed in Article 104-4 of the Patent Act is a judgment against the patentee, exclusive licensee, or other person who claimed compensation: a trial decision for ensuring that the patent will not be invalidated in a trial for patent invalidation based on a fact proved in the litigation.”

⁹⁹⁷ The Patent System Subcommittee Report p. 28 states that arrangements will be made with regard to the retroactive effect of a final and binding trial decision.

decision of correction to narrow the scope of claims becomes final and binding and the defendant's article falls within the technical scope of the patent. If the court dismisses such action, would it constitute a violation of the fair and equitable principle in litigation?

[452]

When damages have been paid after the judgment was rendered in an infringement suit, a trial decision of invalidation cannot be asserted in a retrial, so a retrial cannot be requested (such a request is dismissed by an order), and damages which have already been paid are not regarded as unjust enrichment.⁹⁹⁸ However, if a trial decision of invalidation becomes final and binding after an injunction has been recognized in an infringement suit, the patent right is extinguished retroactively as a result of the trial decision becoming final and binding and the invention falls within the public domain, so it is unfair for only the defendant of the infringement suit to be barred from working the invention. In reality, there would not be a case where the plaintiff of the infringement suit demands the execution of an injunction under the former judgment after a trial decision of invalidation becomes final and binding, but if such a demand were made, an action to oppose such an execution can be filed because the right that serves as the basis for an injunction would have been extinguished after the judgment became final and binding as a result of the trial decision of invalidation becoming final and binding (Article 35 of the Civil Execution Act).⁹⁹⁹ Meanwhile, money already paid by an indirect compulsory execution cannot also be claimed back as unjust enrichment.

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The same applies to an action for claiming damages or claiming the return of unjust enrichment against an obligee effecting a provisional seizure or an order of provisional disposition (the portion in parentheses in the main clause of Article 104-4 of the Patent Act); even after a trial decision of invalidation becomes final and conclusive, no damages will be claimed for a provisional disposition which has already been effected on the basis that the provisional disposition was unlawful and no money paid by an indirect compulsory execution under a provisional disposition will be claimed back as unjust enrichment.

Even if a trial decision of invalidation were to become final and conclusive after the

⁹⁹⁸ For a case where a trial decision of invalidation becomes final and binding after a judgment upholding a claim for damages has become final and binding but before the damages have been paid, theories are divided between one that insists that a compulsory execution can be effected because the effect of the former judgment exists as long as a retrial cannot be requested, and one insisting that that will be an abuse of a right.

⁹⁹⁹ Ryōichi Mimura, "Heisei 23 Nen Kaisei Tokkyo Hō Shikō Go Ni Okeru Tokkyo Kankei Soshō No Genjō To Ryūiten" (Situation of Patent-Related Litigation After the Patent Act as Revised in 2011 Became Effective and Points of Attention) (*L & T*, No. 60 (2013), p. 26) stated that, while it would also be possible to file an action to oppose the execution, it can also be construed to be abuse of the right of compulsory execution because the text of the judgment implicitly assumes that "the patent right remains valid." Roundtable Discussion, "Tokkyo Hō Kaisei No Igi To Kadai" (Significance and Challenges of the Patent Act Revision) (a statement by Toshiaki Iimura), *Jurist*, No. 1436 (2012), p. 29.

conclusion of oral proceedings in fact-finding proceedings and before the court judgment becomes final and conclusive, because Article 104-4 reads “an action for a retrial against the final judgment,” there is no restriction on matters that can be asserted in a retrial; this point was not changed upon the 2011 revision.¹⁰⁰⁰ However, although there is no statutory restriction on matters that can be asserted in a retrial, there would be many cases where a dispute over grounds for a retrial is not accepted in light of the fair and equitable principle in litigation or in light of the purpose of Article 104-3 of the Patent Act, according to the specific situation.¹⁰⁰¹

As long as a judgment awarding damages cannot be overturned by a retrial after it becomes final and binding, the infringer can neither refuse to pay the amount due nor file an action to oppose execution.¹⁰⁰²

In normal litigation, the court may dismiss allegations or evidence advanced out of time by an order (Article 157, paragraph (1) of the Code of Civil Procedure), and if they are dismissed, the parties can no longer dispute those allegations and evidence. In contrast, under the conventional Patent Act, it was possible to request an invalidation trial based on the same allegations or defenses as those dismissed in infringement litigation due to the double track system of trial and litigation, so the dismissal did not necessarily contribute to preventing prolonged disputes. After the 2011 revision, even if a trial decision of invalidation becomes final and binding, it is not possible to request a retrial against an already final and binding judgment on the basis of said trial decision. Thus, it will be necessary for the defendant to exert every possible effort in making a defense of invalidity and the plaintiff in making a re-defense of correction in infringement suits, and the adverse effects of the double track will be eliminated to a considerable extent. As a result of the 2011 revision, it became sufficient for the court to conduct proceedings without being concerned about a trial for invalidation, even if infringement litigation and the trial for invalidation coexist, and there would be less need to apply Article 168, paragraph (2) of the

1000 Kimiko Yagi, “Saishin No Seigen” (Restriction of Retrials), Toshiaki Makino, Toshiaki Imura, Makiko Takabe, Yōichirō Komatsu, and Tomoki Ihara eds., *Chūteki Zaisanken Soshō Jitsumu Taikei II* (Outline of Intellectual Property Lawsuit Practices II), p. 90.

1001 The Supreme Court Judgment, April 24, 2008, *Minshū*, Vol. 62, No. 5, p. 1262/*Hanji*, No. 2068, p. 142/*Hanta*, No. 1317, p. 130 (the Knife Processing Equipment case) was a case before the 2011 revision of the Act, where a trial decision on a correction to narrow the scope of claims became final and binding after the judgment by the court of second instance in an infringement case became final and binding. In this case, the court held that, premising the circumstances including the fact that a request for a trial for correction and its withdrawal were repeated twice during the proceedings of the appellate instance that were carried out for more than one year, and that the trial decision on the correction in question was rendered in response to a request for a trial for correction that was filed after the conclusion of oral proceedings in the appellate instance, although there is room for a retrial, disputing the matter in a retrial cannot be permitted in light of the purpose of the provision of Article 104-3.

1002 Ryōichi Mimura, “Heisei 23 Nen Kaisei Tokkyo Hō Shikō Go Ni Okeru Tokkyo Kankei Soshō No Genjō To Ryūiten” (Situation of Patent-Related Litigation After the Patent Act as Revised in 2011 Became Effective and Points of Attention) (*L & T*, No. 60 (2013), p. 25) stated that, if the infringer is allowed to evade payment of the amount due, it would mean allowing the infringer to evade both the final and binding judgment and performance of payment by obtaining a trial decision of invalidation while circumventing compulsory execution through concealing property.

Patent Act, which provides that “the trial proceedings may be suspended until the decision in another trial has become final and binding.” Not allowing a retrial is a peculiar measure under litigation law, but since the defendant is given sufficient opportunities for submitting allegations and defenses in an infringement suit, there is no need to allow a defendant who does not use those opportunities to request a trial for invalidation and further request a retrial.

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Incidentally, retrials should not be restricted in criminal cases from the viewpoint of the protection of human rights, so the 2011 revision only applies to civil cases.

8.6. Penal Provisions (Crime of Infringement)¹

(1) Crime of patent infringement (Article 196 of the Patent Act)

While there are various criminal penalties stipulated under the Patent Act, this subsection will only explain about the crime of infringement of a patent right and exclusive license. Explanations on other crimes will be provided in “§12 Criminal Penalties.”

The general provisions of the Penal Code provide that they also apply to crimes for which punishments are provided by other laws and regulations (Article 8 of the Penal Code), so the general principle of the Penal Code is applied in regard to whether or not an act meets the requirements for constituting a crime, the illegality of the act, and the liability of the offender. Since the Patent Act has no provisions concerning crimes committed through negligence, only intentional crimes are punished.² While an act must have been intentional in order to constitute the crime of patent infringement, the intent in this case means to be aware of facts constituting a crime and intend to realize such facts or at least allow for such facts to be realized. In the case of a patent infringement, the offender needs to have been aware of the patent infringement. Attempted crimes are not punished either since there are

1 With regard to the crime of patent infringement in general, see Shigeki Itō and Keiji Ono and Kunio Shōji, eds., *Chūshaku Tokubetsu Keihō Dai 5 Kan Keizai Keihō Hen (2)* (Annotated Special Penal Code, Vol. 5, Economic Criminal Law (2)) (Tachibana Shobo, 1984), p. 149 [written by Kunio Harada]; Yosoji Ibayashi, Kōgyō Shoyūken Ni Kansuru Keiji Jō No Sho Mondai” (Various Penal Issues concerning Industrial Property), *Kōgyō Shoyūken Hō Kenkyū* (Studies on Law of Industrial Property Rights), No. 21 *Rinji Zōkan Go* [Special Additional Issue]; Arata Yamamoto, *Mutai Zaisanken Kankei Hōrei No Bassoku No Kenkyū* (Study on Penalties under Intangible Property Laws and Regulations), *Hōmu Kenkyū Hōkokusho* (Research Reports on Legal Affairs), Vol. 43, No. 1, (Hōmu Kensyūjo [Research and Training Institute] 1955); Minoru Takeda, *Chūteki Zaisanken Shingai Yōron (Tokkyo/Ishō/Shōhyō Hen) [Dai 5 Han]*, p. 603; Ryūichi Hirano and Shirō Sasaki and Yukiharu Fujinaga, eds., *Chūkai Tokubetsu Keihō Dai 4 Kan Keizai Hen III Tokkyo Hō [Dai 2 Han]* (Explanatory Notes on Special Penal Code, Vol. 4, Economics III, Patent Act [2nd ed.]) (Seirin-Shoin, 1991), p. 32 [written by Sōtarō Ishikawa].

2 Determination of involvement of intent is often difficult. There is a case where the court denied criminal liability of the accused person since that person had asked for and followed the expert opinion of a patent attorney (the Sendai High Court Judgment, September 26, 1968, *Hanrei Kōgyō Shoyūken Hō Genkō Hō Hen* (Industrial Property Case Law Current Law Version), 7, 2455, p. 53); and a case where the court held that no criminal intent is involved when it is reasonable to consider that the party has been given the implicit authorization of the right holder (the Toyama District Court Judgment, October 5, 1961, *Kakei*, Vol. 3, No. 9/10, p. 930).

no provisions about them.

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In principle, infringement of a patent right refers to an act whereby a person works subject matter that falls within the technical scope of another person's patented invention as a business, without authorization. Article 104 of the Patent Act provides for presumption of an infringement with regard to a process invention, but when an infringement is found based on this presumptive provision, this cannot be regarded as facts found on the basis of evidence (Article 317 of the Code of Criminal Procedure), so no criminal penalty should be imposed.³ From a practical point of view, as well, the police and public prosecutors have the right to investigate, so it would not be reasonable to impose a criminal penalty based on presumption.

Although there was controversy over whether an indirect infringement constitutes a crime of infringement (deemed infringement), provisions on criminal penalty on indirect infringement were stipulated (Article 196-2 of the Patent Act) with the 2006 revision, and it was clarified that an indirect infringement constitutes one type of infringement.⁴ However, an indirect infringement is a more minor crime than a direct infringement.

Conventionally, a patent right was valid unless it was invalidated in an invalidation trial, so with regard to criminal penalties as well, patent rights containing reasons for invalidation were treated as valid, and the crime of infringement was found in many cases. However, with the 2004 revision, Article 104-3 was stipulated, and it became possible to file a defense of invalidity. Thus, invalidation can also be pleaded in a criminal suit.⁵ It is not appropriate for an act to be denied to be infringement in a civil case but be found to be an infringement in a criminal case.

When a trial decision to the effect that a patent is to be invalidated becomes final and binding or a court judgment voiding a patent is rendered after a judgment of guilt has become final and binding, a request for a retrial may be filed (Article 435, item (v) of the Code of Criminal Procedure).

The punishment for the crime of patent infringement used to be imprisonment with work for a term not exceeding five years or a fine not exceeding five million yen, but with

³ As an opposing theory, the Japan Patent Office ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 303 states that the provisions of this Article are construed to be applicable also when determining the crime of infringement.

⁴ Even prior to the 2006 revision, the following was a trademark case in which the court held that even an indirect infringement constitutes an infringement: the Tokyo District Court Judgment, August 3, 1981, *Hanji*, No. 1042, p. 155 (the Morimitsu case).

⁵ There is also a view saying that an act of an alleged infringer could be considered to be unintentional if he/she had known the existence of the reason for invalidation (Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyō Hō Ge* [New Explanatory Notes on the Patent Act Vol. 2], p. 2704 [written by Morisaki Hiroyuki and Makoto Okada]), but it would be more straightforward to simply allow the alleged infringer to file a defense of invalidity.

the recent trend of imposing heavier punishment, the provisions were revised upon the 2006 revision. Today, a direct infringer is punished by imprisonment with work for a term not exceeding ten years or a fine not exceeding 10 million yen or a combination thereof (Article 196 of the Patent Act) and an indirect infringer is subject to a lesser punishment of imprisonment with work for a term not exceeding five years or a fine not exceeding five million yen or a combination thereof (Article 196-2 of the Patent Act). The reasons for this legislation of imposing heavier punishment include the fact that patented inventions become susceptible to imitation once they are disclosed to the public, and because the amount of damages caused by an infringement is becoming higher due to a general increase in the values of patents, stricter punishments were needed in order to deter infringements and to achieve a balance with statutory punishments for other property offenses.

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A juridical person used to be charged the same amount of fine as a natural person, but with the establishment of a provision on dual liability upon the 1998 revision, a juridical person became liable to a heavier fine not exceeding 150 million yen, and the maximum amount was further raised to 300 million yen with the 2006 revision (Article 201, paragraph (1), item (i) of the Patent Act). As a result of the lengthening of the maximum term of imprisonment with work to 10 years for direct infringement and five years for indirect infringement, the statute of limitations for instituting prosecution became seven years (Article 250, item (iv) of the Code of Civil Procedure) and five years (item (v) of said Article), respectively. However, when a juridical person is punished by a combination of imprisonment and a fine, the statute of limitations will be three years (item (vi) of said Article), and this will cause an imbalance between the case of a juridical person and the case of an individual. Thus, the statute of limitations for instituting prosecution was stipulated as seven years in the case of an individual and five years in the case of a juridical person, corresponding to that for direct infringement and indirect infringement by an individual (Article 201, paragraph (3) of the Patent Act).

(2) Crime that can be prosecuted without a complaint

In the past, while a trademark infringement could be prosecuted without a complaint since a trademark serves the public interest through preventing consumers from being misled or confused, a patent infringement had been a crime prosecutable upon a complaint (Article 196, paragraph (2) of the Patent Act before the 1998 revision). However, a patent infringement also became a crime that can be prosecuted without a complaint upon the 1998 revision (deletion of the provision on the crime prosecutable upon a complaint in Article 196, paragraph (2) of the Patent Act). The reason for the legislation was the growth

of the need to provide stronger protection for patents compared with general property rights in line with the fact that patents have become extremely important property, and the great reduction of the need to protect personal rights due to the increase in the share of patent applications filed by legal entities (about 97 percent as of 2014; JPO Annual Report 2015, Statistics and Appendixes, p. 47). In short, the crime has become closer to theft, but a heavier fine is imposed on the crime of patent right infringement. However, even in the case of an application filed by a juridical person, the right of credit (a personal right) of the actual inventor of the technology is not extinguished, so the name of the inventor has to be written in the inventor column of a patent certificate, etc. Accordingly, the increase in the number of patent applications filed by juridical persons is not directly connected with the measure to make a patent infringement prosecutable without a complaint, and is not considered to be a reason for such legislative measure. Upon legislation, more in-depth study should have been made on the difference between stealing tangible property and stealing information.

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With regard to infringements of property information, the question of what kinds of cases should require no complaint in order for prosecution to be instituted involves a difficult problem. Technological information, which is public property, should be available for free use in principle, but the Patent Act specially permits its monopolistic use. Therefore, there is some hesitation in providing strong legal protection and requiring no complaint for prosecution, similarly to a natural crime. On the other hand, if there is a need to provide strong legal protection for a patent right on the basis that it is an artificial right, which is easily infringed and of which infringement is more difficult to monitor compared to the case of tangible property, it is reasonable to consider it a crime that requires no complaint for prosecution. After all, even if the patent were a right purely designed for protecting a private interest, if it becomes generally recognized that a patent infringement harms the social order to an extent similar to theft, a patent infringement would be prosecutable without a complaint. Thus, the 1998 revision is considered to have been made under the recognition that patent rights in modern society have grown to such a level, and it is certain evidence of the present pro-patent era, but whether it was truly necessary to make a patent infringement prosecutable without a complaint is not free of doubts.

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8.7. Scope of Protection

8.7.1. Technical Scope of a Patented Invention

In patent right infringement litigation, the interpretation of the scope of patent claims, which is whether or not the allegedly infringing product or process falls within the technical scope of the patented invention, becomes an issue. While claim interpretation also becomes an important issue in patent examination and trial, such interpretation is referred to as “identification of the gist of the invention” in such case. The technical scope of a patented invention indicates the technical idea embodied by the statements in the scope of claims (claims).¹ A patent right is significant in that it excludes others from infringing the right with regard to a certain invention. Apart from some exceptional cases, the technical scope is the scope in which an act constitutes a patent infringement, so infringement litigation is often centered on a battle over the technical scope. The scope determined in the case of an infringement is sometimes referred to as the scope of protection. This scope is not absolutely fixed, but is decided in relation to the technology allegedly being infringed in the course of an actual infringement case.

A patented invention is a technical idea, and it does not exist as a concrete object, but is an abstract existence described as statements in the claims or the description. A machine, etc. which exists as a patented product is one mode of embodiment of the technical idea and not the invention, which is the technical idea, itself. While the technical scope of a patented invention is defined literally, it is impossible to completely express the technical scope in words, so the technical scope must always be decided through the interpretation of the wording of the scope of claims (claim interpretation). While the technical scope is determined on the basis of the statements in the scope of claims (Article 70, paragraph (1) of the Patent Act), there are questions as to the extent of materials that can be used as references and how the scope should be determined.

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The former Act (Act of 1959) did not have a provision corresponding to Article 70 of the current Act, so it was also possible to interpret that the technical scope of a patented

¹ The technical scope is used both in the same meaning as the scope of protection and in a different meaning. This book intends to consider the scope that actually constitutes a patent right infringement as the scope of protection, so there is a slight difference between the scope of protection and the technical scope in that sense. Terminology aside, the technical scope embodied in the scope of claims and the scope of infringement differ in the case of an indirect infringement (Article 101 of the Patent Act) and the case of a patent right whose duration has been extended (Article 68-2 of the Patent Act). There is also a theory that, regarding the difference between the technical scope and the scope of protection, the technical scope is determined by the JPO, and it is just as described in the statements of the scope of claims, while the scope of protection is the technical domain recognized by the courts (equivalent, incomplete working, circumvention, etc.) (Kenjirō Ōe, “Tokkyo Seikyū No Han’i To Tokkyo Hatsumei No Hogo Han’i Tono Kakusa” [Difference Between the Scope of Patent Claims and the Scope of Protection of the Patented Invention], *Tokkyo Kanri* [Patent Management], Vol. 25, No. 7 [1975], p. 713; Kenjirō Ōe, “Tokkyo No Hogo Han’i Ni Tsuite” [Scope of Protection of a Patent], *Patent*, Vol. 21, No. 10 [1968], p. 6; Kenjirō Ōe, “Tokkyoken No Kenri Han’i No Kaishaku Ni Tsuite No Ichi Kōsatsu” [Examination of the Interpretation of the Scope of Right of a Patent], *Gakkai Nenpō*, No. 2 [1979], p. 39). However, now that a defense of patent invalidity may be made at the court, both scopes should be determined based on the same standards.

invention should be determined based on the entire description. However, under the current Act that includes Article 70, it became conclusive that the technical scope must be determined on the basis of the claims. Nevertheless, even under the current Act, there is an argument over the extent to which one can refer to materials other than the claims. Many conventional court judgments have stated that although the claims indicate the scope of the patent, it is not completely prohibited to refer to other materials, and items such as the detailed explanation of the invention can also be taken into consideration.²

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Later, a Supreme Court judgment (the Lipase case)³ was handed down that

2 The Osaka District Court Judgment, May 4, 1961, *Kamin*, Vol. 12, No. 5, p. 937 (the Expanded Polystyrol case). In this case, which is a case under the former Act, the court stated that the determination of the technical scope should naturally be made based on the statements of the scope of claims, but it is not inadmissible to use other materials for supplementing the determination, so the determination can be made by also taking into account the statements of the description other than the scope of claims, the technological level at the time of the filing, the intention of the applicant at the time of the filing indicated by the prosecution history, and interpretation of the JPO's intention on whether or not to grant the patent. There are many other court judgments to the same effect. See Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 690 [written by Shigetoshi Matsumoto].

3 The Supreme Court Judgment, March 8, 1991, *Minshū*, Vol. 45, No. 3, p. 123 (the Lipase case). This case concerned an invention of a method to measure triglyceride (neutral fat) for diagnosing hyperlipemia by using Ra lipase (a kind of enzyme for decomposing fat). While the term "lipase" was used in the plaintiff's patent claim, the explanation in the description was centered on Ra lipase, and only Ra lipase was mentioned in the working example. The examiner and the trial examiners refused the application by stating that the lipase described in the scope of claims also included lipases other than Ra lipase, so that part did not involve an inventive step. However, in litigation for rescinding the trial decision (the Tokyo High Court Judgment, October 29, 1986, *Minshū*, Vol. 45, No. 3, p. 145), an assertion was made for the first time that said lipase should be construed to mean Ra lipase, and the court rescinded the trial decision, mentioning that in light of the statements of the detailed explanation of the invention, it was reasonable to consider the lipase to be Ra lipase. In the final instance, the Supreme Court judgment stated as follows: "Determination of the gist of the invention should be made based on the statements of the scope of claims in the description attached to the request, unless there is a special circumstance. The statements of the detailed explanation of the invention in the description can also be taken into consideration only under special circumstances, such as when the technical meaning of the statement of the scope of claims cannot be understood in a singular and clear manner or when the statement is apparently erroneous at a glance when compared with the statements of the detailed explanation of the invention in the description. This fact is clear from the provision of Article 36, paragraph (5), item (ii) of the Patent Act (author's note: revised at present), which stipulates that only matters that are indispensable for the composition of the invention for which the patent is sought should be stated in the scope of claims." When the plaintiff received the decision of refusal, the plaintiff should have amended the term "lipase" stated in the scope of claims to "Ra lipase," but failed to do so (probably with the aim to make the scope of claims broader), but later insisted that the "lipase" described in the scope of claims should be interpreted as "Ra lipase" by taking into account the entire description. However, even if a patent is granted, a lipase other than the Ra lipase is not likely to constitute an infringement as an interpretation of the technical scope in an infringement case. Since this case was litigation for rescinding a trial decision, the point at issue was what scope of materials could be referred to by the examiner in making the decision to grant a patent, so the extent of applicability of the theory in this Supreme Court judgment to infringement cases could have been considered as a different matter (this was a case before the defense of invalidation (Article 104-3) became allowed by the 2004 revision). It is considered that this Supreme Court judgment did not strictly prohibit one from taking into consideration the statements in the description, but prohibited addition of matters stated in the description beyond the scope of claims in determining the gist of the invention. However, the judgment had a great influence on actual practice, and served as a motivation for revising Article 70 of the Patent Act, which was a provision on interpretation of the scope of claims in the infringement phase. Incidentally, in the following case, which took place immediately after this Lipase case, the statements of the detailed explanation of the invention and the drawings were taken into consideration based on the reason that, although the claim itself had not been corrected, the scope of claims had been narrowed by the corrections made to the detailed explanation of the invention and the drawings: the Supreme Court Judgment, March 19, 1991, *Minshū*, Vol. 45, No. 3, p. 209 (the Clip case). It is possible to derive a reasonable conclusion depending on the interpretation of the "special circumstances" as mentioned in the Supreme Court judgment of the Lipase case, and the Clip case can be considered as one such example. Other such examples include the Tokyo High Court Judgment, September 19, 1991, *Chiteki Saishū*, Vol. 23, No. 3, p. 681 (the Diesel Oil Composition that is Fluid at Low Temperatures case); the Tokyo High Court Judgment, September 10, 1997, *Chiteki Saishū*, Vol. 29, No. 3, p. 819/*Hanji*, No. 1615, p. 10 (the Kilby case).

considerably limited the room for taking the description into consideration in litigation for rescinding a trial decision, and this induced great confusion in actual practice. Partly due to this incident, a provision that “the meaning of each term used in the scope of claims shall be interpreted in consideration of the statements in the description and drawings attached to the application” was added (Article 71, paragraph (2) of the Patent Act). This confirmed that determination of the technical scope cannot deviate from the statements of the scope of claims, and while maintaining the conventional premise that if any inconsistency or difference of scope were found between the statements of the scope of claims and those of the description, the determination should be based on the statements of the scope of claims,⁴ it confirmed that the meaning, etc. of the terms used in the scope of claims should be interpreted by referring to the detailed explanation of the invention, the drawings, and the brief explanation of the drawings.⁵ There are many court judgments concerning the technical scope, and some of the generalities stated in them appear to be contradictory to each other, but this is because practical determination is made in accordance with the relevant facts of the individual cases. Specifically, there is a need to provide protection suitable for the invention on the one hand, but on the other hand there is a need for the scope of claims to be definite since it serves as the borderline between the rights of the patentee and the public domain, and it is necessary to achieve a balance between the two. In actual cases, determination should be made independently for each case, and it is often meaningless to make a discussion by only focusing on the generalities stated in the court judgments. Thus, the following part shall briefly examine the materials that can be referenced for determining the technical scope and the method of determination in infringement lawsuits. Meanwhile, the abstract that was added as a matter to be stated in

4 In the Supreme Court Judgment, December 14, 1972, *Minshū*, Vol. 26, No. 10, p. 1888 (the Phenothiazine Derivative Manufacturing Method case), which cannot be discussed on the same plane as infringement cases since it is a case against a trial decision concerning correction, the court found that the statements of the scope of claims should be prioritized by stating that “the importance of the scope of claims within the description in no way matches that of the detailed explanation of the invention or the drawings.” Meanwhile, in the Osaka District Court Judgment, May 23, 1986, *Mutai Saishū*, Vol. 18, No. 2, p. 133 (the Fiber Separating Device case), which was an infringement case, the court stated that “the statements of the scope of claims take priority when the statements of the scope of claims and those of the detailed explanation of the invention are inconsistent.” In the second instance judgment on the same case, the Osaka High Court Judgment, July 15, 1988, *Mutai Saishū*, Vol. 20, No. 2, p. 323, the court stated that even if the matters stated in the scope of claims were described as being not indispensable in the detailed explanation of the invention, it cannot be considered as an ancillary feature as long as it is described in the scope of claims. There are many other court judgments holding to the same effect. However, there are old cases where the court held that when features that are not described in the scope of claims are required for attaining the working effect of the patented invention, they can be recognized as indispensable features (the Tokyo District Court Judgment, December 11, 1967, *Hanta*, No. 218, p. 239 [the Expanded-Mouth Seine case]), or that although the scope of claims does not state the extent of the softening by heat, according to the detailed explanation of the invention and the written answer, it is meant that the object should be heated to the melting point (the Osaka District Court Judgment, April 11, 1975, *Hanta*, No. 326, p. 328 [the Coherent Pressure-Resistant Hose case]), or that although the upper limit of the temperature is not defined in the scope of claims, it would not be lower than the upper limit described in the description (the Toyama District Court Judgment, September 7, 1970, *Mutai Saishū*, Vol. 2, No. 2, p. 414 [the Melamine Resin case]).

5 Article 69, paragraph (1) of the European Patent Convention provides that although the extent of protection is determined by the claims, the description and the drawings are used to interpret the claims. The Japanese provisions are similar in terms of content

the description upon the 1990 revision is required for the convenience of searching patent information, and cannot be taken into account when interpreting the technical scope (Article 70, paragraph (3) of the Patent Act). Meanwhile, the 2003 Examination Guidelines have changed the support requirements. Today, even if a statement is included in the scope of claims, it needs to be supported substantially by the detailed explanation of the invention, so the detailed explanation inevitably has to be taken into consideration when interpreting the scope of claims.

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It is often difficult to understand the contents of an invention sufficiently from the statements in the scope of claims alone, and they can sometimes be understood more precisely by also referring to the detailed explanation of the invention or the drawings, so those parts of the description are taken into account in such cases (Article 70, paragraphs (1) and (2)). While the statements of the description use academic terms, and the terms are used in their general meanings in principle, it is also possible to use them with special meanings by defining them (Form 29, Article 24 of the Patent Act Enforcement Ordinance). Therefore, when the meaning of a term used in the scope of claims is not clear or when the term is defined in the detailed explanation of the invention or other parts of the description, those parts are taken into consideration.⁶ As a patent is granted on the part that exceeds the technological level at the time of the filing, the technological level at the time of the filing

⁶ In the Supreme Court Judgment, August 4, 1964, *Minshū*, Vol. 18, No. 7, p. 1319 (the Rotary Fuel Oil Firing Equipment case), which was a case of a trial for confirmation of the scope of right under the former Utility Model Act, the court stated that “according to the empirical rule, the applicant often describes in the claim matters that are not the gist of the device, but merely relate to the device or, conversely, fails to describe matters that are judged to be the gist of the device, so when determining the scope of right of a utility model, the gist of the device should always be practically determined by also taking into account the nature and the purpose of the device, as well as the overall statements in the detailed explanation and the attached drawings, without being bound solely to the literal meaning of the statements of the scope of claims.” Partly because it is a case under the former Act, the court’s determination of the scope was too lax to be a general rule, and such extreme view is considered to be rare at present (this judgment was rendered when the defense of patent invalidity had not been allowed, so it can be considered as a result of pursuing specific justice). Cases under the current Act include the Supreme Court judgment, May 27, 1975, *Hanji*, No. 781, p. 69 (the Oar case). In this case, the court stated that there is no harm in considering the structure and the effects of the device that are described in parts of the description other than the scope of claims as materials for judging the meaning and the contents of the statements of the scope of claims more specifically and precisely. There are many other court judgments ruling to this effect. For instance, in the Tokyo District Court Judgment, August 31, 1994, *Hanji*, No. 1510, p. 35/*Hanta*, No. 862, p. 108 (the Kilby case), the court concluded that the elements in question were not included in the technical scope, but as a general theory it stated that “when determining the technical scope of a patented invention, the statements of the scope of claims should be interpreted and determined in light of the detailed explanation of the invention and the drawings attached to the request when necessary as supplements, and in making the above interpretation, it is reasonable to consider that the publicly known technology, which indicates the level of technology at the time that had been assumed by the description, and the intentions expressed by the applicant in the prosecution history, can also be taken into account” (this was a peculiar case at a time when the duration of a patent had not been limited based on the filing date, in which a Japanese patent application was filed in 1960 based on a U.S. patent application filed in 1959, and it was registered 30 years from the filing of the first application, in 1989, after repeated division of the application). In contrast, in the Tokyo High Court Judgment, February 14, 1995, *Hanji*, No. 1539, p. 126 (the Module-shape Electric Connector case), which was an infringement case, the court stated almost the same opinion as in the Supreme Court judgment on the Lipase case. For a detailed explanation of actual cases, see Administrative Affairs Bureau, General Secretariat, Supreme Court “Chiteki Zaisan Kankei Minji Gyōsei Saibanrei Gaikan” (Overview of Civil Administrative Suits Related to Intellectual Property Rights), p. 52 onward.

must be taken into consideration in determining the contents of the invention.⁷

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During the course of progress from the filing to registration, various interactions often take place between the applicant and the examiner.⁸ Sometimes, the patent becomes registered after the applicant makes clarification to limit the technical scope or submits a written opinion in the course of those interactions and, sometimes, the technical scope becomes clear due to such clarification.⁹ Those documents that were submitted in the prosecution history are called a “file wrapper,” and are subject to public inspection (Article 186, paragraph (1)). They can serve as effective materials in determining the technical scope or applying the doctrine of equivalents. In many cases, the prosecution history is used as a material for limiting and interpreting claims, so inspection of these documents is regarded as an extremely important process for an alleged infringer in infringement lawsuits. On the applicant’s side, this process has the significance of file wrapper estoppel;¹⁰ that is, not being able to deny what he/she has asserted in the prosecution history. Meanwhile, an act of asserting matters that are contradictory to matters asserted in an invalidation trial procedure after the patent grant is not referred to as file wrapper estoppel; rather, it would be a violation of the fair and equitable principle in litigation or a violation of the principle of estoppel.¹¹ It would be most desirable from the point of view of legal stability to be able to completely determine the technical scope based on the scope of claims and the description. In reality, however, a patent comes into existence only after the various interactions between the applicant and the JPO. Therefore, it is not reasonable to determine the technical scope solely based on documents that have been made public, while disregarding such interactions. There is also a view that, when determining the technical

⁷ While there are many judgments indicating the same view, the Supreme Court Judgment, December 7, 1962, *Minshū*, Vol. 16, No. 12, p. 2321 (the Coal Tram Derailment Prevention Device case) is famous.

⁸ The most excellent article on prosecution history is Shiori Nishii, “Tokkyo Hatsumei No Hogo Han’i No Kakutei To Shutugan Keika (1)–(8)” (Demarcation of the Scope of Protection of a Patented Invention and Prosecution History (1)–(8)) *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 130, No. 6, p. 130 to Vol. 131, No. 3, p. 131 (2013–2014). Although it is almost taken for granted in Japan to take into account the prosecution history documents, the Nishii article demonstrates that it is not a popular theory in the world.

⁹ The same applies to interactions between the applicant/patentee and a trial examiner in a JPO trial or patent opposition procedure.

¹⁰ File wrapper estoppel is estoppel that is categorically recognized, rather than the general estoppel of disallowing the parties to infringement litigation to make assertions that betray the trust between them. The documents involved from the filing until the registration used to be filed in bulk in a bag called a file wrapper, and the assertions by the applicant in the prosecution history (e.g. interactions between the applicant and the examiner) were clear from the documents contained therein. The file wrapper refers to not the mere bag, but its content, and because the right holder is not allowed to make an assertion contrary to his/her words and deeds revealed by the content of the file wrapper, it has come to be called file wrapper estoppel or prosecution history estoppel. Incidentally, file wrappers used to be moved to and from different divisions in line with the progress of the procedure, but the present advanced electronic filing system transmits all the information online between the different divisions, so the file wrappers are no longer used. However, the term “file wrapper estoppel” still remains.

¹¹ In the Tokyo District Court Judgment, September 27, 2000, *Hanji*, No. 1735, p. 122/*Hanta*, No. 1042, p. 260 (the Continuous Wall Construction Method case), the court held that it is not acceptable under the principle of estoppel to restrictively interpret the technical scope of the invention in order to circumvent grounds for invalidation in a case where a trial for invalidation is requested, or to assert a reverse opinion after filing litigation.

scope, the subjective intention of the applicant, such as the prosecution history, should not be taken into consideration, and the scope should be objectively determined from documents that have been made public,¹² and there are many countries that adopt such an idea. However, it is not appropriate for an applicant to acquire a right by clarifying a narrow scope and then assert a broad scope in an infringement phase. Since the organization granting the right (the JPO) and the organization determining the scope of the right (court) are separate, there is risk that the right holder would make contradictory assertions to the two organizations. Therefore, file wrapper estoppel plays the role of preventing contradictory conclusions between the two organizations. This can be viewed as an effect of the fair and equitable principle. Nevertheless, a system under which prosecution history must not be taken into account is also reasonable in a way. Under such system, an infringement can be found solely based on claim interpretation, and it would contribute to legal stability. There would be no need to search enormous file wrappers, and the burden of litigation would be reduced. In order to do so, however, it is necessary to change the examination practice of allowing clarification of statements instead of requiring their amendment. Also, in infringement litigation, the court should not identify a narrow scope of claims by taking into account the prosecution history; instead, the alleged infringer would need to squarely use the opposition system or a trial for invalidation or make a defense of invalidity, and the patentee would need to fight back by filing a request for correction or a trial for correction.

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The prosecution history does not bind the court but may only be discretionally taken into account.¹³ Therefore, the file wrapper is not taken into account in some cases.¹⁴ In reality, an application would rarely become registered as a result of the applicant clarifying to the effect that a broader interpretation should be adopted in the course of prosecution history.¹⁵ Thus, taking the prosecution history into account is practically equivalent to making an amendment to narrow the scope of claims, which is disadvantageous for the

12 File wrappers are not made public, but they can be inspected and photocopied (Article 186, paragraph (1) of the Patent Act).

13 The Toyama District Court Judgment, September 7, 1970, *Mutai Saishū*, Vol. 2, No. 2, p. 414 (the Melamine Resin case).

14 The Tokyo District Court Judgment, September 18, 1972, *Hanta*, No. 288, p. 378 (the Golf Glove case).

15 Making a broad interpretation increases the risk of incorporating grounds for invalidation. Therefore, applicants often assert a narrow interpretation in the filing phase to establish a patent right, and assert a broad interpretation in the infringement phase.

applicant.¹⁶ This originates from the general legal principle called estoppel, but in applying the idea to the Patent Act, requirements specific to the Patent Act would have to be investigated.¹⁷

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Matters that are determined to be intentionally excluded from the description by the applicant are excluded from the technical scope, in principle, but it is difficult to determine what matters correspond to those that have been intentionally excluded from the description, so the determination must be made case by case.¹⁸ Since strict application of the intentional exclusion theory would lead to an unjust conclusion in which there would hardly be any room for application of the doctrine of equivalents, it should only be applied when it is apparent that the exclusion was intentional.¹⁹ The theory of the limit of awareness is a similar idea. This idea tries to grant protection within the limit of which the inventor was

16 Masao Miyake, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (1966), Case 66; Mitsue Toyosaki, *Tokkyo Shingai Soshō* (Patent Infringement Litigation) *Jitsumu Minji Soshō Kōza* (Practical Civil Litigation Lecture), Vol. 5 (Nippon-Hyoron-sha, 1969), p. 217. It is considered to be rare to have to take into account the prosecution history when the technical scope is clear from the description, but there can be cases where an applicant who should be making an amendment tries to take an easier approach of only making a clarification, or where a patent is registered in spite of the fact that an examiner has erroneously failed to order an amendment. For a detailed explanation of court judgments, see Administrative Affairs Bureau, General Secretariat, Supreme Court “Chiteki Zaisan Kankei Minji Gyōsei Saibanrei Gaikan” (Overview of Civil Administrative Suits Related to Intellectual Property Rights), p. 68.

17 Essays on estoppel include the following: Nobuhide Ōtomo, “Shinsa Keika Kinhangen No Hōteki Seishitsu” (Legal Nature of Prosecution History Estoppel), Institute of Intellectual Property, ed., *Tokkyo Kurēmu Kaishaku No Kenkyū* (Studies on Interpretation of the Patent Claims) (Shinzansha, 1999), p. 1; Nobuhide Ōtomo, “Kintō Ron No Hōteki Seishitsu” (Legal Nature of Doctrine of Equivalents), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 29 (2006), p. 1; Nobuhide Ōtomo, “Tokkyo Kurēmu Kaishaku Ni Okeru Kintō Ron No Ichizuke Oyobi Sono Yakuwari (1)–(4)” (Relation between the Patent Claim Interpretation and the Doctrine of Equivalents (1)–(4)), *Hōkyō*, Vol. 126, No. 6 (2009), p. 1163/No. 8, p. 1623/No. 9, p. 1743/No. 10, p. 1997.

18 While there are many court judgments that have recognized the intentional exclusion theory, a famous one is the Tokyo District Court Judgment, January 31, 1972, *Hanta*, No. 276, p. 358 (the Insecticide Composition case). In this case, in which the scope of claims was described by a generic concept at the time of the filing, but was later limited to five types of substances based on more specific concepts, the court stated that the substances other than those five types had been intentionally excluded by the applicant. In the Tokyo District Court Judgment, August 30, 1976, *Hanta*, No. 353, p. 211 (the Aerial Wire Built-in Holder case), the court held that the applicant corrected the original term “resin insulators” to “thermosetting insulators” in order to intentionally limit the scope to thermosetting insulators. Meanwhile, the court did not easily recognize the intentional exclusion theory by stating that there was no reason to limit the interpretation as long as there were no clear statements to intentionally limit the scope included in the description or other filing documents in the Tokyo District Court Judgment, April 26, 1985, *Mutai Saishū*, Vol. 17, No. 1, p. 199 (the Article Conveyer case). In the Osaka District Court Judgment, May 27, 1991, *Chiteki Saishū*, Vol. 23, No. 2, p. 320 (the Double Mixer case), the court held that as long as the patent right has been established, the technical scope should be determined objectively, separately from the subjective intention of the applicant, so the gist of the written answer is not considered to limit the technical scope, and it is neither against the “fair and equitable” principle nor estoppel, because there is no circumstance where the objection was dismissed as a result of the explanation in the written answer being accepted by the examiner (the court did not necessarily deny the application of the estoppel itself). Toshiaki Makino, “Tokkyo Hatsumei No Gijutsuteki Han’i No Kakutei Ni Tsuite No Kihonteki Na Kangaekata” (Basic Approach to Determination of the Technical Scope of a Patented Invention), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 101.

19 In the Tokyo District Court Judgment, April 26, 1985, *Mutai Saishū*, Vol. 17, No. 1, p. 199 (the Article Conveyer case), the court held that the intentional exclusion theory is only applicable when the intention is apparent. An academic theory to the same effect is that of Kōsaku Yoshifūji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 496. Intentional exclusion may often be asserted to counter a claim of equivalence, but even if it were recognized, it would not mean complete denial of the claim of equivalence. See Sumio Shinagawa, “Tokkyo Hatsumei No Gijutsuteki Han’i No Kettei To Yōtai Kinhangen No Gensoku Narabini Ishiki Jogai/Ishiki Gentei” (Determination of the Technical Scope of a Patented Invention and the Principle of the File Wrapper Estoppel, Intentional Exclusion, and Intentional Limitation), *Tokkyo Kanri* (Patent Management), Vol. 31, No. 6 (1981), p. 659..

actually aware, which in reverse means that the content that the inventor was not aware of should not be protected. However, thorough application of this idea would drastically limit the room for applying the later-mentioned doctrine of equivalents, so it must be carefully applied, as in the case of the intentional exclusion theory.

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The technical scope is not restricted by the literal meaning of the scope of claims or the working examples, but there can be cases where it is restricted by the working examples. As long as the technical idea is expressed in words, it cannot be avoided that the periphery of the technical scope becomes ambiguous to a certain level. In addition, in an infringement case, the technical scope is not only determined purely by a technical point of view, but could also involve normative elements. The extent of the difference with other inventions in the same technical field would also be taken into consideration, and the scope of protection should naturally be different between the case of a pioneer invention and an invention of improvement. In a field in which many similar inventions exist, the scope of protection would inevitably be small.

8.7.2. Doctrine of Equivalents¹

8.7.2.1. Basic Concept of the Doctrine of Equivalents

As a general principle, the inventor should be given protection corresponding to the actual substance of the invention. This is why it is often said abstractly that great protection should be given to a large invention and small protection to a small invention. Emphasis on this viewpoint results in advocacy of the central definition doctrine,² which had been adopted by Germany in the past. On the other hand, when a patent right is viewed as economic property, it is not possible to solely focus on the circumstances of the inventor (right holder), but instead, consideration must also be given to foreseeability by third parties and the legal stability of the right in order to maintain the economic order. If emphasis were to be placed on such a viewpoint, the aspect of demarcating the limits of the right based on the scope of patent claims would become important (the doctrine of peripheral definition). [466]

Since the technical scope of a patented invention is determined on the basis of the statements of the scope of claims (Article 70, paragraph (1) of the Patent Act), the most important element is obviously the literal meaning of the scope of claims. The main reason for stating the scope of claims in the description is in its public notice function of clarifying the technical scope of the claims for third parties, and if this point were to be prioritized, the technical scope should be limited within the literal meaning of the scope of claims. However, when the technical scope is determined by being strictly bound by the literal meaning of the scope of claims, it sometimes leads to an unreasonable result. While it is fundamentally difficult to accurately express the intangible technical idea of an invention in words, it is also difficult to state the scope of claims by assuming all modes of infringement at the time of filing, and it is sometimes almost impossible to make statements about interchange of its parts with other materials having the same effect that had not

1 See Nobuhide Ōtomo, “Tokkyo Kurēmu Kaishaku Ni Okeru Kintō Ron No Ichizuke Oyobi Sono Yakuwari (1)–(4)” (Relation between the Patent Claim Interpretation and the Doctrine of Equivalents (1)–(4)), *Hōkyō*, Vol. 126, No. 6 (2009), p. 1163/No. 8, p. 1623/No. 9, p. 1743/No. 10, p. 1997; see “Kintō Ron, Kakusei Ka Shi Ka” (Doctrine of Equivalents—Awakening Or Death), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 38 (2014).

