

Supplement

Commentary on Law No. 41 of May 14, 1999

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Introduction

The Patent Law underwent another drastic amendment in 1999 (Law No. 41 of May 14, 1999; it entered into force on January 1, 2000; however, the date of enforcement is different for some provisions). As mentioned in the preface to this book, this book covers the Law up to the amendment in 1998. I should have written a third edition by incorporating the 1999 amendment, but due to time limitations, I would like to explain the amended law as a supplement for the meantime and include it in the main text when I publish the third edition in the future.

The amendment of 1999 possibly should have been made concurrently with the amendment of 1998, but the legislative process was conducted in two phases due to various circumstances. The amendments in these two successive years cover wide-ranging items when observed in detail, but the main purpose of the amendments is to enhance patent protection in embarking upon a pro-patent era in the 21st century.

“Pro-patent” refers to the trend of granting broad-scope and stable patents

promptly as well as ensuring more secure enforcement and promoting the utilization of patents. Although broad-scope patents involve various problems (e.g. problems relating to the examination phase include the patentability of business models and the extent of broadness, and the degree of generality allowed for the claim statements of biotechnological inventions, and those relating to litigation include the extent to which the doctrine of equivalents should be recognized) and broadness may not always be preferred, those problems are not directly related to the amendments at this time.

On the other hand, it is necessary to secure sufficient effectiveness in the enforcement of rights recognized by the Patent Law. For instance, even if there were a provision allowing a claim for compensation for damages, if the actually claimable amount could not even cover the attorney's fee, it could lead to a laxness of law or, further, to moral hazards. The conventional system of compensation for damages in Japan had been strongly criticized as only recognizing an excessively small amount of damages due to various reasons, so the presumptive provisions for the amount of damages were revised in 1998, and provisions on proof were added in 1999. Although various issues are also being pointed out concerning injunctions, including the issue of identifying the infringing article, no amendment was made in that area this time.

Promotion of patent utilization has come to draw particular attention in recent years, giving rise to enactment of the Law for Promoting University-Industry Technology Transfer (Law No. 52 of 1998) and establishment of some technology licensing organizations (TLOs). This is also an important issue, but as it is not directly related to the amendments of the Patent Law, it shall not be discussed here.

The following are commentaries on the Patent Law amendment of 1999 in the order of items as described in “*Tokkyo Hou Nado No Ichibu Wo Kaisei Suru Houritsu An Kankei Shiryou* (Materials related to the Bill Partially Amending the Patent Law, etc.)” (JPO), which was submitted to the 145th ordinary session of the Diet.

1. Shortened Period for Filing a Request for Examination (Section 48^{ter} (1) of the Patent Law)

The system of request for examination was introduced upon the sweeping amendment to the Patent Law by Law No. 91 of 1970 so that examinations would only be conducted on those patent applications for which examination was requested. If no request for examination is made within seven years, the application is deemed to have been withdrawn (Section 48^{ter} of the Patent Law). The current amendment shortened this period from seven years to three years.

At the time the system was introduced, the period of seven years was the

international average, but the period was shortened to two years by the European Patent Office (EPO) and the U.K., to three years by China and Russia, and to five years by the Republic of Korea and Canada. Although Germany still adopts the seven-year period, it imposes an application maintenance fee even without a request for examination in order to encourage applicants to make the request at an early stage, so the request rate for the initial year of filing is extremely high. On the other hand, the request rate has been high for the seventh year in Japan (see Figure 1). There is certainly a problem in the situation where the period for the request is short and the patent is granted expeditiously in major foreign countries, and the examination for the same invention has not even started in Japan (see Figure 2).

There is no decisive factor for determining the appropriate period for the request for examination since individual industries and companies have different interests. However, it is a fact that the request rate is extremely high in the seventh year in Japan, causing third persons to bear a heavier burden to monitor the status of requests for examination and amendments to applications, and making their interests unstable for a long period of time. Considering all of the above, it is regarded to be a timely measure to shorten the period for requesting examination to three years at this time.

