

# Part I Overview

## Chapter 1 Introduction

### Section 1 Meaning of Industrial Property Law

#### Subsection 1 Concept of Industrial Property Law

The term “*kougyou shoyuiken*,” which is used as the equivalent of “industrial property” in English and “*propriété industrielle*” in French, does not necessarily refer to a fixed scope of rights. With respect to treaties and laws, the Paris Convention for the Protection of Industrial Property stipulates that “industrial property shall be understood in the broadest sense” (Article 1 (3)), and the Convention even covers the prohibition of acts of unfair competition (Article 10bis). On the other hand, under the Ministry of Economy Trade and Industry Establishment Law, the term is used in a more limited sense to refer to rights relating to the Patent Law, Utility Model Law, Design Law and Trademark Law. Thus, the scope of the term differs according to the legislative purpose of each law or treaty.<sup>1</sup>

In studies, the term “*kougyou shoyuiken* (industrial property)” is often used with a broad meaning. However, “industrial property” is not rigidly defined, but only to the extent that it is a portion of the superordinate concept of intellectual property (intangible property) that excludes copyright. Leaving the concept of intellectual property for later discussion, this textbook will first examine the difference between industrial property rights and copyright.

While the purpose of copyright law is to contribute to the development of culture (Section 1 of the Copyright Law), that of industrial property law is to contribute to the development of industry (Section 1 of the Patent Law, Utility Model Law, Design Law, Trademark Law, Semiconductor Chip Law, Seeds and Seedlings Law). Although the concepts of culture and industry may be subject to varied ideas, the 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 hardly ever overlapped, with

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<sup>1</sup> The term is also used in 192 other laws and ordinances including: the Japan-U.K. Treaty of Commerce and Navigation of 1894, official translation of the Paris Convention, laws and ordinances related to the necessary procedures after World War II, Ministry of International Trade and Industry Establishment Law (Article 3 (8) and others), Factory Hypothecation Law (Article 11 (5)), and Income Tax Law (Article 161 (7) (a)) (as of June 1998).

only small conflicts occurring between design law and copyright law concerning applied art. Thus, it seems reasonable to have classified intellectual property into these two groups.

Nevertheless, the changes in the situation surrounding copyright in recent years indicate the growing difficulty in making a clear distinction between the two legal domains. A particularly notable change occurred when computer programs came to be covered by the Copyright Law through the 1985 amendment. This made clear that computer programs were to be protected by copyright law. However, software can be patented depending on how the claims are composed and can even be protected under the unfair competition prevention law as a trade secret, if it is kept confidential. As most clearly seen in the protection of programs, copyright law virtually came to function also as a technology protection law for some types of works, and copyright grew into an important industrial asset. In other words, copyright law is now deeply rooted in industry and technology, causing a situation in which the *raison d'être* of copyright law and that of industrial property law cannot be theoretically discriminated merely by the difference in their legal purposes: the development of culture versus the development of industry. Accordingly, a definition that states that industrial property is intellectual property excluding copyright may reflect the history of the law, but today it does not seem to be meaningful in an actual sense. The act of making a clear distinction between the two legal domains might rather blur the overall picture of the actual situation instead.

Since this is a textbook on industrial property law, however, it shall deal with industrial property that is defined as intellectual property rights excluding copyright<sup>2</sup>. As mentioned above, 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

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<sup>2</sup> Though this book does not describe the details of 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 no doubt increase in the advanced information era (i.e. the multi-media era, network era or digital era). This means that copyright will come to serve as an important economic asset along with patent rights. Although up to now intellectual property issues arising in business mainly involved patents, enterprises will need to sufficiently consider copyright in the future. However, copyright is very different in nature from 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 concerning copyright law. See Nakayama, *Maruchi Media To Chosakuken* (Multimedia and Copyright): p.40 "*Chosakuken No Tokushitsu: Tokkyoken Tono Hikaku* (Nature of Copyright in Comparison to Patent)" and Nobuhiro Nakayama "*Kougyou Shoyuiken To Chosakuken No Houteki Kiso* (Legal Fundamentals of Industrial Property and Copyright)," Initial issue of *Tokkyo Kenkyuu* (Patent Study): p. 17. It may be more appropriate to write generalities that cover all intellectual property law, but this is extremely difficult due to the current rapid changes in the scope of its subject matter.

copyright. Therefore, in discussing legal purposes and protection methods as part of the generalities of industrial property law, it is necessary to conduct some examination of the significance of the larger concept of intellectual property law, which includes industrial property law.