2 The idea that the scope of claims expresses the core part of the invention, and that protection should be extended to the general concept of the invention.

existed at the time of the filing.³ Therefore, the patent right would often be easily circumvented if the literal meaning of the claim were strictly interpreted. This would reduce the incentive for obtaining a patent and the incentive for technological development, which would be against the primary purpose of the Patent Act (Article 1 of the Patent Act) to aim at industrial development by raising the technological level in society by having inventors make their inventions public. However, if the scope of protection is substantially expanded by interpretation, it will damage the legal stability and will be unfavorable for the development of technologies. In sum, with regard to the doctrine of equivalents, it will be important to look for a balance between the need to achieve legal stability by securing the public notice function of the scope of claims and the need to give incentives to inventors.

The technical scope is identical to the wording of the scope of claims under the principle of the Patent Act, but “identical” in that case means that it is not only identical in a purely technical or literal sense, but that it can be expanded to the extent that can be considered normatively identical from the legal perspective. An instrumental concept used for determining such identity in the legal sense is called the “doctrine of equivalents,” and subordinate concepts thereof include such terms as “very minor difference in design,” “equivalents,” “interchange of materials,” “circumvention method,” and “incomplete use” (mentioned later).⁴ In any case, the doctrine of equivalents is intended to adequately protect the patented invention by expanding the interpretation of the scope of claims to a certain extent from the literal scope, while giving consideration to not harming third parties’ interests. From a legal point of view, it is necessary to clarify the grounds, requirements, and the framework for this determination. Ultimately, the point at issue is how a balance should be achieved between the right holder’s interests and the interests of third parties

³ An often cited model example case in which the doctrine of equivalents should be recognized is the case of natural rubber and artificial rubber. At a time when the only rubber existent was natural rubber, it was impossible to state artificial rubber (a material having the same effect) in the scope of claims, but after the development of artificial rubber, it was extremely easy to interchange natural rubber with artificial rubber. If an act of working the invention by replacing natural rubber with artificial rubber is found to be a non-infringement, the effectiveness of the patent would be lost. However, in this case, too, determination should be made by reviewing more detailed facts in actuality. There would also be a question of whether or not there was a need to limit the statements in the scope of claims to “natural rubber,” and whether or not it was difficult based on the technological level at the time to use a more general statement like a “buffer material.” It may also be possible to state the scope of claims in a manner that would include materials having the same effect that do not exist at present. However, there are hardly any court judgments relating to materials having the same effect in actuality.

⁴ These should be considered as subordinate concepts of the doctrine of equivalents, but since the doctrine of equivalents had not been accepted in court judgments, counsels used to assert that the subject matters were substantially the same as the invention by using these subordinate concepts, because they would lose the suit if they squarely asserted the doctrine of equivalents.

(general society).⁵

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8.7.2.2. Changes in the Circumstances Surrounding the Doctrine of Equivalents

With the existence of opposing theories⁶ and many negative court judgments⁷ against the doctrine of equivalents, it had been difficult for the doctrine of equivalents to be openly recognized. This was partly due to the specific circumstances at the time. When technical levels were low in general, there was a demand for a narrower scope of protection instead. This can be said not only about the doctrine of equivalents. In the past, strong protection had not been sought for intellectual property in general. Also, during the era

5 Masashige Ōba, “Tokkyo Hatsumei No Jisshitsuteki Hogo Han’i -- Tokuni Kagaku Tokkyo O Chūshin Ni” (Actual Scope of Protection of a Patented Invention -- Focusing on Chemical Patents), Toyosaki Mitsue Tsuitō Kinen Ronbun Shū, *Mutai Zaisan Hō To Shōji Hō No Sho Mondai* (Various Problems Relating to Intangible Property Law and Business Law), p. 45 mentions that, after all, this is also an issue of balance between how explicitly the right holder can be expected to state the description and how much effort can be expected from a person skilled in the art to understand the described insufficient statements by supplementing them with his/her own expertise knowledge. Even when the same doctrine of equivalents is discussed, the scope of equivalents is not interpreted identically, but the scope is somewhat wide or narrow depending on the scholar. There is an idea that views the doctrine of equivalents as a mere issue of literal interpretation of the claim for determining the technical scope on one hand, and an idea that tries to apply the concept of equivalence to the portion that cannot be covered by literal interpretation on the other hand.

6 Toshiaki Makino, “Tokkyo Hatsumei No Gijutsuteki Han’i No Kakutei Ni Tsuite No Kihonteki Na Kangaekata” (Basic Approach to Determination of the Technical Scope of a Patented Invention), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 104. (However, as this essay states that a case where the opponent is accountable for a social accusation that is more serious than a mere formality deficiency on the right holder’s side, such as being a treasonous person in bad faith, should be treated as a different issue, Makino’s theory cannot be regarded as a theory of complete denial of the doctrine. Toshiaki Makino, “Tokkyo Hatsumei No Gijutsuteki Han’i Kakutei No Mondaiten” [Issues of Determining the Technical Scope of a Patented Invention], Toshiaki Makino and Hiroshi Saitō, eds., *Saiban Jitsumu Taikei 27 Chiteki Zaisan Kankei Soshō*, p. 442 was written in consideration of the later “increase and diversification of the value of information and economic globalization” as well as several law revisions made “with the aim of upgrading the environment for promoting creative business activities of Japanese industry,” and it describes the requirements for the doctrine of equivalents on the basis of recognizing the theory.). Hiroaki Ōhashi, “Shingai Soshō Ni Okeru Kintōron” (Doctrine of Equivalents in Infringement Litigation), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshōhō*, p. 179. See Yasuyuki Echi, “Shutuganji Ni Okeru Kurēmu Eno Kisai Kanōsei To Kintōron - Genrikan Kōryō Moderu O Mochiite” (The Possibility of Stating the Scope of Claims at the Time of Filing and the Doctrine of Equivalents: Using a Principle-Balancing Model), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 218.

7 There are many theories that do not deny the doctrine of equivalents itself but are negative about its application. For instance, the Osaka District Court Judgment, May 4, 1961, *Kamin*, Vol. 12, No. 5, p. 937 (the Expanded Polystyrene case); the Osaka District Court Judgment, October 24, 1967, *Hanji*, No. 521, p. 24 (the Polyester case); the Osaka District Court Judgment, June 19, 1968, *Hanta*, No. 223, p. 200 (the Automatic Zigzag Sewing Machine case); the Tokyo District Court Judgment, October 20, 1976, *Hanta*, No. 353, p. 247 (the Basic Substitution Diphenylalkane Derivative Manufacturing Method case); the Tokyo District Court Judgment, March 28, 1983, *Mutai Saishū*, Vol. 15, No. 1, p. 253 (the Wheel Mud Removing Device case); the Shizuoka District Court Hamamatsu Branch Judgment, September 30, 1991, *Chiteki Saishū*, Vol. 23, No. 3, p. 699 (the Night Soil Treatment Product Usage case); the Osaka District Court Judgment, October 27, 1994, *Chiteki Saishū*, Vol. 3, No. 3, p. 1200 (the t-PA case) (for details see Kazuo Masui and Yoshiyuki Tamura, *Tokkyo Hanrei Gaido [Dai 4 Han]* [Guide to Patent-related Court Decisions] [4th ed.], p. 144 onward, and Administrative Affairs Bureau, General Secretariat, Supreme Court “Chiteki Zaisan Kankei Minji Gyōsei Saibanrei Gaikan” [Overview of Civil Administrative Suits Related to Intellectual Property Rights], p. 95 onward). Nevertheless, the appropriateness of application of the doctrine of equivalents greatly depends on the factual relations, so there are also many cases in which the theory should justifiably be denied. For example, there were cases that involved a complex situation like repeated amendments or where the right holder claimed the doctrine of equivalents despite the fact that the principle of estoppel or intentional limitation could be applied, and the right holder’s claim was denied as a result. There are also court judgments which did not use the term “equivalents,” but indicated a conclusion close to the doctrine of equivalents by using the term “substantially the same.”

when chemical substances were unpatentable (before the 1975 revision), many applicants had no choice but to obtain process patents for such subject matter, but after chemical substance patents were permitted, such patentees often sought an unreasonably expanded interpretation for process patents by referring to the doctrine of equivalents.⁸ In addition, as there was a flood of broken up patents under the single claim system, application of the doctrine of equivalents could induce inconveniences, such as conflicts of rights.⁹

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In the United States, the doctrine of equivalents gathered attention when a pro-patent policy was promoted during the 1980s, and various academic theories and court judgments accumulated as a result.¹⁰ Now, there is an international trend to recognize the application of the doctrine of equivalents. Also in Japan, supporting views have become stronger with improvements in technological levels and with the strengthening of the trend to attach importance to basic patents and the introduction of the multiple claim system in recent years.¹¹ Further, when enacting the current Act, it was mentioned that, while determination of the technical scope should basically be centered on the scope of claims, “it is considered

8 For example, see the Tokyo District Court Judgment, December 23, 1981, *Mutai Saishū*, Vol. 13, No. 2, p. 977 (the Ibuprofen case).

9 Etsuji Kotani, “Kintōron” (Doctrine of Equivalents), Uchida Osamu Sensei Sanju Kinen, *Hanrei Tokkyo Shingai Hō II* (Case Law on Patent Infringements II), p. 599; Toshiaki Makino, “Tokkyo Hatsumei No Gijutsuteki Han’i Kakutei No Mondai” (Issue of Determining the Technical Scope of a Patented Invention), Toshiaki Makino and Hiroshi Saitō, eds., *Saiban Jitsumu Taikei 27 Chiteki Zaisan Kankei Soshō*, p. 444.

10 Since the legal system of each country functions as a whole, it is risky to discuss only the issue of the doctrine of equivalents separately. For instance, the doctrine of equivalents in the United States is closely linked with the jury system and the reissue system and the relation between common law and equity. Until recently, no Supreme Court judgments had been handed down concerning the doctrine of equivalents, ever since *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 US 605, 85 USPQ 328 (1950). However, after a blank period of about half a century, a decision was rendered in *Warner-Jenkinson Co. inc. v. Hilton Davis Chemical Co.*, 117 S. Ct. 1040, 41 USPQ 2d 1865 (1997) (the Warner-Jenkinson case; referred to as the Hilton Davis case until the previous instance). This case involves various points of dispute, and although the court reversed and remanded the case, it basically recognized the doctrine of equivalents. The Japanese translation of the entire text of this decision is in *IPR*, Vol. 11, No. 3, p. 124 (1997). Essays related to this decision include the following: Ryūichi Shitara, “Beikoku No Tokkyoken Shingai Soshō No Jitsujō To Nihon No Kintōron Ni Tsuiteno Ichi Kōsatsu -- Hiruton Dēbisu Hanketsu No Yōyaku To Sono Bunseki” (Study of the Actual Conditions of U.S. Patent Infringement Litigation and the Doctrine of Equivalents in Japan -- Summary and Analyses of the Decision in the Hilton Davis case) (1) (2), *Hōsō Jihō* (Lawyers Association Journal), Vol. 48, No. 6 (1996), p. 49/No. 8, p. 25; Michael Bednarek and Richard Peterson, “Hilton Davis Jiken Saikō Saibansho Hanketsu Ga Ataeru Eikyō” (Impact of the Supreme Court Decision in the Hilton Davis case), *Chizai Kanri* (Intellectual Property Management), Vol. 47, No. 5 (1997), p. 645. Comparative studies on the doctrine of equivalents include the following: Shigetoshi Matsumoto and Takashi Ōseto, eds., *Hikaku Tokkyo Shingai Hanketsu Rei No Kenkyū -- Kintōron O Chūshin To Shite* (Comparative Study on Patent Infringement Court Decisions -- Centering on the Doctrine of Equivalents), *Chiteki Zaisan Kenkyū Ronshū* (Treatises on Intellectual Property) 1, (Shinzansha, 1996); Hideo Ozaki, “Kintōron Ni Tsuite No Nichibe No Hikakuteki Kōsatsu” (Comparative Study of the Doctrine of Equivalents in the United States and Japan), Makino Toshiaki Hanji Taikan Kinen, *Chiteki Zaisan Hō To Gendai Shakai* (Intellectual Property Law and Modern Society), p. 187.

11 The following are some of the many theories that favor application of the doctrine of equivalents: Shigetoshi Matsumoto, *Tokkyo Hatsumei No Hogo Han’i [Shinpan]*; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 707 [written by Shigetoshi Matsumoto]; Shin’ya Yoshii, *Tokkyoken Shingai Soshō Taiyō* (Outline of Patent Infringement Litigation), p. 43; Kenjirō Ōe, “Tokkyo Seikyū No Han’i To Tokkyo Hatsumei No Hogo Han’i Tono Kakusa” (Difference Between the Scope of Patent Claims and the Scope of Protection of the Patented Invention), *Tokkyo Kanri* (Patent Management), Vol. 25, No. 7 (1975), p. 723; Kenjirō Ōe “Tokkyoken No Kenri Han’i No Kaishaku Ni Tsuite No Ichi Kōsatsu” (Examination of the Interpretation of the Scope of Right of a Patent), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 2 (1979), p. 39; Masashige Ōba, “Tokkyo Shingai Ni Okeru Kintō No Mondai” (Issue of Equivalence in a Patent Infringement), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 2, p. 70.

reasonable to interpret that some room is left for determining that such matters recognized by an ordinary expert as the content of the invention from the statements of the scope of claims are included within the scope of the patent right, instead of being strictly bound by the literal interpretation of the claims.”¹² Although the term “equivalence” is not used, a similar idea is indicated there. An idea to put the doctrine of equivalents in a statutory form was considered upon the 1994 revision, but it was shelved due to the various problems that would occur in relation to the establishment of such provisions. However, the Industrial Property Council stated that Article 70 and Article 36, paragraph (5), item (ii) of the Patent Act (before the 1994 revision) do not preclude application of the doctrine of equivalents, and reasonable consideration should be made case by case, and that they do not preclude the idea of regarding a material having the same effect at the time of the infringement as being interchangeable.¹³

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As mentioned above, court judgments had been negative about application of the

¹² *Kōgyō Shoyūken Seido Kaisei Shingikai Tōshin Setsumeisho* (Explanation on the Council Report on Amendment of the Industrial Property System), p. 8.

¹³ Japan Patent Office, *Heisei 6 Nen Kaisei Kōgyō Shoyūken Hō No Kaisetsu* (Explanation of the 1994 Revision of Industrial Property Laws), p. 122.

doctrine of equivalents in general,¹⁴ but in 1996, the Osaka High Court found an infringement by openly recognizing the doctrine of equivalents for the first time in Japan in the t-PA case.¹⁵ The scope of claims is an intangible technical idea of an invention expressed in words, so unlike in the case of a tangible property, its outer limits are inevitably ambiguous. The problem is how the limits should be determined. Irrespective of the use of the term “equivalence,” some kind of interpretation must be made in any case. It is possible to either broadly recognize the literal meaning by simply discussing it as a literal interpretation of the claim or to apply the legal concept of the doctrine of equivalents. There

14 Many court judgments have judged that the products were substantially the same when recognizing an infringement.

These are considered to be not so different from recognizing the doctrine of equivalents. Court judgments in which the court rendered a judgment similar to recognizing the doctrine of equivalents through expanded interpretation of the claim include the following: the Tokyo District Court Judgment, September 29, 1964, *Hanta*, No. 168, p. 140 (the Watch Ring Band case); the second instance judgment on the same case, the Tokyo High Court Judgment, June 2, 1969, *Hanta*, No. 241, p. 248; the Osaka District Court Judgment, April 2, 1969, *Hanta*, No. 278, p. 82 (the Velcro Fastening case; in this judgment, the court found infringement on the basis that the infringing product uses an equivalent means because it could be easily estimated without conducting particular research that the same effect can be achieved by interchanging that means, but in its second instance judgment, the Osaka High Court Judgment, June 26, 1972, *Mutai Saishū*, Vol. 4, No. 1, p. 340, the court held that the means was not equivalent); the Osaka District Court Judgment, July 30, 1974, *Hanji*, No. 790, p. 87/*Hanta*, No. 322, p. 294 (the Basic Ester Manufacturing Method case; this decision, which used the term “equivalence,” was repealed by the Osaka High Court Judgment, April 27, 1977, *Mutai Saishū*, Vol. 9, No. 1, p. 406); the Tokyo High Court Judgment, May 20, 1982, *Hanji*, No. 1065, p. 178 (the Liquid Filtering Machine case; this was a unique case where application of the doctrine of equivalents was recognized, but since the defendant did not appear before the court within the time limit for the oral proceedings, it was more like a constructive confession, and thus did not create a great sensation); the Osaka District Court Judgment, March 14, 1986, *Hanji*, No. 1200, p. 142/*Hanta*, No. 617, p. 153 (the Electric Razor case; though the court did not use the term “equivalence,” it stated that “when interpreting or determining the literal meaning or content of the scope of claims, the interpretation or determination should be made objectively and reasonably without being bound by the general abstract meaning or content of the wording itself, but rather by examining the technical meaning expressed by the wording, also referring to the purpose of the device described in the column of the detailed explanation of the invention, the technical features employed as means for attaining the purpose, and the effect of the invention,” and held a view close to the doctrine of equivalents); the Kyoto District Court Judgment, December 21, 1987, *Tokkyo To Kigyō* (Patents and Enterprises), No. 230, p. 79 (the Textile Coloring and Patterning Method case); the Tokyo High Court Judgment, February 3, 1994, *Chiteki Saishū*, Vol. 26, No. 1, p. 34 (the Ball Spline case; the original instance of the later-mentioned Supreme Court judgment; although the court did not exactly use the term “equivalence,” it held that the technology was covered within the technical scope by recognizing the interchangeability and the ease of interchange, which are the common ideas of the doctrine of equivalents, so the decision can be acknowledged to be virtually equivalent to recognizing the doctrine of equivalents). The Supreme Court Judgment, May 29, 1987, 1985 (O) No. 381 (the Barking Machine Raw Wood Operating Position Adjustment Device case; a dispute over whether or not the crank mechanism was equivalent to an invention for which the patent claim included a reference to a cylinder) was a case where the Asahikawa District Court Judgment, March 24, 1983, 1980 (Wa) No. 61 which recognized the doctrine of equivalents was upheld by its second instance, the Sapporo High Court Judgment, December 25, 1984, 1983 (Ne) No. 116/No. 224, and the final appeal was dismissed by the Supreme Court. It was an illustrative court judgment that found the recognition of the doctrine of equivalents in the original instance to be just. Takashi Honma, “Kintōron No Tekiyō O Shijishita Saikin No Saikōsai Hanketsu” (Recent Supreme Court Judgments Supporting the Doctrine of Equivalents), *Jurist*, No. 903 (1988), p. 85 estimated that the Supreme Court recognized the doctrine of equivalents in this case, but said that it would be too hasty to consider from this judgment that the Supreme Court has openly recognized the doctrine of equivalents. Administrative Affairs Bureau, General Secretariat, Supreme Court “Chiteki Zaisan Kankei Minji Gyōsei Saibanrei Gaikan” (Overview of Civil Administrative Suits Related to Intellectual Property Rights), p. 94 throws doubt on positioning it as a decision that adopted the doctrine of equivalents, stating that it was an illustrative judgment which did not positively indicate grounds for adopting the doctrine of equivalents.

15 The Osaka High Court Judgment, March 29, 1996, *Chiteki Saishū*, Vol. 28, No. 1, p. 77 (the t-PA case). In this case, where an allegedly infringing article of a patent right relating to modified tissue-type plasminogen activator (t-PA) was only different in respect to one of the amino acid sequences in the statements of the claim, the court held that the two were equivalent and the allegedly infringing article was covered within the technical scope of the patented invention, because the two had the same distinctive features, the same effects, and were interchangeable, and at the same time, the infringing article was highly foreseeable and could be easily arrived at. This judgment also mentioned the interchangeability and the obviousness of interchange as the requirements for applying the doctrine of equivalents.

is also an idea that the doctrine of equivalents is not about expanding the scope of claims by interpretation, that is, an issue of an ordinary technical scope, but that it gives special protection that goes beyond that. In any case, as long as the specific requirements of the doctrine of equivalents have been indicated in the 1998 Supreme Court judgment, there is no great difference between the two theories, and the question would be which is more convincing as a legal theory.

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While recent academic theories were trending toward recognizing the doctrine of equivalents, in 1998, the Supreme Court finally rendered a judgment (the Ball Spline case)¹⁶ openly recognizing the doctrine of equivalents, and the issue was settled for all practical purposes. The Supreme Court quashed the original decision that recognized application of the doctrine of equivalents, and then indicated the requirements for application of the doctrine of equivalents. After stating a general theory that, if there is a part that is different from the allegedly infringing product in the composition of the claim, the product is not covered by the technical scope of the patented invention, the court indicated the five requirements for equivalence. The requirements were that, even if there is a part that is different from the allegedly infringing product in the composition of the claim, it is covered by the technical scope of the patented invention as an equivalent when: (1) that part is not the essential part of the patented invention; (2) the objective of the purpose of the invention can be achieved and the same effect can be obtained even if that part were interchanged; (3) that interchange could be easily arrived at by a person skilled in the art at the time of manufacturing (at the time of infringement); (4) that part was not identical to a publicly-known technology at the time of the filing or could not be easily conceived of by a person skilled in the art at the time of the filing; and (5) there is no special circumstance, such as that part being intentionally excluded from the claim during the filing procedure. As a substantial basis for this judgment, the Supreme Court stated that it is extremely difficult to state the scope of claims by predicting all sorts of modes of future infringements at the time of the filing, and if one could escape an infringement by replacing a part of the composition of the scope of claims with a substance or technology that emerged after the filing, it would not only reduce the incentive for invention and run contrary to the purpose of the Patent Act, but would also be against social justice and oppose the equitable principle, so the substantial value of a patented invention should extend to art which a third party can easily arrive at from the composition stated in the scope of claims, and third

¹⁶ The Supreme Court Judgment, February 24, 1998, *Minshū*, Vol. 52, No. 1, p. 113/*Hanji*, No. 1630, p. 32/*Hanta*, No. 969, p. 105 (the Ball Spline case). In this case, the original judgment was quashed and remanded, and the action was withdrawn on remand, so the solution of the specific case is unknown, but the judgment drew enormous attention in that the Supreme Court clearly indicated the general theory of the doctrine of equivalents.

parties should anticipate this fact. Such substantive determination can be observed in all domains of law, and it is not specific to the Patent Act. Rather, in the field of the Patent Act, where the formality principle had been prevalent, may have been behind other legal domains in terms of adoption of such substantive determination.

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Meanwhile, after the Supreme Court judgment on the Ball Spline case, assertions of the doctrine of equivalents surged in infringement cases, but it should be noted that the doctrine has only been recognized by the court in a relatively few cases.¹⁷

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8.7.2.3. Requirements of the Doctrine of Equivalents¹⁸

Many academic theories have mentioned interchangeability and the obviousness of interchange (also referred to as the ease of interchange) as the two requirements for application of the doctrine of equivalents.¹⁹ However, the above-cited Supreme Court judgment mentioned five requirements. The new requirements mentioned were as follows: Requirement 1 “the differing part is not an essential part of the patented invention”; Requirement 4 “the allegedly infringing product is not identical to publicly known technology or one that could have been easily conceived of by a person skilled in the art at the time of the filing”; and Requirement 5 “there are no special circumstances such as

17 With regard to the trends of court judgments after the Supreme Court judgment on the Ball Spline case, see Kei Iida, “Kintōron Ni Kansuru Kinnen No Saibanrei No Dōkō To Kadai Ni Tsuite” (Trends of and Changes in Court Judgments on the Doctrine of Equivalents in Recent Years), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 38 (2014), p. 75. Meanwhile, the cases in which the subject matter was determined to be an equivalent after the Supreme Court judgment include the following: the Osaka District Court Judgment, May 27, 1999, *Hanji*, No. 1685, p. 103 (the Pen-shaped Syringe case); the second instance judgment on the same case, the Osaka High Court Judgment, April 19, 2001, court website; the Tokyo District Court Judgment, March 23, 2000, *Hanji*, No. 1738, p. 100/*Hanta*, No. 1059, p. 205 (the Equipment for Separating and Removing Foreign Substances from Raw Seaweed case); the second instance judgment on the same case, the Tokyo High Court Judgment, October 26, 2000, *Hanji*, No. 1738, p. 97/*Hanta*, No. 1059, p. 202 (this judgment became final and binding due to non-acceptance of the final appeal, but a separate invalidation trial was filed, and a trial decision of invalidation became final and binding, but this was rescinded in a retrial); the Tokyo District Court Judgment, May 22, 2001, *Hanji*, No. 1761, p. 122/*Hanta*, No. 1094, p. 261 (the Distributing Board Device of Telephone Line Security Connectors case); the Osaka District Court Judgment, April 16, 2002, *Hanji*, No. 1838, p. 132 (the Streaky Devil's Tongue Jelly Manufacturing Process and Device case); the Nagoya District Court Judgment, February 10, 2003, *Hanji*, No. 1880, p. 95 (the Fluid Cylinder case); the Tokyo District Court Judgment, March 26, 2003, *Hanji*, No. 1837, p. 101/*Hanta*, No. 1135, p. 262 (the Chair-type Air Massage Machine case); the Osaka High Court Judgment, November 27, 2007, court website (the Shelves case), the Intellectual Property High Court Interlocutory Judgment, June 29, 2009, *Hanji*, No. 2077, p. 123 (the Mid-air Golf Club Head case; the original instance judgment, the Tokyo District Court Judgment, December 9, 2008, court website, denied equivalence); the Intellectual Property High Court Judgment, June 23, 2011, *Hanji*, No. 2131, p. 109 (the Dough Wrapping Process and Device case).

18 See Ryūichi Shitara, “Bōru Supurain Jiken Saikōsai Hanketsu No Kintōron To Kongo No Shomondai” (The Doctrine of Equivalents in the Supreme Court Judgment in the Ball Spline Case and Future Issues), Makino Toshiaki Hanji Taikan Kinen, *Chiteki Zaisan Hō To Gendai Shakai* (Intellectual Property Law and Modern Society), p. 299; Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyō Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1087 (written by Tetsu Iwatsubo); Ryū Takabayashi, “Kintōron Wo Meguru Ronten No Seiri To Kōsatsu” (Identification and Study of Issues Concerning the Doctrine of Equivalents), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 38 (2014), p. 53.

19 The Osaka District Court Judgment, May 4, 1961, *Kamin*, Vol. 12, No. 5, p. 937 (the Expanded Polystyrol case); the Osaka High Court Judgment, March 29, 1996, *Chiteki Saishū*, Vol. 28, No. 1, p. 77 (the t-PA case), and many other court judgments cite interchangeability and the obviousness of interchange as the requirements.

intended exclusion.” This Supreme Court judgment went beyond resolving the case to also refer to issues that were not the actual points in dispute and present a general theory on the doctrine of equivalents. The five requirements shall be reviewed below.

(1) Essential part of the patented invention²⁰

As Requirement 1 for applying the doctrine of equivalents, the Supreme Court mentioned that the differing part between the scope of claims and the accused product is not an essential part of the patented invention. An essential part refers to a characteristic part of the resolution of the problem when comparing the claimed patented invention as a whole with prior art.²¹ An essential part of a patented invention should be determined not based on the invention made by the inventor, that is, the inventive concept independent from the claims and the description, but solely based on the problem to be solved and the means for solving the problem that can be identified from the statements in the claims and the description.²² This Requirement 1 used to be considered as a requirement that is taken for granted, and conventional academic theories seem to have determined this aspect in the process of determining interchangeability. However, as discussed later, this Requirement 1 would function as a tool for preventing the scope of equivalents from becoming too broad as a result of determining the obviousness of interchange based on the time of infringement. [473]

If the interchanged part is an essential part of the scope of claims, it would mean that the patented invention and an allegedly infringing product use different solution principles, and if said part is interchanged with another composition, the product can be considered as

²⁰ With regard to this issue, see Yoshiyuki Tamura, “Kintōron Ni Okeru Honshitsuteki Bubun No Yōken No Igi – Kintōron Wa ‘Shin No Hatsumei’ O Kyūsai Suru Seido Ka? (1) (2)” (Use of Extrinsic Evidence in the Assessment of Essentiality in the Doctrine of Equivalents (1) (2)), *Intellectual Property Law and Policy Journal*, No. 21 (2008), p. 1, No. 22 (2009), p. 55.

²¹ In the Osaka District Court Judgment, September 17, 1998, *Chiteki Saishū*, Vol. 30, No. 3, p. 570/*Hanji*, No. 1664, p. 122 (the Osaka case of Sustained-release Formulations of Diclofenac Sodium), the court stated that “of the constitution described in the scope of claims in the description, the distinctive part which serves as the core of the technical idea that produces the operation and effect specific to the patented invention is the essential part of the patented invention.” In the Tokyo District Court Judgment, January 28, 1999, *Hanji*, No. 1664, p. 109/*Hanta*, No. 994, p. 292 (the Tokyo case of Sustained-release Formulations of Diclofenac Sodium), the court held as follows: “It is reasonable to construe that an essential part of a patented invention is, among the composition of the patented invention disclosed in the scope of claims, a characteristic part that serves as the basis for the means for solving the problem specific to the patented invention, that is, a part which, if interchanged into another composition, would make the subject matter different from the technical idea of the patented invention as a whole.”

²² In the Intellectual Property High Court Judgment, March 27, 2007, court website (the Drying Device case), the court stated that “the essential part of a patented invention is identified from the statements of the description pertaining to said patented invention.”

a different technical idea from the patented invention as a whole.²³ If the allegedly infringing product achieves the same operation and effect, it can be said that the product is interchangeable, but it cannot necessarily be said that its essential part is the same as that of the patented invention. If the essential part of the invention and that of the accused product are different, that product is a different invention, and the patent right naturally does not extend to that product. However, determination of an essential part would differ depending on the technical field. To see if the interchanged part is an essential part of the invention, examination will be made as to whether the accused product constitutes a different invention as a whole due to having a differing part. In actuality, if the differing part is interchangeable and the interchange is obvious, that part is often determined not to be an essential part of the patented invention, and conversely, if the essential part of the product and that of the product differ, the differing part would likely lack interchangeability and obviousness of interchange. Since equivalence is often denied in actual cases due to the failure to satisfy this Requirement 1, it is an important requirement in practice.²⁴

(2) Interchangeability

Interchangeability, which is mentioned as Requirement 2, means that the purpose of the invention can be attained and the same operation and effect can be achieved by interchanging a part of the constituent elements of the invention with another process or product. While Requirement 1, an essential part of the invention, is determined based on the solution principle and technical idea of the entire invention, the interchangeability is determined mainly from the viewpoint of the operation and effect.²⁵ When determining interchangeability, the point to consider is not the sameness with the subjective invention made by the inventor, but the sameness with the inventive concept or the operation and

²³ With regard to interpretation of this point, see Yoshiaki Nishida, “Shingai Soshō Ni Okeru Kintō No Hōri” (The Doctrine of Equivalents in Infringement Litigation), Toshiaki Makino and Toshiaki Iimura eds., *Shin Saiban Jitsumu Taikei 4 Chiteki Zaisan Kankei Soshō Hō*, p. 190; Ryūichi Shitara, “Kintōron Ni Tsuite” (Doctrine of Equivalents), Toshisuke Kiyonaga and Ryūichi Shitara, *Gendai Saiban Hō Taikei 26 Chiteki Zaisanken*, p. 72. The Tokyo District Court Judgment, January 28, 1999, *Hanji*, No. 1664, p. 109/*Hanta*, No. 994, p. 292 (the Tokyo case of Sustained-release Formulations of Diclofenac Sodium). In contrast, Tatsuki Shibuya, “Chiteki Zaisan Hō Kankei No Saikōsai Hanrei” (Supreme Court Judgments Relating to Intellectual Property Law), Makino Toshiaki Hanji Taikan Kinen, *Chiteki Zaisan Hō To Gendai Shakai* (Intellectual Property Law and Modern Society), p. 223 states that “the doctrine of equivalents is a theory which attempts to establish infringement of a patent right under the requirements of interchangeability and ease of interchange, even when the essential part differs.”²⁴ For example, in the Intellectual Property High Court Interlocutory Judgment, June 29, 2009, *Hanji*, No. 2077, p. 123 (the Hollow Golf Club Head case), which related to a patent on a golf club head with a hollow structure, the court found equivalence on the basis that the “stitching material made of fiber-reinforced plastic” was not an essential part of the invention. However, in the original instance judgment, the Tokyo District Court Judgment, December 9, 2008, court website, the court denied equivalence.

²⁴ For example, in the Intellectual Property High Court Interlocutory Judgment, June 29, 2009, *Hanji*, No. 2077, p. 123 (the Hollow Golf Club Head case), which related to a patent on a golf club head with a hollow structure, the court found equivalence on the basis that the “stitching material made of fiber-reinforced plastic” was not an essential part of the invention. However, in the original instance judgment, the Tokyo District Court Judgment, December 9, 2008, court website, the court denied equivalence.

²⁵ In contrast, Takashi Ōseto, “Tōka Riron (Kintōron) No Genzai” (Present Situation of the Doctrine of Equivalents), Doshisha University Intellectual Property Law Research Group ed., *Chiteki Zaisan Hō No Chōsen* (Challenges of Intellectual Property Law), p. 132 states that “identity of the operation and effect” is mere evidence of “identity of the technical idea.”

effect observed from the statements of the claims and the description. The invention claimed in a filed patent application could be modified by amendment, but since amendment becomes effective retroactively from the time of the filing, the invention stated in the scope of claims and the description can be regarded as being fixed at the time of the filing, and the content of the invention does not change with time. Accordingly, in the case of interchangeability, it is sufficient to determine the sameness of its purpose and its operation and effect with those of such fixed invention stated in the scope of claims and the description, and there would be no use arguing the timing of determination as in the case of obviousness of interchange.

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With regard to interchangeability, interchange with a material having the same effect which did not exist at the time of the filing can be accepted relatively easily. In contrast, in the case of interchange with a material having the same effect which existed at the time of the filing, if such interchange could be easily arrived at by a person skilled in the art, equivalence may be denied, since it would be regarded as a failure to state what should have been stated in the scope of claims, and could constitute the intentional exclusion mentioned in Requirement 5. However, interchange with a product that had existed at the time of the filing does not automatically lead to denial of equivalence, but the determination would be made case by case.²⁶

One of the practical issues involving interchangeability is the issue of incomplete use. Incomplete use indicates the working of an invention in such a way that a part of the constituent elements described in the claim is missing. In the past, the theory of incomplete use was usually denied in court judgments or even if it was not denied in theory, the act in

26 Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 5 Han]* (Patent Law from the Ground Up [5th ed.]), p. 156 states that application of the doctrine of equivalents should be allowed in the case of interchange with art that did not exist at the time of the filing, and that interchange with art that existed at the time of the filing should be regarded as a case of a pseudo doctrine of equivalents, which should be applied only to the extent of the range of flexible literal interpretation. The Supreme Court Judgment, February 24, 1998, *Minshū*, Vol. 52, No. 1, p. 113/*Hanji*, No. 1630, p. 32/*Hanta*, No. 969, p. 105 (the Ball Spline case), which states that "by replacing a part of the composition of the scope of claims with a substance or technology that emerged after the filing," can be read as discussing a material having the same effect which emerged after the filing, but it is not considered to be denying application of the doctrine of equivalents for an existing material having the same effect. However, the doctrine of equivalents is very likely to be denied when the applicant could have included such existing material having the same effect when stating the scope of claims. Otherwise, a balance cannot be achieved between a person who stated the scope of claims in good faith from the start and a person who has stated the scope of claims in bad faith.

question was judged to be a non-infringement in practice.²⁷ Since the stipulation in the Act before the 1994 revision had set forth that the claim should only include matters that are indispensable to the constitution of the invention, the commonly derived conclusion was that technology lacking a part of the constitution was no longer the same invention, so the act was not an infringement. The same principle applies under the current Act, and working of technology lacking a part of the constitution of the invention is considered not to be an infringement, in principle. However, as long as the technology practically meets the requirements for equivalence, there is no reason to particularly distinguish between a case where a part of the constituent elements of the claim was interchanged and a case where such part was missing.²⁸ Considering the purpose of the doctrine of equivalents, which is to remedy the right holder under certain defined requirements due to the difficulty of stating the scope of claims by assuming all modes of infringement at the time of the filing, the theory of incomplete use should also be considered as one kind of doctrine of equivalents.²⁹ Although the number is small, there are some court judgments in which the theory of incomplete use was recognized.³⁰

27 In the Tokyo District Court Judgment, May 30, 1973, *Hanji*, No. 717, p. 64 (the Hand Dryer case), the court stated: “It is clear that an invention or device that lacks what is regarded to be a basic constituent part.....should be considered to constitute a separate invention or device.”). The Shizuoka District Court Hamamatsu Branch Judgment, June 25, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 188 (the Pachinko Ball Circulating Device case). In the Tokyo District Court Judgment, February 16, 1983, *Mutai Saishū*, Vol. 15, No. 1, p. 49 (the Door Knob Decoration case), the court held that the theory of incomplete use does not deserve to be adopted under the current Act. In the Tokyo District Court Judgment, May 25, 1983, *Mutai Saishū*, Vol. 15, No. 2, p. 396 (the Door Hinge case), the court stated that the theory of omitted invention or the theory of unimproved invention should not be adopted under the current Act. The Tokyo District Court Judgment, September 28, 1983, *Tokkyo To Kigyō* (Patents and Enterprises), No. 179, p. 53 (the Pump Device case). Theories that do not recognize the theory of incomplete use include the following: Kishirō Kawashima, “Fukanzen Riyō Ron” (Theory of Incomplete Use), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 184; Minoru Takeda, *Chiteki Zaisanken Shingai Yōron (Tokkyo/Ishō/Shōhyō Hen) [Dai 5 Han]*, p. 179. Shin’ya Yoshii; *Tokkyoken Shingai Soshō Taiyō* (Outline of Patent Infringement Litigation), p. 75 states that while the technical unity of the patented invention is maintained in the case of interchange, the original unity is not maintained in the case of incomplete use due to lack of a part of the constitution, so it is not acceptable to extend the same level of protection in such a case as in the case of equivalence in the narrow sense for it would open the path to protection of general inventive concepts. However, it further states that an act of working an invention by omitting a part of its constitution when it is extremely easy to recognize that the importance of that part is relatively low among the constituent elements is against justice and equity, so it should be subject to a claim of compensation for damage as an act of tort.

28 Ryō Shimanami, Tatsuhiro Ueno, and Hisayoshi Yokoyama, *Tokkyo Hō Nyūmon* (Introduction to the Patent Act), p. 275, Note 15.

29 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 532 argues that the theory of incomplete use and the doctrine of equivalents are separate concepts, but because they have commonalities in distinctive aspects, there may be cases where a product can be found to fall within the technical scope of the invention based on the same idea as allowing application of the doctrine of equivalents. Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 5 Han]* (Patent Law from the Ground Up [5th ed.]), p. 163 states that incomplete use can be considered as a varied form of the doctrine of equivalents.

30 In the Osaka District Court Judgment, May 17, 1968, *Kamin*, Vol. 19, Nos. 5/6, p. 303 (the Toy Block case), the court held that “when a person manufactures a product resembling a utility model product by using technology that omits such part of the constituent elements of the device that is of relatively low importance, although it does not have any outstanding effects other than lowering the effect of the device of the utility model, only for the purpose of evading a patent infringement,” the act infringes the scope of protection of the device. Although the court has not used the term “incomplete use,” it can be considered as practically recognizing the theory of incomplete use. The Fukushima District Court Koriyama Branch Judgment, April 26, 1984, *Patent News*, Nos. 6649/6654/6655 (the Heat Insulating Material case). Theories recognizing the theory of incomplete use include the following: Keiko Someno, “Fukanzen Riyō To Tokkyo Shingai” (Incomplete Use and Patent Infringement), *Shin Jitsumu Minji Soshō Kōza* (New Practical Civil Litigation Lecture), Vol. 5 (Nippon Hyoronsha, 1983), 425; Midori Tanaka, “Fukanzen Riyō Ni Tsuite” (Incomplete Use), *Kigyō Hō Kenkyū* (Study of Business Law), No. 254 (1976), p. 22.

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(3) Obviousness of interchange (ease of interchange)³¹

The obviousness of interchange, which is mentioned as Requirement 3, means that the interchange is obvious to a person skilled in the art. In other words, it means that it is easy to arrive at the fact that the same operation and effect as the patented invention can be achieved by adopting the interchanged composition of the accused product. The obviousness of interchange should be considered as a level which a person skilled in the art can arrive at without a special effort and that, generally, the level does not have to be as high as an inventive step. An inventive step indicates some distance from publicly known technology, and is a measurement for defining the scope for which monopoly should not be recognized. In contrast, the obviousness of interchange under the doctrine of equivalents indicates the distance from the patented invention, and is a measurement for defining the scope for which monopoly should be recognized. In this manner, the two are the same in that they are concerned with how easily a person skilled in the art could arrive at the idea, but they are different in the direction of their approaches. Since an inventive step is a requirement for granting a patent right, and the obviousness of interchange is a requirement for deciding the scope of a granted patent right in court, the two do not necessarily have to be the same.³²

Next, there is an issue of the level of knowledge that should be required for a person skilled in the art, who is the subject of the determination. Particularly in fields such as biotechnology where changes occur rapidly, there can be a considerable difference in the level of knowledge between a scientist engaged in the most-advanced technology and an engineer engaged in manufacturing. Supposing that the doctrine of equivalents is intended only to exclude people whose acts are highly malignant, it can also be interpreted that the level of a person skilled in the art differs depending on the individual infringement. In other words, even if the mode of infringement was the same, the conclusion may differ between the case of a Nobel Prize winner and the case of a back-street factory. However, it does not seem appropriate for the scope of protection of a patent right to be dependent on the

³¹ See Yuriko Inoue, “Kintōron Ni Okeru ‘Chikan Yōisei’ No Yōken Ni Kansuru Ichi Kōsatsu” (Study of the “Ease of Interchange” Requirement of the Doctrine of Equivalents), Makino Toshiaki Hanji Taikan Kinen, *Chiteki Zaisan Hō To Gendai Shakai* (Intellectual Property Law and Modern Society), p. 625.

³² In the Osaka District Court Judgment, October 31, 1980, *Mutai Saishū*, Vol. 12, No. 2, p. 632 (the Children’s Tire Manufacturing Method case), the court held that, unlike the requirement of an inventive step, the requirement of the ease of interchange for application of the doctrine of equivalents is that the technology could be easily conceived of to such an extent that it can be naturally conjectured by a person skilled in the art without requiring any particular additional tests. In the Tokyo District Court Judgment, October 7, 1998, *Hanji*, No. 1657, p. 122/*Hanta*, No. 987, p. 255 (the Load Device System case), the court stated that “the degree of ease of interchange should be construed to be such degree of ease whereby any person skilled in the art can recognize the invention in the same manner as it specified in the scope of claims, unlike in the case where a person skilled in the art ‘would have been able to easily make the invention’ based on a publicly known invention as prescribed in Article 29, paragraph (2) of the Patent Act.”

situation of individual cases to this extent. The patent system should have a somewhat standardized criterion, and the most convincing criterion would be an average engineer. Accordingly, the criterion of an average engineer would even be applied to a dealer having little technological knowledge. The result from this criterion may be rather severe for the dealer and the act could be judged as an infringement by application of the doctrine of equivalents. In such a case, the dealer would not be able to escape an injunction, but could possibly have the amount of damages adjusted by the court in the course of determining negligence or in the course of determination of the amount of damages under Article 102, paragraph (4) of the Patent Act. (See the relevant part of “8.3.3.2. Presumption of Negligence (Article 103 of the Patent Act).”)