<Figure 1> Distribution of the Timing of Requests for Examination

(Applications filed in 1990)

Proportion

Upon filing

First year

Second year

Third year

Fourth year

Fifth year

Sixth year

Seventh year

Year in which the examination was requested

* As the figures are rounded off, they do not add up to 100.

(Cited from “*Kougyou Shoyuiken No Kaisetsu* (Commentary on Industrial Property Law)” page 11 of the data at the back of the book)

<Figure 2> Comparison of the Timing of Patent Grants Among the JPO, USPTO and

EPO

No. of applications

USPTO

EPO

JPO

1985

1986

1987

1988

1989

1990

1991

1992

1993

1994

1995

JPO's period of request for examination (7 years)

EPO's period of request for examination (2 years)

Source: JPO (data searched from the databases of Derwent Information)

Note: Of the applications filed with the JPO by Japanese applicants in 1985, those that were also filed with the USPTO and the EPO (5,926 applications) were compared with regard to the timing of the grant of the patent. The timing of the patent grant by the JPO is based on the year of publication of the examined application. Of the divisional applications that are derived from the same original application, those that were patented in different years were counted as separate applications, so the number of applications patented by the USPTO exceeds the total number of the sample applications. The reason for the small number of patents in Japan is that there are many applications for which examination had not been requested or completed.

(Cited from "*Kougyou Shoyuiken No Kaisetsu* (Commentary on Industrial Property Law)" page 13 of the data at the back of the book)

2. Early Laying-Open of the Unexamined Application by the Patent Applicant (Sections 64 and 184*decies* of the Patent Law)

A patent application is laid open eighteen months after the filing date, and the right to claim compensation for damages arises from then. However, there is no such right from the filing until the laying-open of the application, so if the applicant works

the invention claimed in the application during that period, there is a risk of it being copied by a third person. Yet many applicants work the invention immediately after the filing, and such working should rather be encouraged. So, the current amendment has made it possible for the applicant to enjoy the right to claim compensation for damages even before the eighteen-month period passes from the filing date by means of laying-open the application (Section 64 of the Patent Law) upon the applicant's request so as to further promote early working of the invention.

The system of the early laying-open of publications had already been adopted for international patent applications under the Patent Cooperation Treaty (PCT), but as a measure to achieve balance with the national law, establishment of the right to claim compensation for damages was only recognized after eighteen months from the filing date even if the international application had been laid open before eighteen months from the filing. This point was also revised with the current amendment to establish the right to claim compensation for damages after the international publication (Section 184*decies* of the Patent Law).

3. Review of the Conditions for Requesting Registration of an Extension of the Term of a Patent Right (Sections 67, 67bis, and 67bis-bis of the Patent Law)

Since a considerably long period is required for receiving the regulatory disposition for approval under the Pharmaceutical Affairs Law or registration under the Agricultural Chemicals Regulation Law, an extension of the patent term by up to five years had been recognized when the patented invention could not be worked for two years or more.

Nevertheless, as the requirement of not being able to work the invention for two years or more was a condition specific to Japan, and there had been strong calls for abolishing it, the requirement of "two years" was abolished with the current amendment (Section 67 of the Patent Law). At the same time, while a request for an extension of the term could not be made when there was only six months or less remaining before the expiration of the patent term in consideration of the preparations required for issuing the Patent Gazette, this system was also abolished with the current amendment, because it was too harsh on the applicant to be deprived of the opportunity to extend the term when the regulatory disposition happened to be given after passing that deadline (Sections 67*bis* and 67*bis-bis* of the Patent Law).

4. Improvement of the *Hantei* Procedure (Procedure for an Advisory Opinion on the Technical Scope of a Patented Invention) (Section 71 of the Patent Law)

The *Hantei* system is a system of determining whether or not a certain technology is covered within the technical scope of a patented invention through a procedure similar to the appeal/trial procedure. The current amendment was intended to improve this system so as to expand remedies against infringements.