## **Subsection 2 The Term “Industrial Property (*kougyou shoyuiken*)”**

The term “industry (*kougyou*)” is used not only for the manufacturing industry, but for all kinds of businesses. Article 13 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 not appropriate to interpret “industry” as *kougyou* (the manufacturing industry).<sup>1</sup>

Another cause of misunderstanding is the interpretation of “property” as “*shoyuiken* (ownership right).” While *shoyuiken* is the absolute and ideal dominating title to a thing (stipulated as a “corporeal thing” under Article 85 of the Civil Code of Japan), the term “property” here is a concept referring more broadly to property in general.<sup>2</sup> Although a patent right is constituted in a manner similar to an ownership right, the two rights are different in terms of historical background, objectives, nature of subject matter and content of right. For instance, a trade secret protected under the Unfair Competition Prevention Law does not consist of a physical object, so it does not become subject to absolute and ideal control like an ownership right. However, a trade secret is theoretically considered as one kind of industrial property and, thus, as property. The use of the term *kougyou shoyuiken* 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 *kougyou shoyuiken* at all.<sup>3</sup> This is merely a problem of the

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<sup>1</sup> Suehiro, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 1. At the same time, Kiyose, *Tokkyo Hou* (Patent Law): p. 20 explains that the term “*kougyou shoyuiken*” 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. Professor Kiyose has a precise understanding of the meaning of the term but, in reality, the term is often misunderstood due to the word “*shoyuiken*.”

<sup>2</sup> Regarding the historical background to the concept of *shoyuiken*, see Shirou Ishii, *Zaisan To Hou* (Property and Law), *Iwanami Kouza Kihon Hougaku 3 - Zaisan* (Iwanami lecture series <Basic law 3>: Property): p. 3.

<sup>3</sup> The English “industrial property,” French “propriété industrielle” and German “gewerblicher Rechtsschutz” are all different in concept from *shoyuiken* in the sense used in Japan. Also, expressions such as “own a patent,” “own an invention” or even own a “trade secret” are often used, but nonetheless, these are different in the strict sense from the concept of *shoyuiken* (proprietary right) under the Civil Code. Although “intellectual property” is sometimes translated as “*chiteki*

definition of the word, which can be solved by simply defining the term precisely. However, since there are many actual cases where the term *shoyuiken* has caused confusion, it probably is better to avoid using that term.

Thus, the use of the term *kougyou shoyuiken* may not necessarily be desirable, but since it is already used widely and officially<sup>4</sup>, it is now difficult to change the term. Therefore, this textbook will abide by the conventional terminology, recognizing that the term *kougyou shoyuiken* is different in concept from *shoyuiken* used under the Civil Code. Unlike in the case of interpreting specific legal provisions, there is no reason to limit the term *kougyou shoyuiken* to a narrow meaning in theoretical discussion, so this book will use the term in the broadest sense possible except where a specific definition is stated.

## **Section 2 Intellectual Property Law as a Superordinate Concept**

### **Subsection 1 Reason for Existence of Intellectual Property Law**

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*shoyuiken* (intellectual proprietary right),” this is likely to cause misunderstanding in the same manner. A more appropriate term to use would be “*chiteki zaisan* (intellectual property).” One official translation including the term “intellectual property” is “*sekai chiteki shoyuiken kikan* (World Intellectual Property Organization, WIPO). Because Japan has ratified the Convention Establishing the World Intellectual Property Organization, it is not necessarily impossible to translate “property” as *shoyuiken*, but the “*chiteki zaisanken seisaku shitsu* (Intellectual Property Office)” has been established in the Industrial Policy Bureau of the Ministry of Economy, Trade and Industry, and the “*chiteki zaisan kenkyuujo* (Institute of Intellectual Property)” has been founded. Also, with a greater number of private companies establishing a *chiteki zaisan bu* (an Intellectual Property Division) instead of a *tokkyo bu* (a Patent Division), the term *chiteki zaisan* is becoming more popular than *chiteki shoyuiken*.