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Opinions are divided regarding the timing of determination of the obviousness of interchange, and the prevalent theory in Japan had been the time of filing.³³ The theories supporting the time of filing seem to assume that as long as the first-to-file system is adopted, the scope of a patent right should be decided at the time of filing. However, there is no necessity that the timing of determination of equivalence and the first-to-file system should be linked with each other, and in fact the theory supporting the time of infringement is also widely accepted under the first-to-file system.³⁴ Such linkage depends on how the system of the doctrine of equivalents is positioned. If obviousness of interchange is

33 Fumio Umase, “Kintōron” (Doctrine of Equivalents) (1), *Tokkyo Kanri* (Patent Management), Vol. 33, No. 2 (1983), p. 132; Shigetoshi Matsumoto, *Tokkyo Hatsumei No Hogo Han’i [Shinpan]*, p. 294, and many other theories consider the time of filing as a natural premise.

34 Keiko Someno, “Hatsumei Ni Okeru Kintō Ni Tsuite” (Equivalence in Inventions) (3), *Kōgyō Shoyūken Kenkyū* (Study of Industrial Property), Vol. 12 (1966), p. 23; Junpei Ishiguro, “Poriesuteru Tokkyo Shingai Jiken No Mondaiten” (Controversial Points in the Polyester Patent Infringement Case), Ishiguro Junpei and Umase Fumio Kanreki Kinen, *Kōgyō Shoyūken Hō No Shomondai* (Various Problems in Industrial Property Law), p. 119; Shin’ya Yoshii, *Tokkyoken Shingai Soshō Taiyō* (Outline of Patent Infringement Litigation), p. 52; Kazuo Morioka, *Kōgyō Shoyūken Hō Gaisetsu [Dai 4 Han]* (Outline of Industrial Property Law [4th ed.]), p. 90; Hiroya Kawaguchi, *Tokkyo Hō Kōgi* (Lecture on Patent Law), p. 55; Ryūichirō Sengen, *Tokkyo Hō Kōgi [Dai 4 Han]* (Lecture on Patent Law [4th ed.]), p. 189. Meanwhile, the world trend is coming to adopt the method of determining equivalence based on the time of filing, while adopting the first-to-file system, and determination based on the time of filing is also adopted in Article 21 of WIPO’s Patent Act Treaty (this treaty has not been enacted yet, but the member states’ general consensus has been gained with regard to the issue of equivalence). In contrast, Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 720 (written by Shigetoshi Matsumoto and Yutaka Koike) states that the theory of determination at the time of infringement “is an interpretation theory equivalent to the court granting a new patent right at the time of infringement, and would lead to overprotection of patents,” and that “in the case of adopting that theory, it is essential that the replaced technical matter is only a matter incidental to the patented invention, and that the essential element, that is, the technical idea is substantially the same.” Sumio Shinagawa, “Kintō To Tokkyo Seikyū No Han’i” (Equivalence and the Scope of the Patent Claim), *Kigyō Hō Kenkyū* (Study on Business Law), Vol. 270 (1997), p. 11 states that the determination should inevitably be based at the time of filing, but as it is too inequitable considering that a dependent invention is regarded as an infringement, technology that involves the obviousness of interchange at least at the time of infringement should be considered as a dependent invention by slightly modifying the definition of the dependent invention (this way, the inconsistency and the imbalance between equivalence and dependency can be solved).³⁵ Shigetoshi Matsumoto, “Tokkyo Hō 70 Jō No Gijutsuteki Han’i To Tokkyo Shingai Soshō Ni Okeru Kintōron” (Technical Scope under Article 70 of the Patent Act and the Doctrine of Equivalents in Patent Infringement Litigation), *Chizaiken 5 Shūnen* (IIP 5th Anniversary) *Chiteki Zaisan No Chōryū* (Current Trends in Intellectual Property), p. 358 (the determination on the differing important part should be based at the time of infringement); *Tokkyo Inzai Dai Ni Shō Inzai* (Second Subcommittee of the Patent Committee), “Kintōron Ni Kansuru Ichi Kōsatsu” (Examination Concerning the Doctrine of Equivalents) (Part 2) (Final), *Chizai Kanri* (Intellectual Property Management), Vol. 47, No. 3 (1977), p. 348.

determined based on the time of infringement, the knowledge of a person skilled in the art would have increased according to technological progress, and the scope of obviousness of interchange would have broadened with time. Therefore, the resulting scope of equivalence (the scope of protection) would be broader. There is a criticism that this would also incorporate matters that were not included in the original invention made by the patentee or incorporate inventions that have been made by others on later dates into the scope of the patentee's exclusive right. However, even if the public announcement function of the scope of claims were to be emphasized, the infringer would actually be able to judge whether or not to work the technology by considering the various circumstances at the time of infringement, so there should be no inconvenience in determining the obviousness of interchange based on the technological situation at the time of infringement. In addition, if the international trend were to be taken into account, it would be more appropriate to determine the obviousness of interchange based on the time of infringement.³⁵

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The Supreme Court judgment (the Ball Spline case) has adopted the theory of determining the obviousness of interchange based on the time of infringement, so future practice is expected to follow suit. While adoption of the theory of determination at the time of infringement raises concern about the risk of abuse of the doctrine of equivalents, application of the doctrine of equivalents is an exceptional case in itself, so such risk is considered to be small in actuality. One of the problems of the theory of determination at the time of infringement is that there can be a case where the doctrine of equivalents was not applied for a first infringer due to lack of obviousness of interchange, but when a second infringer emerges, the interchange may have already become obvious for a person skilled in the art by then. There is a problem of whether the second infringer's act, although being the same as the first infringer's act, can be found to constitute an infringement only because it was committed later. However, it does not mean that a product always falls within the scope of equivalents as long as the interchange is obvious. Requirements 1 and 2 serve as brakes. As a point of reference, the obviousness of interchange is determined at the time of infringement, but the literal interpretation of the scope of claims is based on the time of the filing. Therefore, when interpreting certain wording in the scope of claims, the interpretation should be decided by taking into account materials at the time of the filing, and not based on materials at the time of the infringement. The meaning of the wording

35 Shigetoshi Matsumoto, "Tokkyo Hō 70 Jō No Gijutsuteki Han'i To Tokkyo Shingai Soshō Ni Okeru Kintōron" (Technical Scope under Article 70 of the Patent Act and the Doctrine of Equivalents in Patent Infringement Litigation), *Chizaiken 5 Shūnen* (IIP 5th Anniversary) *Chiteki Zaisan No Chōryū* (Current Trends in Intellectual Property), p. 358 (the determination on the differing important part should be based at the time of infringement); *Tokkyo Iinkai Dai Ni Shō Iinkai* (Second Subcommittee of the Patent Committee), "Kintōron Ni Kansuru Ichi Kōsatsu" (Examination Concerning the Doctrine of Equivalents) (Part 2) (Final), *Chizai Kanri* (Intellectual Property Management), Vol. 47, No. 3 (1977), p. 348.

should be determined based on the time of the filing, and then the question of whether or not the product is equivalent to it should be considered.³⁶

The next issue is the specific content of the obviousness of interchange. Although the interchange needs to be easy as a natural requirement, it is a question whether the operation and effect resulting from the interchange must also be obvious. In the machinery or electric fields, a person skilled in the art is likely to find the operation and effect arising from the interchange obvious in many cases, if the interchange itself is easy. However, in the chemical field, particularly biotechnology, the operation and effect arising from the interchange often cannot be precisely understood until it is tested, even if the interchange itself is easy.³⁷ Therefore, if the obviousness of the operation and effect arising from the interchange were to be strictly required for application of the doctrine of equivalents, it might become difficult to apply the doctrine in the chemical field. However, the obviousness of interchange should be recognized even in the chemical field, as long as the interchangeable technology has been established in general, and it is known among persons skilled in the art that such interchange would generally bear the same operation and effect. Incidentally, the term “ease of interchange” is also used frequently, but from the above viewpoint, it is considered to be more appropriate to use the term “obviousness of interchange” as in the Supreme Court judgment.

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(4) Ease of conception from publicly known technology

As Requirement 4, the Supreme Court judgment excludes from equivalents technologies that are the same as or easily conceivable from publicly known technologies at the time of the filing of the patented invention. Such part fundamentally cannot be incorporated into the scope of protection of the patent right, and if such part had been included in the scope of claims, the application should have been refused due to lack of novelty or inventive step or invalidated. Even if, formally, the differing part is a non-essential part, and it is interchangeable and the interchange is obvious, it would be improper to judge publicly known technology at the time of infringement or technology that can be

36 Ryūichi Shitara, “Kintōron Ni Tsuite” (Doctrine of Equivalents), Toshisuke Kiyonaga and Ryūichi Shitara, *Gendai Saiban Hō Taikei 26 Chiteki Zaisanken*, p. 74.

37 In the Osaka High Court Judgment, March 29, 1996, *Chiteki Saishū*, Vol. 28, No. 1, p. 77 (the t-PA case), which was a case relating to a patent on human tissue-type plasminogen activator (t-PA), the court recognized equivalence regarding a variant that is only different in respect to position 245 of a sequence of about 500 amino acids. However, how different the operation and effect would be by interchanging the amino acid of position 245 cannot be found in a strict sense until it is tested. The difference in position 245 in this case seems to have merely been caused by a cloning error, but this may have been a case where no definite answer could be given regarding whether it was possible to manufacture a variant by specifically trying to modify position 245 or whether it was easy to predict the effect of such a variant. In the original instance (the Osaka District Court Judgment, October 27, 1994, *Chiteki Saishū*, Vol. 26, No. 3, p. 1200/*Hanta*, No. 868, p. 80), the court derived the opposite conclusion by stating that it is difficult to determine that a person skilled in the art could have easily interchanged the amino acid at position 245 of the invention in question solely based on the statements in the description ... and could have easily arrived at the idea that it would have the same activity as the invention in question.

easily conceived therefrom as an infringement, because it would be the same as recognizing a monopoly on technology that should essentially belong to the public domain.³⁸ Thus, the Supreme Court is considered to have purposefully mentioned this point as a requirement for equivalence. In short, rather than being an issue specific to the doctrine of equivalents, it is natural to find non-infringement as long as the technology is fundamentally unpatentable, so the Supreme Court is considered to have merely mentioned natural facts under the name of the doctrine of equivalents. The idea of not making publicly known technology or technology that is easily conceivable therefrom an infringement is not only applicable when the technology is covered within the scope of equivalence, but the effect of a patent should not be extended to such technology in the first place, irrespective of the doctrine of equivalents. Consequently, it should not be considered as a mere issue of the doctrine of equivalents, but rather as an issue concerning the entire Patent Act. In particular, since Article 104-3 of the Patent Act was established in 2004 and it became possible to make a defense of patent invalidity in an infringement case, there would be many cases where the case would be disputed as an issue of the defense of invalidity before it is disputed as an issue of the doctrine of equivalents.

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(5) Intentional exclusion

As Requirement 5, the Supreme Court mentioned that there are no special circumstances such as the technology having been intentionally excluded from the scope of claims. Basically, this would refer to such cases as where the applicant or the patentee has excluded the technology by amendment or correction,³⁹ where it can be identified from the prosecution history that the applicant has given an explanation that indicates the exclusion and that the exclusion has been registered,⁴⁰ or where the technology is stated in

38 Ryūichi Shitara, “Kintōron Ni Tsuite” (Doctrine of Equivalents), Toshisuke Kiyonaga and Ryūichi Shitara, *Gendai Saiban Hō Taikei 26 Chiteki Zaisanken*, p. 78 calls this requirement a "requirement of re-examination of patentability" with regard to the domain of equivalence. Since the patent application should have been refused in the first place, this naming practically describes the actual situation well.

39 See Setsuko Asami, “Hosei To Kintō No Dai 5 Yōken No Tekiyō Ni Tsuite” (Amendment and Application of Requirement 5 for Equivalence), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō*, No. 38 (2014), p. 159.

40 In the Intellectual Property High Court Judgment, September 26, 2012, *Hanji*, No. 2172, p. 106/*Hanta*, No. 1407, p. 167 (the case of Method of Producing Visible Images for Medical Use), the court denied equivalence, holding that the defendant’s product lacked Requirement 5 as well as Requirement 2 for equivalence.

the description but not in the scope of claims.⁴¹ There can also be cases where general principles of private law, such as estoppel and the fair and equitable principle, or the fair and equitable principle in litigation would be applied. What kinds of cases can be considered as intentional exclusion would be determined by taking into account all relevant circumstances. The principle of estoppel derives from general principles of private law, and is also naturally applied in the general process of determining the scope protected by the scope of claims (See the relevant part in 8.6.1. “Technical Scope of a Patented Invention”). Accordingly, it is natural that the principle is also taken into account in interpreting the technical scope. The reason that the Supreme Court purposefully mentioned this principle as a requirement for the doctrine of equivalents is not quite clear, but even if it was not a requirement for the doctrine of equivalents, it would be naturally taken into account when determining the technical scope, so it would not make much difference whether it is included in the requirements for the doctrine of equivalents. Nevertheless, even if intentional exclusion, etc. is to be determined by taking into consideration the prosecution history, etc., this has a function of excluding technology that literally falls within the technical scope in the case of normal claim interpretation, whereas it has a function of denying expansion of the scope of protection to cover technology that literally does not fall within the technical scope in the case of the doctrine of equivalents. There is also a view that these two functions differ and should be interpreted separately, but both the case of narrowing the scope of protection and the case of disallowing expansion have the effect of narrowing the scope of protection asserted by the patentee in identifying the intent of exclusion, although the degree of such effect is considered to differ between the two cases.

It is not necessarily clear from the text of the Supreme Court judgment whether

⁴¹ In the Intellectual Property High Court Judgment, September 25, 2006, court website (the Chair-type Air Massage Machine case), the court stated, “only by the reason that the patentee, in light of the publicly known art at the time of the filing of the patent application, could have easily arrived at the constitution of the alleged product, but did not include such constitution in the scope of claims, we should not conclude that the patentee intentionally excluded the constitution of the alleged product from the scope of claims.” In contrast, in the Intellectual Property High Court Judgment, August 25, 2009, *Hanji*, No. 2059, p. 125/*Hanta*, No. 1319, p. 246 (the Cutting Method case), the court stated as follows: “A person ordinarily skilled in the art could have easily stated the scope of claims based on a generic concept that includes a wider range of objects to be cut, not limited to a ‘semiconductor wafer’ from the beginning. However, the appellant filed the patent application by limiting the objects to be cut to a ‘semiconductor wafer’ and by covering only ‘semiconductor wafer,’ and also deleted the original Claim 1, which does not limit the objects to be cut to a semiconductor wafer. Therefore, it must be said that, in terms of appearance, the appellant is unavoidably considered to have intentionally excluded objects to be cut other than a ‘semiconductor wafer’ from objects to be cut.” In the Intellectual Property High Court Judgment, September 26, 2012, *Hanji*, No. 2172, p. 106/*Hanta*, No. 1407, p. 167 (the case of Method of Producing Visible Images for Medical Use) as well, the court stated that “where the applicant has intentionally chosen to state only a particular constitution of an invention in the scope of claims even though he has disclosed another possible constitution in the description and could have easily stated such other constitution in the scope of claims, it is impermissible to apply the doctrine of equivalents to such other constitution because this is contrary to the fifth requirement under the doctrine of equivalents.” In short, the question is whether the patentee formally appears to have intentionally excluded the constitution in light of all actions the patentee has taken. See Yasuyuki Echi, “Shutsuganji Ni Okeru Kurēmu E No Kisai Kanōsei To Kintōron—Genrikan Kōryō Moderu Wo Mochiite” (Possibility of Description in the Claims at the Time of Filing and the Doctrine of Equivalents: Using a Principle-Balancing Model), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chitēki Zaisan Hō No Riron To Gendaitēki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 218.

Requirements 4 and 5 above are grounds for petition or defenses. Judging from how the Supreme Court judgment has been written and the fact that the case was quashed and remanded, they seem to be grounds for petition (the defendant has not asserted them as defenses). However, it is not easy for the plaintiff to prove the distance of the accused product from publicly known art, so they are likely to function as defenses in actuality, and it should be interpreted that the party denying equivalence (the infringer) bears the burden of proof.⁴²

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8.7.2.4. Positioning of the Doctrine of Equivalents in the Patent System

The Supreme Court judgment (the Ball Spline case) fixed the requirements for the doctrine of equivalents, and international practices also developed in such a manner that denial of the doctrine of equivalents has become quite unrealistic. However, underlying the doctrine of equivalents are fundamental problems of the Patent Act. Thus, the problems of the doctrine of equivalents relating to the system of patent shall be examined briefly. Two types of concepts can be assumed as the basic approach to the doctrine of equivalents.

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The first type is based on the following concept. A patent right has an effect similar to a real right, so its technical scope must be definite, and the scope is fixed by the scope of claims. However, since the scope of claims is a technical idea expressed in words, its borderline is, unlike in the case of land, inapparent. Therefore, the court has to determine the borderline. In other words, because the scope of claims is expressed in words, the court clarifies the borderline that is supposed to be decided objectively. Thus, application of the doctrine of equivalents would mean such a process taken by the court. As a matter of course, even if this idea were adopted, a reasonable conclusion would be derived in the end by also taking into account the various circumstances of the right holder besides the doctrine of equivalents; for instance, by applying estoppel or by recognizing intentional exclusion.

The second type is based on the following concept. Because the scope of a patent right is decided based on the literal meaning of the scope of claims, the borderline cannot be changed *ex post facto*, and the scope must be interpreted according to the literal meaning of the scope of claims, in principle. However, application of the doctrine of equivalents

42 In the Tokyo District Court Judgment, October 7, 1998, *Hanji*, No. 1657, p. 122/*Hanta*, No. 987, p. 255 (the Load Device System case), the court stated that it is reasonable to construe that, due to the nature of the matter, the burden of proof with regard to the Supreme Court's facts 1 and 3 concerning substantial sameness should be borne by the party asserting equivalence, and the burden of proof with regard to facts 4 and 5 concerning grounds for exclusion from application should be borne by the party denying equivalence. With regard to Requirements 4 and 5, there is a theory stating that the burden of proof is on the patentee's side, and a theory stating that the burden of pleading is on the patentee's side but the burden of evidence is on the side of the infringer who is denying equivalence.

should be recognized when it is judged to be particularly necessary, by comprehensively considering the various circumstances including the bad faith of the infringer⁴³ and the cause attributable to the right holder.⁴⁴ According to this concept, the doctrine of equivalents is not a process of determining the essential physical scope of the patent right but a process of prohibiting a certain act from the viewpoint of ideal economic order, that is, in a sense, a process of incorporating an element having the aspect of unfair competition law into the issue of the scope of right. Determining the obviousness of interchange based on the time of infringement has a stronger tendency of unfair competition law compared to determination based on the time of the filing. Even in the case of adopting this concept, the conclusion would not always be fixed, but various elements should be taken into consideration.⁴⁵ This issue relates to the fundamental concept of the ground for recognizing the doctrine of equivalents and relates to an ultimate issue of the patent system. If a patent right were considered to be one kind of real right whose scope is fixed, there would be no room to consider the subjective circumstances of the infringer. On the other hand, if the Patent Act were considered to be part of the system of competition law for maintaining

43 For instance, Toshiaki Makino, “Tokkyo Hatsumei No Gijutsuteki Han’i No Kakutei Ni Tsuite No Kihonteki Na Kangaekata” (Basic Approach to Determination of the Technical Scope of a Patented Invention), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 106 basically denies application of the doctrine of equivalents, but states that “in order to evaluate use of an equivalent technical means as an infringement, it would be necessary to indicate that the opponent is accountable for a social accusation that is more serious than the mere formality deficiency on the right holder’s side, to the extent of the theory of a treasonous person in bad faith, who is discussed as a third party against whom one’s right can be asserted without registration under the system of public notice of a change in rights on real property.” Such an idea places importance on the framework of the public announcement function of the scope of claims, but attempts to process the case in an exceptional manner when the opponent is particularly malignant.

44 For example, when the claim statement is poor in quality.

45 No consensus has been reached on what should be regarded as such elements. Assumable circumstances for the right holder would be estoppel and intentional exclusion. Assumable circumstances for the infringer would include the question of whether the technology has been independently developed and other special malignancies (e.g. illegal acquisition of know-how). Toshiaki Makino, “Tokkyo Hatsumei No Gijutsuteki Han’i Kakutei No Mondai” (Issue of Determining the Technical Scope of a Patented Invention), Toshiaki Makino and Hiroshi Saitō, eds., *Saiban Jitsumu Taikei 27 Chiteki Zaisan Kankei Soshō*, p. 448 states that “protection based on equivalence should be provided only to the extent to which one depends on another person’s creation that has come to fruition as a patented invention and uses its substance,” and indicates that such idea “matches the idea that should serve the basis of intellectual property law,” emphasizing that application of the doctrine of equivalents should not be recognized for a person who has independently developed the technology (i.e. such person’s act should not be regarded as an infringement). See Ryūichi Shitara, “Beikoku No Tokkyoken Shingai Soshō No Jitsujō To Nihon No Kintōron Ni Tsuiteno Ichi Kōsatsu -- Hiruton Dēbisu Hanketsu No Yōyaku To Sono Bunseki” (Study of the Actual Conditions of U.S. Patent Infringement Litigation and the Doctrine of Equivalents in Japan -- Summary and Analyses of the Decision in the Hilton Davis case) (1) (2), *Hōsō Jihō* (Lawyers Association Journal), Vol. 48, No. 6 (1996), p. 1319/No. 8, p. 1691.

economic order, it would not be irrational to consider the circumstances of the infringer⁴⁶.
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This problem is not merely an issue of the doctrine of equivalents, but an issue involving the entire Patent Act with respect to how much consideration of the competition law aspect can be brought into a patent right, which is regarded as having the nature of a real right. More broadly speaking, it is an issue of how much emphasis should be placed on the function of the Patent Act to maintain the competitive order. Considering the matter conversely, it is also an issue of how much emphasis should be placed on the public announcement function of the scope of claims and how that function is connected to technological development. Conventionally, the patent right was often viewed as a right resembling ownership of land, but the competition law aspect seems to have gradually grown stronger, and that aspect should probably become even stronger in the future. In that sense, it is considered reasonable to bring the competition law aspect also into the doctrine of equivalents, but as this is an issue that needs to be studied more carefully, it is regarded as one of the future issues to be discussed in the world of intellectual property law.

46 Yutaka Koike, “Tokkyo Seikyū No Han’i (Kurēmu) To Tokkyo Hatsumeiki No Gijutsuteki Han’i Ni Tsuite” (Scope of the Claim and Technical Scope of a Patented Invention), *Katayama Kinshō Sensei Tuitō Ronbun Shū/Hō to Hōgaku No Asu O Motomete* (Essays in Memory of Professor Kinshō Katayama/Seeking a Bright Future for Law and Jurisprudence) (Keiso Shobo, 1989), p. 332 states that it is difficult to adopt the doctrine of equivalents based on the provisions of Articles 70 and 36 of the Patent Act (before the 1994 revision), but the purpose of the Unfair Competition Prevention Act should be analogized instead. This Koike theory was proposed before the Supreme Court judgment in the Ball Spline case, and setting aside the reasonableness of the conclusion of this theory, there is a problem in the theoretical structure to make an act that cannot be considered as an infringement under the Patent Act an infringement by applying the purpose of the Unfair Competition Prevention Act by analogy. Since the Japanese Unfair Competition Prevention Act adopts a restrictive citation principle, one must be careful to take in matters that are not cited. Every time the Unfair Competition Prevention Act has been revised, there has been a discussion over whether or not to establish general provisions, but that has been postponed each time due to the reason that it was too early for such a measure. Supposing that the ground for the doctrine of equivalents could be sought in the Unfair Competition Prevention Act, it would be equal to establishing general provisions in interpretation, so the impact on other fields would be too large. It may be possible to say that the competition law aspect should also be taken into account to address the matter as an issue of the entire Patent Act, but it would not be possible to refer to the Unfair Competition Prevention Act to address a specific issue.

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8.7.3. Product-by-Process Claim (PBP Claim)

A product-by-process claim (PBP claim) refers to the scope of claims that has been stated by defining a product invention in the form of a process of manufacturing. A product invention should fundamentally be expressed by the structure or characteristics¹ of the product, but when that is impossible, difficult, or inappropriate,² inventions have sometimes been allowed to be defined by their manufacturing process. The need for such claim is considered to be high in chemical, pharmaceutical and biotechnology fields, but in actual court judgments, such claim has also been allowed in cases of other fields. A PBP claim is formally stated as a product invention, but because the claim includes a process of manufacturing, which is a chronological element, various problems occur. Also, interpretation of a PBP claim becomes a problem in identifying the gist of the invention in the examination phase, as well as in determining the technical scope or identifying the gist of the invention in determining the defense of invalidity in the infringement litigation phase. There is a controversy over whether, in determining the technical scope and identifying the gist of a claim stated by the PBP method, the ideal pattern of the scope of the right should be the product itself (the substance identity theory) or the product within the scope limited by the process (the manufacturing process restriction theory).³

According to the substance identity theory, the identification of the gist and the determination of the technical scope include not only the product manufactured by the

1 As mentioned later, there are two Supreme Court judgments rendered on the same date for the same case which are almost the same in content: the Supreme Court Judgment, June 5, 2015, Minshū, Vol. 69, No. 4, p. 700, 2012 (Ju) No. 1204 (the Pravastatin Sodium case) and Minshū, Vol. 69, No. 4, p. 904, 2012 (Ju) No. 2658 (the Pravastatin Sodium case). According to the concurring opinion by Justice Katsumi Chiba in these judgments, the term “characteristics” means “characteristics that are appropriate and significant in distinguishing the product in question from other products in the course of determining the novelty and involvement of an inventive step in the invention.”

2 The Examination Guidelines used to cite “inappropriate” cases as well (Examination Guidelines 2.2.2.4(2)[2](ii)). In the later-mentioned Intellectual Property Grand Panel Judgment, January 27, 2012, *Hanji*, No. 2144, p. 51/*Hanta*, No. 1397, p. 199 (the Pravastatin Sodium case), “impossible” and “difficult” cases were cited, while in the Supreme Court judgments mentioned in supra note 1, “impossible” and “impractical” cases were cited. Meanwhile, in the concurring opinion in the abovementioned Supreme Court judgments, Justice Katsumi Chiba stated that “the criterion of ‘where it is inappropriate’ ... relies too much on an aspect of value judgment,” and “even when it is not so difficult to define the product by means of its structure, etc., this criterion could lead to allowing the applicant to recite the manufacturing process in the claim merely for the purpose of making it easier to understand the constitution of the invention.” In any case, the “appropriate” requirement is not used today.

3 For details of the academic theories, see Jun’ichi Kitahara, “Purodakuto Bai Prosesu Kurēmu No Kenri Han’i No Kaishaku Ni Tsuite -- Purabasutachin Natoriumu Jiken No Daigōgi Shinri Ni Saishite” (Interpretation of the Scope of Right of a Product-by-Process Claim: Upon Grant Panel Examination in the Pravastatin Sodium Case), *IIP Forum*, No. 87 (2011), p. 57; Takeshi Maeda, “Purodakuto Bai Purosesu Kurēmu No Yūkōsei To Teisei No Kahi—Purabasutachin Natoriumu Jiken Saikōsai Hanketsu To Sono Go No Kadai” (Validity and Correctability of Product-by-Process Claims: the Supreme Court Judgments in the Pravastatin Sodium Case and Subsequent Challenges), *AIPPI*, Vol. 60, No. 8 (2015), p. 706.

process disclosed in the claim, but also the product manufactured by all other processes.⁴ This is an idea that the effect of the right extends to identical products as long as the invention is claimed as a product invention.⁵ The JPO has consistently adopted the substance identity theory.⁶ When the substance identity theory is adopted, the identity of products will have to be determined, but when the product cannot be defined by a method other than the process of manufacturing, it is difficult to determine the identity between a product manufactured by the claimed process and a product manufactured by another process, so there can be cases where the right does not extend to products other than that defined by the claimed process as a result (the doctrine of equivalents is a different issue). [485]

In contrast, according to the manufacturing process restriction theory, the inventor has invented the product manufactured by the manufacturing process, and the identification of the gist and the determination of the technical scope are restricted to the product defined by the manufacturing process.⁷ This cannot be neglected as long as a manufacturing process is stated in the claim (Article 70, paragraph (1) of the Patent Act), and the scope to which the effect of the patent extends is restricted to products manufactured by that

4 The Supreme Court Judgment, June 30, 1981, *Minshū*, Vol. 35, No. 4, p. 848/*Hanji*, No. 1008, p. 145/*Hanta*, No. 446, p. 68 (the Plywood case, a utility model case); the Tokyo District Court Judgment, September 30, 1999, *Hanji*, No. 1700, p. 143/*Hanta*, No. 1017, p. 225 (the Acid Glycoprotein case; the court held that the subject matter of the patent includes the same product manufactured by different processes, but that the product in question does not satisfy the constituent elements of the invention in this case); the Tokyo High Court Judgment, July 17, 1997, *Chiteki Saishū*, Vol. 29, No. 3, p. 565/*Hanji*, No. 1628, p. 101 (the Human Leukocyte Interferon case; the court held that the "human leukocyte interferon" is not limited to that obtained from a "human leukocyte" which is a productive cell, but that obtained from a different cell is also included in its technical scope, as long as it is the same product); the Tokyo High Court Judgment, June 11, 2002, *Hanji*, No. 1805, p. 124 (the Polycarbonate Molding Material For Optical Disk Substrate case; it was litigation for rescinding a ruling on opposition to a patent); the Tokyo High Court Judgment, September 26, 2002, *Hanji*, No. 1806, p. 135/*Hanta*, No. 1118, p. 234 (the Fixer and String Fixer Device case); the Intellectual Property High Court Judgment, December 7, 2006, court website (the Method for Manufacturing Diaphragm for Speaker case). Meanwhile, in the Intellectual Property High Court Judgment, September 20, 2007, court website (the Holographic Grating case), the court stated that a PBP claim is a description method which is allowed when it is impossible, difficult, or inappropriate to directly define the constitution of a product, and that an invention defined in that manner is categorized as a "product invention," and not a "process invention" or a combination of a "product invention" and a "process invention."

5 In actuality, however, there would be a possibility that the invention is construed as not satisfying the enablement requirement or the support requirement on the basis that the claim extends beyond the technical content disclosed in the description.

6 Examination Guidelines for Patent and Utility Model in Japan, Part I, Chapter 1, 2.2.2.4, etc. Also, in the Tokyo High Court Judgment, June 11, 2002, *Hanji*, No. 1805, p. 124 (the Polycarbonate Molding Material for Optical Disk case), the court stated that, in the case of a PBP claim, it is necessary to examine the significance of the manufacturing method requirement as a requirement for defining the product, but it is not necessary to further examine its patentability as a process for manufacturing the product. In contrast, Ryū Takabayashi, "Purodakuto Bai Purosesu Kurēmu No Gijutsuteki Han'i To Hatsumei No Yōshi" (Technical Scope of a Product-by-Process Claim and Gist of the Invention), Makino Toshiaki Sanju Kinen, *Chiteki Zaisanken Hōri To Teigen* (Doctrines of and Recommendations Concerning Intellectual Property Rights), p. 303 states that, "if 'substance identity theory' is an idea to make determination by disregarding whether requirements are met and to conclude that a product is covered by the patented invention if it is the same as the claimed product, there is no room for such theory to exist in the first place," but states that the doctrine of equivalents would be another issue.

7 In the Tokyo District Court Judgment, January 28, 2002, *Hanji*, No. 1784, p. 133/*Hanta*, No. 1102, p. 258 (the Stopper and Cord Stopper Device case), the court held that the patented invention is restricted to products manufactured by the manufacturing method, considering that the invention could have been defined as a product without describing the manufacturing method and because it was a limitation added in response to a notice of reasons for refusal.

manufacturing process. The PBP claim is a shortcut method for claiming products characterized by the manufacturing process. It is an interpretation which tries to protect the invention to the extent that matches its actual status, without being bound by the distinction between a product invention and a process invention.

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Partly because the JPO has adopted the substance identity theory, the substance identity theory had conventionally been prevalent in court decisions and academic theories. However, there have been actual cases in which a reasonable conclusion has been derived under the substance identity theory by such techniques as the file wrapper estoppel,⁸ and it is also possible to derive a reasonable conclusion under the manufacturing process restriction theory by applying the doctrine of equivalents, etc.

In contrast, a judgment by the Grand Panel of the Intellectual Property High Court in 2012⁹ took an in-between theory. The court categorized PBP claims into a claim that defines a product by a manufacturing process due to a circumstance that it is “impossible” or “difficult” to directly define the product by its structure or characteristics at the time of the filing (a genuine PBP claim) and a claim that defines a product by a manufacturing process in absence of a circumstance that it is impossible or difficult to directly define the product (a non-genuine PBP claim). Then it stated that the technical scope of a genuine PBP claim extends to the products in general, where as that of a non-genuine PBP claim is limited to products manufactured by the claimed manufacturing method (the claim in this case was determined to be a non-genuine PBP claim). The court held that, because the matters stated in the claim cannot be neglected, the statement of the manufacturing process should be construed to have the meaning of restricting the claim, in principle. It mentioned that, when a manufacturing process is stated in the scope of claims of a product invention, the statement is literally limited to the manufacturing process, but as an exception, if a person asserting a genuine PBP claim (the patentee, etc.) proves that it is impossible or

8 In the Supreme Court Judgment, November 10, 1998, 1998 (O), No. 1579 (the Collar Stand case), which is a case seeking return of unjust enrichment, the court, while adopting the substance identity theory, upheld the determination made in the original judgment (the Hiroshima High Court Matsue Branch Judgment, April 24, 1998, 1996 (Ne), No. 16), which dismissed the claim on the basis that the alleged infringer failed to provide pleadings or proof to the effect that the accused product has the same shape as that obtained by the drawing process.

9 In the Intellectual Property High Court Grand-Panel Decision, January 27, 2012, *Hanji*, No. 2144, p. 51/*Hanta*, No. 1397, p. 199 (the Pravastatin Sodium case), which was an infringement case, the court concluded that the allegedly infringing product did not fall within the technical scope of the invention and accepted a defense of invalidation. In its original judgment, the Tokyo District Court Judgment, March 31, 2010, court website, the court basically adopted the manufacturing method restriction theory, and held that the technical scope is limited to products manufactured by the manufacturing process, and stated that, the right extends to products manufactured by other manufacturing processes only when there are special circumstances where the product must be specified by the process to manufacture it, but special circumstances cannot be found in this case. This was a case in which there were both a claim with description of the manufacturing process and a claim without such description, but the former was deleted by amendment due to being refused for lack of an inventive step, and the latter remained.

difficult to directly define the product by its structure or characteristics,¹⁰ the technical scope extends to the product itself.¹¹ In other words, the manufacturing process restriction theory is adopted in principle, but if the right holder proves the impossibility or difficulty, the substance identity theory is adopted instead. According to this judgment, if the right holder fails to prove that the claim is a genuine PBP claim, the claim is found to be a non-genuine PBP claim which is hardly any different from a patent for an invention of a process for producing a product.¹² However, unlike the later-mentioned Supreme Court judgment, if the claim is described as a PBP claim, it would at last be treated as a non-genuine PBP claim even if the right holder fails to prove the impossibility or difficulty.

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This Intellectual Property High Court Grand Panel judgment was quashed and remanded by the Supreme Court.¹³ Opposite to the Intellectual Property High Court Grand Panel judgment, the Supreme Court adopted the substance identity theory, stating that the technical scope of a PBP claim extends to products that have the same structure, characteristics, etc. as a product manufactured by the manufacturing process. The court held that, if the technical scope was to be determined or the gist was to be identified on such assumption, “it is generally unclear what structure or characteristics of the product are represented by the manufacturing process, or whether the technical scope of the patented invention is limited to products manufactured by the manufacturing process, although the subject matter of the invention is the product, and this would prevent those who read the recitation of the claim, etc. from clearly understanding the content of the invention and make it impossible for them to predict the scope of the exclusive right to be conferred to

10 In the Osaka District Court Judgment, March 13, 2014, court website (the case of Composition for Preventing Withering of Pines and Prevention Method), the court held that the claim is construed to be a “non-genuine PBP claim” because there were no pleadings or proof to the effect that it is a “PBP claim.”

11 Ryūichi Shitara, “Purodakuto Bai Purosesu Kurēmu No Yōshi Nintei To Kurēmu Kaishaku Ni Tsuite No Kōsatsu—Chizai Kōsaid Tokubetsu Bu 24 Nen 1 Gatsu 27 Nichi Hanketsu Wo Keiki To Shite” (Study of Identification of the Gist and Claim Interpretation of Product- by-Process Claims: Prompted by the Intellectual Property High Court Special Division Judgment, January 27, 2012), Makino Toshiaki Sanju Kinen, *Chiteki Zaisanken Hōri To Teigen* (Doctrines of and Recommendations Concerning Intellectual Property Rights), p.295 states that it is legitimate to expand the technical scope of a genuine product-by-process claim to that under the operation and effect theory at a maximum by using literal infringement if the manufacturing methods are the same and using the doctrine of equivalents if the manufacturing methods differ. In other words, the article sets forth that it would be more practical to apply interpretation that results in an outcome between the manufacturing process restriction theory and the substance identity theory by actively applying literal interpretation and the doctrine of equivalents (p. 290 of the article). In contrast, Masabumi Suzuki, “Purodakuto Bai Purosesu Kurēmu No Kaishaku” (Interpretation of Product-by-Process Claims), *L&T*, No. 57 (2012), p. 68 states that the substance identity theory should be adopted, in principle.

12 Yasufumi Shiroyama, “Purodakuto Bai Purosesu Kurēmu Jiken” (Product-by-Process Claim Cases), *Jurist*, No. 1475 (2015), p. 41 points out that if such processes as a screening process or a process for stabilizing a substance after purification are described as PBP claims, they will not be identified as simple processes, and also when multiple people undertake the respective steps, it would be more effective to obtain a patent with PBP claims.

13 Two judgments were rendered on the same date for the same Pravastatin Sodium case (the Supreme Court Judgment, June 5, 2015, *Minshū*, Vol. 69, No. 4, p. 700, 2012 (Ju) No. 1204 and *Minshū*, Vol. 69, No. 4, p. 904, 2012 (Ju) No. 2658). See Tetsu Iwatsubo, “PBP Kurēmu Saikōsai Hanketsu No Inpakuto” (Impact of the Supreme Court Judgments on PBP Claims), *Jurist*, No. 1485 (2015), p. 18; Masahiro Nanjō, “PBP Kurēmu Saikōsai Hanketsu To Kongo No Jitsumujō No Kadai” (The Supreme Court Judgments on PBP Claims and Future Challenges in Practice), *Jurist*, No. 1485 (2015), p. 26.

the patentee, leading to an inappropriate situation,” and indicated that such PBP claim failed to satisfy the clarity requirement. On such basis, the court stated that a PBP claim satisfies the clarity requirement only if there are circumstances where it was “impossible” or utterly “impractical” to directly define the product subject to the invention by means of its structure or characteristics at the time of the filing of the application (the impossible/impractical requirement), and remanded the case to the court of prior instance to have it determine the technical scope and further examine whether the claim satisfies the clarity requirement. In other words, unlike the Intellectual Property High Court Grand Panel judgment, the Supreme Court held that a PBP claim lacks the clarity requirement and is, therefore, unacceptable unless it satisfies the impossible/impractical requirement.

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Future practices are expected to be formed with focus on these Supreme Court judgments, but since the Supreme Court judgment has not provided a clear definition of a PBP claim, it would be necessary to discuss what a PBP claim is to start with. A claim that defines a product solely by its manufacturing process would apparently be a PBP claim, but the manufacturing process is often described as part of the claim in actual cases. The Supreme Court judgments only state “when a claim of a patent for an invention of a product recites the manufacturing process of the product,” but there would be a problem in treating all claims that recite a chronological element as PBP claims and including them in the scope of application of the Supreme Court judgments.¹⁴ It is unknown how practices will develop in the future, but surmising from the Supreme Court judgments, a patent examiner who determines a case to be “when a claim of a patent for an invention of a product recites the manufacturing process of the product” would give notice of reasons for refusal based on the failure to satisfy the clarity requirement, and if the applicant fails to prove satisfaction of the “impossible/impractical” requirement, the application would be refused due to violation of the clarity requirement. The Supreme Court judgments are characteristic in that, while adopting the substance identity theory, they regard that PBP claims fail to satisfy the clarity requirement, in principle, which differs from the conventional substance identity theory. The Supreme Court judgments accept PBP claims only when it is

¹⁴ There may be cases where the claim includes a chronological element but it merely indicates a state of the subject matter, such as “a product in which layer *b* is arranged above layer *a*.” There can also be such claim statement as “a product in which layer *b* is arranged above layer *a* by means of adhesion by process *c*.” In the examples of “when a claim concerning an invention of a product recites a manufacturing process of the product” shown in the Japan Patent Office, July 6, 2015, “Purodakuto Bai Prosesu Kurēmu Ni Kansuru Tōmen No Shinsa No Toriatsukai Ni Tsuite” (Interim Handling Procedures for Examinations and Appeals/Trials involving Product-by-process Claims), p. 4, “a device comprising a fixed part made by inserting (the bolt) to engage in (the concave region) and screwing a nut onto the end of the bolt” is not acceptable due to being a PBP claim, but if it is corrected into “a device comprising a fixed part wherein (the bolt) is inserted to engage in (the concave region) and a nut is screwed onto the end of the bolt,” it becomes acceptable because it no longer includes chronological elements. It is somewhat questionable whether this matter can be converged into such play on words without examining the substance.

“impossible/impractical” to directly define the structure or characteristics of the product, but the specific content of “impossible/impractical” is not clear. The Supreme Court judgments mention that “impractical” is when the work to define the structure or characteristics of the product could require excessive economic costs and time. However, while it may be easy for a large company fully equipped with analytical instruments, etc. to define a product, it may be impractical for SMEs, so the determination standards become a problem. Given how the judgments are written, the court seems to interpret “impossible/impractical” quite strictly, and the hurdle for accepting PBP claims seems to be considerably high, but this would be a future challenge. In the concurring opinion, Justice Katsumi Chiba stated that the JPO will not be able to strictly require the applicant to prove the impossible/impractical circumstances and would be very likely to find the existence of such circumstances unless there is a reasonable doubt.¹⁵ Close attention should be paid to the future development of patent examination practices.

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According to the Supreme Court judgments, only PBP claims that satisfy the “impossible/impractical” requirement would be lawful. In that case, the subject matter of the patent is the “product” in general, so theoretically, a later application claiming the same product invention made by a different manufacturing process would be refused in patent examination. However, there remains a difficult question of how the identity with a product manufactured by a different process should be determined when it is impossible or impractical to define the structure or characteristics of the product by means other than the manufacturing process. The same question arises also in an infringement case.