Specifically, while Section 71 (3) of the Patent Law had provided that the *Hantei* procedure was to be stipulated by a cabinet order, all the necessary procedures came to be stipulated under the Patent Law, and the cabinet order concerning the *Hantei* procedure was deleted with the current amendment. This is expected to further enhance the fairness and expeditiousness of the *Hantei*. However, as the necessary parts of the appeal/trial procedures are applied *mutatis mutandis* or applied by modifying reading, the actual provision is very difficult to read. This does not only apply to this provision, but the frequent use of application *mutatis mutandis* and modified reading of other provisions throughout the four industrial property laws is making the provisions difficult to understand for ordinary people. Such a way of constructing the provisions seems to be an established legislative technique, but there may be a problem in light of the fundamental that the important thing in law is to make it thoroughly known to the public.

With the amendment, it was provided under Section 71 (4) of the Patent Law that no appeal under the Administrative Appeal Law can be made against the ruling under Section 135. Since no appeal can be made against the *Hantei* result, this provision was established to eliminate the imbalance of being able to make an appeal only against rulings under Section 135.

In addition, Section 71*bis* was added to the effect that the JPO Commissioner must appoint three trial examiners to give the opinion when he/she is commissioned by a court to give an expert opinion with respect to the technical scope of the patented invention. The court commissions the offering of the expert opinion based on Article 218 of the Code of Civil Procedure. Although the court had already been able to commission the JPO to give the opinion under the Code of Civil Procedure, there was no clear stipulation on the persons making the determination in the JPO, so provisions on appeals/trials were applied *mutatis mutandis* with the current amendment.

5. Improvement of Remedies in Patent Infringement Litigation

Since the Industrial Council report of 1997 put forth that effective measures should be taken against patent infringements, revisions were made centering on the substantive provisions on compensation for damages upon the 1998 amendment. In the current amendment, revisions were made mainly on the procedural aspect of

litigation. This is the most important part amended in the current amendment.

(1) Special provision on active denial (Section 104bis of the Patent Law)

While Article 79 (3) of the Regulations under the Code of Civil Procedure provides that when denying a fact alleged by the opponent, the party must describe the reason for it (referred to as active denial or denial with a reason), the current amendment established Section 104bis of the Patent Law as a concrete provision for further ensuring the provision on active denial.

Specifically, when denying the concrete mode of the article or process that has been alleged to constitute an act of infringement, the other party must clarify the concrete mode of his/her act. The alleging party must first specify the concrete mode of the article or process subject to infringement. 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 Regulations under the Code of Civil Procedure), but he/she must make an active denial by means of positively disclosing the mode of his/her act.

Nevertheless, the other party does not have to clarify the concrete mode of his/her act from the start, but only needs to make the active denial under this provision when the party bearing the burden of claim fulfills that responsibility. In the case of a patent infringement, the article 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.

The proviso stipulates that the provision does not apply when the other party has an adequate reason to prevent him/her from clarifying the mode. This matter is particularly discussed when the concrete mode of the act includes a trade secret, and it is possible that the provision will not be applied in such a case.

There are no sanctions in a case where the party does not respond according to the provision without a good reason, but the court is expected to derive its conclusion from the entire purport of the pleading by also taking such circumstance into account. In addition, when the party does not respond according to the provision without a good reason, it would be easier to order the production of documents (Section 105 of the Patent Law), and it would serve as material for determining whether or not there is a good reason for rejecting the order to produce documents.

(2) Order to produce documents (Subpoena Duces Tecum) (Section 105)

Article 220 of the Code of Civil Procedure provides for submission of documents in general, and there is no obligation to produce documents related to trade secrets. Meanwhile, Section 105 of the Patent Law had provided for the order to produce documents as a special provision, and the ordered party was not obliged to produce the documents if there was a good reason to reject the order. The provision had only provided for the production of “documents necessary for assessing the damages,” and stated that the provision does not apply if there was a good reason for the rejection (the determination was made not based on whether it was a trade secret, but on whether there was a good reason). This Section 105 was revised with the current amendment to include the production of “documents necessary for the proof of the alleged infringement” in addition to “documents necessary for assessing the damages.”