If these Supreme Court judgments are applied, there will be a large number of patent rights in violation of the clarity requirement, so requests for a trial for invalidation and defenses of invalidation are likely to increase. Thus, there will be a question of whether existing patent rights for PBP claims can be saved by correction. When a claim includes a description of the manufacturing process, but it is still possible to define the structure or characteristics of the product by deleting that part, a correction to delete that manufacturing process will be allowable. However, in many cases, the invention would fail to satisfy the clarity requirement or the novelty/inventive step requirement if the patentee only deletes the description of the manufacturing process. Therefore, there will be a question of whether a “product invention” can be corrected into an “invention of a process of producing a

¹⁵ However, the extent of circumstances that the applicant needs to prove and the kinds of circumstances required for the patent examiner to determine that the impossible/impractical requirement has been cleared are unknown at the present stage, and they need to be determined based on future court judgments. Nevertheless, if the patent examiner grants patents in examination by applying a relaxed interpretation of the impossible/impractical requirement, it will cause an increase in defenses of invalidation in infringement litigation, and simply carry the problem over to the court. It is a difficult issue, but as the first step, a substantive interpretation would need to be established.

product.” In the past, it was believed that a correction that changes the category of invention is impermissible.¹⁶ Nevertheless, Article 126, paragraph (6) only prohibits correction of the description, scope of claims, or drawings that enlarges or alters the scope of claims, and does not mention and therefor does not explicitly prohibit a change in category. A change in category may correspond to the alteration as referred to in Article 126, paragraph (6) in many cases, but the purpose of prohibiting alteration is to protect third parties,¹⁷ so it should not be construed that the provisions uniformly prohibit all changes in category.¹⁸ Since a PBP claim recites that the product can be manufactured by the process, even if the category is changed, it would practically restrict the scope of claims from the product in general to products produced by the manufacturing process, so such change can be considered not to be enlargement or alteration.¹⁹ If such correction is allowed, the effect of the patent right would weaken, but at least it would be able to survive as an “invention of a process of producing a product.” Allowing such correction would be equivalent to allowing practically the same effect as the non-genuine PBP claim as referred to in the Intellectual Property High Court Grant Panel judgment. In other words, in the Intellectual Property High Court judgment, if the patentee fails to prove satisfaction of the requirements for a genuine PBP claim, the claim becomes a non-genuine PBP claim, and the effect of the patent right will only extend to products produced by the process. Meanwhile, if a change of category is allowed by correction, the claim is corrected into a process of producing a product by a trial decision of correction, and the effect of the patent right will only extend to products produced by the process. In short, allowing a change in category by correction is to allow practically the same effect as that under the Intellectual Property High Court

16 In the Intellectual Property High Court Judgment, September 20, 2007, court website (the Holographic Grating case), which is a judgment before the Supreme Court judgments, the court stated, “ Even if it describes a process of producing a product, a product-by-process specifies a product invented and is not for seeking a patent for a process of producing it. An invention described in the form of a product-by-process claim is classified as an invention of a product. It is neither an invention of a process nor an invention of a product combined with the invention of a process.” On such basis, the court stated that a category change from an invention of a product to an invention of a process simply means a claim for rights that have an effect that differs from that of the rights originally sought in connection with the invention of a product, and that the amendment at issue was hence aimed at changing the claim and falls under none of the items in Article 17-2, paragraph (4) of the Patent Act (paragraph (5) of the current Act). While this is a case on amendment, it also applies to correction. The same applies to JPO practices.

17 Japan Patent Office, ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 372 states that, because alterations could cause unexpected detriments to third parties, Article 126, paragraph (6) guarantees that no such situation would occur.

18 In the concurring opinion by Justice Katsumi Chiba in the abovementioned Supreme Court judgments, Justice Chiba stated, “ it is also expected that requests for invalidation trials will be filed or the defense of invalidity will be raised in infringement suits,” but that it is inevitable. Justice Chiba further pointed out, “To avoid such a situation, procedures such as a request for correction in a patent invalidation trial and a request for a trial for correction may be helpful. How these procedures will actually be handled is an issue to be addressed in the future.” This can be read as suggesting correction of a change in category, though not explicitly. Takeshi Maeda, “Purodakuto Bai Purosesu Kurēmu No Yūkōsei To Teisei No Kahi—Purabasutachin Natoriumu Jiken Saikōsai Hanketsu To Sono Go No Kadai” (Validity and Correctability of Product-by-Process Claims: the Supreme Court Judgments in the Pravastatin Sodium Case and Subsequent Challenges), *AIPPI*, Vol. 60, No. 8 (2015), p. 717 also supports correction of a change in category.

19 According to the substance identity theory, the subject matter to be examined is the product and not the manufacturing process, so it may be said that the manufacturing process is excluded from the scope of examination, but a PBP claim would never actually be examined by ignoring the manufacturing process.

judgment, although the procedure differs.

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§9. Patent Right as the Subject of a Transaction

A patent right, which is a property right, is subject to transactions. Accordingly, it can be assigned, can be made subject to a security right, can be seized, can be made subject to licensing, and is treated similarly to other property rights.

9.1. Transfer of Right

Since a patent right is a property right, it can be transferred freely, but certain types of succession must be registered in the Patent Registry at the JPO in order for it to take effect (Article 98, paragraph (1), item (i) of the Patent Act). Under the former Act (Act of 1921), registration was a requirement for countering third parties, similar to the case of real property, but it was changed to being a requirement for succession to take effect under the current Act. This measure was intended to clarify relations with other rights, and to ensure safe transactions. The assignment of a patent right is usually conducted between specialized dealers, so there would be no inconvenience in making registration a requirement for the assignment to take effect, and it would also be useful for clarifying the relationship with other rights. However, the registration does not serve as *prima facie* evidence, so it is possible to dispute the legal relationship that caused the registration. Therefore, those who trusted in the registration may not be protected in some cases. In the case of a general succession, it is impossible to make the registration a requirement in order for the succession to take effect, so the effect of the transfer arises upon inheritance or corporate merger (the portion in parentheses in Article 98, paragraph (1), item (i) of the Patent Act). There is an obligation to report the transfer to the Commissioner of the JPO without delay in such a case (paragraph (2) of said Article), but that is not a requirement for the transfer to be effective. Unless there are provisions on exceptional treatment, a patent right is inseparable (Article 185, etc.) and cannot be transferred claim-by-claim (divisional transfer).

When a patent right is jointly owned, one person's share of the patent cannot be transferred without the consent of the other joint owners (Article 73, paragraph (1) of the Patent Act). As opposed to the case of joint ownership under the Civil Code (Article 249 of the Civil Code), the joint owners of a patent right are not restricted to working the invention according to their respective share, but can work it without limitation in terms of quantity. Thus, the question of the identity of the other joint owners is extremely important for the joint owners of a patent. This is why the transfer is restricted (for details, see “6.2.

Joint Ownership”). However, as this provision is a default rule and it is possible to provide otherwise by contract, it would be desirable to conclude a detailed contract in advance in the case of carrying out joint research, etc. Issues such as liability for defects that occur upon the transfer of the right are settled according to the principles of the Civil Code.

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9.2. Security Rights

9.2.1. Right of Pledge (Articles 95 and 96 of the Patent Act)

Since a patent right is a property right, it is subject to security rights, and the Patent Act provides for the right of pledge (Article 95 of the Patent Act). Because the valuation of a patent right upon conversion into money is unclear compared to cases of real property or marketable securities, and there is hardly any market for buying and selling patent rights, pledges are not used frequently, in reality. However, the security system for patents, including the right of pledge, is expected to become more important in the future. In particular, for venture businesses that have no outstanding assets other than their technologies, the offering of technologies as security is an important means of obtaining loans for the working of the inventions. Financial institutions would also be able to expand their business opportunities if they could utilize patent rights as security. To this end, it is insufficient for the provision on the right of pledge to be stipulated in the Patent Act unless patent right valuation standards and a patent market are established first. If such a market were created, it would not only solve the issue of security, but would also increase patent transactions and licensing, and would contribute to fostering companies that run businesses based on high-quality technologies.

In Japan, subcontractors are well developed, but it is said that there are few cases in which SMEs having original technologies make great developments by utilizing their technologies. A company does not develop merely by owning high-quality technologies; it must make good use of them and, to this end, a method should be established to turn the technologies into assets.¹ A possible approach would be to use not only the right of pledge, but also the trust system, etc.

The rights subject to a pledge are, apart from the patent right itself, exclusive licenses and non-exclusive licenses (Article 95, Article 77, paragraph (4), and Article 94, paragraph (2) of the Patent Act). A right to obtain a patent cannot be made subject to a pledge (Article 33, paragraph (2) of the Patent Act). A pledge on a patent right or an exclusive license must be registered in order to take effect (Article 98, paragraph (1), item (iii) of the Patent Act).

¹ With regard to assessment of intellectual property rights, see Institute of Intellectual Property, *Chiteki Zaisanken Tanpo Kachi Hyōka Shuhō Kenkyūkai Hōkokusho* (Report by the Study Group on the Assessment Method of the Security Value of Intellectual Property Rights) (1996); Yoshikazu Takaishi, ed., *Chiteki Shoyūken Tanpo* (Intellectual Property Security) (Banking Education, 1997); Gordon Smith and Russel Parr (translated by the Institute of Intellectual Property), *Chiteki Zaisan To Mukei Shisan No Kachi Hyōka* (Valuation of Intellectual Property and Intangible Assets) (Chuo Keizaisha, 1996); Kōichirō Suda, “Kōgyō Shoyūken No Tanpo No Jitsujō To Kaisei No Yōbō” (Actual Conditions of Industrial Property Security and the Prospect for Change), *Patent*, Vol. 49, No. 2 (1996), p. 27; Special feature “Chiteki Zaisanken Tanpo” (Intellectual Property Security), *Ginkō Hōmu* (Legal Affairs of Banks) 21, No. 516 (1996).

In the case of a pledge on a non-exclusive license, the registration used to be a requirement for countering third parties (Article 99, paragraph (3) of the Patent Act before the revision; currently deleted) in the past, but since a non-exclusive license was revised to be effective against third parties by operation of law without registration upon the 2011 revision, a pledge on a non-exclusive license also became effective against third parties by operation of law without registration accordingly. A pledge on an exclusive license requires the consent of the patentee (Article 77, paragraph (4) of the Patent Act), and a pledge on a non-exclusive license requires the consent of the patentee, while a pledge on a non-exclusive license on an exclusive license requires the consent of the patentee and the exclusive licensee (Article 94, paragraph (2) of the Patent Act). It should be construed that once the patentee, etc. gives his/her consent, he/she can no longer make an objection against the winning bidder. There are also theories that again require the consent of the patentee, etc. upon the transfer of the right to the winning bidder, but that equates to ruining the fundamentals of the pledge system and may lead to a malfunction of the pledge, so the idea is hardly adoptable.

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A pledge on a patent right is one kind of a pledge on rights, which virtually resembles a mortgage.² The working of a patented invention often requires a substantial amount of investment and technology, so it would be inefficient to allow the working of the invention by the pledgee. Therefore, it is often more desirable to have the pledger continue to work the invention, and the pledgee receive payment in preference to others from the money obtained from the working of the invention. Thus, the Act provides that the pledgee cannot work the patented invention unless otherwise stipulated by a contract, and the title to work the invention is held by the pledgee. The pledgee can exercise the right of pledge not only against any consideration to be paid for the subject of the pledge, but also against any money or goods to be received by the patentee, exclusive licensee, or non-exclusive licensee for the working of the patented invention, but the consideration, money, or goods must be attached prior to the payment of money or delivery of goods (extension of security interest to the proceeds of the collateral; Article 96 of the Patent Act). This is because, if the exercised pledge is recognized as an item that has been mixed into the general property of the debtor, it is likely to damage the interests of the other obligees.

When a pledge has been established, the patentee can neither waive the patent right (Article 97, paragraph (1) of the Patent Act) nor request a trial for correction (Article 127

² The report of the Industrial Property Council stated that “pledge” should be revised to “mortgage” (*Kōgyō Shoyūken Seido Kaisei Shingi Kai Tōshin Setsumeisho* (Explanation on the Council Report on Amendment of the Industrial Property System, p. 38). However, in the process of legislation a problem was pointed out in relation to auctions, and it was decided that the term “pledge” would be used, similarly to the former Act.

of the Patent Act) without the consent of the pledgee.

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9.3.2. Transfer of Title for Security Purposes

The Patent Act provides for pledges as part of the security system, but they are not used frequently. In practice, it is considered to be easier to use a transfer of title for security purposes or a sale with a right of return, but the actual status of their use is not quite clear.

A transfer of title to a patent right for security purposes is a transfer as a security, so its content is fundamentally the same as an ordinary transfer of title for security purposes. Registration cannot be made to the effect that a certain transfer is a transfer of title for security purposes, so, a formal registration of the transfer of the patent right is made.

9.3.3. Foundation Mortgage and Enterprise Mortgage

A foundation mortgage is a way of establishing a mortgage on collective property consisting of a company's assets, including facilities, under the Factory Mortgage Act. According to the Factory Mortgage Act, industrial property can be considered to be a constituent part of a foundation (Article 11, paragraph (5) of the Factory Mortgage Act). Although the concept of industrial property is questionable with respect to this point,¹ there is no objection to the fact that patent rights are included therein.

The purpose of the Enterprise Mortgage Act is to establish a mortgage on the entire property of a stock company in order to secure the corporate bonds issued by that company, and there is no problem in having the mortgage established on patents and other industrial property.

9.3. Compulsory Execution

The Patent Act does not have provisions on compulsory execution, but as a patent right is a property right, it can be made subject to compulsory execution. Furthermore, in the case of bankruptcy, patents are included in the bankrupt estate (Article 34, paragraph (1) of the Bankruptcy Act). When a court clerk seizes a patent or cancels such seizure, he/she commissions the JPO to register the seizure or to cancel such registration (Article 24 of the Patent Registration Order). Provisional seizure and provisional disposition for securing execution proceedings only take effect upon registration (Article 98, paragraph (1), item (iii) of the Patent Act). However, seizure of a non-exclusive license becomes effective by operation of law without registration, since there is no registration system for it.

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With regard to compulsory execution against the right to obtain a patent, see “1.4.2.4. (3) Compulsory Execution.”

9.4. Licenses

9.4.1. Significance of a License

Although the Patent Act does not obligate a patentee to work the patented invention,

¹ For instance, it is not clear whether the right to obtain a patent or a trade secret is also included in the concept. See "1.4.2.4.(2)(D) Foundation Mortgage and Enterprise Mortgage."

an invention is only meaningful when it is worked. Of course, disclosure of the patent undeniably contributes to improving the technological level of society even without working the invention, but, still, there is a great meaning in diffusing the technology through working it. Accordingly, the Patent Act provides for a system under which the patentee grants the title to working the invention to another person even if the patentee does not work the invention himself/herself. Specifically, the Patent Act provides for exclusive licenses, provisional exclusive licenses, non-exclusive licenses, and provisional non-exclusive licenses that are established by the intent of the patentee, compulsory licenses that deem an award by the Minister of Economy, Trade and Industry or the Commissioner of the JPO to be the fictitious intention of the patentee, and statutory licenses that arise by operation of law irrespective of the intention of the patentee.

The patentee is free to grant whatever kind of title he/she wishes to the working of the invention to another person as long as it does not violate compulsory laws and regulations according to the principle of the freedom of contract. The Patent Act provides for two kinds of licenses—exclusive licenses and non-exclusive licenses—as licenses based on an agreement. These two licenses are often respectively likened to a superficies, which is a usufruct having a real right aspect, and the leasehold, which is a claim-like right to use in the world of real property.² However, the legal nature of a patent right is decisively different from that of ownership of real property, so its licenses inevitably have different natures from a superficies or leasehold. While the real property needs to be possessed in order to be used, the concept of possession does not apply to an invention, so it can virtually be worked by multiple persons at the same time. Thus, there could be multiple licensees. However, as there is also a strong demand for monopolistic working, the Patent Act specially provides for exclusive licenses. In other words, the difference between an exclusive license and a non-exclusive license is in whether or not the establishment of multiple licenses is allowed. Specifically, an exclusive licensee has the right to work the invention monopolistically within the scope of the license, so he/she has a similar status as the patentee, but multiple non-exclusive licenses can be established for the same agreed scope of license, so the licensee is merely free from being subjected to an injunction or having to suffer a claim for damages from the patentee and the exclusive licensee.

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Although compulsory licenses and statutory licenses are stipulated as non-exclusive licenses under the Patent Act, their nature is quite different from ordinary non-exclusive licenses, so they should be discussed separately.

Upon the 2008 revision, the system of a provisional exclusive license and the system

2 Japan Patent Office, *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 251.

of a provisional non-exclusive license were introduced for the right to obtain a patent. With regard to these licenses, see “1.4.2.3. Provisional Exclusive License and Provisional Non-exclusive License (Articles 34-2 and 34-3 of the Patent Act).”

9.4.2. Exclusive License (Article 77 of the Patent Act)

9.4.2.1. Nature of an Exclusive License

An exclusive license gives authority to work a patented invention exclusively to the extent permitted by the contract granting the license (Article 77 of the Patent Act). While the former Act stipulated that “a patent right can be transferred by either imposing or not imposing limitations” (Article 44, paragraph (1)), the provision was not intended for allowing the transfer, but for indicating that limitations can be imposed when transferring a patent right. However, the details of the system of transfer with limitations were not quite clear and the system was hardly used, so the provision was deleted upon enactment of the current Act. Therefore, under the current Act, the system was revised from the form of a transfer to the form of an exclusive license. Since a transfer with limitations under the former Act was often considered to be analogous to a usufructuary real right in spite of the word “transfer,” it can be regarded as being almost identical to the system under the current Act. However, whereas the transfer of a right with limitations under the former Act, which took the form of a transfer of a right, allowed a retransfer without the consent of the former patentee, an exclusive license is different in that its transfer requires the consent of the patentee in principle (Article 77, paragraph (3) of the Patent Act).

After the establishment of an exclusive license, the patentee cannot work the invention with respect to the scope covered by the license contract without the consent of the exclusive licensee.¹ An exclusive license is more likely to be established when the two parties are in a special kind of relationship, such as in cases where the companies party to the contract are in a parent-subsidiary relationship, where technology is imported from overseas but the patentee will not work the technology, and where an independent inventor licenses his/her invention to a company. Compared to a non-exclusive license, an exclusive license is used less frequently.²

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9.4.2.2. Establishment and Extinguishment of an Exclusive License

Although registration is a requirement for an exclusive license to take effect, it

1 It would be possible to construe that an exclusive licensee's act of giving his/her consent to the patentee's working of the invention is identical to the licensee's act of granting a non-exclusive license to the patentee. Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1020 (written by Masabumi Suzuki).

2 The number of exclusive licenses registered during 2013 was 217 (Japan Patent Office Annual Report 2014 (Statistics and Appendixes), p. 82).

merely means that the license does not become effective as an exclusive license as stipulated in the Patent Act unless it has been registered. This requirement has only been set up because an exclusive license, based on which an injunction can be sought, has a great influence on third parties. Thus, effects that are close to the intentions of the parties concerned should be recognized between themselves, as long as they do not conflict with compulsory laws and regulations. For instance, even if an exclusive license contract that has been concluded were not registered yet, the license should be treated as a monopolistic non-exclusive license because the grant of the right to work the invention exclusively has already been agreed upon between the parties.³

With regard to an exclusive license, not only its establishment but any transfer (excluding an ordinary succession), modification, extinguishment, restriction on its disposal (Article 98, paragraph (1), item (ii) of the Patent Act), or matter regarding a pledge thereon (Article 98, paragraph (1), item (iii) of the Patent Act) must be registered in order for it to become effective. When a patent right is jointly owned, an exclusive license cannot be established without the consent of all the joint owners (Article 73, paragraph (3) of the Patent Act).

Since an exclusive license is established based on a patent right, it is extinguished naturally when the patent right is extinguished. In other words, the exclusive license is also extinguished when the patent right is extinguished due to a trial decision of invalidation becoming final and binding, on the expiration of the duration of the patent, waiver of the patent right (however, if there is an exclusive licensee, this requires the consent of the exclusive licensee; Article 97, paragraph (1) of the Patent Act), absence of heir (Article 76 of the Patent Act),⁴ or revocation of the patent right (Article 100 of the Anti-Monopoly Act). There are also grounds for the extinguishment of the exclusive license itself, which only becomes effective by registration (Article 98, paragraph (1), item (ii) of the Patent Act). An exclusive license is extinguished upon the termination of the contract between the parties (expiration of the term of contract, cancellation of the contract, etc.), waiver of the exclusive license, or revocation of the exclusive license (Article 100 of the Anti-Monopoly Act). When the patentee and the exclusive licensee merge, the exclusive license is extinguished by the merger. Registration is required for the extinguishment to become effective except in cases of the merger and extinguishment of the patent right (Article 98,

3 The Osaka District Court Judgment, February 28, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 92 (the Artificial Hair Transplantation Device case); the Osaka District Court Judgment, December 20, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 803 (the Hair Brush Design case); the Kobe District Court Judgment, March 18, 1987, *Hanta*, No. 645, p. 234 (the Pile Burying Method case). See Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 813 [written by Nobuhiro Nakayama].

4 While ordinary property will belong to the National Treasury in the absence of an heir (Article 959 of the Civil Code), a patent right is said to become extinguished in such case. In the case of the absence of an heir to an exclusive license, the exclusive license would be extinguished, and the patentee would acquire a right with no exclusive license.

paragraph (1), item (ii) of the Patent Act).

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Upon the 2008 revision, the matters to be disclosed with regard to a non-exclusive license were limited, and the non-exclusive license registration system itself was abolished upon the 2011 revision, but with regard to an exclusive license, the conventional style of disclosing the registered matters was maintained due to the substantial influence it has on third parties and the strict necessity of publicly notifying the contents of the license in light of such influence. However, the consideration for the license was excluded from the matters to be registered, since it is often a trade secret.

9.4.2.3. Content of an Exclusive License

(1) Scope of an Exclusive License

An exclusive license can either be established for the entire scope of a patent right or for a limited part of the patent right (Article 77, paragraph (2) of the Patent Act). Any working exceeding that limitation would not merely be a violation of the contract, but would be a patent infringement. An exclusive license must be registered in order to become effective, and such limitation of the scope of a patent right must also be registered at the same time (Article 43, paragraph (1) of the Patent Registration Order). Unless the limitation of the scope of a patent right is registered, the license would allow unlimited working of the invention. Therefore, even if the licensee works the invention exceeding that limitation, it would not cause a problem of patent infringement, but if the limitation has been agreed upon between the parties, there would be a problem of default of an obligation due to the effect of the contract.

The modes of limitation include limitation of time, limitation in location and limitation in the content.

In terms of time, any limitation can be imposed under the Patent Act as long as it is within the duration of the patent. For instance, though this is unrealistic, it is possible to limit the license for a short period of time such as to one day. A non-exclusive license would usually be used for such a short-term license, but theoretically, it would also be possible to establish an exclusive license. The validity of such a time limit is not an issue of the Patent Act, but an issue of laws such as the Civil Code or the Anti-Monopoly Act. For instance, if a short-term license is renewed repeatedly while assuming a long-term contract, for the convenience of being able to stop the contract at any time, the sudden rejection of a renewal could be considered as a contravention of public order and morality or an abuse of a dominant bargaining position in some cases (the issue of a continuous contractual

relationship and renewal of contract), but it would not be an issue of the Patent Act.

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The same applies in the case of a limitation in location, and any limitation would be valid under the Patent Act. The working could be limited to specific administrative districts, or it could be limited to manufacturing within a specific factory or to sales only within *Shinkansen* bullet trains. However, once the patented product is lawfully placed in the distribution process, the patent right is exhausted with regard to that product, so re-selling the product outside the limited area would not constitute a patent infringement (See “8.2.6. Exhaustion of Right”).

Conventionally, exports could not be limited, because limitation on exports practically means imposing limitation with regard to foreign countries where the Japanese patent right is not effective. As a matter of course, it had been possible to limit exports by a contract, but not as the content of an exclusive license. However, as the act of exporting was added to the concept of working an invention upon the 2006 revision (Article 2, paragraph (3) of the Patent Act), it became possible to prohibit exports as the content of an exclusive license.

Limitation of the content of an exclusive license can take various modes. It is possible to limit the mode of working the patented invention. Some of such examples are a license limited to sales, a license limited to exhibition, and a license limited to manufacture and sales. It is also possible to limit the working to the working of only one of the multiple patent claims. A limitation can also be imposed regarding product category. For instance, if the technology can be used both for radios and televisions, the working of the invention could be limited to radios alone.

A problem arises with limitation in quantity.⁵ The parties are able to impose a limitation in quantity by a contract, as long as it does not conflict with other compulsory laws and regulations, but its registration as a limitation to the exclusive license should not

⁵ Limitation in quantity can be divided into limitation in the maximum quantity and limitation in the minimum quantity. Generally, limitation in the minimum quantity is regarded as being imposed merely for securing the license fee for the right holder, and its violation is treated not as an issue of patent right infringement, but as an issue of default of an obligation. A controversial point is whether products produced beyond limitation in the maximum quantity constitute patent right infringement.

be allowed.⁶ Geographical limitations and time limitations have physical limits, but the production quantity resulting from the working of a patented invention has no limits in theory, so, if a limitation in quantity were recognized as the content of an exclusive license, it would mean that multiple exclusive licenses with the same content can be established. In other words, as long as the quantity is limited, multiple exclusive licenses would not conflict with each other, and that would go against the purpose of the system of exclusive licenses. Also, it would be difficult to distinguish between products produced by working the invention within the quantity limitation and those produced beyond the limitation and, in actuality, products within the limitation are unlikely to be distinguishable from products beyond the limitation. Therefore, products produced beyond the quantity limitation should not be processed as an issue of patent right infringement, but as an issue of default of an obligation. Incidentally, patent infringement and default of an obligation differ in effects such as imposition of criminal penalties, application of the presumptive provisions on the amount of damages under Article 102, and effectiveness against third parties (e.g., application of the principle of exhaustion), but they do not differ in terms of an injunction. [501]

In actual exclusive license contracts, limitations are often imposed with respect to matters such as the supplier of raw materials, product specifications, distribution channels, attachment of marks, and dispatch of executives. However, these are not limitations in the scope of an exclusive license under the Patent Act, but only limitations under the contract between the parties.⁷

(2) Effects of an Exclusive License

An exclusive licensee has a right equivalent to that of the patentee within the scope set by the license contract (Article 77, paragraph (2) of the Patent Act). Accordingly, an exclusive licensee is able to seek an injunction against an infringer (Article 100 of the Patent Act) and to claim damages in his/her own name. It should be construed that the patentee is

6 Similar views are revealed in Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 304; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Shōkai*, p. 334 (it mentions the reason that the recognition of such limitation would allow both the patentee and the exclusive licensee to own the right to work the invention, and would go against the purpose of Article 68 of the Patent Act). As opposite views, the following literature suggests that violation of limitation in quantity should also be evaluated as patent right infringement if the limitation is evaluated as playing a considerable role in securing the exclusive use of the patented invention: Naoki Koizumi, “Sūryō Seigen Ihan No Tokkyō Hō Jō No Hyōka” (Evaluation of Violation of Limitation in Quantity under the Patent Act), Makino Toshiaki Hanji Taikan Kinen, *Chiteki Zaisan Hō To Gendai Shakai* (Intellectual Property Law and Modern Society), p. 355; Makiko Takabe, *Jitsumu Shōsetsu Tokkyō Kankei Soshō* [2 Han] (Detailed Explanation of Practice of Patent-Related Litigation [2nd Ed.]), p. 373; and Ryūta Hirashima, “Tokkyō Raisensu Keiyaku Ihan To Tokkyōken Shingai No Chōsei Hōri Ni Kansuru Ichi Kōsatsu” (Study on Legal Principles for Adjustment Between Violations of Patent License Contracts and Patent Right Infringements), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Theories of Intellectual Property Law and Modern Issues), p. 260.

7 In the Osaka High Court Judgment, May 27, 2003, court website (the Seedling Pot case), which is a case on a non-exclusive license, the court stated as follows: “Even if various agreements are made on the raw materials suppliers, product standards, markets, use of signs, etc., they are not directly related to the act of working the patented invention, but are merely conditions incidental thereto, so to speak, so a violation of such agreement merely constitutes default of an obligation under the contract.” The same is considered to apply to an exclusive license.

also able to seek an injunction against an infringer (Article 100 of the Patent Act) and to claim damages in his/her own name after granting an exclusive license.⁸ With regard to the question of whether or not the patentee has the right to seek an injunction after the grant of an exclusive license, see “8.3.1. Right to Seek an Injunction (Article 100 of the Patent Act).”

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Since an exclusive license is a monopolistic right to use the invention, the patentee cannot grant any further exclusive licenses or non-exclusive licenses with the same content which overlap. However, because a non-exclusive license was stipulated as being effective against third parties by operation of law upon the 2011 revision, any non-exclusive license that was granted before the registration of an exclusive license is effective against the exclusive license by operation of law (Article 99 of the Patent Act).

The patentee and the exclusive licensee must each gain the consent of the other regarding matters that would change the content of the right. Specifically, the consent of the other party is required regarding a waiver of the patent right, a request for a trial for correction, the assignment of the exclusive right or establishment of a pledge thereon, and a sublicense agreement (a non-exclusive license agreement). From the viewpoint of the exclusive licensee, it is a right whose content cannot be changed against the intention of the licensee.

(3) Obligations under an Exclusive License Contract

Since an exclusive license becomes effective by registration (Article 98, paragraph (1), item (ii) of the Patent Act), the patentee is naturally obligated to register the license. The registration is either made jointly (Article 18 of the Patent Registration Order) or solely by the person entitled to make the registration by attaching the written consent of the person who is obligated to make the registration (Article 19 of said Order). Another obligation of the patentee is maintenance of the patent right. Specifically, this obligation includes paying

8 The Supreme Court Judgment, June 17, 2005, *Minshū*, Vol. 59, No. 5, p. 1074/*Hanji*, No. 1900, p. 139/*Hanta*, No. 1183, p. 208 (the Method of Searching Ligand Molecule case). As in the cases of the Yamaguchi District Court Judgment, February 28, 1963, *Kamin*, Vol. 14, No. 2, p. 331/*Hanta*, No. 142, p. 184 (the Synthetic Float case); the Tokyo District Court Judgment, March 18, 1964, *Hanji*, No. 377, p. 63/*Hanta*, No. 160, p. 133 (the Trousers Waist Lining case), many lower court judgments had allowed the patentee to seek an injunction. In contrast, in the Tokyo District Court Judgment, April 16, 2002, court website (the Lifting Hook Device for Heavy Objects case), which was a case where both the patentee and the exclusive licensee filed actions, and the court did not allow the patentee to seek an injunction, the court dismissed the patentee's claim and upheld the claim of the exclusive licensee. However, this issue has been settled in practice with the rendering of the above 2005 Supreme Court judgment. With regard to this issue, see Wataru Sueyoshi, “Sen'yō Jisshiken Settei Go No Sashitome Seikyū -- Sai Ni Han 2005.6.17” (Seeking Injunctive Relief after Establishing Exclusive License -- Decision of the Second Petty Bench of the Supreme Court 2005.6.17) *NBL*, No. 814 (2005), p. 4; Yoshihiko Satō, “Sen'yō Jisshiken O Settei Shiteiru Tokkyokensha No Hōteki Chii Ni Tsuite No Oboegaki -- Sashitome Seikyūken No Umu O Megutte” (Memorandum on Legal Status of Patentees who Establish a Exclusive License -- Discussion on Right to Require an Injunction) *Mon'ya Nobuo Koki Kinen* (Essays in Honor of the Seventieth Birthday of Professor Nobuo Mon'ya) “Chiteki Zaisanken Hō To Kyōsō Hō No Gendaiteki Tenkai” (Recent Development of the Academic Disputes on the Intellectual Property Laws and the Competition Law), p. 313; Naoki Okumura, “Sen'yō Jisshiken Settei Go No Tokkyokensha Ni Yoru Sashitome Seikyūken” (The Right of Injunctive Relief of a Patentee after Granting an Exclusive License), *Patent*, Vol. 60, No. 9 (2007), p. 17.

the patent fees, obtaining of the consent of the licensee when waiving the patent right or requesting a trial for correction, and making the appropriate responses to any trial for invalidation.

While the content of the license contract can be decided freely, the following can be said about a case where there is no explicit contract. First, with regard to the liability of the licensor for defects, because a non-exclusive license granted by an agreement was stipulated as being effective against third parties by operation of law upon the 2011 revision, the patentee is likely to be held liable if he/she had granted a non-exclusive license while keeping the non-exclusive license a secret. Since a statutory license is effective against an exclusive license without registration (Article 99 of the Patent Act), if the patentee had concealed the existence of a statutory license while being aware of it, the patentee would be liable for the defect. Thus, if such a statutory license exists, the exclusive licensee is likely to be allowed to claim a reduction of the license fee, and when the defect is serious, the license could be cancelled. As for a pledge which is effective against third parties and is registered, the existence of such a pledge is unlikely to be regarded as a concealed defect. Meanwhile, it should be considered that the patentee is not liable for defects regarding the validity of the patent, in principle, unless there is any special agreement.⁹ A patent right is always subject to the risk of being invalidated, and the patentee is often not aware of if and when that will happen, so unless the patentee has specifically guaranteed the validity of the patent right or is considered to have given such a guarantee judging from the various circumstances, the patentee should generally be considered to be free of liability for the defect. However, if the patent is invalidated in a trial for invalidation, the exclusive licensee would no longer be able to work the invention exclusively, so the licensee can announce the cancellation of the license. Since these are default rules to be applied in the absence of a contract, it is desirable to provide for these matters in a contract in advance.¹⁰

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While a license contract often provides for an obligation of technical assistance or an obligation to provide technical information, these would be obligations under the contract.

The most important obligation of the licensee is the obligation to pay the license fee, but this is also based on a contract, so it is also possible to make the license fee free. The licensee only has the right to work the invention, and is not obligated to work the invention

⁹ Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 310.

¹⁰ In the Tokyo District Court Judgment, November 29, 1982, *Hanji*, No. 1070, p. 94/*Hanta*, No. 499, p. 195 (the Instant Food Container case), which was a case where the license contract included an agreement to the effect that the contract money and license fee which the plaintiff has paid need not be refunded for any reason, the court held that the plaintiff cannot claim a refund even if the utility model right were ultimately determined to be invalid (an assertion that there was a mistake in the juristic act was also denied).

by operation of law.¹¹ The licensee may be construed to have the obligation to work the invention depending on the mode of payment of the license fee, but it is a matter of contract in any case.

There is a theoretical dispute over whether or not the licensee has an obligation not to dispute the validity of the patent (the non-dispute obligation).¹² The question is whether it would or would not be against fair and equitable principles for the licensee to enjoy profits on the assumption that the patent is valid on the one hand and to dispute its validity on the other. Since a licensee concludes an agreement in the belief that the patent right is valid in most cases, it would be too severe to make him/her continue to pay the license fee on the assumption that the patent is valid even when grounds for invalidation were found at a later date. Even if the licensee had doubts about the validity of the patent upon the conclusion of a contract, it is often difficult both in terms of time and money to request a trial for invalidation without concluding the license contract, and the result of the trial is unknown until it becomes final and binding. Thus, it is too severe for the licensee always to have to request a trial for invalidation from the beginning, and the mere conclusion of a license contract cannot be interpreted as an expression of the licensee's intention of not disputing the validity of the patent. Therefore, in many cases, the licensee is likely to be considered eligible to request a trial for invalidation, in principle.¹³ However, a contract for not disputing the validity of a patent should also be considered to be effective, in principle. A contract can be made freely, so in order to deny its effect, the contract needs to go against a compulsory law or regulation. The act of providing for a non-dispute obligation under a contract is not considered to contravene public order and morality to an extent that it would invalidate the contract. However, if there were circumstances such as an act that

11 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 313; Tatsuki Shibuya “Tokkyo Jisshi Keiyaku Ni Okeru Jisshikensha No Jisshi Gimu To Keiyaku No Hōritsuteki Seishitsu” (The Licensee’s Obligation to Work the Invention in a Patent Licensing Agreement and the Legal Nature of the Agreement), *Hōgaku Kyōkai Zasshi* (Journal of the Jurisprudence Association), Vol. 85, No. 2 (1968), p. 197; Satoshi Ishimura, “Jisshi Keiyaku” (License Agreement), Toshiaki Makino and Toshiaki Iimura, eds., *Shin Saiban Jitsumu Taikei 4, Chiteki Zaisan Kankei Soshō Hō*, p. 364.

12 Theories recognizing the non-dispute obligation include the following: Yoshimitsu Noguchi, “Tokkyo Jisshi Keiyaku” (Patent Licensing Agreements), Hara Masuji Hanji Taikan Kinen, *Kōgyō Shoyūken No Kihonteki Kadai Ge* (Essays in Honor of Retirement of Judge Masuji Hara: Basic Issues of Industrial Property Rights Vol. 2), p. 1043; Ken’ichirō Ōsumi, “Gijutsu Teikei” (Technological Tie-up), *Keiei Hōgaku Zenshū* (Collected Treatises on Business Act), Vol. 11 (Diamond, 1967), p. 136; Shirō Mitsuiishi, *Tokkyo Hō Shōsetsu [Shinpan]*, p. 530. Those that do not recognize the obligation include the following: Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 445; Nobuo Mon’ya, *Chūshaku Tokkyo Hō*, p. 273 (written by Kazufumi Dohi); Daijirō Nagata, *Gijutsu Enjo Keiyaku* (Technical Assistance Agreements) (Yuhikaku, 1962), p. 210. In the Tokyo High Court Judgment, July 30, 1985, *Mutai Saishū*, Vol. 17, No. 2, p. 344 (the Faucet Splice Fitting Design case), the court held that it is not against the fair and equitable principle for a non-exclusive licensee to request a trial for invalidation, unless any special circumstance exists. However, the non-dispute obligation is often stipulated in actual contracts.

13 There is hardly any reason to distinguish between an exclusive license and a non-exclusive license regarding this issue. If some kind of distinction were to be made, an exclusive licensee is often in a closer relationship with the patentee, so it would be easier to uphold the non-dispute obligation. However, the difference is not considered to be significant. The following judgments, though they were related to non-exclusive licenses, found the licensee to be eligible to request a trial for invalidation as a general rule: the Tokyo High Court Judgment, January 31, 1963, *Gyōshū*, Vol. 14, No. 1, p. 95 (the Synthetic Resin Decorative Laminated case; a case under the former Act); the Tokyo High Court Judgment, July 30, 1985, *Mutai Saishū*, Vol. 17, No. 2, p. 344 (the Faucet Splice Fitting Design case).

contravenes public order and morality or an abuse of a dominant bargaining position in the process of concluding the contract, it would be a different matter. Also, a non-dispute obligation may be recognized in such special cases as where the license contract was concluded following the withdrawal of a request for an invalidation trial based on a settlement, or where the parties were in a special relationship.

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(4) Changes to the Parties

A. Change of Licensor (Patentee)

The patentee can freely assign the patent right to another person even after establishing an exclusive license. Since the transfer of an exclusive license only becomes effective by registration (Article 98, paragraph (1), item (ii) of the Patent Act), the exclusive licensee is always registered and is able to duly assert against the assignee of the patent right.

The next problem is the content of what can be asserted against the assignee, that is, the consequence of the exclusive license contract concluded between the former patentee and the exclusive licensee. Since this issue is the same as in the case of a non-exclusive license, for details, see “9.4.3.4.(5) Changes to the Parties.”

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B. Change to the Exclusive Licensee

Since an exclusive license is a property right, there is a question of whether its transfer should generally be allowed, similarly to the case of a superficies. However, the patentee has a serious interest in the identity of the exclusive licensee, so certain restrictions on the transfer of an exclusive license are stipulated under the Patent Act. They have the same purpose as the restrictions on assignment of one person's share of a jointly owned patent right (Article 73, paragraph (1) of the Patent Act). The exclusive licensee can transfer the license only together with the business involved, with the consent of the patentee, or in the case of a general succession (Article 77, paragraph (3) of the Patent Act).

It is natural that transfers are allowed with the consent of the patentee or in the case of a general succession, but a problem arises in the case of a transfer together with the business involved without the consent of the patentee. If the exclusive license is not transferred when the business involved is transferred, the business cannot be continued and the facilities must be discarded as a result. It would bring an unfavorable result where a business cannot be transferred due to the presence of an exclusive license. The concept of business in this case is not necessarily clear. In other words, if the transfer of an exclusive license were allowed even for a minute transfer of facilities, it would be equivalent to recognizing a free assignment of an exclusive license as a result. On the other hand, if the

transfer of the business were considered to mean the assignment of the company's business operations, in many cases it would disable the transfer of facilities or lead to the discarding of facilities. Ultimately, this is an issue of where to achieve the balance between protection of the exclusive licensee and protection of the patentee. From this viewpoint, the term “business” should be interpreted as meaning a business sufficient for working the patented invention. Its specific size should be determined on a case by case basis according to the content of the patented invention.

With regard to a general succession, a transfer in the case of inheritance is unavoidable, but an exclusive license would also be transferred in the case where a large company merges with a small company, which can be inconvenient at times. In practice, a merger, etc. is usually stipulated in advance in the exclusive license contract as grounds for cancellation.

It should be construed that a compulsory execution with regard to an exclusive license also requires the consent of the patentee, since it results in a transfer of rights. The consent of the patentee is also required when establishing a pledge on the exclusive license or when granting a non-exclusive license to another person (Article 77, paragraph (4) of the Patent Act).

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9.4.3. Non-Exclusive License (Article 78 of the Patent Act)

9.4.3.1. Nature of a Non-Exclusive License

A non-exclusive license is stipulated as a right to work a patented invention as a business to the extent permitted by the contract granting the license (Article 78, paragraph (2) of the Patent Act). A non-exclusive license contract is a consensual contract under which the patentee allows a licensee to work the invention. A non-exclusive license differs from an exclusive license in that it has no monopoly and exclusivity, so it can exist in an overlapped manner. Unless being bound by a contract, the patentee (or an exclusive licensee) is able to grant non-exclusive licenses with the same content to multiple persons. In that sense, a non-exclusive license can be regarded as a right to demand inaction from the patentee in not exercising his/her right to seek an injunction or his/her right to claim compensation for damages. Since actual non-exclusive license contracts can have various different contents, they sometimes include provisions on an obligation to cooperate in actually working the invention, an obligation to provide know-how, and an obligation to eliminate infringements, among other matters, but these matters do not derive naturally from the non-exclusive license itself, nor are they obligations that essentially derive from a non-exclusive license, rather they are dependent on individual contracts.¹ Non-exclusive licenses include licenses of various types. For example, a non-exclusive license may be concluded where the licensee has complete technology, but cannot work the technology only because the patent in question is in the way. Also, there is a monopolistic non-exclusive license where the patentee specially agrees not to grant a license to any other party, or a non-exclusive license which is similar to a cartel. On the other hand, there is an implicit non-exclusive license that occurs when silent approval is given to the working of the invention by another person in a certain situation. In a special mode, there could also be a case where parties that had been in dispute over the validity of a patent right reconcile and conclude a non-exclusive license agreement. These various modes of license can all be categorized as non-exclusive licenses, and their common denominator is being a non-exclusive license under the Patent Act. Thus, a non-exclusive license is an authorization to be free from a demand for an injunction or a claim for compensation for damages even if the licensee works the invention as a business; in other words, it is considered as a right to

¹ In the Tokyo District Court Judgment, August 27, 1998, *Hanta*, No. 989, p. 258 (the Contact Filter Medium case), the court held that "in order to work a patented invention industrially or commercially, other technical information is usually required, and even where it is difficult for a licensor to work the patented invention industrially or commercially, the licensor is not liable for defect warranty unless there is a special agreement in the contract."

demand inaction.² The actual content of a non-exclusive license centers on the right to demand inaction with various other matters added to it according to the contract.

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This is not a mere issue of literal interpretation of the law, but a characteristic common to intellectual property rights for which the law has a specially recognized monopoly over information. The greatest feature of the non-exclusive license is that it ensures the patentee's inaction of not exercising his/her right against the working of the invention by the licensee, and therefore multiple licensees can exist concurrently, unlike a leasehold which is intended for delivering a specific product. It merely ensures that the patentee does not exercise his/her right against the licensees. In other words, a patent right is an exclusive right in essence, and the patentee can either exercise or not exercise his/her exclusive right against a third party, and if he/she does not exercise the right, the third party can work the invention, which is what a non-exclusive license is. The act of not exercising the exclusive right is either based on an explicit contract or an implicit agreement.

9.4.3.2. Types of Non-Exclusive Licenses

The non-exclusive licenses provided for under the Patent Act are the non-exclusive license by agreement, the compulsory non-exclusive license, and the statutory non-exclusive license. The latter two will be described in detail in 9.4.4. and 9.4.5. and the non-exclusive license by agreement will be discussed here.

The content of a non-exclusive license by agreement can be freely decided by contract. For a variety of reasons, a special agreement not to grant the license to another

2 The following Supreme Court judgment holds the same view concerning the nature of a non-exclusive license in relation to the obligation of registration (such obligation no longer presents an issue since the non-exclusive license system was abolished upon the 2011 revision): the Supreme Court Judgment, April 20, 1973, *Minshū*, Vol. 27, No. 3, p. 580 (the Punching Construction Method case). An opposing theory (a theory stating that the licensor naturally bears obligations including an obligation to cooperate in working the invention) is advocated in the following: Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 309 (it states that the licensor is liable to explain the patent description and drawings, as well as teach the process of working and cooperate in necessary registration); Yoshinobu Someno, “Tokkyo Jisshi Keiyaku” (Patent Licensing Agreements), *Keiyaku Hō Taikei* (Outline of Contract Act) VI (2) (Yuhikaku, 1963), p. 381; Kazuo Morioka, *Hatsumeï* (Invention), Vol. 81, No. 10 (1984), p. 98; Tsunekazu Kojima, “Tsūjō Jisshiken No Fukashinsei” (Inviolability of Non-Exclusive License), *Ajia Hōgaku* (Asia University Law Review), Vol. 19, No. 1/2 (combined issue) (1985), p. 155. These academic theories attempt to recognize the obligation of inaction of the non-exclusive licensor based on the working of Article 78, paragraph (2) of the Patent Act that “a non-exclusive licensee shall have a right to work the patented invention as a business....,” but they confuse the non-exclusive license itself with the contract. In the Osaka District Court Judgment, December 26, 1964, *Kamin*, Vol. 15, No. 12, p. 3121 (the Polypropylene case), the court stated as follows in obiter dictum: “It is reasonable to consider that in addition to an obligation to authorize the non-exclusive licensee to work the patented invention (the obligation of inaction), the licensor has an obligation to stop illegal patent infringements by third parties in order also to make the working of the invention complete in the practical sense (a legal duty).” However, there seems to have been a special agreement in this case to the effect that “the patentee shall file and conduct in good faith lawsuits against any patent infringement, as required, in order to prevent practical infringements,” and this judgment also mentioned that “as a liability based on the license contract, the licensor” has an obligation to eliminate infringements. Therefore, this judgment has not stated the general rule for non-exclusive licenses.

person is often concluded between the parties (this is called a monopolistic non-exclusive license).³ Also, it is possible to conclude a special agreement to the effect that the patentee shall no longer work the invention (this is called a completely monopolistic non-exclusive license). Since this is a matter of contract, there are no particular provisions applicable under the Patent Act, but there is no special reason to deny the contractual effect of such special agreement either. If the patentee grants a license to another person in violation of the contract, the monopolistic non-exclusive licensee can hold the patentee liable for the default of an obligation. Incidentally, whether or not a license is monopolistic is only decided by contract and, under some circumstances, a monopolistic non-exclusive license can also be established by an implicit agreement.⁴

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9.4.3.3. Establishment and Extinguishment of a Non-exclusive License

In most cases, a non-exclusive license takes effect through a contract. When a patent right is jointly owned, a non-exclusive license cannot be granted without the consent of all the joint owners (Article 73, paragraph (3) of the Patent Act). This aspect is the same as in the case of an exclusive license.

Since a non-exclusive license is established based on a patent right, it is extinguished by operation of law when the patent right is extinguished. Specifically, the non-exclusive license is also extinguished when the patent right is extinguished due to the expiration of the duration of the patent, a trial decision of invalidation becoming final and binding, or the absence of an heir, or due to a waiver of the patent right (however, this requires the consent of the licensee of the non-exclusive license granted by an agreement; Article 97, paragraph (1) of the Patent Act), or the revocation of the patent right (Article 100 of the Anti-Monopoly Act). When the non-exclusive license has been granted by an exclusive licensee, the non-exclusive license is also extinguished when the exclusive license is extinguished. The grounds for the extinguishment of the non-exclusive license itself are the extinguishment of the contractual relationship between the parties (e.g. expiration of the

3 This is an issue of a contract, and there can be more than one monopolistic non-exclusive licensee with regard to a single patent right. There can be a contract to grant non-exclusive licenses to only two licensees, and not to grant a license to any other person. One such example is an exclusive patent pool, although there are some problems with respect to antitrust law. Ōki Suwano, “Dokusenteki Tsūjō Jisshiken Ni Tsuite -- Dokusen No Seishitsu Narabini Sashitome Seikyū No Kahi/Jōken To Sono Kihanryoku” (A Study on Exclusive License Called in Japan “Dokusen-teki Tsujo-Jisshi-ken”), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō* (Annual of Industrial Property Law of the Japan Association of Industrial Property Law), No. 31 (2008), p. 27.

4 The Tokyo District Court Judgment, May 7, 1962, *Kamin*, Vol. 13, No. 5, p. 972 (the Gas Pressure Welding Method case); the Osaka District Court Judgment, February 28, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 92 (the Artificial Hair Transplantation Device case). An invention made by the representative of a company similar to a privately-managed stock company could be acknowledged to be monopolistic in some cases judging from the relationship between the inventor and the company working the invention.

term of agreement, cancellation of the contract), waiver of the non-exclusive license, or revocation of the non-exclusive license (Article 100 of the Anti-Monopoly Act). When the patentee and the non-exclusive licensee come to merge, the non-exclusive license is extinguished due to a confusion of rights under Article 179 of the Civil Code.

9.4.3.4. Content of a Non-Exclusive License

(1) Scope of a Non-Exclusive License

The scope of a non-exclusive license can be decided by contract as in the case of an exclusive license.

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There is a theory stating that sublicensing a non-exclusive license cannot be recognized, because unlike in the case of an exclusive license (Article 77, paragraph (4) of the Patent Act), there is no such provision under the Patent Act.⁵ However, sublicenses are actually being granted and the prevalent theory is that they should be recognized. The only party having an interest in the sublicensing is the patentee, so as long as the patentee gives his/her consent, there should be no problem in allowing sublicensing. Unless a sublicensing contract violates any compulsory law or regulation, the Patent Act should not intervene in the contract between the parties. The only main issue is the theoretical construction of the license. It would be possible to consider it both as a grant of a sublicense by the non-exclusive licensee and as a direct grant of a non-exclusive license to the sublicensee by the patentee based on the consent of the patentee. However, if the licensee has obtained the consent of the patentee as regards sublicensing, the sublicensee tends to pay the license fee to the sublicensor. Also, various contracts tend to be concluded between the sublicensee and the sublicensor. Thus, in most cases, it would be more suited to the actual situation to construct the license as a sublicense than as a direct grant of a non-exclusive license by the patentee, but there would also be cases where it would be more reasonable to regard the license as a license directly granted to the sublicensee by the patentee due to a number of circumstances.

(2) Effects of a Non-Exclusive License

The most disputed point regarding the effects of a non-exclusive license is whether a non-exclusive licensee can claim damages and seek an injunction against an infringement. Specifically, there is a question of whether or not the working of the invention by a third party having no authorization to do so can constitute a tort against the non-exclusive licensee, a question of whether a non-exclusive licensee is recognized as having a specific

⁵ Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 346.

right to claim damages and a right to seek an injunction, and a question of whether a non-exclusive licensee can seek an injunction in subrogation of the patentee (exclusive licensee). Theories are greatly diversified regarding this point and are in no way in agreement,⁶ but, since it is basically an issue concerning the Civil Code, its details will be left to the books in that field, and only an overview will be introduced here.

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In theory, the violation of a claim can constitute an act of tort. However it has hardly ever been recognized by the courts in practice. A non-exclusive license is basically a claim, and it is merely a right to demand inaction whereby the patentee will not seek an injunction or claim damages against the licensee. The patentee is free to grant a license to other third parties or give silent approval (implied agreement) to the working of the invention by a third party. Meanwhile, a non-exclusive licensee may continue to work the invention without hindrance even if a third party works the invention without authorization. In other words, a non-exclusive licensee has only gained the authority to work the invention directly, and no legally protected interest is violated by a third party's unauthorized working of the invention. If a non-exclusive licensee were recognized as having a right to claim damages under such a situation, it would mean depriving the patentee of his/her right. Accordingly, a non-exclusive licensee may have an economic interest, but no interest that deserves to be legally protected, in the working of an invention by a third party who has no authorization, and most opinions agree on that such working of an invention by a third party does not constitute an act of tort against the non-exclusive licensee.⁷

Next, there is the issue of the right to claim damages by a monopolistic non-exclusive licensee. A monopolistic non-exclusive license is a non-exclusive license with a special agreement whereby the patentee will only grant a license to that licensee, and it is an authorization to work the invention monopolistically under an agreement. Although it is a

6 For details of the theories, see the following: Nobuhiro Nakayama, "Tsūjō Jisshiken No Shingai" (Infringement of Non-Exclusive Licenses), Nakamatsu Junnosuke Sensei Tsuitō Ronbun Shū, *Kokusai Kōgyō Shoyūken Hō No Sho Mondai* (Essays in Memory of Professor Junnosuke Nakamatsu: Various Problems Relating to International Industrial Property Laws), p. 483; Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 830 [written by Nobuhiro Nakayama]; Kazuo Morioka, "Jisshikensha No Sashitome Seikyūken" (A Licensee's Right to Demand an Injunction), *Tōyō Hōgaku*, Vol. 20, No. 1 (1997), p. 79.

7 This is the consistent stance taken by court judgments including the Osaka District Court Judgment, April 26, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 271 (the Super Joiner case). A third party's working of the invention could constitute a breach of performance with regard to contracts associated with a non-exclusive license, but that is an issue of the ordinary violation of a claim, and not an issue specific to non-exclusive licenses. As a legislative approach, Toshiya Kaneko, "Tokkyōken No Shingai Ni Taisuru Dokusenteki Tsūjō Jisshikensha No Songai Baishō Seikyūken" (Should a Licensee Have a Right to Recover Damages from a Patent Infringer?), *Intellectual Property Law and Policy Journal*, No. 21 (2008), p. 232 proposes a system whereby a non-exclusive licensee may claim damages if he/she has been granted a "right to claim specific damages against any infringer of the patent right" through an agreement between the licensee and the patentee, which is a notable opinion. By the way, only one kind of license was stipulated under the former Patent Act, and there was no distinction between an exclusive license and a non-exclusive license. However, in practice, accessory registration to the effect that the license was monopolistic had been recognized, so licenses with such registration can be considered to be close to the exclusive license under the current Act. Therefore, attention should be paid to this point when examining court judgments under the former Act.

status merely recognized under a contract, if a third party works the invention without authorization, the monopoly is formally violated, and it would appear that the interest of the monopolistic non-exclusive licensee has been harmed. Since the Patent Act provides for the exclusive license as a monopolistic license, and the exclusive licensee has the right to seek an injunction and a right to claim damages, some people may insist that there is no need to recognize a right to claim damages for a claim under the name of a monopolistic non-exclusive license by interpretation. However, due to a variety of reasons, exclusive licenses are rarely used in actuality, and monopolistic non-exclusive licenses are most frequently used as a system for granting a monopolistic license. Under such circumstances, it would not be appropriate to deny a person the right to seek damages for a monopolistic non-exclusive license. Court judgments also tend to recognize a specific right to claim damages for a monopolistic non-exclusive licensee.⁸ The underlying reason would either be to consider the violation of the license to be an act of tort violating a claim, or to consider that the status of a monopolistic non-exclusive licensee deserves to be legally protected and this corresponds to the “legally protected interest” referred to in Article 709 of the Civil Code.

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However, there is a conflict of views over whether the existence of a monopolistic non-exclusive license contract is sufficient for recognizing a right to claim damages, or an actual monopolistic status is required in addition to such contract. Assumable cases are where the patentee has granted a license to another party in violation of the contract, or where patent infringement is widespread as a result of not taking any measures against it. In this regard, various theories exist on the positioning of the monopolistic non-exclusive license, which is not provided under the Patent Act.⁹ The outcome would differ depending on whether the working by a third party is processed as an issue of a violation of claim, whether the status of a monopolistic non-exclusive license is regarded as a legally protected status similar to a claim-like right to use real property (e.g., the right to use a cemetery) on the basis that the license has a socially important status under the contract, or whether a

8 The Osaka District Court Judgment, February 28, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 92 (the Artificial Hair Transplantation Device case); the Osaka High Court Judgment, January 30, 1980, *Mutai Saishū*, Vol. 12, No. 1, p. 33; the Osaka District Court Judgment, December 20, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 803 (the Hair Brush Design case); the Osaka High Court Judgment, June 20, 1986, *Mutai Saishū*, Vol. 18, No. 2, p. 210; the Supreme Court Judgment, January 20, 1987, 1986 (O), No. 1127; the Kobe District Court Judgment, March 18, 1987, *Hanta*, No. 645, p. 234 (the Pile Burying Method case); the Kyoto District Court Judgment, December 21, 1987, *Tokkyo To Kigyō* (Patents and Enterprises), No. 230, p. 79 (the Textile Coloring and Patterning Method case); the Osaka District Court Judgment, May 27, 1991, *Chiteki Saishū*, Vol. 23, No. 2, p. 320 (the Double Mixer case); the Tokyo District Court Judgment, October 12, 1998, *Chiteki Saishū*, Vol. 30, No. 4, p. 709/*Hanji*, No. 1653, p. 54/*Hanta*, No. 986, p. 144 (the Cimetidine case); the Tokyo District Court Judgment, May 31, 2005, *Hanji*, No. 1969, p. 108 (the Inductive Power Distribution case).

9 This issue is discussed in detail in Toshiya Kaneko, “Tokkyoken No Shingasha Ni Taisuru Dokusenteki Tsūjō Jisshikensha No Songai Baishō Seikyūken” (Should a Licensee Have a Right to Recover Damages from a Patent Infringer?), *Intellectual Property Law and Policy Journal*, No. 21 (2008), p. 203.

monopolistic non-exclusive license is regarded as being legally protected by focusing on the factual status of the monopoly actually enjoyed by the licensee under the contract. None of these cases is decisive. However, considering that, although a monopolistic non-exclusive license merely has a claim-like status based on which the licensee can work the invention monopolistically under a contract with the patentee, the licensee can enjoy profits based on the actual monopolistic status, and the existence of a right to claim damages should be determined based on whether or not the licensee has gained actual monopolistic profits, rather than be based on the presence or absence of a contract granting a formal right of monopoly or a contract authorizing a specific right to claim damages.¹⁰ Nevertheless, if importance were to be so placed on the monopolistic status, a question would remain about the treatment of a case where the license is a non-monopolistic non-exclusive license but with an actual monopolistic status, or where the patentee has granted a license to another party with the consent of the monopolistic non-exclusive licensee (i.e. where only a specific group is monopolizing the working of the invention).

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Supposing that a monopolistic non-exclusive licensee were regarded as having a right to claim damages, there will be a question of whether negligence would also be presumed for an infringement of a monopolistic non-exclusive license. Negligence is presumed based on the fact that the existence and the content of the patented invention are publicly notified. Although the existence of the monopolistic non-exclusive license itself is not publicly notified, an analogical application of the provision on the presumption of negligence should be allowed.¹¹ As an infringer is in a position capable of knowing that he/she is infringing another person's patent by researching patent registrations, there would seem to be no problem in recognizing the presumption of negligence. Also, in the case of an infringement of a monopolistic non-exclusive license, the application of the presumptive provisions on the amount of damages (Article 102, paragraphs (1) and (2) of the Patent Act) presents a problem. Considering that the presumptive provisions are recognized for patents and exclusive licenses as these are rights with the nature of real rights, monopolistic non-

10 In the Tokyo District Court Judgment, June 27, 2003, *Hanji*, No. 1840, p. 92/*Hanta*, No. 1141, p. 245 (the Pollen Cough Drop case), which is a trademark case, the court basically recognized that a person having a monopolistic right to use a trademark has a right to seek damages against third parties, but since the trademark owner had granted a non-exclusive license to another party, the court denied the claim for damages on the basis that an actual case of monopolizing the right to use the trademark could not be found.

11 The Tokyo District Court Judgment, May 29, 1998, *Hanji*, No. 1663, p. 129/*Hanta*, No. 990, p. 251 (the Correction Insoles for Bowlegs case). Courts have recognized the right to claim damages with regard to monopolistic non-exclusive licensees in many trademark cases. The Osaka District Court Judgment, December 25, 1991, 1989 (Wa), No. 2836/1991 (Wa), No. 6052 (the Sweat Shirts case); the Tokyo District Court Judgment, June 27, 2003, *Hanji*, No. 1840, p. 92/*Hanta*, No. 1141, p. 245 (the Pollen Cough Drop case); the Tokyo District Court Judgment, May 31, 2005, *Hanji*, No. 1969, p. 108 (the Inductive Power Distribution case). There were also cases where the court recognized negligence on a case by case basis instead of analogically applying Article 103 of the Patent Act. In contrast, cases in which the court did not recognize the presumption of negligence include the following: the Osaka High Court Judgment, September 16, 1982, *Mutai Saishū*, Vol. 14, No. 3, p. 571 (the Stiffening Metal for Saw case).

exclusive licenses are claims, so an analogical application of the presumptive provisions cannot be recognized for an infringement thereof, and only damages with a reasonable causal relationship would be awarded pursuant to the Civil Code.¹² However, the presumptive provisions on the amount of damages under the Patent Act were specially established because it is extremely difficult to actually prove the amount of damages pursuant to the Civil Code due to the peculiarity of patent infringements. Thus, if an analogical application of the presumptive provisions were not recognized, the amount of damages that can be claimed against the infringement of a monopolistic non-exclusive license would be low. The presumptive provisions on the amount of damages should be regarded as provisions specific to infringements of information property, rather than provisions specific to infringements of patents and exclusive licenses which are rights having the nature of real rights, and in that case, an analogical application of the presumptive provisions should also be recognized for monopolistic non-exclusive licenses.¹³ It should be noted, however, that in the case where a monopolistic non-exclusive licensee claims damages, the amount to be paid to the patentee (the license fee) would be deducted from the amount of damages.¹⁴

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Next comes the question of whether or not a specific right to seek an injunction can be recognized based on a non-exclusive license. There is no problem with the fact that the right to demand the abatement of a nuisance is not recognized for a non-monopolistic non-exclusive license, but the question arises with regard to a monopolistic non-exclusive

12 In the Tokyo District Court Judgment, June 27, 2003, *Hanji*, No. 1840, p. 92/*Hanta*, No. 1141, p. 245 (the Pollen Cough Drop case), which is a trademark case, the court held that claimable damages are limited to those that have a reasonable causal relation with a third party's act of infringement, even if sales of infringing products had affected the sales of the products of the monopolistic non-exclusive licensee, and denied the claim for damages on the basis that it was not possible to determine the portion of damage which had a reasonable causal relation with the use of the "花粉" (pollen) mark.

13 The Osaka District Court Judgment, February 28, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 92 (the Artificial Hair Transplantation Device case); the Osaka High Court Judgment, January 30, 1980, *Mutai Saishū*, Vol. 12, No. 1, p. 33; the Osaka District Court Judgment, December 20, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 803 (the Hair Brush Design case); the Osaka High Court Judgment, June 20, 1986, *Mutai Saishū*, Vol. 18, No. 2, p. 210; the Tokyo District Court Judgment, May 29, 1998, *Hanji*, No. 1663, p. 129/*Hanta*, No. 990, p. 251 (the Correction Insoles for Bowlegs case); the Tokyo District Court Judgment, October 12, 1998, *Chiteki Saishū*, Vol. 30, No. 4, p. 709/*Hanji*, No. 1653, p. 54/*Hanta*, No. 986, p. 144 (the Cimetidine case). In the Tokyo District Court Judgment, May 31, 2005, *Hanji*, No. 1969, p. 108/*Hanta*, No. 1257, p. 283 (the Inductive Power Distribution case), the court stated that "while a monopolistic non-exclusive licensee is practically no different from an exclusive licensee in that he/she can monopolistically work the patent and gain profits from the market, the purpose of said paragraph [Article 102, paragraph (3) of the Patent Act; a note by the author] also applies to a monopolistic non-exclusive licensee, so said provision shall be analogically applied to damages incurred by a monopolistic non-exclusive licensee from an infringer's act of working the invention." The same view is indicated in Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 1115 (written by Reiko Aoyagi). On the other hand, an analogical application was not recognized in the Tokyo High Court Judgment, March 4, 1981, *Mutai Saishū*, Vol. 13, No. 1, p. 271 (the Lure Design case), but the analogical application has been recognized in most cases in recent years.

14 The Osaka District Court Judgment, February 28, 1979, *Mutai Saishū*, Vol. 11, No. 1, p. 92 (the Artificial Hair Transplantation Device case); the Tokyo District Court Judgment, April 22, 1988, *Hanji*, No. 1274, p. 117/*Hanta*, No. 667, p. 218 (the Windsurfing case); the Osaka District Court Judgment, May 27, 1991, *Chiteki Saishū*, Vol. 23, No. 2, p. 320 (the Double Mixer case).

license. A claim-like right to use real property has a long history and there had been social demands to strengthen this right, so, particularly in cases of leased land or leased houses, the right to use real property has come to be recognized as having a strength quite similar to that of a real right. On the other hand, a non-exclusive license is fundamentally different from the case of real property in that it can be used to overlap with another. In addition, the Patent Act particularly provides for an exclusive license system based on which an injunction can be sought. If a right to seek an injunction were recognized for non-exclusive licenses in general, non-exclusive licenses would hardly be different in practice from exclusive licenses, and because non-exclusive licenses became effective against third parties by operation of law upon the 2011 revision, exclusive licenses will increasingly lose their significance. Only a few countries have separate provisions for exclusive licenses and non-exclusive licenses, and there could be various legislative approaches, but as an approach for interpreting the current statutes, exclusive licenses cannot be neglected. Under such circumstances, there is a problem in discussing this issue on the same plane as the claim-like right to use real property, so it is considered unrealistic to recognize a specific right to seek an injunction based on a monopolistic non-exclusive license as an interpretation of the current Act, and court judgments have not recognized the specific right to seek an injunction against an infringement of a monopolistic non-exclusive license either.¹⁵

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Another question is whether or not a non-exclusive licensee can seek an injunction from the infringer in subrogation of the patentee, but subrogation is not recognized for all claims under the Civil Code. The system of *action subrogatoire* was not originally a system for the conservation of specified claims, but it had required the insolvency of the obligor. Later, court judgments and academic theories began to recognize the application of the provision of *action subrogatoire* to the conservation of specified claims with regard to the claim-like right to use real property. The *action subrogatoire* must be recognized for real property, because the overlapping use of real property is physically impossible and the lessor of a real property has an obligation to make the real property available for use by the lessee. In contrast, patents can overlap with each other. The patentee is free to grant a license to another third party after granting a non-exclusive license, and unless there is any special agreement, a non-exclusive licensee has no right to demand that the patentee

¹⁵ Court judgments in which the court denied a monopolistic non-exclusive licensee's right to seek an injunction include the following: the Osaka District Court Judgment, December 20, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 803 (the Hair Brush Design case; a case in which subrogation was not recognized either); the Osaka High Court Judgment, June 20, 1986, *Mutai Saishū*, Vol. 18, No. 2, p. 210. As an opposite view, Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 343 states that Article 100 of the Patent Act should be analogically applied with regard to the right to seek an injunction.

eliminate any infringements. If the *action subrogatoire* were recognized in such a situation, it would result in unjustly depriving the patentee of his/her freedom, and unfairly expanding the right of the non-exclusive licensee.

In the case of a monopolistic non-exclusive license, the courts have recognized the *action subrogatoire* in some cases under the former Act.¹⁶ In contrast, there are views indicating that the grant of a monopolistic non-exclusive license is merely a contract to the effect that the patentee will not grant a license to any other party where licenses overlap, so subrogation will be recognized only in cases where there is a special agreement on the patentee's obligation to eliminate infringements.¹⁷ Indeed, given that a monopolistic non-exclusive license is a claim, it may not be easy or appropriate to recognize subrogation, but the status of its use resembles the case of a claim-like right to use real property. Even if subrogation were to be recognized only in cases where there is a special agreement on the patentee's obligation to eliminate infringements, such special agreement need not be limited to an explicit agreement, and the presence or absence of the obligation of elimination should be determined by comprehensively considering applicable circumstances.¹⁸

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(3) Obligations under a Non-Exclusive License

Until the 2011 revision, the most debated issue with regard to obligations relating to a non-exclusive license was whether or not a patentee (a non-exclusive licensor) had an obligation of registration. Court judgments had consistently denied the obligation of registration.¹⁹ However, with the 2011 revision, a non-exclusive license became effective against third parties by operation of law (Article 99 of the Patent Act). As a result, the license registry was abolished and the registration system itself was discontinued, so the issue of the obligation of registration is no longer relevant today.

16 In the following judgment, the court held that a monopolistic non-exclusive licensee may exercise the right to seek an injunction in subrogation of the patentee: the Tokyo District Court Judgment, August 31, 1965, *Hanta*, No. 185, p. 209 (the Device for Double Eccentric Cam case). However, this is a case under the former Act, and is considered to be a case on a license with a special agreement to the effect that the license is monopolistic (the claim was dismissed in conclusion). On the other hand, subrogation was not recognized in the following judgment: the Osaka District Court Judgment, December 20, 1984, *Mutai Saishū*, Vol. 16, No. 3, p. 803 (the Hair Brush Design case).

17 Ōki Suwano, “Dokusenteki Tsūjō Jisshiken Ni Tsuite -- Dokusen No Seishitsu Narabini Sashitome Seikyū No Kahi/Jōken To Sono Kihanryoku” (A Study on Exclusive License Called in Japan “Dokusen-teki Tsujo-Jisshi-ken”), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō* (Annual of Industrial Property Law of the Japan Association of Industrial Property Law), No. 31 (2008), p. 30. Ryū Takabayashi, *Hyōjun Tokkyō Hō [Dai 5 Han]* (Patent Law from the Ground Up [4th ed.]), p. 197 states that subrogation can be exercised only when the patentee has borne the obligation to demand an injunction.

18 Ryō Shimanami, Tatsuhiro Ueno, and Hisayoshi Yokoyama, *Tokkyō Hō Nyūmon* (Introduction to the Patent Act), p. 241.

19 The Supreme Court Judgment, April 20, 1973, *Minshū*, Vol. 27, No. 3, p. 580 (the Punching Construction Method case). Although this Supreme Court judgment was rendered under the former Act, it had value as a precedent until the 2011 revision of the Act, and subsequent lower court judgments had followed this Supreme Court judgment. Nobuhiro Nakayama, “Tsūjō Jisshiken To Tōroku Seikyūken” (Non-exclusive License and the Right to Demand Registration), *Nihon Kōgyō Shoyūken Hō Gakkai Nenpō* (Annual of Industrial Property Act of the Japan Association of Industrial Property Law), No. 2 (1979), p. 24.

Apart from these issues, the issue of whether or not the patentee has an obligation to maintain the patent right and its value is also basically a matter of contract. The patentee is not likely to be obliged to maintain the patent right in the case of an implicit non-exclusive license. By contrast, when concluding a non-exclusive license for value, it is likely to be construed as imposing an obligation to maintain the patent right on the patentee in many cases.

Although the main obligation of a non-exclusive licensee is his/her obligation to pay the license fee, this is also a matter of contract, and there might even not be a fee. With regard to the non-dispute obligation, the conditions are the same as for an exclusive license.

(4) Matters to be registered and matters to be disclosed

Before the 2011 revision, the registration of a non-exclusive license was a requirement for the license to be effective against third parties, and most non-exclusive licenses were not registered. However, with an increase of large-scale bankruptcies, unregistered non-exclusive licenses, which were not effective against third parties, became more likely to cause confusion. Thus, following the “specified non-exclusive license registration system” established upon the 2007 revision of the Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities, the matters to be disclosed were reduced upon the 2008 revision of the Patent Registration Order in order to make the system for registration of the establishment of non-exclusive licenses easier to use.²⁰ Furthermore, with the 2011 revision, the non-exclusive license registration system itself was abolished, and the license registry was also abolished, so the issue of disclosure concerning non-exclusive licenses was no longer relevant.

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(5) Changes to the Parties

A patentee (including an exclusive licensee) can assign a patent right after granting a non-exclusive license. Also, the patent right could be seized and transferred to a third party by auction, or the patentee could become bankrupt, and the patent right could be placed under the administration of a bankruptcy trustee. A non-exclusive licensee cannot raise an objection to such a transfer, etc., but in such case, the outcome of the non-exclusive license comes into question.

In the past, registration had been required in order for a non-exclusive license to be asserted against third parties (Article 99 of the Patent Act before the 2011 revision), but the actual number of registrations had been small. The factors that had been indicated as the

²⁰ Although the following no longer have significance today due to the abolition of the non-exclusive license registry, see Minoru Takeda, “Shin Tsūjō Jisshiken Tō Tōroku Seido No Gaiyō” (Outline of the New Registration System for Non-exclusive Licenses, etc.), *L&T* (Law & Technology), No. 40 (2008), p. 13; Kōtarō Kimura, “Tokkyo Raisensu Keiyaku O Meguru Shomondai” (Practical Issues in Patent Licensing), *Chizai Kanri* (Intellectual Property Management), Vol. 59, No. 6 (2009), p. 615.

reasons for such small number of registrations included the fact that the registration fee was too high, secrecy could not be maintained, and there were licenses for which the licensed patent right could not be specified in such case as cross licensing.

In recent years, due to a growing number of failures of patent-holding companies, an increasing number of non-exclusive licensees, whose licenses cannot be asserted against third parties, have been put into an unstable position. Also, patentees such as venture companies were often disadvantaged because when they tried to license out their patent rights, potential licensees would often only offer to purchase those patent rights instead of receiving licenses, in fear of the patentee's possible bankruptcy. In addition, in cases where a large number of companies were connected to each other through cross licensing,²¹ particularly comprehensive cross licensing, there was a concern that the bankruptcy of a single company would cause a chain reaction and damage other companies, if non-exclusive licenses could not be asserted against third parties. Due to such circumstances, voices insisting that unregistered non-exclusive licenses should also be protected grew stronger. In addition, given that registration was not required for countering third parties in many foreign countries, there was a strongly held belief that international harmonization could not be achieved if Japan maintained the registration requirement. Accordingly, Article 99 was revised in 2011, abolishing the registration system for non-exclusive licenses and providing that all non-exclusive licenses can be asserted by third parties by operation of law. Incidentally, non-exclusive licenses that had been granted prior to the revision also became effective against third parties by operation of law due to the application of the revising Act (Article 2, item (xi) of the Supplementary Provisions).²²

Conventionally, various provisions existed concerning registered non-exclusive licenses, but since non-exclusive licenses became effective against third parties by operation of law without registration upon the 2011 revision, the non-exclusive license registry was abolished, and all provisions related to it were abolished as well. First, Article 99, paragraphs (2) and (3) were deleted, eliminating provisions to the effect that a statutory non-exclusive license was effective against third parties without registration, and provisions to the effect that any transfer, modification, extinguishment, or restriction on its disposal of a non-exclusive license must be registered in order for it to become effective

21 With regard to cross licensing, see Yasufumi Shiroshima, "Tokkyo Kurosu Raisensu Keiyaku" (Patent Cross License Agreement), Nakayama Nobuhiro Kanreki Kinen Ronbun Shū, *Chiteki Zaisan Hō No Riron To Gendaiteki Kadai* (Essays in Honor of the Sixtieth Birthday of Professor Nobuhiro Nakayama: Theories of Intellectual Property Law and Modern Issues), p. 265.

22 However, non-exclusive licenses are not retroactively effective against a person who has been assigned a patent right prior to the revision of the Act. Meanwhile, the Trademark Act and the Copyright Act have not been revised, so rights of non-exclusive use of trademark rights need to be registered in order to be effective against third parties, and copyright license rights (excluding publication rights) have no requirements to satisfy in order to be effective against third parties.

were also eliminated.²³ The conventional non-voluntary license due to its use prior to a request for an invalidation trial had been recognized only for registered non-exclusive licensees, but after the revision, it is recognized for any non-exclusive licensee (Article 80, paragraph (1) of the Patent Act). On the registration of an extension of the duration of a patent, the registration of the extension had conventionally been refused where a registered non-exclusive licensee had failed to receive a disposition, but now it is refused where a non-exclusive licensee, whether registered or not, has failed to receive a disposition (Article 67-3, paragraph (1), item (ii) of the Patent Act). Also, conventionally, a notice of a request for a trial for invalidation, etc. had been given to registered non-exclusive licensees, but it was decided that such notice shall not be given due to the abolition of the license registry.

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However, it should be noted that protection for unregistered non-exclusive licenses against patent right assignees also risks sacrificing third-party acquirers of patent rights and bankruptcy creditors. Particularly in cases of emergency such as bankruptcy, concerns would remain about possible alteration at the time of contract, and there would be a risk of obstructing correct due diligence in a merger and acquisition process. Concerns have also been pointed out that the presence of protection for non-exclusive licenses is often unknown to third parties, so making them effective against third parties by operation of law could undermine the value of patents. Nevertheless, in the case of a non-exclusive license, even if the licensee asserts the effectiveness of the license, the new patentee will not be obstructed from working the invention himself/herself or obstructed from granting a non-exclusive license to another third party. Thus, its negative impact on the patentee is smaller than in the case of real property in that respect, but unlike in the case of leasing of real property, the presence of a non-exclusive license is not easily visible from outside, so its risk of causing harm to third parties is not low. Prior to the 2011 revision, there had been no major problem in making *statutory* non-exclusive licenses effective against third parties without registration. However, it is doubtful whether non-exclusive licenses established by contract would likewise remain trouble-free in the same manner. Problems are likely to occur particularly in such case as where a comprehensive cross license has been concluded but some of the patent rights covered by the license are assigned to another party.²⁴

The question is what becomes of a non-exclusive license that has been concluded

²³ Modification of a non-exclusive license no longer requires to be registered in order to be effective against third parties, but, returning to the general principle, it requires a notice or acknowledgement made by using an instrument bearing a fixed date in order to be effective against third parties, as in the case of a general claim (Article 467, paragraph (2) of the Civil Code).

²⁴ Some comprehensive cross licenses do not specify the patent right numbers. For example, a license may specify all patent rights concerning televisions. Thus, a problem may arise when some of such patent rights covered are assigned.

between the former patentee and the non-exclusive licensee when the patent right is transferred. The Patent Act only provides that a non-exclusive licensee can be asserted against (the title of the Article is “Perfection of non-exclusive license,” but the text of the provision reads “shall be effective against”) the acquirer of the patent right or exclusive license after the non-exclusive license comes into existence (Article 99 of the Patent Act), and does not provide for whether or not the non-exclusive license contract is succeeded to by the new patentee or whether its content can be asserted against the new patentee without registration. Therefore, the treatment of the relationship between the new patentee and the non-exclusive licensee and the former patentee is left to court judgments and academic theories.

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There is a theory which interprets that the new patentee succeeds to the rights and obligations that arise from the non-exclusive license contract, or, that the contract is basically succeeded to by the new patentee,²⁵ a theory which interprets that a patent right can be freely assigned but that the status of the person who has the right to grant a license also incorporates obligations, so the patent right cannot be assigned by a unilateral act,²⁶

25 Mitsue Toyosaki, “Tokkyoken No Jōto To Kyodaku Jisshikensha No Chii” (Assignment of a Patent Right and the Status of the Licensee under Agreement), Ōsumi Ken’ichirō Koki Kinen, *Kigyō Hō No Kenkyū* (Essays in Honor of the Seventieth Birthday of Professor Ken’ichirō Ōsumi: Study of Business Law) (Yuhikaku, 1977), p. 570; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Shōkai*, p. 345; Wataru Sueyoshi, “Tōzen Taikō Seido Dōnyū De Kawaru ‘Taikō’ No Imi -- Fudōsan Chintaishaku Seido No Shiten Kara” (Change in the Meaning of “Perfection” through Introduction of the System of Perfection by Operation of Law: From the Viewpoint of the System of Lease of Immovable Property), *Business Hōmu*, Vol. 11, No. 9 (2011), p. 75; Kaoru Kamata, “Raisensu Keiyaku No Taikō To Kōji” (Perfection and Public Notice of License Contracts), Institute of Intellectual Property, *Chiteki Zaisan Raisensu Keiyaku No Hogo -- Raisensā No Hasan No Bāi O Chūshin Ni* (Protection of Intellectual Property Licensing Agreement: With a Focus on Issues in the Event of Licensor’s Bankruptcy) (Yushodo, 2004), p. 247; Hiroyasu Nakata, “Chiteki Zaisanken No Raisensū No Tachiba” (Position of Licensee of Intellectual Property) *NBL*, No. 801 p. 19/21; Minoru Takeda, “Tokkyō Raisensu Keiyaku Tōzen Taikō” (Patent Licensing Contracts and Perfection by Operation of Law), Ryū Takabayashi, Ryōichi Mimura, and Toshiko Takenaka ed., *Gendai Chiteki Zaisan Hō Kōza* (Lecture on Modern Intellectual Property Law), p. 46.

26 The Supreme Court Judgment, September 29, 1955, *Minshū*, Vol. 9, No. 10, p. 1472 (the Request for Confirmation of Contract case). Ken’ichirō Ōsumi, “Gijutsu Teikei” (Technological Tie-up), *Keiei Hōgaku Zenshū* (Collected Treatises on Business Law), Vol. 11 (Diamond, 1967), p. 152. Takuya Iizuka, “Tōzen Taikō Seido” (Automatic Perfection System), *Jurist*, No. 1437 (2012), p. 77; Kei Iida, “Tōzen Taikō Seido” (Introduction of Automatic Perfection of License), *Jurist*, No. 1436 (2012), p. 56. The idea that the rights of the former patentee may be transferred to the new patentee through an assignment of claims, but that his/her obligations cannot be transferred to the new patentee by a unilateral act is reasonable. Nevertheless, while the obligations would remain with the former patentee, it would be meaningless to have the obligations thus remain in many cases. No theory supports the idea of totally allowing succession, but Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyō Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1376 (written by Izumi Hayashi) states that succession of contractual status should be allowed, in principle, as long as there is no special agreement, and that the terms to be succeeded to and those that should not be succeeded to should be determined based on the reasonableness of their succession, in accordance with the interpretation of the Civil Code.

and a theory sitting in-between.²⁷

Theoretically, a non-exclusive license contract is a type of contract, and the licensor (patentee) has both rights (claims) and obligations. The licensor's right to collect a license fee is not transferred to the new patentee together with the patent right by operation of law, but processing similar to that in the case of the assignment of a nominative claim will be required. Specifically, the assignment of a nominative claim may not be asserted against the applicable obligor or any other third party, unless the assignor (the former patentee) gives notice thereof to the obligor (the non-exclusive licensee) or the obligor has acknowledged the same (Article 467, paragraph (1) of the Civil Code).²⁸ That notice or acknowledgement may not be asserted against a third party other than the obligor unless the notice or acknowledgement is made using an instrument bearing a fixed date (paragraph (2) of said Article).²⁹ While claims can be processed in this way, obligations cannot be assigned by the patentee alone, so theoretically, obligations would remain with the former patentee. However, the main obligation is the maintenance of the patent right (payment of the patent fees, appropriate response to any trials for invalidation, etc.), so, as long as the patent right has been assigned, there is no sense in such obligation remaining with the former patentee. While the new patentee is likely to ensure the maintenance of the patent right in most cases, if obligations under the original license contract fail to be performed, there would be a problem with the former patentee's default, and the non-exclusive licensee would be able to cancel the contract. As for the patent fees, the former patentee can also perform the obligation since the fees can also be paid by an interested party (Article 110, paragraph (1) of the Patent Act). In such case, the new patentee may request the reimbursement of the expenses arising therefrom to the extent of the actual benefit obtained by the new patentee (paragraph (2) of said Article).

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In the case of a lease of immovable property, the contract is basically succeeded to by the assignee, so there is an idea to consider that a non-exclusive license contract for a

27 Shigeki Chaen, “Tsūjō Jisshiken No Taikō Yōken Seido Ni Tsuite” (The Requirement to Duly Assert Against Third Parties of Non-exclusive License), *Tokkyo Kenkyū* (Patent Studies), Vol. 51 (2011), p. 6 states that the licensee is construed as bearing obligations related to the act of working the invention against the assignee of the patent right and that the assignee succeeds to the contract with regard to such obligations as a result. In the case of the in-between theory, the portion of the contract to be succeeded to and the portion that will not be succeeded to would be distinguished based on some kind of standards. Kyo Nakamura, “Tsūjō Jisshiken No Tōzen Taikō Seido Ni Okeru Keiyaku Shōkei No Umu” (Whether or Not a Contract Is Succeeded to under the System of Perfection of Non-Exclusive Licenses by Operation of Law), L&T, No. 63 (2014), p. 8.

28 Naturally, no notice or acknowledgment is necessary in the case of general succession since the assignor and the obligor become one.

29 In accordance with Article 2, paragraph (13) of the Supplementary Provisions, a non-exclusive license which had been effective against third parties by registration continues to be effective against third parties without any new notice or acknowledgment.

patent right is similarly succeeded to by the assignee through the analogy of such lease.³⁰ It is natural that a question arises as to the significance of ensuring the effectiveness of a non-exclusive license against third parties by operation of law if the contract is not succeeded to by the assignee. However, a contract between a non-exclusive licensee and the former patentee is not as simple as in the case of a lease of immovable property, often involving a broad range of factors including the consideration to be paid, the period of the license, the area in which the invention may be worked, quantitative limitations, an obligation to provide know-how, an obligation to provide raw materials, an obligation of confidentiality, an obligation to provide improvement inventions, a no-contest obligation, and the dispatch of officers. Thus, unlike in the case of real property, mere succession alone cannot solve all the issues involved. Even if a the contract were to be succeeded to, not all contracts under the name of non-exclusive license contract would be succeeded to automatically, and there is no decisive factor outlining the extent to which contracts would be succeeded to. For example, if the new patentee is to succeed to the obligation to provide know-how, there are cases where such provision of know-how is unreasonable or impossible. Also, the amount of consideration for the license is not decided unequivocally, but is decided according to a number of circumstances, and may be free in some cases; but there is a problem of whether it is reasonable to have the new patentee, under different circumstances, directly succeed to a contract that charges no license fee. In the case of a comprehensive cross license, in particular, the licensed patent rights are often unclear, so the new patentee may incur an unexpected disadvantage. Such uncertain portion would be broader for a type of non-contentious agreement comprehensive cross license. Also, while a comprehensive cross license sometimes includes provisions to license future patent rights as well,³¹ there is no way of knowing how significant the succession of such a contract would be for the parties concerned. It cannot be construed that the new patentee will automatically succeed to the entire contract with such complex contents, while it is also difficult to determine which provisions he/she should succeed to. The situation is more complicated in the case of a corporate merger. For instance, in the case where Patentee A concluded a comprehensive cross license contract with B, what would happen to the contract if A merges with Patentee C which has concluded a different comprehensive cross

30 Since the time of the prewar Supreme Court, lease contracts of immovable property have been succeeded to by operation of law unless there are special circumstances, unlike in the case of assumption of general obligations (the Supreme Court Judgment, April 23, 1971, *Minshū*, Vol. 25, No. 3, p. 388 (the Assignment of Land with Land Leasehold Right case)), which is an approach to apply the idea of Article 605 of the Civil Code concerning lease rights also to Article 99 of the Patent Act. Incidentally, in this Supreme Court judgment, the court stated that “assignment of the status of a lessor under a land lease contract accompanies transfer of the lessor’s obligations, but the method of fulfillment of the lessor’s obligations does not change by who the lessor is.”