The fact that there is no need to produce the documents when there is a good reason for rejection is the same even under the amended provision, but upon the current amendment it was provided that the court may invite the party to present the documents when deemed necessary in deciding whether there is a good reason (Section 105 (2)). Such issue is likely to arise when the documents include a trade secret. However, even if the documents were presented, no one can demand disclosure of the documents, so the documents are only seen by the judge, and are kept secret. This is the same as in Article 223 (3) of the Code of Civil Procedure amended in 1996 (*in camera* procedure), and it was made clear that the *in camera* procedure should also be applied in the case of Section 105 of the Patent Law. In this Japanese version of the *in camera* procedure, the judge sees the presented documents and determines whether or not there is a good reason for refusal to produce them, but since no one is allowed to see the documents, neither the parties concerned nor their attorneys can be involved in the procedure. Thus, there remains a problem that the judge may get a virtual impression in a process in which the parties cannot take part. Nevertheless, this problem does not only apply to the Patent Law, but to civil litigation law in general, so it shall not be discussed any further here.

In addition, the procedure under Section 105 (1) and (2) came to also be applied *mutatis mutandis* to the subject matter of an inspection. This measure was taken because inspection of the infringing article, such as the manufactured device, is sometimes indispensable in patent litigation.

(3) Expert for assessment of damages (Section 105bis of the Patent Law)

Documents necessary for assessing the amount of damages are expected to be

produced based on the order to produce documents under Section 105 of the Patent Law. However, since such documents are often complicated and enormous in volume, lawyers could have difficulty in understanding the content. Thus, an effective means would be to utilize those having knowledge of bookkeeping and accounting (e.g. a certified public accountant or a university professor). In addition, when the contents of the documents are data from computers, or when they use special codes and abbreviations, they cannot be understood without the cooperation of the party concerned. Accordingly, the system of experts for the assessment of damages was established and the party's obligation of explanation (cooperation) was stipulated upon the current amendment. (The expert under Section 105*bis* of the Patent Law is referred to as *Keisan Kanteinin* (expert for the assessment of damages).)

The expert for the assessment of damages is an expert under the Code of Civil Procedure, and is designated according to the provision on experts under the Code (Article 213 of the Code of Civil Procedure). In the case of patent litigation, however, the expert, though being selected, often cannot sufficiently carry out the operations without the appropriate cooperation of the party. Although Article 133 of the Regulations under the Code of Civil Procedure provides that the expert has the right to be present at the interrogation, the right to place a motion for questioning before the presiding judge, and the right of questioning, it does not directly stipulate the party's obligation to cooperate in the investigation and the obligation to provide explanation. Thus, the party's obligation to provide explanation to the expert for the assessment of damages was introduced under Section 105*bis* of the Patent Law with the current amendment. Nevertheless, there is no provision on sanctions against a violation of the obligation of explanation, so when the party violates the obligation, the court would derive its conclusion from the entire purport of the pleading by also taking such circumstance into account, as in the case of active denial.

The documents investigated by the expert are documents produced in response to an order to produce documents, documents voluntarily produced by the party in the suit, and documents voluntarily produced by the party upon the appraisal. The expert is appointed by the court on a motion by the party. The appraisal under this provision is limited to items necessary for assessing the damages. The appraisal of other items is the same as the ordinary appraisal under the Code of Civil Procedure.

(4) Award of a reasonable amount of damages (Section 105*ter* of the Patent Law)

The Patent Law has a provision concerning presumption of the amount of damages, and this provision was further reinforced with the 1998 amendment (Section

102 of the Patent Law). However, proof of the amount of damages could still be difficult in some cases despite that provision; for example, the amount of damages in a case where the degree of contribution of the patented invention in the infringing article is difficult to assess or where the cause for the decline in the price of the product is complicated.