31 If only the existing patent rights are covered by the license, it will only solve existing disputes. In the case of a non-contentious agreement not to cause disputes in the future, patent rights to be acquired by both parties in the future should also be included in the contract; otherwise the contract will have little significance.

license contract with B? Two cross licenses rarely have the same contents, so the outcome would be questionable. While the consideration to be paid between A and B is decided by the values and quantity of the patent rights the two parties hold, such consideration could become unbalanced as a result of C's patent rights also being subject to the comprehensive cross license after the merger between A and C, since B has also concluded a comprehensive cross license with C. The existence of a license agreement or its content is sometimes a secret, and makes the problem even more complicated.³² A further complicated problem occurs when the participant of a patent pool transfers a patent right to a third party. After all, even in the case of adopting an interpretation whereby the contract is automatically succeeded to by the assignee of the patent right, that alone would not solve the problem.

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If one takes a stance of not recognizing the succession of the contract, the contract will not be succeeded to by the assignee of the patent right, but the non-exclusive licensee will be able to set up against the new patentee. The only content that can be set up against the new patentee is that the new patentee cannot claim damages or seek an injunction against the licensee. This would be equivalent to granting a free, statutory non-exclusive license. In that case, because the contract between the former patentee and the non-exclusive licensee still exists, the non-exclusive licensee will pay a royalty to the former patentee and the former patentee will perform his/her obligations under the contract, and if the obligations are not performed in accordance with the original contract, there will be a problem of default. While the relationship between the new patentee and the former patentee would depend on the contract, the former patentee often pays the new patentee an amount equivalent to the royalty acquired from the non-exclusive licensee.

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As all of these theories involve some inconvenience, there is also an in-between theory which tries to recognize the automatic succession of the essential portion of a non-exclusive license or a portion that does not disadvantage the non-exclusive licensee. For example, a possible theory would be to consider that the consideration for or the period of a license and geographical limitations will be succeeded to by the new patentee.

In any case, none of the theories are grounded on statutory provisions, the only solution seems to be to accumulate case law according to the contents of the individual non-exclusive license contracts from the standpoint of an in-between theory, but court

³² In the case of a cross license, some kind of agreement is likely to have been concluded at the time of the cross licensing contract, with regard to the assignment of patent rights, but a problem occurs when there is no such agreement. See Hidesato Iida, "Tsūjō Jisshiken No Tōzen Taikō" (Perfection of Non-Exclusive License by Operation of Law), Toshiaki Makino, Toshiaki Iimura, Makiko Takabe, Yōichirō Komatsu, and Tomoki Ihara eds, *Chiteki Zaisan Soshō Jitsumu Taikei II* (Outline of Intellectual Property Litigation Practice II), p. 92.

judgments are unlikely to be accumulated for some time. Considering the complicated circumstances involved, when a patent right is transferred or a patentee merges with another party, this issue would likely be solved by a contract between the former patentee, the new patentee, and the non-exclusive licensee.³³ The lack of court judgments and an established theory and such lack of clarity in the interpretation of the law would, in reverse, serve as incentives for concluding a contract upon patent right transfer. Since there are cases where three parties cannot establish a contract in reality, there may be calls for a legislative solution, but it is difficult to stipulate a law by assuming all kinds of cases concerning extremely diverse forms of license.

This issue did not newly emerge after the 2011 revision, but already existed for registered non-exclusive licenses and registered exclusive licenses prior to the 2011 revision; it was merely not drawing attention due to the scarce number of cases involving the issue. Upon the revision, this complicated problem was left to court judgments and academic theories as before, without providing a solution, so the problem still needed to be solved after the 2011 revision. While very few non-exclusive licenses were registered in the past, all non-exclusive licenses came to be effective against third parties by operation of law upon the 2011 revision, so there is a possibility that the problem will become more obvious and there will be more cases involving this problem in the future.

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The 2011 revision could also affect the establishment of an implicit non-exclusive license. Since all non-exclusive licenses are to be effective against third parties under the revising Act, implicit non-exclusive licenses would also be effective against third parties. Conventionally, a non-exclusive license had been construed to be a mere right to demand inaction against the patentee whereby the patentee could not seek an injunction or claim damages. An implicit non-exclusive license only had a meaning of protecting the condition of facts, and the grant of the license did not cause major harm, so there was a tendency to recognize implicit non-exclusive licenses easily.³⁴ However, as implicit non-exclusive licenses became effective against third parties, the power of implicit non-exclusive licenses was strengthened beyond the mere effect of protecting the condition of facts, which could

33 With regard to a contract in such case, see Takayuki Kuriyama, “Heisei 23 Nen Tokkyo Hō Kaisei ‘Tōzen Taikō Seido’ Dōnyū Ni Yoru Keiyaku Jō No Pointo” (Contractual Gist on ‘Legitimate Asserting System’ Introduced in the 2011 Revision of the Patent Act), *Business Hōmu*, Vol. 12, No. 2 (2012), p.98; Naoya Isoda, “Tsūjō Jisshiken No Tōzen Taikō Seido To Raisensu Keiyaku No Tōzen Keishō No Umu” (In the Case that a Non-exclusive License is Granted on a Patent and then the Patent is Assigned to a Third Party, Should the License Contract be Automatically Assigned from the Assignor to the Assignee?), *Patent*, Vol. 65, No. 3 (2012) p. 10.

34 In conventional judicial precedents and prevalent theories, there was little need to interpret grant of a non-exclusive license and a contract on non-enforcement of a patent right differently, but they may come to take on different meanings in the future, so attention should be paid to future developments. Some members of the revision council opined that a document bearing a fixed date should be required in order for a non-exclusive license to be effective against third parties, but the opinion failed to be adopted.

also affect a third party to whom the patent right is assigned. Because of this, the establishment of non-exclusive licenses is expected to be recognized more cautiously than before. For example, in some cases where implicit non-exclusive licenses were recognized in the past, there may be cases where the patentee's claim should be regarded as an abuse of rights or violation of the fair and equitable principle, rather than taking the form of a license. If so, it would no longer be an issue of the effectiveness of an implicit non-exclusive license against third parties.

The non-exclusive licensee may not assign the non-exclusive license without the consent of the patentee, in principle. Similarly to the case of an exclusive license, the license can be transferred exceptionally without the consent of the patentee where the business involving the working of the relevant invention is also transferred, or where it is transferred as a result of general succession (Article 94, paragraph (1) of the Patent Act). There could be an exceptional case where a non-exclusive licensee, who had been working the same invention in two factories, transfers each of the businesses to separate people together with the non-exclusive license. The problem would be difficult in such a case.

9.4.3.5. Comprehensive Cross License

Besides individual licenses, there are comprehensive cross licenses for licensing multiple patent rights in a batch. Sometimes, patent rights relating to a target business or product are licensed in a batch, without specifying the patent numbers of the patent rights to be licensed. Also, patent rights to be obtained in the future are often covered by the license. Under a comprehensive cross license, the two parties license out their patent rights to each other in such a manner so as to be able to continue their business with a sense of reassurance. Such cross licensing is frequently observed particularly in the electrical and electronics industries. A comprehensive cross license not only enables the parties to use each other's technologies, but also carries weight as a non-contentious agreement whereby the two parties agree not to file infringement litigation against each other. It is because, in the case of a product such as a television or computer, which involves a large number of patent rights, a meticulous search would very likely reveal that the manufacturer is infringing another company's patent rights, and if the two companies start to attack each other, they would enter into an endless dispute and both parties would be seriously damaged. [523]

Under the conventional non-exclusive license system, there was a need to register a non-exclusive license for each patent right covered in order to make the license effective against third parties, but it was unrealistic to register the licenses for a large number of

patents individually considering the workload and the registration fees involved. Under some types of contract, often the patent rights covered are not strictly specified, and there are also cases where a party wants to keep the fact of licensing confidential and where a comprehensive cross license includes trade secrets. While a contract may cover patent rights to be obtained in the future, those patent rights cannot be specified at the time of concluding the contract. In the past, unregistered licenses were not effective against third parties, and if the licensor went bankrupt, there was a risk that the contract would be cancelled by the bankruptcy trustee (Article 53, paragraph (1) and Article 56, paragraph (1) of the Bankruptcy Act). In particular, it has been pointed out that, if a comprehensive cross license were concluded within the whole of a specific industry, the bankruptcy of one company could throw the whole industry into confusion in a chain reaction.

Thus, with the 2007 revision of the Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities (Industrial Revitalization Act),³⁵ the “specific non-exclusive license registration system” was introduced (Article 2, paragraph (20) of the Industrial Revitalization Act; later moved to Article 2, paragraph (27) but was abolished in 2011).³⁶ This system made it possible to make a comprehensive cross license effective against third parties by registering it as a specified non-exclusive license, without having to designate the patent numbers upon registration as in the past. However, because all non-exclusive licenses, including comprehensive cross licenses, came to be effective against third parties by operation of law with the 2011 revision, the specified non-exclusive license registration system was abolished after it had only been in existence for two years, and the specified non-exclusive license registry was also abolished. Since the relevant provisions revised in 2011 have a retroactive effect, while comprehensive cross licenses that were registered as specified non-exclusive licenses under the Industrial Revitalization Act were abolished, they were to remain effective against third parties by operation of law.

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³⁵ It is an Act enacted in 2000 for enhancing industrial strength, which covers a broad range of matters. A comprehensive license was also stipulated in the Industrial Revitalization Act as a tool for revitalizing industry. Incidentally, the reduction or exemption of patent fees for universities, etc. (the academic discount system) and the Japanese version of the Bayh-Dole Act, which permits business operators to own intellectual property arising from the results of research commissioned by the national government, are also provided for under the Industrial Revitalization Act. See Seirō Hatano and Sentarō Ishikawa, “Sangyō Katsuryoku Saisei Tokubetsu Sochi Hō Tō No Ichibu O Kaisei Suru Hōritsu Ni Okeru Tokutei Tsūjō Jisshiken Tōroku Seido Ni Tsuite -- Raisenshō No Jigyō Katsudō O Hogo Suru Aratana Tōroku Seido No Gaiyō” (Specified Non-exclusive License Registration System Under the Act for Partial Revision of the Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities -- Outline of a New Registration System to Protect Licensee’s Business Activities), *NBL*, No. 860 (2007), p. 18.

³⁶ With regard to the progress of discussions, see Institute of Intellectual Property, *Chiteki Zaisan Raisensu Keiyaku No Hogo -- Raisenshō No Hasan No Bāi O Chūshin Ni* (Protection of Intellectual Property License Contracts: With a Focus on Issues in the Event of Licensor’s Bankruptcy) (Yushodo, 2004). With regard to the details of the specific non-exclusive license registration system, which has been abolished, see the first edition of *Tokkyō Hō* (Patent Act), p. 441.

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9.4.4. Compulsory License

9.4.4.1. Compulsory License Where Invention Is Not Worked (Article 83 of the Patent Act)

Society is hardly disadvantaged at all in the case of movable property even if a compulsory license is not in use. Basically, other people can create the same item. However, as a patent right is a right to work the invention exclusively, the non-working of the patented invention does not just mean that the right is dormant, but that it has the active effect of obstructing acts (business activities) of other people. From that perspective, it is more desirable to obligate the working of the patented invention for the development of industry. However, as it is both difficult and unreasonable to force the patentee to work the invention, the actual measure would be to indirectly force the working of the invention by imposing an action which would result in a disadvantage, such as the confiscation or rescission of the patent right, or the establishment of a compulsory license for the patent right.

On the other hand, it is detrimental to obligate the working of all inventions. A patentee raises the level of technology in society by making an invention public, which could fundamentally be kept secret, by filing a patent application, and makes a certain contribution to society even without working the invention himself/herself. If the obligation to work the invention were imposed for all patented inventions, there is a risk that new technology will be kept secret. In that sense, a forcible obligation to work the invention would not be desirable.

The issue of the obligation of working the invention is disputed not only as an issue as to what kind of system would be desirable for industrial development in Japan, but also as an issue causing serious conflict between industrialized countries and developing countries. On the part of developing countries, a company from an industrialized country which obtains a patent in a developing country would not contribute to the promotion of employment in the developing country or to the promotion of the transfer of technology but, instead, would obstruct the promotion of business in that country if that company did not manufacture the products there but only used the patent as a monopolistic right to import the products. Accordingly, developing countries want to protect their interests by confiscating or rescinding patents or establishing a compulsory license for patents if the inventions are not worked within their own countries. However, on the part of companies in industrialized countries, it is difficult to work the invention by means of manufacturing in all of the countries in which they have obtained patents, and they would like to

manufacture the products in the most efficient country and export the products from there to other countries around the world. This conflict was, for a long time, the major cause of the inability of the World Intellectual Property Organization (WIPO) to function properly, and it served as a notable point of dispute in the discussions toward the TRIPs Agreement in the Uruguay Round of GATT (the present WTO).¹

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Generally, it is common to impose a tough obligation to work the invention when the level of technology in a country is low and to gradually relax the obligation along with the progress of technological development. Thus, in Japan, the Patent Monopoly Act of 1885 had adopted a forfeiture system for patents on non-worked inventions (Article 15, item (i) of the Patent Monopoly Act) and the Patent Act of 1909 had adopted a rescission system for such patents (Article 47 of the Patent Act). In the Act of 1921, a rescission system and a compulsory licensing system were adopted concurrently (Article 41 of the Patent Act), and upon the revision of 1938 a provision was established to enable (a) the granting of a compulsory license for an invention that had not been sufficiently worked for three years or more if there were such a need in the public interest, and (b) the rescission of the patent if the invention had not been worked for another two years or more (Article 41, paragraphs (1) and (2) of the Patent Act). The system has been relaxed even further under the current Act by the abolition of the rescission system and the adoption of only the compulsory license system (Article 83 of the Patent Act). This transition is considered to have taken place along with the development of technology in Japan.

Under the current Act, where an invention is not sufficiently and continuously worked for three years or longer in Japan, a person intending to work the patented invention may request the patentee or the exclusive licensee to hold consultations to discuss granting a non-exclusive license, and if the consultation fails, the person can request the JPO Commissioner for an award (Article 83 of the Patent Act).² Even if an invention has not been worked for three consecutive years, the above does not apply unless four years have elapsed from the filing of the patent application for the invention (the proviso to paragraph

1 Article 4 A of the Paris Convention provides that each member country can establish a system for compulsory licenses to be granted in the case of the non-working of the invention, and only when that is insufficient, can the country further establish a system for rescinding the patent. Article 31 of the TRIPs Agreement provides for the requirements for invoking a compulsory license, and Japan's legislation does not violate those requirements.

2 It is natural that a consultation can be held even without Article 83, but the existence of this provision means that a failure of the consultation is required in order to request an award. It seems to be based on the idea that an autonomous settlement between the parties should be given priority. The same applies to the award on a dependent invention under Article 92. Until the revision of 1971, the Act had provided that a consultation could be sought with the authorization of the JPO Commissioner, but the provision was revised to that under the current Act by *Kyoka Ninka Nado No Seiri Ni Kansuru Hōritsu* (Act concerning Reorganization of Authorizations and Permissions) (Act No. 96 of 1971) to simplify administrative procedures. Regarding the arbitration system, see Katsujirō Kida, "Tokkyo Hatsumei Tō No Jisshi Ni Kakawaru Saitei Seido Ni Tsuite" (Regarding the Award System concerning the Working of a Patented Invention), *Jurist*, No. 605 (1976), p. 78. At the end of that article, "Saitei Seido No Un'yō Yōryō" (Implementation Outline of the Award System) which had been decided on in December 1975 is appended as a reference material.

(1) of said Article), but as examinations were rarely completed within one year under the conventional examination practice, there has been hardly any invention that has not been worked for three years and for which the patent application has been filed within the past four years. If an application becomes subject to the accelerated examination system, the examination may be completed within one year (Article 48-6 of the Patent Act), and in such case, the proviso to Article 83, paragraph (1) of the Patent Act may be applied.

Even if an invention had not been worked for three years or more in the past, if it is worked at present, no request for an award can be made. As the purpose of legislation for the compulsory licensing system is not to impose a sanction against the patentee, but to promote the working of the invention, there would be no need to recognize an award if the invention were being worked at present. Accordingly, an award cannot be made if the invention were sufficiently worked by the time of the rendering of the award.³

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One question concerns the meaning of the “sufficient working” of the invention. A nominal working of the invention, merely for avoiding an award, would not be considered as the sufficient working of the invention. The implementation outline of the award system states that “when the working of the invention is found to be on an extremely small scale and only nominal compared to the size of the demand,” it does not correspond to the sufficient working of the invention. The question is, while Article 2, paragraph (3) of the Patent Act defines the act of importing as a mode of working, whether a case where the patentee only imports products without manufacturing them inside Japan can be regarded as the “sufficient working” of the invention. This question is also connected to the purpose of the Patent Act. If the Patent Act were considered to be a system for protecting and fostering national industry, the act of only importing products has a strong aspect of exerting pressure on national industry, so a request for an award should be recognized.⁴ However, the patentee cannot manufacture the products in all of the countries in which he/she has obtained a patent, and this would make it difficult for a company to plan a global strategy. For some products, a single factory is enough to cover worldwide demand.

³ Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 264; Japan Patent Office, *Kōgyō Shoyūken Hō Chikujō Kaisetsu [Dai 19 Han]*, p. 264; Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]*, p. 541. Meanwhile, a system to rescind trademarks which are not in use is also stipulated in Article 50 of the Trademark Act, but as Article 50, paragraph (2) provides that the trademark will be rescinded unless there is proof that the trademark has been used within “three years prior to the registration of the request for the trial (for rescission),” the determination is made based on the time of the registration of the request for the trial in the case of the Trademark Act. Although a provision on the prevention of last-minute use (Article 50, paragraph (3) of the Trademark Act) was added upon the 1996 revision, the base time for determination has not changed. On the other hand, Article 83 of the Patent Act does not provide for a base time for determination, so the decision thereon is made by interpretation.

⁴ Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]*, p. 542; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 268; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Shōkai*, p. 292; Shirō Mitsuiishi, *Tokkyō Hō Shōsetsu [Shinpan]*, p. 290. The implementation outline of the award system states that “such cases as where the products are merely being imported and are not manufactured domestically correspond to it (author’s note: insufficient working of the invention), in principle.”

Therefore, if the purpose of the Patent Act were to be viewed more broadly as aiding the development of the international economy, a request for an award should not be granted in the case where there is a sufficient level of importing. Since technology in Japan is now at the highest level in the world, the Patent Act should not be interpreted merely from the narrow perspective of protecting national industry. While the situation in developing countries must be taken into consideration to some extent, in light of the fact that the patent system and trade issues are inseparable nowadays, an interpretation should be made in such a way that the patent system does not serve as a non-tariff barrier, from the viewpoint of the healthy development of world trade.⁵

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If there are reasonable grounds for failing to work the patented invention properly, the JPO Commissioner cannot render an award, and the request will be dismissed (Article 85, paragraph (2) of the Patent Act). Reasonable grounds are determined individually for each case, but some assumptions can be made where the preparation for commercialization is in progress, where there has been a factory disaster, and where it is difficult to obtain raw materials.

When the JPO Commissioner renders an award, he/she gives the patentee, the exclusive licensee, or any other person having a registered right pertaining to the patent right (e.g., a pledgee) the opportunity to submit a written answer (Article 84 of the Patent Act), and he/she must hear the opinions of the councils, etc. prescribed by Cabinet Order (Article 85, paragraph (1) of the Patent Act). Nevertheless, a council is only an advisory body, so the Commissioner is not bound by its views.⁶ A non-exclusive license granted by an award is a paid license, and the scope of the license, the amount of any consideration, and the method and time of the payment thereof must be determined in the award (Article 86, paragraph (2) of the Patent Act). When a certified copy of an award has been served on the parties, an agreement is deemed to have been reached by the parties, and a non-exclusive license is established as prescribed by the award (Article 87, paragraph (2) of the Patent Act). When a person who has received the grant of a non-exclusive license fails to work the invention properly, the award can be rescinded at the request of an interested person or ex officio (Article 90, paragraph (1) of the Patent Act). As a result of the

5 Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 875 (written by Nobuhiro Nakayama); Kazuhiko Takeda, *Tokkyo No Chishiki [Dai 8 Han]*, p. 474 (it says that "the idea that patented products need to be manufactured in every relevant country in order to demonstrate that the invention is being sufficiently worked should be considered as a thing of the past; it is unrealistic to manufacture the products in every country due to the need for reducing costs through mass production and from the viewpoint of international industrial siting"). Ryū Takabayashi, *Hyōjun Tokkyo Hō [Dai 4 Han]* (Patent Law from the Ground Up [5th ed.]), p. 207.

6 Japan Patent Office ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]* (Clause-by-Clause Explanation of Industrial Property Acts [19th ed.]), p. 266; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]* (Annotated Patent Act, Vol. 1 [3rd ed.]), p. 791 (written by Yoshio Ishikawa); Shirō Mitsuishi, *Tokkyo Hō Shōsetsu [Shinpan]* (Detailed Explanation of Patent Law [New ed.]), p. 643.

rescission, the non-exclusive license lapses (Article 91 of the Patent Act). If dissatisfied with the award, a person can appeal under the Administrative Appeal Act, and if still dissatisfied with the decision on the appeal, that person files a suit in accordance with the Administrative Case Litigation Act. While an award on the amount of compensation is fundamentally an administrative disposition subject to the Administrative Appeal Act, an action can be instituted directly against such an award under the Patent Act (Article 183, paragraph (1) of the Patent Act), and no objection can be raised under the Administrative Appeal Act on the grounds of dissatisfaction with the amount of the consideration (Article 91-2 of the Patent Act). If the person who has received an award is not satisfied with the amount of compensation he/she is awarded, that person may institute an action demanding an increase or decrease of the amount (Article 183, paragraph (1) of the Patent Act). In such a case, the defendant will not be the JPO Commissioner, who has rendered the award, but the nonexclusive licensee, patentee or exclusive licensee, who is a party to the license contract (Article 184, item (i) of the Patent Act).⁷ This is because it is more reasonable to have the parties themselves dispute the matter, since it is not a dispute concerning the disposition of the award, but a dispute concerning an amount of money.⁸

A compulsory license can be transferred only where the business involving the working of the relevant invention is also transferred (Article 94, paragraph (3) of the Patent Act). Therefore, the license cannot be transferred unless the business is also transferred even where the consent of the patentee has been obtained or where there is a case of general succession, such as an inheritance. In other words, the compulsory license is meaningful in that the invention is worked as a business, and it is meaningless to transfer only the compulsory license without transferring the business. The same idea is applied to the establishment of a right of pledge (paragraph (2) of said Article). Meanwhile, Article 5, paragraph (4) of the Paris Convention provides that a compulsory license “shall not be transferable, even in the form of the grant of a sub-license,” implying that the license cannot be transferred even with the consent of the patentee. As the license cannot be transferred in the case of an inheritance either, unless the license is transferred together with the relevant business, an heir who intends to work the invention would need to file a request for an award again.⁹

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When requesting an award, if there is an exclusive license, the exclusive licensee must first be considered to be the demandee, but as a non-exclusive license cannot be

⁷ Article 133, paragraph (3) of the Compulsory Purchase of Land Act has been legislated for the same purpose.

⁸ With regard to the amount of the consideration, see Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Ge* (New Explanatory Notes on the Patent Act Vol. 2), p. 2482 (written by Toshiya Kaneko).

⁹ The phrase “the case of an inheritance or any other general succession” was deleted from Article 94, paragraph (3) of the Patent Act upon the 1994 revision.

established without the consent of the patentee (Article 77, paragraph (4) of the Patent Act), the patentee should also be considered to be the demandee in order to use a fiction that the patentee's consent has been obtained.¹⁰

Incidentally, such an award based on the non-working of the invention has never been rendered so far. Since the grant of a license is a business issue and its terms and conditions are determined not only based on the license fee, but also on various other business management issues, government intervention in such a process can also have a negative effect. However, the existence of this provision can promote success in voluntary license negotiations and serve as an incentive for working one's own invention, so it has significance as a measure of last resort. On the other hand, this provision could also put the right holder at a disadvantage in any negotiations. Though it is not clear how science and technology or the economic structure will change in the future, the system of a compulsory license based on the non-working of an invention seems to have the potential to serve as a regulatory function for influential patents, which are rights to a monopoly, and to contribute to the sound development of industry.¹¹

9.4.4.2. Compulsory License in the Case of a Dependent Invention (Article 92 of the Patent Act)

The purpose of the patent system is to raise the level of technology in society by having inventions published, and thereby promoting new inventions. In other words, one of the purposes of the patent system is to promote inventions which are improvements. In reality, basic inventions are often not sufficient to create valuable products, and more valuable products can only be expected through the existence of a large number of inventions which are improvements. For example, basic inventions on liquid crystals went through a history of inventions of improvements until liquid crystal televisions were produced.

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However, even if one person obtains a patent on an invention that utilizes another person's patented invention, the working of that dependent invention would infringe the patent of that other person (Article 72 of the Patent Act). In some cases, this problem would be solved by concluding a license contract through consultation between the parties, but if the consultation fails, there would no longer be a way of working the dependent invention,

10 Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 542; Hajime Kaneko and Yoshinobu Someno, *Kōgyō Shoyūken Hō*, p. 222; Katsujirō Kida, "Tokkyo Hatsumei Tō No Jisshi Ni Kakawaru Saitei Seido Ni Tsuite" (Regarding the Arbitration System concerning the Working of a Patented Invention), *Jurist*, No. 605 (1976), p. 81. An opposite view is indicated in Nobuo Mon'ya, *Chūshaku Tokkyo Hō*, p. 221 (written by Hiroya Kawaguchi).

11 For details, see Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 874 (written by Nobuhiro Nakayama).

which would be undesirable for industrial development. Thus, a system was created whereby the patentee of a dependent invention and an exclusive licensee of such an invention are able to request that a compulsory license for a patent right, utility model right, or design right should be utilized. Meanwhile, as a result of three-dimensional trademarks being recognized upon the 1996 revision, there are also cases where a trademark right comes into conflict with a patent right (just as in the case of a design right), and the patented invention cannot be worked as a result (see Article 72 of the Patent Act). However, as a trademark exists for preventing confusion regarding the source of goods or services and as it is not suitable for a compulsory license, it is not covered under Article 92 of the Patent Act.

While the former Act provided that a trial could be demanded (Article 49 of the Patent Act), a change under the current Act means that a request for an award can be made to the JPO Commissioner. The former Act had provided that a trial cannot be requested until three years have passed from the day on which the patent right came into effect, this time limitation has been abolished under the current Act. The former Act included a provision on cross licensing, but it had been abolished upon the 1959 revision, and was revived upon the 1975 revision with the introduction of the substance patent system. This is because, given that most of the dependent inventions of substance patents are process inventions or selection inventions, the right holder of a substance patent (the patentee of the original patent) would be one-sidedly disadvantaged if such an improved method could only be worked by the inventor of the dependent invention and not by the right holder of the substance patent. Accordingly, as a means of countering a request for an award, the demandee side (the patentee of the original patent) was permitted to request cross licensing within the designated time limit for submitting a written answer (Article 92, paragraphs (2) and (4) of the Patent Act). This is a provision for achieving equity between the parties.

In order to request an award, the invention must have the dependency as prescribed in Article 72 of the Patent Act (Article 92, paragraph (1) of the Patent Act). In other words, the invention must utilize another person's patented invention, registered utility model or registered design or a design similar thereto which is based on an application filed prior to the filing date of the patent application for said invention, or the patent right must conflict with another person's design right which is based on an application for the registration of a design filed prior to the filing date of the patent application.

If the dependent invention were to be unreasonably prejudicial to the interests of another person, the JPO Commissioner would not be able to render a favorable award in this case (Article 92, paragraph (5) of the Patent Act). Although the specific criteria are not clear, as there is not a single actual example, two elements—the technical gap between the

two inventions and the economic gap between the parties—should be taken into consideration. According to the implementation outline for the award system,¹² “the determination shall be made by comprehensively considering the contents of the prior patented invention and the later patented invention, as well as the financial capacity and the business situation of the respective parties; and a case where the demandee’s interests would be heavily injured, such as when the grant of a non-exclusive license would make it difficult to continue the demandee’s business, would fundamentally correspond to such a case.” A case where an award is requested for an important basic invention based on a trivial invention on an improvement or where such a request is made for a small company’s basic invention by a large company that has an incomparably large financial capacity would also correspond to such a case.¹³

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The effects of the compulsory license in the case of a dependent invention are the same as those in the case of the non-working of an invention. The award procedures are also the same as in the case of the non-working of an invention, because provisions under Article 84 onwards of the Patent Act are applied *mutatis mutandis* (Article 92, paragraph (7) of the Patent Act). However, there is a difference from the case of the non-working of an invention in that there is no limit to the period for the request, and the request can be made any time after the registration of the patent.

The persons who can request an award are the patentee and the exclusive licensee of the dependent invention. An award cannot be requested by a non-exclusive licensee, but there may be room to consider some measures for a non-exclusive licensee to file a request through a legislative approach.

A non-exclusive license granted by this award will be transferred when the patent right (the patent right on the dependent invention) of the compulsory licensee is transferred together with the relevant business, but is extinguished when the patent right is transferred separately from the relevant business or when the patent right on the dependent invention is extinguished (Article 94, paragraph (4) of the Patent Act). Meanwhile, a compulsory license in the form of a cross license is transferred together with the patent right of the compulsory licensee, and is extinguished when said patent right is extinguished (paragraph (5) of said Article). This is because, in the case of a compulsory license relating to a dependent invention, if the license of the compulsory licensee and the patent right on the dependent invention become separated, the dependent invention will not be able to be

¹² Published in *Jurist*, No. 605 (1976), p. 84.

¹³ Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyo Hō Shōkai*, p. 403; Kōsaku Yoshifuji, *Tokkyo Hō Gaisetsu [Dai 13 Han]*, p. 455; Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 898 (written by Nobuhiro Nakayama); Shōji Matsui, “Riyō Hatsume Ni Motozuku Saitei Jisshiken Seido No Kōsatsu” (Examination of the Arbitrary License System Based on a Dependent Invention), *Tokkyo Kanri* (Patent Management), Vol. 39, No. 12 (1989), p. 1490.

worked, and it will not make any sense unless the patent right for which the award was rendered and the patent right on the dependent invention are the same (the dependent nature of a compulsory license relating to a dependent invention). Since the transfer of this compulsory license is the same as the transfer of a compulsory license based on the non-working of the invention, see “9.4.4.1. Compulsory License Where Invention Is Not Worked (Article 83 of the Patent Act).”

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Similarly to the award system in the case of the non-working of an invention, no award has been rendered under this system in the past. Although the reason is not clear, it has been pointed out that a request for an award is difficult because its effect is virtually similar to confessing an infringement when such a request is filed during an infringement lawsuit.

As for the compulsory license in the case of a dependent invention, a supplementary explanation should be provided regarding the establishment of the WTO’s TRIPS Agreement¹⁴ (which entered into force on January 1, 1995) and the establishment of the Japan-U.S. Agreement (the memorandum of understanding between the Japanese ambassador to the United States and the U.S. Commerce Secretary on August 14, 1994).

The issue of compulsory licensing was subject to a severe North-South conflict between developed countries and developing countries, so it took a long time to reach an agreement in WIPO. However, a certain level of agreement was reached in the WTO (Other Use Without Authorization of the Right Holder, Article 31 of the TRIPS Agreement). As the minimum standard for granting a compulsory license concerning a dependent invention, the TRIPS Agreement requires that the dependent invention should involve an important technical advance of considerable economic significance in relation to the patent right on which the award is sought, that the interests of the patentee who developed the basic technology should be assured, and that the grant should not have an adverse effect on the incentive for the development of basic technologies to any large degree. As Japan’s compulsory license system does not conflict with this agreement, there was no need to revise the Japanese Patent Act.

A problem arises with the abovementioned Japan-U.S. Agreement. It provides that an award shall not be granted in connection with a dependent invention, except for the purposes of correcting a practice that has been judged to obstruct competition or for the public and non-commercial working of the invention. Although this agreement sets requirements that are much more severe than the requirements for an award as prescribed

14 With regard to the TRIPS Agreement, see Akira Ojima, “Chikujō Kaisetsu TRIPs Kyōtei -- WTO Chiteki Zaisanken Kyōtei No Komentāru” (Detailed Analysis of TRIPS -- Commentary on the WTO Intellectual Property Agreement) (Japan Machinery Center for Trade and Investment, 1999).

in Article 92 of the Patent Act, the Patent Act has not been revised. The legal nature of this Japan-U.S. Agreement, which is a memorandum of understanding submitted by the Japanese ambassador to the United States through the U.S. Commerce Secretary, is not necessarily clear, and it is doubtful that it has a legal effect. However, as it is an international commitment made by the Japanese government, the JPO Commissioner is expected to implement practices in accordance with this Japan-U.S. Agreement in the future; so in actuality, this agreement is expected to serve as future practice guidelines. Of course, the consequence of a case that developed into litigation is a different issue, but no court judgment exists with regard to this point because no such award has been rendered yet.

9.4.4.3. Compulsory License Required in the Public Interest (Article 93 of the Patent Act)

Since a patent, a right to the monopolistic use of technology, is a very powerful right, its existence could sometimes affect the public interest. Accordingly, some measure must be taken when it is harming the public interest. Measures can be taken through various approaches. The former Act had provided that “when it is necessary and in the public interest, the patent can be restricted or expropriated by the government and the patent can be rescinded or the patented invention can be worked by the government” (Article 40, paragraph (1) of the Patent Act). However, today it is considered that such measure against non-use should not function as a sanction, but it should be sufficient to keep the restriction on private rights to a minimum, and to leave some way for third parties to work the invention. In addition, the government itself rarely works such an invention. Thus, the system was changed to the current system of granting a non-exclusive license by award. Under the current Act, if the government intends to work the invention, it needs to follow the procedure according to this provision.

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There is a question about the specific content as regards the public interest, but in fact no award has been granted to date, so there are no court judgments on this matter, and its interpretation remains unsettled. “*Saitei Seido Nōnyō Yōryō*” (Implementation Outline of the Award System)¹⁵ published in 1975 mentions the following: (i) when there is a particular need in a field directly related to national life, such as the lives of the citizens, preservation of property, and construction of a public facility; and (ii) when the act of not granting a non-exclusive license on the patented invention obstructs the sound development of the industry overall, and as a result, substantial harm is done to national life.

Apart from the above-mentioned examples in the implementation outline, a report by

¹⁵ Published in *Jurist*, No. 605 (1976), p. 84.

the expert committee of the Foreign Capital Council¹⁶ (March 15, 1968) also mentions a case where any of the following incidents occurs and where it has a serious impact on the national economy as a result: (i) it causes confusion, such as corporate failures, in the industry in which the patented invention is expected to be used, and is likely to result in large-scale unemployment; (ii) it causes corporate failures in the industry in which the patented invention is expected to be used, and existing facilities that are worth a vast sum, which could have been used if the patented invention could have been worked, are likely to be retired as a result; or (iii) it causes confusion, such as corporate failures, in the key industry, important export industry, or industry in the field of advanced technology, in which the patented invention is expected to be used, and is likely to obstruct the sound economic or technological development of these industries to a considerable degree.

First of all, most people agree that an award can be rendered in the case where there is a serious impact on the lives of the citizens, preservation of property, or public works. A textbook example is a case where an infectious disease spreads and the patentee cannot meet the demand for the required medicine sufficiently himself/herself. However, it is unrealistic to use the time- and labor-consuming award system in such a case, and the issue is likely to be settled as a political issue. Therefore, in actuality, Article 93 of the Patent Act is rarely likely to be used, but the provision is considered to have significance as a last resort.

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Even if the need for working the invention were related to the public interest, a request for an award should not be allowed when the need is merely in relation to costs or when there is a method that can substitute for the use of the patented invention.

The problem is whether or not an award can be requested for an economic reason. A patentee clearly has an economic advantage over others, and if the request for an award were recognized due to that advantage, the significance of the patent system would be lost. In addition, it is natural that the facilities of those who have infringed another person's patent should be retired, and it does not matter whether the facilities are worth a vast sum or not. Since the report by the expert committee of the Foreign Capital Council was released at a time when Japan was shifting to an open economy, its tone regarding the protection of national industry is excessive. Therefore, it is not reasonable to apply the award as it is at present. Theoretically, it may be possible to grant a compulsory license to protect the public

¹⁶ Published in *Jurist*, No. 399 (1968), p. 123.

interest when the patent deals a severe blow to Japanese industry,¹⁷ but it is hardly likely to be applied in reality, and in fact, Article 93 of the Patent Act has never been applied in the past.

Nevertheless, since our everyday lives are dominated by technology in every corner, an injunction could not only cause losses to the company subject to the injunction, but could also cause great confusion in national life. For example, there could be a case where an injunction causes computers to stop working, and as a result, public transportation stops and confusion occurs, the online banking system stops and financial transactions become confused, or medical activities face confusion. Article 93 of the Patent Act is considered to be applicable in such a situation, but the procedure under Article 93 takes too long. It may be more realistic to apply the doctrine of the abuse of rights to an infringement case or, as a legislative approach, provide for a statutory procedure in the case of not recognizing the right to seek an injunction.

The provision for the case of the non-working of the invention (Article 93, paragraph (3) of the Patent Act) is applied *mutatis mutandis* to the award procedure. The effects of a license are also the same as in the case of the non-working of the invention.

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Although a request for an award could only be made by the government under the former Act, it can be made by anyone who intends to work the invention, including the State and local public entities, under the current Act. The demandees are the same as in the case of the non-working of the invention. However, unlike in the case of the non-working of the invention, a defense based on a legitimate ground is not recognized. This is because protection of the public interest is necessary for society, irrespective of the individual circumstances of the right holder. For the same reason, a request can be made at any time without any restriction on the period as opposed to the case of the non-working of the invention.

The person who renders the award is the Minister for Economy, Trade and Industry, as opposed to the case of the non-working of the invention where the JPO Commissioner renders the award. This is because the content of the award is not merely an issue of the Patent Act, but a higher level issue which concerns the public interest, as well as because a request may also be made by other government offices.

17 The report by the expert committee of the Foreign Capital Council also states in its note as follows: "It is considered difficult to give an interpretation to the effect that a patent goes against the 'public interest' merely by reason that it causes confusion in industry. However, application of this provision could be assumed when a monopoly of the patent right causes corporate failures and confusion in the industry, and has a serious impact on the national economy as a result." It is hard to imagine a situation where the mere existence of a patent puts the national economy into a great confusion and causes social problems such as unemployment. None of the past economic crises is considered to have been caused by a patent right. Such great confusion in the economy is likely to be addressed as an issue outside the Patent Act.

9.4.5. Statutory Non-Exclusive License

9.4.5.1. Statutory Non-Exclusive License for an Employee invention (Article 35 of the Patent Act)

When an employee makes an “employee invention,” the employer obtains a non-exclusive license by operation of law (Article 35, paragraph (1) of the Patent Act). This issue is described in detail in “1.1.3. Employee Inventions (Article 35 of the Patent Act),” so it is omitted here.

9.4.5.2. Statutory Non-Exclusive License based on Prior Use (Prior User’s Right) (Article 79 of the Patent Act)

The person in whose name the patent registration should be recognized is determined based on the filing date, but if the first-to-file principle were strictly observed, a person who had been working or preparing to work the invention when another person had filed a patent application for it would not be able to work the invention once the other person had obtained the patent right. In light of one of the purposes of the patent system being to grant the right to a monopoly in return for publishing an invention and raising the level of technology in society, a patentee who published the invention by filing a patent application should deserve secure protection, but it is not desirable if it results in forcing everybody who has made inventions to file patent applications without fail. In particular, the determination on which technology should be patented and which technology should be kept secret as know-how is an extremely important corporate strategy (open/closed strategy) in the present industrial world. While there is also the freedom to retain an invention as know-how, strict observation of the first-to-file principle may lead to treating know-how disadvantageously. Furthermore, the fact that a person who has actually been working or preparing to work the invention is no longer able to continue working it only because another person obtained the patent for it would not be unreasonable. Extending the effect of a patent right to third parties who have been working or preparing to work the invention prior to the filing of the patent application would be equivalent to compulsorily expropriating the third parties’ property (know-how) through the grant of a patent, and the grounds for giving such strong power to a patent right, i.e. denying know-how, are doubtful. Therefore, the Patent Act protects the prior user by granting a non-exclusive license to a person who has been working the invention or who has been making preparations for it at the time of the filing of a patent

application on the invention by another person (Article 79 of the Patent Act). While various legislative theories can be considered, a prior user's right is stipulated as a non-exclusive license under the current Act, so the prior used invention and the patented invention need to be the same invention or a part thereof as a premise.¹ The prior user's right had often been explained from the viewpoint of preventing disposal of existing facilities and protecting the national economy,² but recently, the theory of securing equity has been more prevalent.³ However, we cannot essentially derive a specific effect from the term "equity," so there is no need to explain the prior user's right based only on the equity theory. A reasonable conclusion should be derived from a policy point of view by taking into account the national economy with the fundamental focus on equity, and also considering such factors as the need for keeping technology secret as know-how. The important point of the policy is to what extent the effects of a patent should be recognized, or conversely, to what extent know-how should be protected.⁴ In actuality, technology in some fields is often kept as know-how so as to prevent it from being disclosed (technology leakage) through patenting. Whether recognizing or not recognizing the interest of a third party who has been working the invention prior to the filing of the application is a question for a more theoretical study.⁵ A similar provision had also existed under the old Act (Article 37).

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- 1 Hidesato Iida, "Senshiyōken (1) Hassei Yōken Jijitsu (Prior User's Right (1) Facts Required for the Right to Take Effect), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 305. Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 257 states that working an invention outside the technical scope of a patented invention is unrestricted, so there is no need to recognize a prior user's right for such working of an invention. This is true in theory, but since a claim that working an invention is outside the technical scope of a patented invention and a claim of a prior user's right differs in respect of their requirements and effects, and there is no inconvenience in having them coexist, there seems to be no theoretical contradiction in recognizing both. It is only that, because a prior user's right is stipulated as a non-exclusive license under the current Act, the prior user's right needs to be the same as the scope of the patented invention or a part thereof as a consequence. If a prior user's right were legislated as a defense, the only issue would be the fact that a person had been working or preparing to work the invention prior to the filing of the application, and there would be no need for the working of the invention to fall within the scope of the protection of the patent right.
- 2 The Supreme Court Judgment, February 4, 1938, *Minshū*, Vol. 17, p. 37; the Tokyo District Court Judgment, February 25, 1955, *Kamin*, Vol. 6, No. 2, p. 342 (the Completely Non-gas Fuse case). Incidentally, despite a third party's inability to learn about the invention during the period from the filing of the application to the laying-open of the unexamined application, the prior user's right does not take effect even if a person starts working the invention during this period. If the economic viewpoint alone were to be taken into consideration, a legislative approach could be taken to recognize the prior user's right as long as the person works or is prepared to work the invention by the time the unexamined application is laid open.
- 3 The Osaka District Court Judgment, June 29, 1966, *Kamin*, Vol. 17, Nos. 5/6, p. 586 (the Teething Ring case, a case under the old Act); the Osaka District Court Judgment, November 21, 1966, *Hanji*, No. 478, p. 69 (the Dried Kelp case); the Osaka District Court Judgment, July 10, 1967, *Kamin*, Vol. 18, Nos. 7/8, p. 784 (the Aerosol Container case); the Tokyo High Court Judgment, May 27, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 128 (the Synthetic Fiber Heat Treatment Device case). See Hidesato Iida, "Senshiyōken (1) Hassei Yōken Jijitsu" (Prior User's Right (1) Facts Required for the Right to Take Effect), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 299.
- 4 Incidentally, a prior user's right is recognized for a person who is working or preparing to work an invention, even if the person is not the inventor, the right is not directly linked to inventor protection.
- 5 Tsukasa Asō, "Senshiyōken Seido Ni Okeru Keizaisetsu To Kouheisetsu -- Keizaisetsu To Kouheisetsu No Kubetsu No Datōsei" (Economic Theory and Equity Theory for the System of Prior User's Right: Appropriateness of Distinguishing Between the Economic Theory and Equity Theory), *Hōgaku Seijigaku Kenkyū* (Journal of Law and Political Studies) (Keio University, Graduate School of Law), No. 81 (2009), p. 159 makes a historical study of the appropriateness of distinguishing between the two theories. Also see Tsukasa Asō, "Senshiyōken Seido No Shushi" (Gist of the System of the Prior User's Right), *Keiō Hōgaku* (Proceedings of Keio University Graduate School of Law, Studies in Law and Politics), No. 29 (2014), p. 233.

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In actual litigation, the prior user's right is often claimed as a defense by the defendant's side in infringement lawsuits, unlike a non-exclusive license by agreement. While the current Patent Act constructs the prior user's right as a non-exclusive license, in practice it functions as a restriction on the effects of the patent, so the legislative approach as in the current Act is somewhat questionable.

Next, there is the issue of the requirements for the prior user's right to take effect. Under the former Act, the working of an invention in good faith was the stipulated requirement (Article 37), but under the current Act, it was revised to read "a person who, without knowledge of the content of an invention claimed in a patent application, made an invention identical to the said invention, or a person who, without knowledge of the content of an invention claimed in a patent application, learned the invention from a person who made an invention identical to the said invention." As long as this provision is read at face value, it discusses the route for learning about the content of the invention and requires that the patented invention and the prior user's invention are inventions that come from different routes (double invention), which means that the prior user's right is not recognized if the invention comes via the same route.⁶ However, if such an interpretation is applied, the prior user's right would not be claimable by an inventor whose invention was filed as a misappropriated application,⁷ an inventor who has assigned the right to file the patent application but is working the invention⁸ or a person who is working the invention, but, not knowing that his/her invention was publicly known technology, assigned his/her invention after which it was registered as a patent.⁹ While the dispute would be over which of the parties is the legitimate right holder, there would be no need to go so far as to eliminate the claim for the prior user's right.¹⁰ In actuality, these cases would often be resolved by requesting a trial for invalidation or making an invalidity defense (Article 104-3 of the Patent Act), changing the name of the applicant or the true right holder seeking transfer of the patent right (Article 74 of the Patent Act), but that should not obstruct the

6 Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, p. 845 [written by Shigetoshi Matsumoto and Katsuhiko Mise].

7 Since a person whose invention had been misappropriated was granted the right to seek the transfer of the misappropriated patent right (Article 74) upon the 2011 revision of the Act, there is rarely a need for claiming the prior user's right at present.

8 Basically, it is an issue of a contract between the parties concerned, and this is a case where the assignor is entitled to work the invention under the contract. Since, in the case of an implied contract, it may be difficult to prove such entitlement and it may be easier to claim the prior user's right, there would be no need to deny the prior user's right.

9 This kind of situation can be assumed under the current system where the absolute novelty system is adopted. Of course, it is also possible to make a defense of patent invalidity, the question is which can be more easily proved.

10 Tomoko Takii, "Senshiyōken No Han'i" (Scope of the Prior User's Right), *Kigyō Hō Kenkyū* (Study on Business Law), No. 238 (1975), p. 18 writes that if any error were made in the substantive examination, justice should fundamentally be recovered by means of a correction, and the system of the prior user's right itself bears no relationship to such an objective.

recognition of a claim for a prior user's right.

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There is no trace of a detailed examination having been made regarding the change of requirements when shifting from the former Act to the current Act. Nevertheless, it does explain that the meaning of “good faith” under the former Act has been clarified.¹¹ Since there is no practical reason to discriminate between whether or not to recognize the prior user's right based on whether the two inventions come via the same route or different routes, the current Act should be interpreted so as to recognize the prior user's right for inventions from the same route as well, focusing on reason rather than literal construction, although there would remain a slight problem regarding the wording.¹²

The next requirement concerns the person who has been working the invention or has been making preparations for it commercially in Japan at the time of the filing of the patent application. Although it was “a person who owns business facilities” under the former Act, the provision was revised under the current Act.¹³ There is not so much of a problem regarding the working of the invention, but arguments have been made concerning the preparations for working the invention. In order to be considered as being at the preparatory phase, the invention cannot be at the experimental or research phase, but the invention itself must be completed.¹⁴ Many of the earlier lower court judgments had interpreted the requirements for “preparations” strictly, and had not recognized the establishment of the prior user's right. Nevertheless, they were mainly cases dealing with

11 *Kōgyō Shoyūken Seido kaisei Shingi Kai Tōshin Setsumeisho* (Explanation on the Council Report on Amendment of the Industrial Property System), p. 29. However, the descriptive document also mentions in continuation of this topic that the revision is in accordance with the original purpose of the prior user's right, because it focuses on the route of learning about the technology instead of whether or not the person knew of the invention at the time of the filing. Meanwhile, Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]*, p. 579 suggests that the current Act should be considered as a representative example of the recognition of the prior user's right.

12 Nobuhiro Nakayama, “Kōkyō No Fukushi No Gendaiteki Kinō” (Modern Functions of Public Welfare), *Jurist*, No. 447 (1970), p. 579; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 256. Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]*, p. 577 states that it does not have to be clear who has made the invention, but it is sufficient for the person to have learned of the invention from the inventor. The following is a case in which the court, though not stating it so explicitly, recognized the prior user's right regarding an invention learned via the same route: the Sapporo High Court Judgment, December 26, 1967, *Kamin*, Vol. 18, Nos. 11/12, p. 1187 (the Concrete Block Design case). Incidentally, Germany has the requirement “when learned by a fair method” and four Scandinavian countries have the requirement “when it does not abuse the right of the applicant or the former right holder.” Such legislative approach seems superior. An in-between view is revealed in Hidesato Iida, “Senshiyōken (1) Hassei Yōken Jijitsu” (Prior User's Right (1) Facts Required for the Right to Take Effect), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 309. An opposite view is indicated in Ryū Takabayashi, *Hyōjun Tokkyō Hō [Dai 4 Han]* (Patent Law from the Ground Up [5th ed.]), p. 199. A more in-depth study on the grounds for justifying the system of the prior user's right would be required for drawing a conclusion.

13 This is considered to have been intended for relaxing the requirements for the prior user's right (Japan Patent Office ed., *Kōgyō Shoyūken Hō (Sangyō Zaisanken Hō) Chikujō Kaisetsu [Dai 19 Han]*, p. 255; Sueaki Oda and Yoshio Ishikawa, *Zōtei Shin Tokkyō Hō Shōkai*, p. 293). Opposing theories include: Kenichi Tomioka, “Senshiyōken No Yōken To Shite No Jigyō No Junbi Ni Tsuite” (Preparations of Business as a Requirement of the Prior User's Right), *Tokkyō Kanri* (Patent Management), Vol. 36, No. 4 (1986), p. 425; Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 848 (written by Shigetoshi Matsumoto and Katsuhiko Mise). They state that the two hardly differ from each other. If the business facilities under the former Act were interpreted as having included not only physical facilities, but also elements such as human allocation, it would not be so different from the current Act.

14 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 257.

less complicated apparatuses, so a case on large plant equipment cannot not be discussed on the same plane.¹⁵

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Later, there was a Supreme Court judgment (the Walking Beam case).¹⁶ This was a case where a company had completed an invention concerning an expensive plant, which was a walking beam type heating furnace to be used at a steel plant, and submitted estimated specifications and drawings in response to an inquiry from a steel plant, but it did not create the final drawing since no order was placed. Nevertheless, the company had been continuing to put in tenders for orders. The court gave consideration to the special nature of a large heating furnace in that it takes quite a long time from receiving an inquiry to receiving an order and finally delivering the product, and that it is not subject to mass

15 Court judgments in which the prior user's right was not recognized include: the Tokyo District Court Judgment, May 26, 1964, *Hanta*, No. 162, p. 164 (the 8 mm Video Camera case; the court held that the phase of drafting a design drawing in which specific wiring has yet to be completed was not sufficient to be considered as preparation for working the invention); the Tokyo District Court Judgment, May 28, 1973, *Torikeshishū*, 1973, p. 179 (the Grain Polishing Machine case; the court held that sale of only one machine cannot be considered as preparation); the Matsuyama District Court Judgment, November 19, 1996, *Hanji*, No. 1608, p. 139 (the Cover Sheet Apparatus for Toilet Seat case; the court held that, while the device in question was defined as a generic concept, the article for which the prior user's right is recognized is defined as a more specific concept, and the prior user's right does not extend to forms of working the invention that do not satisfy the requirements for equivalence); the Tokyo District Court Judgment, June 24, 2002, *Hanji*, No. 1798, p. 147/*Hanta*, No. 1105, p. 214 (the Six Roll Calendar case; the court held that no preparation had been made, on the basis that there were no documents containing specific and detailed descriptions of elements including the shape, size, operational speed, and peripheral speed ratio of the roll, the type and performance of its drive motor, composition of the transmission system, method of temperature control, and target material to be processed); the Tokyo District Court Judgment, February 10, 2005, *Hanji*, No. 1906, p. 144/*Hanta*, No. 1196, p. 209 (the Pharmaceutical Granular Preparation Containing Amino Acid case; in this case where a contract for entrusting the manufacture of an investigational drug of the granular preparation had been concluded and preliminary trial production had been commenced, the court held that it could not be regarded as a preparation, stating that the content of the drug subject to the bioequivalence test and manufacturing approval by the Ministry of Health, Labour and Welfare needs to have been unambiguously determined). On the other hand, cases in which the court recognized the right include: the Tokyo District Court Judgment, May 30, 1964, *Hanta*, No. 162, p. 167 (the Block Manufacturing Frame case; the court held that if there have been facts such as the rendering of the drawings, conversion of the facilities for the manufacturing, purchase of tools, ordering of raw materials, and receipt of orders for the products, these can be considered as preparations); the Osaka District Court Judgment, March 11, 1977, *Mutai Saishū*, Vol. 9, No. 1, p. 222 (the Candy Making Device case; the court held that if a person has purchased one of the facilities specific to the device, concluded a product supply contract with a third party, ordered the production of the mold and the back metal, and completed the final design drawing, these can be considered as preparations); the Chiba District Court Judgment, December 14, 1992, *Chiteki Saishū*, Vol. 24, No. 3, p. 894 (the Device for Joining Planar Members case; a case under the Design Act); the Osaka District Court Judgment, May 30, 1995, *Chiteki Saishū*, Vol. 27, No. 2, p. 386 (the Drawbar for Interconnection case); the Tokyo District Court Judgment, April 27, 2000, *Hanji*, No. 1723, p. 117/*Hanta*, No. 1040, p. 280 (the Diphenyl Carbonate case; the court held that an intention of immediately working the invention is regarded as having been expressed in a mode and to an extent which was objectively recognizable at the time when the basic design of the plant and the estimate of the construction expenses were completed, a license contract was concluded with another company, and three million dollars were paid as a consideration therefor); the Tokyo High Court Judgment, March 27, 2002, *Hanji*, No. 1799, p. 148 (the Heat Exchanger Pipe case); the Osaka District Court Judgment, July 28, 2005, court website (the Adjustable Wrench case, the court held that it is necessary and sufficient for the technical means to have been constituted concretely and objectively enough for enabling a person skilled in the art to achieve the intended effect through the repetitive working of the invention); the Tokyo District Court Judgment, March 22, 2006, *Hanji*, Vol. 1987, p. 85/*Hanta*, No. 1249, p. 220 (the Process for Preparing Bioactive Protein case, the court held that the party had the intention of immediately working the invention and that such intention was objectively recognizable); the Tokyo District Court Judgment, March 23, 2007, *Hanta*, No. 1294, p. 183 (the Container for Supplying Molten Metal case; the court recognized the prior user's right for some patent rights and denied the prior user's right for other patent rights).

16 The Supreme Court Judgment, October 3, 1986, *Minshū*, Vol. 40, No. 6, p. 1068 (the Walking Beam case). In its first instance, the Nagoya District Court Judgment, February 27, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 91, the court recognized the prior user's right, and in its appellate instance, in the Nagoya High Court Judgment, December 24, 1985, *Mutai Saishū*, Vol. 17, No. 3, p. 664, the court dismissed the appeal.

production, but is manufactured after receiving individual orders, so the parts are not readily purchased in advance. In conclusion, the court recognized that “preparations” had been made although the product manufacturing was still in the phase of submitting the estimated specifications. With regard to what circumstances are required for “preparations” being recognized, a person should have the intention of immediately working the invention and there should be objective conditions that enable the person to work the invention. The specific standards are expected to differ by the field of technology and the nature of that technology.¹⁷

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There is also the problem of the scope of the prior user’s right. Although the prior user’s right is a non-exclusive license, if the prior user has been working only a portion of the patented invention, the prior user’s right will also be limited to that portion.¹⁸ Specifically, the scope of the right is limited to the extent of the invention worked or prepared and to the extent of the purpose of the business involving the working of the invention (Article 79 of the Patent Act). From the viewpoint of equity, there is no need to recognize the expansion of the working of the invention to other types of businesses beyond the purpose of the business in question. However, the expansion of scale could be recognized within the scope of the same type of business.¹⁹

An invention is not necessarily worked in the same mode at all times, and it is more common for the mode to change gradually. Thus, there is a question of whether or not it is admissible for a prior user to work the invention by changing the mode of working. There was a conflict of opinions regarding this issue, between a theory stating that the admissible mode of working is limited to the mode in which the invention had been worked or been

17 Later, in the Tokyo District Court Judgment, April 27, 2000, *Hanji*, Vol. 1723, p. 117/*Hanta*, No. 1040, p. 280 (the Diphenyl Carbonate case), the court, following the Walking Beam Supreme Court judgment, stated that the party needs to have the intention of immediately working the invention and such intention needs to have been expressed in a mode and to an extent which is objectively recognizable. On such a basis, the court held that an intention of immediately working the invention is regarded as having been expressed in a mode and to an extent which is objectively recognizable at the time when the basic design of the plant and the estimate of the construction expenses were completed, a license contract was concluded with another company, and three million dollars were paid as a consideration therefor, and that a resolution by the board of directors was not required. In conclusion, the court recognized the prior user’s right. The same view has been indicated in many other cases.

18 The Matsuyama District Court Judgment, November 19, 1996, *Hanji*, No. 1608, p. 139 (the Cover Sheet Apparatus for Toilet Seat case).

19 Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 258. In the Tokyo High Court Judgment, September 29, 1966, *Minshū*, Vol. 23, No. 10, p. 1796 (the Globe-shaped Transistor Radio Design case), the court held that the prior user’s right should be construed to enable the prior user to expand or reinforce the business within the scope of that business. When a large company purchases a small company, the scale of business could become substantially expanded, but that cannot be helped.

prepared to be worked (the working mode theory²⁰) and a theory stating that the admissible mode extends to the scope of the invention that had been worked or been prepared to be worked (the inventive concept theory; scope of invention theory²¹). Considering only the national economic viewpoint of preventing the retirement of facilities, it would be sufficient to recognize only the mode of working the invention that had been adopted at the time of the filing. However, from the equity viewpoint, it would be more reasonable to allow some flexibility in the scope of the extension of the prior user's right, rather than permitting changes only within the same scope as that of the invention which was worked or prepared to be worked at the time of the filing.²² It is usual that the working of an invention gradually changes in mode, so unless some flexibility is allowed, it would be impractical and too disadvantageous for the prior user, and the practical significance of the system of a prior user's right would be lost. Finally, this idea was adopted in the aforementioned Supreme

20 The Supreme Court Judgment, April 5, 1938, *Minshū*, Vol. 17, p. 642 (the Break Harrow case). The Tokyo District Court Judgment, April 8, 1974, *Mutai Saishū*, Vol. 6, No. 1, p. 83 (the Synthetic Fiber Heat Treatment Device case) took the stance of limiting the mode of working the invention to the extent of the form or mode in which the invention was being worked at the time of filing the application for registration, and the court held that a non-exclusive license based on prior use cannot be claimed for the scope of an invention that goes beyond that and, further, for the scope of a device extracted therefrom. However, in the second instance judgment on the same case, the Tokyo High Court Judgment, May 27, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 128, the court stated that “the scope of the device being worked is not necessarily limited to the scope of a device with a structure that is actually being worked, but should be construed to extend to the scope of a device that is objectively expressed by the structure that has been actually worked,” and indicated the invention concept theory, but in determining the application of the theory to the specific case, the court held that the mode of working the invention was not within the scope of the same device, and dismissed the appeal. Recently, hardly anyone has argued this theory.

21 The Osaka District Court Judgment, July 10, 1967, *Kamin*, Vol. 18, Nos. 7/8, p. 784 (the Aerosol Container case); the Tokyo High Court Judgment, May 27, 1975, *Mutai Saishū*, Vol. 7, No. 1, p. 128 (the Synthetic Fiber Heat Treatment Device case); the Nagoya District Court Judgment, February 27, 1984, *Mutai Saishū*, Vol. 16, No. 1, p. 91 (the Walking Beam case). Kōsaku Yoshifuji, *Tokkyō Hō Gaisetsu [Dai 13 Han]*, p. 581; Mitsue Toyosaki, *Kōgyō Shoyūken Hō [Shinpan/Zōho]*, p. 257; Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 853 (written by Shigetoshi Matsumoto and Katsuhiko Mise); Hidesato Iida, “Senshiyōken (1) Hassei Yōken Jijitsu” (Prior User's Right (1) Facts Required for the Right to Take Effect), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 312; Minoru Moribayashi, “Tokkyō Hō Ni Okeru Senshiyōken No Kōryoku” (Effects of the Prior User's Right under the Patent Act), *Kigyō Hō Kenkyū* (Study on Business Law), No. 198 (1971), p. 29; Tomoko Takii, “Senshiyōken No Han'i” (Scope of the Prior User's Right), *Kigyō Hō Kenkyū* (Study on Business Law), No. 238 (1975), p. 21. However, as the invention subject to a prior user's right does not have a patent claim as in the case of a patented invention, the determination of the scope of the invention can be expected to be quite difficult in reality.

22 Tatsuki Shibuya, *Chiteki Zaisan Hō Kōgi I [Dai 2 Han]*, p. 344 states that equivalence is a concept for balancing interests in determining infringement, and that the working of the invention for an unintended purpose should not be allowed, and insists that the prior user's right only extends to the identical scope of an invention and not to the equivalent scope thereof. However, such interpretation is considered to be too rigid. It may be reasonable to allow the use of the invention for another type of business, but given that the invention of the prior user has no patent claims, the concept of equivalence cannot be discussed in the first place, so a practical solution would be required. It may be possible to suppose that if a patent application were filed for the prior user's invention, and to consider that the prior user's right would extend to the scope of equivalents of such hypothetical claims, that would be rather too artificial.

Court judgment,²³ and for all practical purposes the issue was settled. At times like the present, when technology is advancing at a high speed, a prior user's right is often meaningless if its working mode is not allowed to be changed at all. As this could destroy the meaning of the system of the prior user's right itself, the Supreme Court judgment is considered to have been reasonable.

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The prior user's right extends not only to an act of production, but also to other various modes of working the invention, such as use, assignment, and import, and the right can be established for each of these modes. However, there is a problem in working an invention in a mode which differs from the original mode. For example, there is an issue of whether a person who had only imported a product invention can produce that product. Article 79 of the Patent Act provides that a license is recognized only to the extent of the purpose of the business concerned, so the determination should be made based on this standard. For instance, it would not likely be permissible for a person who has been using, assigning, and importing a product invention to newly produce that product.²⁴ On the other hand, a person producing a product invention is more likely to be permitted to newly sell or export that product.²⁵ The determination is likely to differ case by case when a person who had been producing a product invention and only using it in-house for his/her own sake starts to sell the product.²⁶[542]

Although the prior user's right is a non-exclusive license, it takes effect by operation of law as long as the statutory requirements have been met, and it is effective against any person who subsequently acquires the patent or the exclusive license by operation of law (Article 99 of the Patent Act). Since there are no special provisions on the assignment of a

23 In the Supreme Court Judgment, October 3, 1986, *Minshū*, Vol. 40, No. 6, p. 1068 (the Walking Beam case), the court clearly stated as follows: "The mode of working the invention should not be limited to the mode in which the prior user has actually worked the invention or has been making preparations to work the invention in Japan, but should also cover varied modes of working the invention within the scope of an invention that does not lose its identity with the technical idea, or the invention, materialized in that mode of working. Therefore, it is reasonable to construe that the effect of the prior user's right extends not only to the mode in which the prior user was actually working or preparing to work the invention at the time the patent application was filed (the day when the priority claim was made), but also extends to any mode of working that has been changed within the scope of an invention that does not lose its identity with the invention materialized therein. When the invention materialized in the mode of working only corresponds to a part of the patented invention, the effects of the prior user's right naturally extends only to that part of the patented invention, but if the scope of that invention coincides with the scope of the patented invention, the effects of the prior user's right should extend to the entire scope of the patented invention." The same view is adopted in the subsequent Osaka District Court Judgment, May 30, 1995, *Chiteki Saishū*, Vol. 27, No. 2, p. 386 (the Drawbar for Interconnection case) and the Tokyo High Court Judgment, March 27, 2002, *Hanji*, No. 1799, p. 148 (the Heat Exchanger Pipe case).

24 In the Nagoya District Court Judgment, April 28, 2005, *Hanji*, No. 1917, p. 142 (the Transfer Equipment case), the court stated that a person who has purchased a product from a manufacturer holding the prior user's right and who sold that product can only claim that the sale of the product does not constitute patent infringement, and cannot directly manufacture that product or place orders for that product.

25 In the Osaka District Court Judgment, May 30, 1995, *Chiteki Saishū*, Vol. 27, No. 2, p. 386 (the Drawbar for Interconnection case), the court held that a person having the prior user's right to manufacture and sell an invention is recognized as having a non-exclusive license for displaying the product for the purpose of selling the product.

26 It is questionable whether or not a person who had only been producing a product invention for use for his/her own sake can newly sell or export that product.

prior user's right, the common rules for a non-exclusive license are applied. In other words, except in the case of general succession, the license can be assigned with the consent of the patentee²⁷ or together with the business involving the working of the invention (Article 94 of the Patent Act).

Even before the establishment of a patent right, the status of a prior user exists and can be assigned together with the business involving the working of the invention.²⁸

If a prior user puts a product he/she has manufactured into distribution, the right for said product will have been exhausted, so the use of said product by its acquirer will not constitute patent infringement. A prior user's right may also be claimed in a case where the invention has been worked by a person whose act can be regarded as the prior user's act of working the invention (the prior user's "hands and feet").²⁹

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9.4.5.3. Statutory Non-Exclusive License Due to the Working of the Invention Prior to the Registration of the Request for a Trial for Patent Invalidation (*Chūyōken* [intervening right]) (Article 80 of the Patent Act)

When a trial decision of invalidation becomes final and binding and patent invalidity becomes decisive, the invention usually becomes available for use by anybody including the patentee of the invalidated patent, which causes no problem. However, in the case of a double patent (registration of multiple patents for the same invention) or in a like case, another patent on the same invention still exists after the invalidation of a patent, so there may be persons in conflict with that existing patent right. Thus, it is provided that a person who was working or preparing to work the invention before the registration of a request for a trial for patent invalidation, without knowing the grounds for invalidation, has a non-exclusive license on the patent right or exclusive license in the case where the patent is invalidated. Otherwise, a person who has been working or preparing to work the invention

27 The Sapporo High Court Judgment, December 26, 1967, *Kamin*, Vol. 18, Nos. 11/12, p. 1187 (the Concrete Block Design case).

28 Nobuhiro Nakayama, ed., *Chūkai Tokkyō Hō Jō [Dai 3 Han]*, p. 860 [written by Shigetoshi Matsumoto and Katsuhiko Mise] states that, when the consent of the patentee has been obtained, the license can be regarded as having been converted into a license by agreement. The same view is indicated in Hidesato Iida, "Senshiyōken (1) Hassei Yōken Jijitsu" (Prior User's Right (1) Facts Required for the Right to Take Effect), Toshiaki Makino, ed., *Saiban Jitsumu Taikei 9 Kōgyō Shoyūken Soshō Hō*, p. 312. This is only considered to be a matter of explanation.

29 In the Supreme Court Judgment, October 17, 1969, *Minshū*, Vol. 23, No. 10, p. 1777 (the Globe-shaped Transistor Radio Design case; a design case under the former Act), the court held that the prior user's right can be claimed not only when the person directly manufactures or sells the product, but also when the person places orders for the product from another party having a business facility and has such party manufacture the product pertaining to the design in question only for said person, and after receiving the delivery of the product, sells the product to others. The first instance of this case was the Tokyo High Court Judgment, December 23, 1961, *Kamin*, Vol. 12, No. 12, p. 3176. This matter is not an issue specific to the prior user's right, but an issue of the extent of the persons who can work the invention. See "6.2. Joint Ownership (Article 73)."

by believing that the patent is valid may have to retire his/her related facilities, which would be a harsh result. The Patent Act provides for a statutory license (also referred to as *chūyōken* [intervening right]) as a remedy for such a case (Article 80, paragraph (1) of the Patent Act). Provisions on the license had also been stipulated for utility model rights, but they were deleted upon the 1993 revision of the Utility Model Act when the non-substantive examination system was adopted.

Specifically, an original patentee, an exclusive licensee, or a non-exclusive licensee, who is doing business working the patented invention or preparing such business before the registration of a request for a trial for invalidation (announcement of registration; Article 3, item (iv) of the Patent Registration Order) without knowing the cause of the invalidation,³⁰ has a statutory non-exclusive license. Since this provision is intended for protecting those who have trusted the JPO's disposition, those who knew that the invention had a cause for invalidation do not deserve to be protected (the main clause of Article 80, paragraph (1) of the Patent Act).

While the prior user's right is stipulated as a gratuitous license from the viewpoint of equity, *chūyōken* is prescribed for an economic purpose to provide a remedy for a person who trusted the JPO's disposition and to prevent the scrapping of his/her existing facilities, although the person is in fact not entitled to work the invention; thus the person must pay a reasonable consideration for it (paragraph (2) of said Article). While the prior user's right is provided as a remedy for a person who is working or preparing to work the invention when the patent right has yet to be established, *chūyōken* is provided as a remedy for a person who is working or preparing to work the invention after the establishment of the patent right, trusting in the validity of the patent. Thus, there is a difference in the need for paying a consideration. Although the standard for the amount of consideration is undefined, the license fee for a non-monopolistic, non-exclusive license by agreement is likely to serve as the standard.

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Chūyōken takes effect with respect to the following persons:

- (i) In the case of a double patent the original patentee whose patent was invalidated (Article 80, paragraph (1), item (i) of the Patent Act). This includes a case where the JPO erroneously granted a patent for the same invention.
- (ii) The original patentee in the case where, after a patent has been invalidated, a patent is granted to the person who is entitled to obtain a patent for the same invention (Article 80,

³⁰ The Nagoya District Court Judgment, October 20, 1989, *Hanji*, No. 1354, p. 141/*Hanta* No. 718, p. 201 (the Union Nut Attaching Method case) was a case in which the court denied the person's lack of knowledge of the cause of invalidation.

paragraph (1), item (ii) of the Patent Act). This includes a case where two applications were filed for the same invention, and while the earlier application was still pending with the JPO, the JPO erroneously granted a patent for the later application, and subsequently, the patent on the later application was invalidated, and a patent was granted for the earlier application.

(iii) In the case referred to in items (i) and (ii) above, a person who has a license for the patent right on the invalidated patent (Article 80, paragraph (1), item (iii) of the Patent Act). Until the 2011 revision, it had been provided that *chūyōken* takes effect with regard to registered non-exclusive licensees, but due to the revision which made all non-exclusive licenses effective against third parties by operation of law, all non-exclusive licensees became accessible to *chūyōken*.

Article 80 of the Patent Act formally seems to take into account all cases of double patenting in general, but there are two kinds of cases in which double patents are invalidated. First is the case where the earlier patent is invalidated. This is a typical example where the earlier patentee could work the invention until the trial decision of invalidation became final and conclusive, but subsequently became unable to work the invention due to the existence of the later patent, and *chūyōken* takes effect as a result. In reality, however, the earlier patent is hardly ever invalidated in a double patent case. This case applies when the earlier patent was invalidated due to being a misappropriated application,³¹ but since a person filing a misappropriated application is likely to have known the cause of the invalidation in most cases, *chūyōken* is expected to rarely take effect.

In the case of double patenting, the later patent is usually invalidated. The later patentee of a double patent is essentially not entitled to work the invention,³² so it would be unreasonable if he/she became able to work the invention by obtaining a statutory non-exclusive license once the trial decision of invalidation has become final and conclusive. Since *chūyōken* is a system for providing a remedy for those who were working the invention or making preparations for it by trusting in the patent, *chūyōken* should not be applicable for those who are essentially not entitled to work the invention, so it should be

31 Since the owner of a right to obtain a patent came to be able to seek the transfer of the misappropriated patent right against the owner of the misappropriated patent (Article 74, paragraph (1) of the Patent Act) upon the 2011 revision, trials for invalidation are expected to be requested in fewer cases in the future when misappropriated applications are involved. There are also provisions for protecting the licensee in the case where the transfer of a patent right is sought by the true right holder (Article 79-2, paragraph (1) of the Patent Act).

32 An opposite view is indicated in Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 1284 (written by Hiroyuki Morisaki and Norie Matsuyama), stating that the later patentee of a double patent can continue to work the invention even after the trial decision of invalidation becomes final and conclusive. However, it is unjust to allow the later patentee to work the invention when the invention is identical to the earlier invention, while the later patentee cannot work the invention when the invention is dependent on the earlier invention (Article 72 of the Patent Act). However, there is also a point of a view suggesting that, whereas a dependent patent is merely a case where a patent has been granted but the working of the invention conflicts with the earlier patent, a double patent is caused by an error of the JPO, so its patentee should be remedied.

construed to be inapplicable to the later patentee of a double patent.³³

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Details of *chūyōken* are similar to those of the prior user's right, except in respect of the consideration for the license, so readers are advised to refer to "9.4.5.2. Statutory Non-Exclusive License based on Prior Use (Prior User's Right) (Article 79 of the Patent Act)."

9.4.5.4. Statutory Non-Exclusive License After Expiration of Duration of Design Right (Articles 81 and 82 of the Patent Act)

Patent rights and design rights each protect different subject matter, but working a registered design could constitute patent infringement in reality. The frequently cited textbook example is the tire tread. The tire tread could be subject to a patent from the technical viewpoint of preventing slipping, and could also be subject to a registered design from the viewpoint of the tire design. Since they protect different subject matter, namely, technology and design, no examination is conducted to determine whether the patent application or the design application was filed first, and they could both be registered as rights. If the design application were filed on or before the filing date of the patent application, the design right holder could work the design without any restrictions by reason of the patent right (See Article 26 of the Design Act). However, after the expiration of the duration of the design right, the working of the design would conflict with another person's patent right which has not yet been extinguished. It would be a severe hardship for the design right holder to become unable to work the design after the expiration of the duration of the design right, only because of the sudden emergence of a patent right for which an application was filed on or after the filing date of the design application. The Patent Act provides for a statutory non-exclusive license to the original design right holder in such a case (Articles 81 and 82 of the Patent Act).

A statutory non-exclusive license is granted only for a design right for which an application was filed on or before the filing date of the patent application. If the design application had been filed later than the patent application, the design right holder would not have the right to work the design in the first place (Article 26 of the Design Act), so it would not become an issue.

This statutory non-exclusive license can be granted to the original design right holder

33 Yoshiyuki Tamura, "Chiteki Zaisanken Hō Oboegaki" (Memorandum on Intellectual Property Law), Fifth anniversary of the Institute of Intellectual Property, *Chiteki Zaisan No Chōyū* (Trends of Intellectual Property), p. 270 and Ryū Takabayashi, *Hyōjun Tokkyō Hō [Dai 4 Han]* (Patent Law from the Ground Up [4th ed.]), p. 20 state that there is no need to grant *chūyōken* automatically due to invalidation of the later patent, but in the case of the *chūyōken* under item (ii), the prior invention had not be patented until the time the later patent was granted, and the later patentee was able to work the invention until then, so it would be permissible to grant the later patentee *chūyōken* to enable the patentee to continue working the invention.

(Article 81 of the Patent Act), the exclusive licensee of the design, and a non-exclusive licensee (Article 82, paragraph (1) of the Patent Act). The reason for recognizing this statutory non-exclusive license is that it is unjust for the original design right holder, who could work the entire scope of the design, to suddenly be unable to work the design right with the expiration of the duration of the design right, only because a patent application had been filed on or after the filing date of the design application. Therefore, the license comes into force to the extent to which the original design right holder could work the design in the first place, that is, the entire extent of the original design right (Article 81 of the Patent Act), regardless of whether or not the design right holder had been actually working the design or to what extent the design was actually being worked. In contrast, when the statutory non-exclusive licensee is the exclusive licensee or a non-exclusive licensee for the original design right, there is no need to recognize the statutory license beyond the extent to which the licensee could originally work the design right, and it is sufficient to recognize it to the extent of the original license (Article 82, paragraph (1) of the Patent Act). Also, in the case where the statutory non-exclusive licensee is the exclusive licensee or a non-exclusive licensee, he/she must pay a reasonable license fee to the patentee (paragraph (2) of said Article). A reasonable consideration is required to be paid under the Act because it is usual for a licensee to have been paying license fees for the design in the past. However, some licensees may not have paid any license fee (gratuitous license) or have only paid a small amount of license fee in the past. In such a case, they would have to pay higher license fees than in the past after the original design right had been extinguished. Licensees usually expect to work the design freely and without charge after the expiration of the duration of the design right, so there may be a need to review the reasonableness of having them continue to pay a license fee only because there was a later-filed patent. Such review would be based on adjustment of interests with the patentee.

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This statutory license is a non-exclusive license, and its nature is similar to other statutory non-exclusive licenses.

When an exclusive license has been granted for the patent right, this statutory non-exclusive license is established for the exclusive license as well.

This statutory non-exclusive license is only established when the design right is extinguished due to the expiration of its duration, and not when the design right is extinguished for reasons including a trial decision of invalidation becoming final and conclusive, a waiver, or a default of payment of the annual fee.

9.4.5.5. Statutory Non-Exclusive License Due to the Working of the Invention Prior to

Registration of Demand for Retrial (Article 176 of the Patent Act)

When a revocation decision or a trial decision in a patent invalidation trial becomes final and conclusive, people may start to work the invention by trusting in that disposition. However, if the patent were to be restored through a retrial, the patent would be deemed to have been valid from the start. If the people who worked the invention by trusting in the trial decision of invalidation were accused of a patent infringement in such a case, it would harm the legal stability of patents. Thus, the Patent Act provides for the establishment of a statutory non-exclusive license in such a case (Article 176 of the Patent Act). The statutory license arises when a revoked patent, a patent right pertaining to an invalidated patent, or a patent right pertaining to the invalidated registration of an extension of the duration thereof has been restored through a retrial, or when the establishment of a patent right or the extension of the duration of a patent right with respect to a patent application or an application for the registration of an extension of the duration of a patent right refused by a trial decision has been registered through a retrial.

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The person eligible for the license is a person who has, without knowing that the patent right will be restored, been doing business while working the invention in Japan or preparing such business after the trial decision became final and binding but before the registration of the demand for a retrial. The extent of the license is limited to the extent of the invention and the purpose of such business worked or prepared. This statutory license is also a non-exclusive license, and its content resembles the prior user's right.

Incidentally, Article 175 of the Patent Act provides for the effects of a patent right that has been restored through a retrial. With regard to this point, readers are advised to refer to “7.3.1.5. Restriction on the Effects of a Patent Right Restored by a Retrial (Articles 175 and 176 of the Patent Act).”

9.4.5.6. Statutory non-exclusive License Due to the Working of an Invention Prior to Registration of Transfer of a Patent Right (Article 79-2 of the Patent Act)

The Japanese Patent Act had adopted the inventor system; it had no provisions on the true right holder's right to claim back the patent from the owner of a misappropriated patent. However, upon the 2011 revision, it was provided that the true right holder may claim back the patent right that has been acquired in violation of an obligation of joint application or through misappropriation (Article 74, paragraph (1) of the Patent Act). When the transfer of the patent right has been registered, the patent right is deemed to have been

owned by the true right holder from the start (paragraph (2) of said Article). Since the provision has a retroactive effect, all rights attached to the patent right would be extinguished unless some measure were taken. If so, a patentee without knowledge (such as a subsequent acquirer of the patent right) or a person who was working the invention by obtaining a license would not be saved. However, these parties conducted the relevant acts by trusting in the JPO's disposition, so it is unreasonable to totally deny such interests, and there would be a need to adjust the rights between the true right holder and the parties who trusted in the patent. Accordingly, Article 79-2 of the Patent Act (a non-exclusive license due to the working of the invention prior to the registration of transfer of patent right; also referred to as *chūyōken* relating to a misappropriated patent) was stipulated, and the requirements for its application resemble those for *chūyōken* (Article 80 of the Patent Act). Both of these provisions are intended for protecting the parties who trusted in the JPO's disposition and enabling the right holder to claim a reasonable consideration from them (Article 79-2, paragraph (2) of the Patent Act), thereby achieving a balance between the two.

When a person has changed the name of the owner of another person's land to his/her own name without permission, and rented the land to a third party, after which the third party has built a house on that land, that third party will not be protected. However, the case of a misappropriated patent cannot be discussed on the same plane. In the case of land, if the third party is protected, the true right holder will no longer be able to use that land, whereas in the case of a property which is information, such as a patent right, even if the third party is protected, the true right holder can still work the patented invention himself/herself as well as license out the patent to other third parties. In other words, in the case of a patent right, it is not an all-or-nothing situation, but there is room to make adjustments between the true right holder and third parties, and there is much flexibility in the designing of the system.

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In the case where a trial decision of invalidation becomes final and binding on the basis of a violation of the obligation of a joint application or on the basis of misappropriation, the patent right will be deemed never to have existed, and neither a subsequent acquirer nor a licensee of the patent right will have any difficulty in continuing to work the patented invention. However, although Article 74 (Special provisions pertaining to transfer of patent right) of the Patent Act reads that the transfer of a patent right may be requested, because it has a retroactive effect (Article 74, paragraph (2) of the Patent Act), it is legally not a transfer, but the true right holder's original acquisition of the right. Therefore, if a person who has been actually working the invention has not received

a license from the true right holder, and has not taken any measure, the person's various relationships built based on the misappropriated patent right would collapse. Thus, it was provided that, when the transfer of the patent right is registered, a person who owns the patent right, the exclusive license, or a non-exclusive license and who was working or preparing to work the invention prior to the registration of transfer, without knowing that the patent right was in violation of an obligation of joint application or was misappropriated, is entitled to a non-exclusive license to the extent of the invention and the purpose of the business working the invention (Article 79-2, paragraph (1) of the Patent Act), and the right holder who receives the transfer is entitled to receive the reasonable consideration for such non-exclusive licensees (paragraph (2) of said Article). The person who owns the patent right in this context includes the person who acquired the patent in violation of an obligation of joint application or by misappropriation, as long as that person has no knowledge of such fact. There may be resistance to the idea that a patentee who acquired the patent by misappropriation can continue to work the invention, but there can be cases where an applicant for a misappropriated application is not aware of the misappropriation (e.g., a subsequent acquirer of the patent right).

A person who has received the assignment of the patent right or a license for the patent right from the owner of a misappropriated patent is not in a position to be challenged by the true right holder receiving the registration of transfer as prescribed under Articles 98 and 99, but such party acquires a statutory non-exclusive license as a special measure under Article 79-2 of the Patent Act and will pay a reasonable consideration to the true right holder. Then there will be a question of legal policy concerning what kind of protection should be given to the statutory non-exclusive licensees in their relationship with the true right holder. Article 79-2 of the Patent Act protects a person who is doing a business working the invention or a person preparing such business without knowledge by recognizing a statutory non-exclusive license within the extent of the invention and the purpose of the business, but there remains a question of whether or not this limitation is reasonable. For instance, there is room for discussion with regard to whether such limitation would be reasonable if the patent right is subject to a comprehensive cross license or a patent pool. Also, while there can be a case where a non-exclusive licensee was still not preparing to work the invention in accordance with the non-exclusive license contract at the time of the registration of the transfer, but was planning to work the invention in the near future, there is a question of whether such licensee can be left unprotected.

The Patent Act provides that a patentee or licensee who falls under Article 79-2 at the time of registration of transfer will have a statutory non-exclusive license after the registration of transfer, but it has no clear provisions on the legal relations before the

registration of transfer. If the statutory non-exclusive license is to occur at the time of the registration of transfer, the working of the invention before that would be illegal, and if negligence is found, the party will have to pay damages to the true right holder. While negligence in the commission of infringement would be presumed (Article 103 of the Patent Act), there is hardly any case where negligence would be denied in reality (for details, see “8.2.3.2. Presumption of Negligence (Article 103 of the Patent Act)”). However, the presumption of negligence is based on the public notice of the patent right, and in the case of a request for transfer, the right that has been publicly notified is a misappropriated patent right, so it seems reasonable to deny negligence in some cases if the party had believed such public notice.³⁴

Also, if Article 79-2 is to be applied or applied by analogy also before the registration of transfer, the working of the invention before the registration of transfer would be legal, and the party would need to pay a reasonable value to the true right holder, but there remains a question of what the relation would be with the license fees which the party has already paid to the owner of the misappropriated patent.

Since there are no remedial provisions for a party who was working the invention before the registration of transfer but who had stopped working the invention at the time of the registration of transfer, the working would retroactively become unauthorized working as a result of the misappropriated patent right retroactively belonging to the true right holder, and the party may be have damages claimed against them. Such party who has worked the invention by trusting in the registration would deserve to be saved, so some arrangement would be worth considering.

Article 79-2 only protects the patentee and licensees without knowledge, and a person who was working the invention or preparing to work the invention, and it does not protect a pledgee or a person who seized the patent. The same applies to *chūiyōken* (Article 80), Considering such diverse problems, a possible legislative theory may be to transfer the right to the true right holder ex post facto instead of having the right retroactively belong to the true right holder. With regard to the true right holder’s right to claim back the patent, see “7.4. True Right Holder's Right to Seek Transfer of a Patent (Article 74 of the Patent Act).”

³⁴ See Toshiya Kaneko, “Iten Tōroku Mae No Bōnin Shutsugannin No Jisshi Ni Yoru Tokkyoken Shingai To Shin No Kenrisha No Songai Baishō Seikyūken” (Patent Right Infringement Due to Working of an Invention by a Misappropriated Applicant Before Registration of Transfer of the Patent and the True Right Holder’s Right to Claim Compensation for Damage), *Tokkyo Kenkyū* (Patent Study), No. 58 (2014), p. 38.

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§10. Obligations Pertaining to a Patent Right

It is better for a patented invention to be worked rather than to be kept dormant, so there is the issue of the obligation to work the patented invention. The current Act encourages the working of the invention by indicating that a compulsory license could be established if the patented invention has not been in use (See “9.4.4.1. Compulsory License Where Invention Is Not Worked (Article 83 of the Patent Act)”).

In order to maintain a patent right, the patentee has an obligation to pay patent fees (Articles 107 onwards of the Patent Act). However, the JPO Commissioner can grant a reduction of, or exemption from, the payment of patent fees to a person with insufficient funds due to poverty, etc. (Article 109 of the Patent Act). Since a patent right will be extinguished if no payment were to be made (Article 112, paragraph (4) of the Patent Act), an interested person, such as a licensee or a pledgee, may pay the patent fees even against the will of the patentee (Article 110, paragraph (1) of the Patent Act). In such a case, the interested person may request the reimbursement of the expenses arising from such payment to the extent of the actual benefit obtained from the person who should be paying the patent fees (paragraph (2) of said Article). Even if the patentee is unable to pay the patent fees within the prescribed time limit, he/she may have the patent right restored by making a late payment within six months from the expiration of that time limit (Article 112 of the Patent Act; Article 5*bis* of the Paris Convention). Unless the late payment is made, the patent right is extinguished retroactively from the day on which the patent right originally should have been extinguished. If the original right holder of the patent which was extinguished due to the default of the payment of patent fees has just cause for the default, he/she may make a late payment (with an extra charge) only within two months from the day on which such cause ceased to exist and within one year from said time limit (Article 112-2 of the Patent Act).