Article 248 of the Code of Civil Procedure provides that, when it is recognized that the damages were caused, the court can award the reasonable amount of damages based on the entire purport of the oral pleading and the result of the examination of evidence “if it is extremely difficult to prove the amount of the damages due to their nature.” It is not quite clear whether the phrase “due to the nature of the damages” only indicates cases where the proof is extremely difficult unless based on a certain assumption, such as the damages and the consolation money pertaining to the death of an infant, or if it also includes cases where merely the gathering of evidence is extremely difficult. Section 105^{ter} clarified that the reasonable amount of damages can also be awarded “when it is extremely difficult to prove facts necessary for the proof of damages from the nature of such relevant facts.” There may be an opinion that, since the Code of Civil Procedure has only been amended 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 the measure is assumed to have been taken based on a judgment that the current situation surrounding the Patent Law would not wait until then.

The assessment of the amount of compensation for a patent infringement involves items that are very difficult to prove, such as the degree of contribution to the patented invention and the trend of the market. Therefore, this amendment is anticipated to facilitate proof in patent infringement cases.

6. Reduction of the Amount of Annual Fees (Sections 107, 109, and 195^{bis} of the Patent Law)

The conventional annual fees consisted of a fixed basic amount plus a fixed amount of charge per patent claim. While there has been a general increase in the number of patent claims recently, this system of fees does not comply with the international trend to obtain a strong right by describing many patent claims, and it is not desirable from the viewpoint of enhancing the competitive strength of Japanese companies. Accordingly, the fixed amount of charge per patent claim was reduced by approximately 25 per cent with the current amendment. This measure is not particularly noteworthy from a legal perspective, but it will have a considerable

influence in practice.

Formerly, there had been a measure to reduce the amount of the annual fees and the fee for requesting examination for individuals who lacked funds, or to exempt them from such fees. The same measure is to be taken for legal persons that lack funds (the specific requirements are to be specified by a cabinet order) considering that about 90 per cent of the patent applicants are legal persons (corporations).

7. Review of the Offense of Fraud and Offense of False Indication (Section 201 (2) of the Patent Law)

While heavy penalties on corporate bodies were introduced for the offense of infringement upon the 1998 amendment, they were also introduced for the offense of fraud and offense of false indication with the current amendment so as to impose a maximum fine of 100 million yen on corporate bodies. The reason for the legislative measure was that, due to the difficulty in discovering the offense of fraud in the examination phase, the only way to prevent the offense was to impose more severe penalties. Meanwhile, as the Unfair Competition Prevention Law, which protects similar legal interests, already imposes heavy penalties on corporate bodies (Article 14) regarding the criminal penalty for Article 2 (1) (x) (an act causing a misunderstanding of quality, etc.), heavy penalties on corporate bodies were also introduced for the offense of a false indication of patent.

This amendment should have been made upon the 1998 amendment.

8. Review of the Requirements for Patentability (Section 29 (1) of the Patent Law)

With regard to the geographical standard for the determination of novelty, the inventions described in a distributed publication lacked novelty only when the publication was distributed overseas as well as in Japan, and inventions that were publicly known or publicly worked overseas did not lack novelty under the conventional provision. However, it was apparent that such a provision no longer matched the actual conditions due to the status of information distribution, particularly the diffusion of the Internet, so many scholars had been voicing the need for amendment.

Thus, with the current amendment, “overseas” was also included in the geographical standard for publicly known and publicly worked inventions, and “inventions which were made available to the public through electric telecommunication lines” were added as a new ground for lack of novelty. The latter mainly indicates inventions that were made available to the public through the Internet.