These patent fees have a considerable effect on the filing trend, so the determination of the amount of the fees and the balance between the filing fee and the examination fee are important issues which should be considered based on policy.

If third parties could judge easily whether or not a certain product involves a patent right, it could prevent patent infringements. Thus, the Patent Act has a directive provision stating that efforts must be made to place a mark of patent (Article 187 of the Patent Act).¹

Furthermore, it goes without saying that a patent right is a property right, which must

¹ Since Article 5 D of the Paris Convention stipulates that no indication of the patent is required as a condition for recognizing the right, the Patent Act cannot obligate the indication, but only requires that an endeavor be made to attach a patented mark to a patented product.

be exercised in good faith and in accordance with the principles of trust (Article 1, paragraph (2) of the Civil Code). Also, as a patent right is a powerful and exclusive right, it presents problems in relation to the Anti-Monopoly Act. This problem will be left to studies on the Anti-Monopoly Act, and will not be discussed here.

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§11. Duration and Extinguishment of Patent Rights

11.1 Duration of Patent Rights (Article 67, paragraph (1) of the Patent Act)

Unlike ownership, a patent right has a duration during which it remains valid. Although there are various theories concerning the grounds for setting a time limit for a patent, ultimately the answer should be derived from the question of what would be the most effective duration of protection for the development of technology, or, industrial development.¹ The actual duration of protection is by its very nature determined based on historical grounds or policy grounds, and it is not something that can be decided theoretically².

Under the current Act, a patent right becomes effective upon the registration of its establishment (Article 66, paragraph (1) of the Patent Act), and its duration is 20 years from the filing date (Article 67, paragraph (1) of the Patent Act). Under the former Act, the stipulated duration had been 15 years from the date of publication of the examined application (Article 43, paragraph (1) of the former Act). When the current Act was enacted, the duration remained at 15 years from the date of publication of the examined application, but an upper limit was provided that the duration cannot exceed 20 years from the filing date. Later, as the system for the publication of the examined application was abolished upon the 1994 revision, and as the TRIPS Agreement did not allow the national law to stipulate a duration shorter than 20 years from the filing date, the current stipulation of “20 years from the filing date” was adopted.

Since a patent right becomes effective by registration, the actual duration of the patent would practically differ depending on the time taken for the substantive examination conducted before registration. Apart from exceptional cases, such as an intentional delay of an examination by the applicant, it seems unfair to have a delay for the examination affect the length of the duration of the patent. Nevertheless, considering the fact that the ultimate purpose of the patent system is to promote the development of industry by encouraging invention, it would not be desirable from the viewpoint of industrial policy to grant a right to a monopoly for technology after an excessively long

1 In the Supreme Court Judgment, April 16, 1999, *Minshū*, Vol. 53, No. 4, p. 627/*Hanji*, No. 1675, p. 37/*Hanta*, No. 1002, p. 83 (the Antiplasmin Agent case), the court held that “the patent system is intended to encourage invention by granting to a person who has made his/her invention public a monopolistic right to use that invention for a specific period, while also giving third parties opportunities to use the invention that has been made public, thereby contributing to the development of industry.”

2 Under the Act of 1921, the patentee could apply for an extension of the duration for a period between three to ten years if he/she could not gain reasonable profits during the duration on justifiable grounds and if it were an important invention (Article 43, paragraph (5) of the Patent Act; Article 1 of the Patent Enforcement Order). Such a provision may exist in theory, but it would be extremely difficult to determine whether or not the patentee gained reasonable profits in actuality.

time from the filing date, even if it were due to a delayed examination.

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In the case of a divisional application (Article 44, paragraph (2) of the Patent Act) or a converted application (Article 46, paragraph (5) of the Patent Act), the duration is 20 years from the filing date of the original application. Meanwhile, for an application containing an internal priority claim or an application containing a priority claim under the Paris Convention, the duration is 20 years from the filing date of the application containing a priority claim, since the filing date does not retroact for matters other than statutory matters. The duration of an international application filed through the PCT route (Article 184-3, paragraph (1) of the Patent Act) is 20 years from the international application date.

11.2. Extension of Duration³ (Article 67, paragraph (2) of the Patent Act)

(1) Significance of extension of duration

Such inventions as drugs and agricultural chemicals, of which the working (manufacture, sale, etc.) is legally regulated sometimes cannot be worked immediately after they are patented. In such a case, the duration of the patent is practically shortened due to the 20-year upper limit on the duration. In extreme cases, an approval (permission or any other disposition)⁴ for the manufacture, sale, etc. is given after the expiration of the duration of the patent right. In order to resolve such a practical detriment, a system for extending the duration of the patent right was introduced upon the 1987 revision. Specifically, the extension of the duration was recognized as a period not exceeding the period during which the patented invention could not be worked and not exceeding five years (Article 67, paragraph (2) of the Patent Act). However, because there are differences between the contents of the approval for the drug or agricultural chemical and the contents of the patent right, complicated problems have occurred with regard to the types of cases in which the duration can be extended and the scope of the effect of the extended patent

3 For details of the extension system, see Hiroaki Niihara, ed., *Kaisei Tokkyo Hō Kaisetsu* (Commentary on the Revised Patent Act); Nobuhiro Nakayama, ed., *Chūkai Tokkyo Hō Jō [Dai 3 Han]*, Articles 67, 67-2, 67-2-2, 67-3, 67-4, and 68-2 (written by Haruo Gotō and Kōji Hirayama and Toshimichi Moriya), Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Jō* (New Explanatory Notes on the Patent Act Vol. 1), p. 995 (written by Ryōko Iseki), Ryōko Iseki, “Tokkyoken No Sonzoku Kikan Enchō Tōroku To Yakuji Hō No Seizō Shōnin” (Patent Term Restoration and Manufacturing Approval on the Pharmaceutical Affairs Law), *Dōshisha Hōgaku* (The Doshisha Law Review), Vol. 60, No. 6 (2009), p. 83; Ryōko Iseki, “Iyakuhin No Fukusū No Seizō Shōnin To Tokkyoken No Sonzoku Kikan Enchō Tōroku -- Pashifu Kapuseru 30 mg Jiken Saikōsai Hanketsu” (Registration of Patent Term Extension and Multiple Marketing Approvals under the Pharmaceutical Affairs Law: the Implication of the Supreme Court Case), *AIPPI Journal*, Vol. 56, No. 9 (2011), p. 569; Ryūta Hirashima, “Tokkyoken Sonzoku Kikan Enchō Seido Ni Kakawaru Kitei No Gōriteki Kaishaku” (Rational Interpretation of the Provisions Pertaining to the System of Extension of the Duration of Patent Rights), *L&T (Law & Technology)*, No. 46 (2010), p. 55.

4 This disposition corresponds to “permission” as an academic concept, where the act of manufacture, sale, etc. is prohibited both in general and in the abstract, and such act is permitted only through receiving an individual, specific disposition based on each administrative law or regulation.

right.

The extendable period is not the period from the date of patent registration to the date of the disposition (approval) for manufacture, sale, etc., but the period during which it was not possible to work the patent invention despite that the patentee had the intention and capability to do so. This is because, the duration of a patent right can be regarded to have been practically shortened not if the patentee merely owned the patent right, but only if the patentee had the intention and capability to work the invention. Specifically, "the period during which it was not possible to work the patent invention" is the period between the date of the beginning of the test which is required for the approval, or the date of patent registration, whichever is later, and the day before the date when the above approval took effect by reaching the applicant.⁵

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The effects of a patent right are not suspended even during the period when the approval, etc. has not been given for the working of the invention, so the patentee is able to seek an injunction and claim damages against any infringement during that period.

Meanwhile, at the time of the 1987 revision, an extension of the duration of a patent could only be requested when the period during which the patented invention could not be worked was two years or more. However, since this requirement was unique to the Japanese system, and there were strong calls for its abolition, the two-year test was abolished upon the 1999 revision (Article 67 of the Patent Act).

(2) Procedure for extension of the duration

In order to enjoy an extension of the duration, there needs to have been a period during which the patented invention was unable to be worked because approvals prescribed by relevant Acts that are intended to ensure the safety, etc. or any other disposition designated by Cabinet Order as requiring a considerable amount of time for the proper execution of the disposition were necessary (Article 67, paragraph (2) of the Patent Act). The Patent Act does not limit the industrial fields for which the duration of patents may be extended, and has a Cabinet Order (Article 2 of the Patent Enforcement Order) provide for the applicable industrial fields. At present, two dispositions are subject to the system of extension of the duration: approval under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (hereinafter referred to as the "Pharmaceuticals and Medical Devices Act"; the law title

⁵ The Supreme Court Judgment, October 22, 1999, *Minshū*, Vol. 53, No. 7, p. 1270/*Hanji*, No. 1693, p. 133/*Hanta*, No. 1018, p. 211 (the New Polypeptide case). Since this was a case before the 1999 revision, whether or not the extension of the duration of the patent right would be recognized depended on whether or not the patented invention could not be worked for "two years or more." Meanwhile, "Part IX Extension of Patent Term" of the Examination Guidelines states that "This period begins on the date on which testing necessary for obtaining the disposition designated by Cabinet Order commences or on which the relevant patent is registered, whichever comes later; and ends on the day before the date on which the approval or registration takes effect by reaching the applicant, i.e., the date on which the applicant actually learns of the approval or registration or could have learned of it."

was changed from conventional “Pharmaceutical Affairs Act” upon the 2014 revision) and approval under the Agricultural Chemicals Control Act. Industry calls for the extension of the duration of patents in relation to other dispositions as well, such as a disposition for a new genetically-engineered animal or plant, but an extension is currently allowed for the above two dispositions. “Whether or not a considerable amount of time is required for the proper execution of the disposition” is not examined as a requirement for the extension in individual cases, but dispositions under the Pharmaceuticals and Medical Devices Act and the Agricultural Chemicals Control Act are categorized as those subject to this system by operation of law.

In principle, an application requesting the registration of an extension of the duration of a patent right shall be filed within three months after the disposition prescribed by Cabinet Order is obtained (Article 67-2, paragraph (3) of the Patent Act).⁶ Conventionally, in consideration of the period for preparing for the issuance of the patent gazette, an application for the registration of an extension of the duration could not be filed after six months before the expiration of the duration of the patent right. Since the patentee was unable to control the day on which the disposition was made, and the time limit of six months before the expiration of the duration of the patent right was too severe for applicants, this time limit (Article 67-2-2 of the Patent Act) was abolished upon the 1999 revision, and it was provided that the duration is deemed to have been extended when the registration of an extension of the duration has been filed (Article 67-2, paragraph (5) of the Patent Act). There is no problem if the examiner’s decision on a registration of extension is made before the expiration of the duration of the patent right, but if it is made after the expiration of the duration, the extension becomes effective at the time of the filing of the application for the registration of an extension, and if the examiner makes a decision to refuse the extension, the extension loses its effect retroactively (the proviso to said paragraph). However, if an application for an extension of the duration is filed immediately before the expiration of the duration, it could cause unexpected damage to third parties. Thus, when the disposition designated by Cabinet Order (approval of a drug, etc.) is unlikely to be obtained prior to six months before the expiration of the duration, the person filing an application for registration of an extension must submit a document stating his/her name, patent number, etc. to the JPO Commissioner (Article 67-2-2, paragraph (1) of the Patent Act), and if the person fails to submit such document, he/she cannot file an application for registration of an extension after six months before the expiration of the duration (paragraph (2) of said Article). An application for the registration of an extension filed in violation of this provision is

⁶ Article 3 of the Patent Enforcement Order provides that the period is to be three months, but if a person filing an application for registration of an extension of the duration is unable to file the application due to reasons beyond said person’s control, said person may file the application within 14 days from the date on which those reasons cease to exist (but not later than nine months from the date of the disposition).

dismissed as an unlawful application (Article 18-2 of the Patent Act). The extension is examined by an examiner (Article 67-4 and Article 47, paragraph (1) of the Patent Act), and the procedure for patent examination is applied *mutatis mutandis* to the procedure for the examination of an extension of the duration (Article 67-4 of the Patent Act).

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(3) Requirements for recognition of extension of the duration

In order for an examiner to *refuse* an application for registration of extension of the duration, the examiner must prove either of the following: (i) the fact that the disposition designated by Cabinet Order is not deemed to have been necessary to obtain (the fact that the disposition by the government agency was not essential for making the manufacture, etc. possible, that is, that the manufacture, etc. was possible even without the disposition) (Article 67-3, paragraph (1), item (i) of the Patent Act); or (ii) the fact that the act for which a ban was lifted by obtaining the disposition designated by Cabinet Order (the act of manufacturing, etc.) is not included in acts that constitute the working of the patented invention (the fact that the drug, etc. for which the application for extension of the duration was filed falls outside the scope the patent right), that is, there is no overlapping portion between matters that define the invention claimed in the scope of claims for which an application for registration of an extension of the duration was filed and the product for which the disposition was obtained (the product for which a prohibition was lifted by obtaining the disposition, i.e., the drug or agricultural chemical which was permitted to be manufactured and/or sold) (item (ii) of said paragraph).⁷ These are requirements for refusing the application and have complicated contents, but looking at it from the other way around, the extension is registered if the application satisfies the requirements that the disposition (approval) was essential for making the manufacture, etc. possible and that the act of manufacturing, etc. falls within the scope of patent claims of the application for extension. In short, the law provides that the application is refused for a product that can be worked even without the disposition and a product for which the subject of the disposition is not included in the scope of patent claims subject to the extension. However, there is controversy about the interpretation of the requirements (discussed later).

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As long as these requirements are satisfied, it is possible to have the duration of a

⁷ The Intellectual Property Court Judgment, May 29, 2009, Hanji, No. 2047, p. 11/*Hanta*, No. 1305, p. 80 (the Pacif Capsule 30 mg case). The following similar judgments were rendered on the same day: the Intellectual Property Court Judgment, May 29, 2009, court website (the Long Acting Sustained-Release Microcapsule case); and the Intellectual Property Court Judgment, May 29, 2009, court website (the Controlled Release Composition case). The same view is indicated in the Intellectual Property Court Judgment, March 28, 2011, Hanji, No. 2115, p. 90/*Hanta*, No. 1392, p. 276 (the Anti-HIV Infection Drug case).

single patent right extended several times,⁸ and if a single disposition involves several patents, the durations of the several corresponding patent rights are extended.

(4) Scope for which extension of the duration is recognized

Since the introduction of the system of extension of the duration in 1987, JPO practices and court judgments regarded the scope for which an extension of the duration is recognized (Article 67-3, paragraph (1), item (i) of the Patent Act) and the scope of the effect of a patent right whose duration has been extended (Article 68-2 of the Patent Act) to be consistent, and, in the case of a drug, interpreted the “product which was the subject of the disposition” referred to in Article 68-2 to be not the specific drug for which the disposition under the Pharmaceuticals and Medical Devices Act was issued, but the “active ingredient (product) and the effect-efficacy (purpose).” On such basis, if drugs that have the “same active ingredient and purpose” as the drug in question were already in a state of being able to be manufactured, sold, etc., the JPO and court denied an extension of the duration for such drugs. In other words, if multiple approvals have been granted for drugs that have the same active ingredient and purpose, it was construed under the Patent Act that, after the first drug gains approval, the subsequent drug approvals are unnecessary, and extension of the duration could not be allowed for such subsequently approved drugs.

Specifically, let us suppose that a sedative with a certain active ingredient (e.g., morphine hydrochloride) and effect-efficacy (purpose; e.g., pain relief) is patented, and after approval under the Pharmaceuticals and Medical Devices Act is granted for a specific sedative of dosage form A which falls under the scope of its patent claims, registration of an extension of the duration is recognized for it. In this case, if a sedative with the same active ingredient but with different dosage form B subsequently obtains approval under the Pharmaceuticals and Medical Devices Act, extension of the duration could not be recognized for dosage form B with the “same active ingredient and purpose,” however revolutionary it was. In reality, the subsequent sedative of dosage form B also cannot be manufactured, etc. without the approval under the Pharmaceuticals and Medical Devices Act, but it is construed that “the disposition designated by Cabinet Order is not deemed to have been necessary to obtain” for such sedative; in other words, it is deemed under the Patent Act that such sedative could be manufactured, etc. This is considered to be based on the idea that, because the essence of the Pharmaceuticals and Medical Devices Act is to regulate new active ingredients (chemical substances) in the form of drugs, the key points of the regulation would be the “active ingredient and the purpose”

⁸ For instance, where a patent right is granted for a chemical substance that is effective as a hypnotic drug and an anticancer drug, it is possible to first register an extension of the duration of the patent right as a drug effective against cancer, and then register an extension of the duration of the patent right as a drug effective as a drug for sleeping disorders.

of the drug, among many specific elements.⁹ The underlying value judgment is assumed to be that the most important element for a drug is that it is a new chemical substance with drug efficacy, and that other elements are only minor details and do not deserve the benefit of an extension of the duration. A separate approval for a drug needs to be obtained if the dosage form differs, but the difference in dosage form has hardly any meaning under the Patent Act, so it is likely to have been considered that as long as extension of the duration has been recognized for a drug with a specific chemical substance as a sedative, no other extension of the duration can be recognized as a sedative, even if it was in a different dosage form. In short, this means that the drug of dosage form B cannot be manufactured, etc. without the approval specified by the Pharmaceuticals and Medical Devices Act in practice, but as long as the approval has already been granted for dosage form A with the same chemical substance (active ingredient) and purpose, the drug of dosage form B is not construed to be an invention for which the disposition designated by Cabinet Order is necessary to obtain as referred to in Article 67, paragraph (2) of the Patent Act.¹⁰ In recent years, however, not only chemical substances with drug efficacy, but drug delivery systems (DDS)¹¹ and the like have also become increasingly important, and revolutionary pharmaceutical inventions concerning the dosage form and usage have emerged; but under the JPO's conventional practice, as long as their active ingredients and purposes are the same as those of inventions which had been filed earlier, the duration of the patent rights for the DDS cannot be extended. The JPO's interpretation makes only inventions of new drugs subject to an extension of the duration. Under this interpretation, even if there were a revolutionary invention concerning a drug formulation, if a disposition has already been made for a drug with the same active ingredient and purpose, the duration cannot be extended for that dosage form. However, such practice discriminates against DDS, etc. that occupy an important position among pharmaceutical inventions today and is considered to be unreasonable, so such interpretation was

9 Hiroaki Niihara, *Kaisei Tokkyo Hō Kaisetsu*, p. 97 and p. 106. Mr. Niihara was in charge of legislating the the Pharmaceuticals and Medical Devices Act.

10 It should be noted, however, that in 1987 when the extension of a duration was legislated, pharmaceutical inventions were mainly inventions of new chemical substances, the DDS (*infra* note 11) was underdeveloped, and the doctrine of equivalents had yet to be established in case law, so the JPO's practices had been reasonable to some extent. Incidentally, the doctrine of equivalents was established upon the Supreme Court Judgment, February 24, 1998, *Minshū*, Vol. 52, No. 1, p. 113/*Hanji*, No. 1630, p. 32/*Hanta*, No. 969, p. 105 (the Ball Spline case).

11 The DDS is a system that controls the quantity, location, and time of drug distribution inside the body. For example, in the case of an injection drug that conventionally needed to be injected every day, a DDS is such a system that requires the drug to be injected only once a month (e.g., a sustained-release capsule of morphine hydrochloride). In that case, the drug used in the DDS is the same as the conventionally used drug, having the same active ingredient (morphine hydrochloride) and purpose (pain relief), so extension of the duration would not be recognized for it under the conventional JPO practice.

overturned by a Supreme Court judgment.¹² This Supreme Court judgment was rendered for a case in which the drug subject to the earlier disposition (a sedative containing morphine hydrochloride as its active ingredient) and the patent right for which an application for extension of the duration was filed (an invention on controlled release composition) did not overlap, but their active ingredient (morphine hydrochloride) and purpose (pain relief) were the same. The Supreme Court held that, if the pharmaceutical product covered by the earlier approval is not included in the technical scope of the patent for the pharmaceutical product covered by a later approval, it is unreasonable to refuse an application for registration of extension of that patent on the grounds of the existence of the earlier approval. As a result, the JPO revised the Examination Guidelines in 2011.¹³ [558]

Later, a judgment by the Grand Panel of the Intellectual Property High Court (the

12 In the Supreme Court Judgment, April 28, 2011, *Minshū*, Vol. 65, No. 3, p. 1654/*Hanji*, No. 2115, p. 32/*Hanta*, No. 1348, p. 102 (the Pacif Capsule 30 mg case), the court held that, even in the case where, prior to the approval for manufacturing and sale under Article 14, paragraph (1) of the Pharmaceutical Affairs Act because of which an application for registration of extension of the duration of a patent right has been filed, another approval for manufacturing and sale under said paragraph had been issued with regard to a pharmaceutical product which has the same active ingredient as well as efficacy and effect as those of the pharmaceutical product covered by the approval, if the pharmaceutical product covered by the earlier approval is not included in the technical scope of the patented invention specified by any of the claims for the patent right pertaining to the application for registration of extension, it is unreasonable to deny that it was necessary to obtain the approval for the working of the patented invention based on said patent right, on the grounds of the existence of the earlier approval. In this case, a person obtained a patent for a drug relating to chemical substance having drug efficacy (morphine hydrochloride with analgesic effect) and obtained an approval for its manufacture, etc., and later, the appellant obtained a patent for a drug that had put said chemical substance into a sustained-release capsule, and sought an extension of the duration of that patent right. The patent right for which an extension was sought related to a sustained-release capsule of morphine hydrochloride, which did not overlap with the scope of patent claims of the drug for which an extension of the duration was recognized earlier. The chemical substance (morphine hydrochloride with analgesic effect) and the sustained-release capsule are different patented inventions, and it is possible to obtain a patent for the capsule dosage form and obtain a drug approval for it. However, under the conventional JPO practices, the duration of the patent for the capsule could not be extended because the chemical substance contained in the capsule and the purpose (drug efficacy) of the capsule were the same as those of the invention of the chemical substance (morphine hydrochloride with analgesic effect). See Eiji Saegusa, “Shin Zaikei Iyakuhiin No Tokkyoken Sonzoku Kikan Enchō Tōroku Shutsugan -- Kōkō Shobun Wo Riyū To Suru Shin Zaikei Iyakuhiin No Enchō Tōroku Wo Mitometa Jirei” (Application for Extension of the Duration of a Patent Right for a Drug of a New Dosage Form: Example of a Case in Which Registration of Extension Was Recognized for a Drug of a New Dosage Form on the Basis of a Subsequent Disposition), *Chizai Kanri* (Intellectual Property Management), Vol. 60, No. 1 (2010), p. 5; Ryōko Iseki, “Iyakuhiin No Fukusū No Seizō Shōnin To Tokkyoken No Sonzoku Kikan Enchō Tōroku -- Pashifu Kapuseru 30 mg Jiken Saikōsai Hanketsu” (Registration of Patent Term Extension and multiple Marketing Approvals under the Pharmaceutical Affairs Law: the Implication of the Supreme Court Case), *AIPPI Journal*, Vol. 56, No. 9 (2011), p. 596.

13 In the new Examination Guidelines for Patent and Utility Model, the statement was revised as follows: “in making the determination under Article 67-3, paragraph (1), item (i), the phrase ‘to work the patented invention’ should not be interpreted as an act of manufacturing and marketing or otherwise handling the drug product per se that was the subject of the disposition, nor should it be interpreted as an act of manufacturing, importing, or otherwise handling the agricultural chemical per se that was the subject of the disposition. Instead, it should be interpreted as an act of manufacturing and marketing or otherwise handling such drug product or as an act of manufacturing, importing, or otherwise handling such agricultural chemical that is defined by all of the matters falling under the matters to define the invention of the patented invention among the matters described in the written approval for the drug product or the registration card for the agricultural chemical that was the subject of the disposition (‘matters falling under the matters to define the invention’).” With regard to this, however, in the judgment by the Grand Panel of the Intellectual Property High Court, May 30, 2014, *Hanji*, No. 2232, p. 3/*Hanta*, No. 1407, p. 199 (the AVASTIN case), the court pointed out as follows: “The aforementioned revision of the Examination Guidelines by the JPO was made from an independent standpoint beyond the holding in the aforementioned Supreme Court judgment (the Supreme Court Judgment, April 28, 2011). ... the revision is apart from the text of the provisions of said item, and is unacceptable.” The final appeal on this case was dismissed by the Supreme Court Judgment, November 17, 2015, court website.

AVASTIN case)¹⁴ was rendered for a case in which the plaintiff, who was the patentee for an invention titled “anti-VEGF antibody,” first obtained approval for a drug that is “intravenously infused as bevacizumab at a dose of 5 mg/kg (weight) or 10 mg/kg (weight) at administration intervals of at least two weeks” for “unresectable advanced or recurrent colorectal cancer,” and then obtained approval for a partial change of adding to “the dosage and administration approved by the prior disposition” a statement that “in combination with other anticancer drugs, adults are ordinarily intravenously infused with bevacizumab at a dose of 7.5 mg/kg (weight) at administration intervals of at least three weeks.” The plaintiff filed an application for registration of extension of the duration, but the application was refused, so the plaintiff filed an action to seek rescission of the JPO decision. The court held that “even if approval of manufacture and sale (prior disposition) under Article 14, paragraph (1) of the Pharmaceutical Affairs Act has been given for a drug for which the active ingredient and efficacy and effect are the same as those of a drug which was the subject of a subsequent disposition (omitted), when the drug which was the subject of the prior disposition does not fall under the technical scope of the patented invention claimed in any claim of the patent right pertaining to the application for the registration of extension, it cannot be said that the subsequent disposition is not deemed to have been necessary to obtain for the working of the patented invention covered by the patent right on the grounds of the existence of the prior disposition.” In other words, the court made it clear that, if the drug subject to the prior disposition does not fall under the scope of the patent right for which an application for extension of the duration was filed, the extension is recognized, and that, even if the drugs were based on the same patent right and had the same active ingredient, the duration can be extended in some cases if the dosage and administration differ. The court ruled that, because the act for which the ban is lifted by the approval (manufacture, sale, etc.) is the act of manufacture, sale, etc. of a drug that is defined by the matters which were the subjects of

14 The Grand Panel of the Intellectual Property High Court, May 30, 2014, *Hanji*, No. 2232, p. 3/*Hanta*, No. 1407, p. 199 (the AVASTIN case) was a case in which the plaintiff obtained approval for a drug by making a partial change to a drug for which a prior approval of manufacture and sale had been obtained with regard to the same patented invention. The drugs had the same efficacy and effect, but only their dosage and administration were different. See Ryōko Iseki. “Abasuchin (Bebashizumabu) Jiken” (The AVASTIN (Bevacizumab) Case), *Jurist*, No. 1475 (2014), p. 62. Meanwhile, in the Intellectual Property High Court Judgment, September 25, 2014, *Hanji*, No. 2241, p. 142 (the Iressa case), the court stated that the efficacy or effect of the drug in question which was approved by the prior disposition was to treat “inoperable or recurrent non-small cell lung cancer,” and its written approval did not contain such statement as whether it was for cases that have undergone or have not undergone chemotherapy. The court pointed out that, in contrast, the efficacy or effect of the drug approved by the disposition in question (the designated purpose) was “inoperable or recurrent EGFR mutation-positive non-small cell lung cancer,” which is found to have limited the scope of the purpose “inoperable or recurrent non-small cell lung cancer” of the drug in question which was approved by the prior disposition, so the lifting of the ban by the disposition in question is included in the scope of the lifting of the ban by the prior disposition.

the approval,¹⁵ it is erroneous to deem that the ban was also lifted even for the act of working the patented invention on which the ban was not lifted by a disposition designated by Cabinet Order, and to refuse the application for the registration of extension of the duration of the patent right based on it.

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Under the Patent Act, a “product” that was the subject of a “disposition designated by Cabinet Order” would mean a drug defined by the ingredient, quantity, dosage, administration, efficacy, and effect—among the matters examined under the Pharmaceuticals and Medical Devices Act—of the drug for which the approval was given, and if any of these matters differs, the product could newly become subject to extension of the duration.¹⁶ Since it is a fact that a subsequently approved drug cannot be manufactured, etc. due to the existence of a prior approved drug, this determination is considered to coincide with the natural interpretation of the provisions of the Patent Act. The judgment is likely to have taken into consideration the fact that the dosage and administration could serve as important elements for drugs.

(5) Effect of patent right in the case of duration extension (Article 68-2 of the Patent Act)

The purpose of the system of the extension of the duration is to recover the period during which the patentee could not work his/her invention in spite of having the intention to do so, in the case where the patentee was prohibited from working the invention by an Act (the Pharmaceuticals and Medical Devices Act or the Agricultural Chemicals Control Act) although he/she should have been able to freely work the invention in the absence of such Act, and where the patentee could only engage in the manufacture, sale, etc. of the product when such prohibition was lifted by obtaining a disposition (approval for manufacture, sale, etc.). Since the system of an extension of the duration is intended for reclaiming the period during which the patentee could not work the invention in spite of

15 The court further held as follows: Under Article 14, paragraph (1) of the Pharmaceutical Affairs Act (currently the Pharmaceuticals and Medical Devices Act), it is necessary to obtain approval for each item. In obtaining such approval, the “name, ingredient, quantity, structure, dosage, administration, use method, efficacy, effect, performance, side effects and other qualities, and matters relating to effectiveness and safety” of the relevant drug, etc. are to be examined (paragraph (2), item (iii) of said Article). The “item” under the Pharmaceutical Affairs Act refers to the product (drug) defined by the elements above, and an approval is granted for each such product. Therefore, the act for which the ban is lifted by the approval is the act of manufacture, sale, etc. of a drug that is defined by the matters which were the subjects of the approval. It is necessary to make a determination substantially in light of the purpose of the Patent Act, which established the system for the registration of extension of the duration, instead of making a determination by formally applying each of these elements. It is reasonable to understand that the scope of the “working of a patented invention” on which the ban is lifted through obtainment of an approval covers the act of manufacturing, selling, etc. a drug that is defined by the aforementioned matters to be examined, excluding “name,” “side effects and other qualities,” and “matters relating to effectiveness and safety” (ingredient, quantity, dosage, administration, efficacy, and effect).

16 In the Intellectual Property High Court Judgment, May 30, 2014, court website (the Rhinocort Powder Nasal Spray case), the court held that the disposition in question merely approved a drug that partially changed the matters approved by the prior disposition into a more limited form, so the drug is not subject to extension of the duration.

having the intention to do so, due to the need for obtaining a disposition, there is no need to make the extended patent right effective with regard to the entire scope of the patent right, and it is provided that such patent right is not effective against any act other than the working of the patented invention for the product which was the subject of the disposition (where the specific usage of the product is prescribed by the disposition, the product used for that usage), or in other words, the product for which the prohibition was lifted (that is, the product that could not be worked until the disposition was made) (Article 68-2 of the Patent Act). As a textbook example, if Claim 1 of the patent for a chemical substance defines a hypnotic and Claim 2 defines an anticancer drug, and a disposition (approval for manufacture, sale, etc.) is made for the hypnotic drug, the duration of the entire patent right will be extended, but it is basically only effective against approved hypnotic drugs, and not against anticancer drugs.

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The problem would be the concrete scope of the “product which was the subject of the disposition,” Under the conventional JPO practice, extension of the duration was recognized for a product defined by the “active ingredient and purpose,” and the extended patent right was effective against products with the same “active ingredient and purpose,” even if the dosage and administration differed. In other words, the JPO had consistently interpreted the scope for which extension of the duration is to be recognized under Article 67-3, paragraph (1), item (i) of the Patent Act and the scope in which the patent right of which duration has been extended under Article 68-2 is effective. However, recent court judgments have interpreted that these two matters are not necessarily directly linked with each other.¹⁷

While the current Cabinet Order limits the subjects of an extension of the duration of patent rights to drugs and agricultural chemicals, the Patent Act does not limit the subjects to those fields, so there is a potential that the subjects could be expanded to all kinds of industries. Because of this, Article 68-2 of the Patent Act uses a general term “product (if a specific purpose of said product has been designated by the disposition, the product used for such purpose)” to define the subject of the extension of the duration. However, since there is no formal or substantive reason or appropriateness to change the reading of this “product” to mean the “active ingredient and purpose” only in the case of a drug, under Article 68-2, like the conventional interpretation by the JPO, the extended patent right is only effective against the product (drug) which could not be worked until

¹⁷ The Supreme Court Judgment, April 28, 2011, *Minshū*, Vol., 65, No. 3, p. 1654/*Hanji*, No. 2115, p. 32/*Hanta*, No. 1348, p. 102 (the Pacif Capsule 30 mg case). In the Grand Panel of the Intellectual Property High Court, May 30, 2014, *Hanji*, No. 2232, p. 3/*Hanta*, No. 1407, p. 199 (the AVASTIN case), the court stated that “there is no unreasonableness in the inconsistency between these scopes as long as the scope for which the patent right whose duration was extended for the reason of a prior disposition is effective does not directly relate to the question of whether a disposition designated by Cabinet Order was necessary to obtain for the working of the patented invention.”

receiving a disposition under the Pharmaceutical Affairs Act. In the judgment by the Grand Panel of the Intellectual Property High Court (the AVASTIN case), the court stated that “in the case of a patented invention of an ingredient of a drug, it is reasonable to conclude that the patent right whose duration was extended pursuant to Article 68-2 of the Patent Act is effective for the scope of the working of the patented invention that is identified by ‘ingredient (not limited to the active ingredient)’ as an invention pertaining to a ‘product’ and is also identified by ‘efficacy and effect’ and ‘dosage and administration’ as an invention pertaining to a ‘usage.’” In other words, while the requirements for extension of the duration are as mentioned earlier, the extended patent right is effective for the scope of the working of the patented invention defined by the “efficacy and effect” and the “dosage and administration” in the case of a drug, and its technical scope is determined based on the same interpretation as that for ordinary patent rights. For example, if a chemical substance with drug efficacy has gained approval in the form of a powder drug and the duration of the patent therefor has been extended, the patent right will be effective against the same drug in the form of a tablet with the same “ingredient,” “quantity,” “dosage,” and “structure,” within the scope of equivalents, by regarding the tablet to be the same product under the Patent Act. Nevertheless, in this court judgment, the court held that quantity¹⁸ does not limit the effect of an extended patent right.

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The conventional interpretation was to regard that extension of duration is effective against products with the same active ingredient and purpose, but the recent interpretation is to recognize registration of an extension of the duration in shorter segments, and to regard that the extended patent right is effective for a narrower scope. As mentioned above, the scope of the extended patent right is interpreted in the same way as the scope of an ordinary patent right, and the doctrine of equivalents is also applicable to the extended patent right.¹⁹ This is because, otherwise, competitors would be able to easily evade infringement by adding a slight change to products for which the patent right was extended, which would be unreasonable.

11.3. Lapse of Patent Rights

18 The court stated as follows: the “quantity” means the quantity of ingredients, etc. included in a unit of a drug, such as a tablet or a pack; however, it goes against the purpose of the establishment of the extension registration system to permit competing companies to manufacture, sell, etc. a drug with the same dosage and administration, which differs only in quantity from a drug for which the patentee obtained approval. Today, however, there can be cases where a new patent is obtained for a drug with a different quantity, so the conclusion of this judgment does not necessarily apply to the difference in quantity in all cases.

19 In contrast, Ryōko Iseki. “Abasuchin (Bebashizumabu) Jiken” (The AVASTIN (Bevacizumab) Case), *Jurist*, No. 1475 (2014), p. 66 states that the doctrine of equivalents does not apply due to a difference in nature.

A patent right lapses upon the following events: expiration of the duration of the patent (Article 67, paragraph (1) of the Patent Act); default of payment of the patent fees (Article 112, paragraph (4) of the Patent Act); absence of an heir (Article 76 of the Patent Act); waiver of the patent right (Article 97, paragraph (1) of the Patent Act); a trial decision of patent invalidation becoming final and conclusive (Article 125 of the Patent Act); and annulment of the patent (Article 100 of the Anti-Monopoly Act).

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A lapse due to a waiver must be registered to take effect (Article 98, paragraph (1), item (i) of the Patent Act). If there is an exclusive licensee, a pledgee, a non-exclusive licensee for an employee invention (Article 35, paragraph (1) of the Patent Act), or a non-exclusive licensee under Article 77, paragraph (4) or Article 78, paragraph (1) of the Patent Act, the patentee may not waive the patent without the consent of such person (Article 97, paragraph (1) of the Patent Act).

Although general inherited property belongs to the National Treasury when there is no heir (Article 959 of the Civil Code), a patent right lapses where no one claims the right as an heir within the time limit designated in Article 958 of the Civil Code (Article 76 of the Patent Act). While the Civil Code provides that inherited property may be granted in whole or in part upon an application from a person who had a special connection with the decedent, even if no person claims the right as an heir (Article 958-3 of the Civil Code), a patent right lapses in such case without being granted to a person who had a special connection with the decedent. A monopoly of information is recognized for a patent right so that it would serve as an incentive for an invention or an investment in an invention, so there is no need to maintain the monopolistic status for a patent right if there is no heir. Supposing such a patent were to belong to the National Treasury, the only benefit would be that it would enrich the National Treasury, and the State is unlikely to be able to use a patent right effectively. Rather, it would be more effective for promoting the use of the technical information and would better contribute to the development of industry to put the patented invention into the public domain and make it available to everybody. Under this determination, the said provision of the Patent Act was established.

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The former Act had only provided that a patent right “lapses in the absence of an heir,” but the current Act provides that a patent right lapses when no one claims the right as an heir after searching for an heir pursuant to Article 958 of the Civil Code (Article 76

of the Patent Act).²⁰

²⁰ Article 62 of the Copyright Act provides that a copyright lapses when a copyright is to belong to the National Treasury pursuant to Article 959 of the Civil Code, that is, when a copyright remains undisposed after searching for an heir (Article 958 of the Civil Code) and granting the copyright in part to a person who had a special connection to the decedent (Article 958-3 of the Civil Code). This provision differs slightly from the Patent Act which stipulates that a patent right lapses when no person claims the right as an heir within the time limit designated in Article 958 of the Civil Code.

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§12. Criminal Penalties

The Patent Act, although part of civil law, also provides for some criminal penalties for enhancing patent protection and defending the interests of the general public. The core of criminal penalties is the crime of infringement (Article 196 of the Patent Act), but as this matter is discussed in “8.6. Penal Provisions (Crime of Infringement),” it shall be omitted here and other crimes shall be discussed instead.

The criminal penalties under Article 196 onward are special provisions of the Penal Code, and except as otherwise provided in laws and regulations, the general provisions of the Penal Code will apply (Article 8 of the Penal Code). Since the Patent Act does not have provisions to punish criminal negligence, only intentional crimes are punished (Article 38 of the Penal Code). The same applies to attempted crimes. Since the Patent Act does not have provisions to punish attempted crimes, attempted crimes do not constitute a crime under the Act (Article 44 of the Penal Code).

(i) Crime of fraud (Article 197 of the Patent Act)

A person who obtains a patent, the registration of an extension of the duration of the patent, a ruling on an opposition to a granted patent, or a trial decision by means of a fraudulent act, such as by submitting false evidence to the examiner is punished by imprisonment with work for a term not exceeding three years or a fine not exceeding three million yen, and a juridical person is punished by a fine not exceeding 100 million yen. It should be construed that an act taking advantage of the fact that the examiner has made an error, and merely leaving the situation as it is, does not constitute a fraudulent act. Unlike general fraud under the Penal Code, patent examinations and trials adopt an *ex officio* principle, and examiners and trial examiners are expected to make a precise determination *ex officio*. Thus, this crime should only be established when the offender has proactively deceived an examiner or a trial examiner by, for example, submitting a false document.¹

(ii) Crime of false marking (Articles 198 and 188 of the Patent Act)

A mark of patent can only be used when the patent has been registered after undergoing an examination by the JPO. If a person not entitled to the patented invention places a mark of patent, he/she is punished by imprisonment with work for a term not exceeding three years or a fine not exceeding three million yen, and a juridical person is punished by a fine not exceeding 100 million yen. While use of a mark of patent contributes to the prevention of infringement, this provision prevents a mark from being used in such

¹ Nobuhiro Nakayama and Naoki Koizumi, eds., *Shin/Chūkai Tokkyo Hō Ge* (New Explanatory Notes on the Patent Act Vol. 2), p. 2710 [written by Hiroyuki Morisaki and Makoto Okada].

a manner that it misleads people into believing that an unpatented product is patented, so as to maintain the competitive order, prevent a misunderstanding by the general public, and retain the credibility of the patent system.

(iii) Crime of perjury, etc. (Article 199 of the Patent Act)

A witness, an expert witness or an interpreter who has sworn under the Patent Act and made a false statement or given a false expert opinion or interpretation to the Patent Office or the court commissioned thereby is punished by imprisonment with work for a term between three months and ten years. This crime is the same as Article 169 of the Penal Code, and the reason for providing it under the Patent Act is to reduce the punishment when the offender makes a voluntary confession under paragraph (2) of said Article.²

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(iv) Crime of divulging secrets (Article 200 of the Patent Act)

While a present or former national government employee has an obligation to preserve secrecy (Article 100 of the National Public Service Act) the violation of which is subject to imprisonment with work for a term not exceeding one year or a fine not exceeding 500,000 yen (Article 109, item (xii) of the National Public Service Act), a present or former JPO official who has divulged or appropriated any secret relating to an invention claimed in a pending patent application that has become known to him/her in the course of performing his/her duties shall be punished by imprisonment with work for a term not exceeding one year or a fine not exceeding 500,000 yen, in order to protect the rights of applicants and to maintain the credibility of the patent system.³

(v) Crime of breach of protective order (Article 200-2 of the Patent Act)

A person who fails to comply with a protective order (Article 105-4 of the Patent Act) is punished by imprisonment with work for a term not exceeding five years or a fine not exceeding five million yen, or a combination thereof. If the offender is a juridical person, he/she is punished by a fine not exceeding 300 million yen (Article 201, paragraph (1), item (i) of the Patent Act). This crime was introduced in line with the introduction of the provisions on protective orders (Article 105-4 of the Patent Act) when the Patent Act was revised in line with the 2004 revision of the Court Act. This crime is stipulated as a crime prosecutable upon a complaint, because there is a risk that the trade secret subject to the protective order would appear in the proceedings concerning the crime of the breach of a

² While Article 170 of the Penal Code also provides for a reduction of the punishment when the offender makes a confession, Article 199 of the Patent Act is significant in that it clearly stipulates that the punishment may be reduced when the confession is made “before a certified copy of the judgment on the case has been served or a trial decision has become final and binding” as opposed to the case of the Penal Code.

³ With the 2007 revision of Article 109 of the National Public Service Act, the maximum punishment against the crime of divulging secrets became the same as that under the Patent Act, but before the revision, the punishment under the Patent Act was heavier, and the provision had more meaning. Meanwhile, as the National Public Service Act does not have provisions on appropriation, the provision of the Patent Act concerning appropriation is meaningful.

protective order, and the secret would be disclosed. Also, since a secret could be disclosed overseas in the breach of a protective order, the punishment also applies to a person who commits the crime outside Japan.

(vi) Dual liability (Article 201 of the Patent Act)

Where the representative of a juridical person or an agent, employee or other worker of a juridical person or an individual has committed, in the course of performing his/her duties, any of the crimes above, which are provided for in Articles 196, 196-2, 197, 198, or 200-2 of the Patent Act, in addition to the natural person who has committed the act, the juridical person or the natural person who is the employer is also punished. The dual liability provision was introduced in the 1959 Act, and when a representative, agent, or employee of a juridical person or a natural person that is conducting business operations has committed a crime, not only the natural person who has committed the crime, but also the juridical person or natural person that is conducting the business operations is punished. After undergoing the 1994 revision, a provision on heavy penalties for juridical persons was established upon the 1998 revision.