In the past, active debates were observed in the Supreme Court and in other courts' decisions as well as in academic theories regarding a case where the foreign patent gazette was published and was available for reproduction, but no distribution was made as a publication. By the current amendment, however, such an invention will lack novelty as being publicly known overseas, so the conventionally debated issue has been solved. Since the USPTO and the EPO have already been treating inventions that are published over the Internet as lacking novelty, this amendment also contributes to international harmonization.

This amendment itself is considered to be a natural measure, but as information distributed over the Internet involves problems as to the credibility of its content and the date of publication, it may bring about disputes in some specific cases.

9. Omission of the Submission of Documents Relating to the Division or Conversion of a Patent Application (Section 44 (4) of the Patent Law)

Since it is the current trend to simplify administrative measures, simplification efforts should be made as much as possible also in respect to the Patent Law. In particular, there is the irrational procedure of requiring resubmission of documents that have already been submitted to the JPO.

Thus, the current amendment eliminated the need to resubmit the documents that have been submitted for the original application pursuant to the provision on the exception to lack of novelty (Section 30 (4)), declaration of a priority claim based on a patent application (Section 41 (4)), or the procedures for declaring a priority claim as governed by the Paris Convention (Section 43 (1) and (2)) upon division of the patent application.

10. Review of the Demand for Correction (Section 120^{quater} (3) of the Patent Law)

Under the Patent Law amended in 1993, a trial for correction cannot be demanded while an opposition or an invalidation trial is pending before the JPO (Section 126 (1) of the Patent Law).

In an opposition, the patentee can demand correction only when notice has been made of the reasons for revocation (Sections 120^{quater} and 17^{quater} of the Patent Law). Since Section 126 (4) is applied *mutatis mutandis* to Section 120^{quater} (3), there had been a need to make the determination of whether or not the invention described in the corrected patent claim was patentable as an independent invention. However, speeding up trial examinations became an urgent task due to the rapid increase in the number of oppositions filed. Thus, the current amendment eliminated

the need to make a determination on the independence requirement in allowing a correction in an opposition and an invalidation trial, in order to expedite the trial examination. This is because the independence is determined in the end as a reason for revocation in the opposition procedure, so making a determination on the independence requirement in the phase of judging the legality of the correction is an overlapping procedure.

Incidentally, the independence requirement is determined as before for the correction in a trial for correction (correction of a patent claim that did not become subject to an opposition or an invalidation trial).

11. Introduction of Trial Clerks (Sections 144bis and 147 of the Patent Law)

With the aim of expediting the examination in an appeal/trial, oral proceedings came to be actively utilized from 1997. While a clerk similar to a court clerk was required for an oral proceeding, an official designated by the JPO Commissioner had been preparing the records under the orders of the appeal/trial examiner-in-chief. However, in order to make the records notarial and objective as records prepared by a court clerk, trial clerks were introduced with the current amendment, and provisions were established regarding their qualification, duties, and as to exclusion/challenge.

12. Improvement of the Relation Between Litigation and Trial (Section 168 (3) and (4) of the Patent Law)

The importance of patent infringement litigation is increasing, and the invalidity of a patent is often disputed as a premise for infringement lawsuits. The invalidity is disputed in the JPO's invalidation trial, and it is desirable for the trial decision to be given as early as possible, but an invalidation trial often proceeds unrelated to the infringement suit. Therefore, a system for the JPO and the courts to establish closer ties with each other and exchange information was introduced with the current amendment.

Specifically, the court will notify the JPO Commissioner when an action has been instituted with respect to an infringement and when the litigation proceedings have been concluded.

When the JPO Commissioner receives the notification, he/she will notify the court of whether or not a trial has been demanded with regard to the patent, and about the conclusion of the trial.

[Reference]

Industrial Property Legislation Revision Deliberation Office, General Administration Department, General Administrative Division, JPO, *Heisei 11 Nen Kaisei Kougyou Shoyuiken Hou No Kaisetsu* (Explanation on the Industrial Property Law Amended in 1999) (Gyosei, 1999)

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