<sup>4</sup> Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 4 points out that “the words ‘*kougyou shoyuiken*’ were first officially used in 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 Kiyose, *Tokkyo Hou* (Patent Law): p. 19. Nevertheless, this term had been used even before that in official documents relating to the repeated objections by foreign companies to pirating of trademarks by Japanese companies. The translation “*kougyou shoyuiken*” seems to have been settled at quite an early stage in the Meiji Period and has been used ever since.

Intellectual property, consists of industrial property together with copyright. What, then, can intellectual property be? Today, diverse legal fields are categorized under the name “intellectual property law,” and the aspects common to many of these fields are to eliminate abusive use of another person’s information and to protect the property value of information<sup>1, 2</sup>.

Apart from the issue of immoral abuses, use of information is generally free to the public under law. Mankind, be it individuals, enterprises or nations, has developed through imitating. However excellent a scholar or an artist may be, his or her achievements are made based on those of predecessors. Therefore, 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.

In spite of the fact that free use of information is indispensable for social development, it would cause adverse effects to allow all uses of information.<sup>3</sup> For example, if free use of inventions and other R&D results were allowed, inventors’ will

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<sup>1</sup> Although intellectual property law is intended to protect information, it is not the only law for such purpose; information is also protected under tort law, the law of contract, and criminal law, among others. Intellectual property law can basically be regarded as a legal system that centers on protecting certain types of information by granting rights for it and providing a surrounding legal domain. Since a clear concept of intellectual property law is difficult to determine in this time of dramatic social and economic changes, that should be left to future studies.

<sup>2</sup> Unfair competition prevention law, which is usually considered to be included in intellectual property law, prescribes such things as the prohibition of commercial use of foreign national flags and marks of international organizations, and prohibition of the announcement/diffusion of false facts. The law is likely to expand even further in the future. If all provisions under the unfair competition prevention law were understood to fall within the framework of intellectual property law, intellectual property law would have a significance above and beyond that of simply protecting information, and could possibly be considered part of economic law for maintaining the 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 antitrust law and other laws about competition. Another problem may be the positioning of moral rights provided for under copyright law; this issue perhaps needs to be considered as an exception.

Meanwhile, protection of information that focuses on privacy is outside the domain of intellectual property law, because it is not a property law in nature. There is also a debate over the need to publish certain types of administrative information, as an issue relating to freedom of information law, but this again is outside the domain of intellectual property law. There may be a need to establish a new legal genre called “information law” to cover all of these issues, but this textbook shall only deal with the legal protection of information as property.

<sup>3</sup> 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 creators of information had been extremely disadvantaged in the days when no law existed to protect information. For instance, information was freely imitated during the Meiji Period before the enactment of the patent law, so inventors at the time were extremely vulnerable to imitations. A notable example is Tokimune Gaun mentioned in Footnote 5 of *Chapter 2, History of Industrial Property; Section 6, Japan* of this textbook.

to invest in new development would be lost and the information about the developed technology would be kept secret without being passed on to society. If imitation of marks such as trademarks and trade names were allowed, the imitative signs would not only mislead customers and disturb orderly trade, but would also serve to steal away the customers of the legitimate users of the marks and harm the reputation carried by the genuine marks. Thus, intellectual property law is a law that was established in order to create a system for preventing others from using information in certain ways stipulated by law when that information satisfies the legal requirements and its property value is politically determined to require protection; and information that receives such protection is intellectual property.

Specifically, the subject matter currently protected under the law includes inventions and works that are made as a result of human intellectual/mental creative activities and marks such as trademarks and trade names that represent business reputation (goodwill), as well as trade secrets and appearances of products. Intellectual property is not limited to mentally created works and business signs. By amplifying the purpose of intellectual property law to eliminate abusive use of information by others, it is also possible to protect under the scope of intellectual property law not only intellectual works but also information that involves a large amount of investment and is extremely 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, which has become a global issue today, does not have as its aim the protection of intellectual works, but the protection of investment. In light of this broadened interpretation, it would be worth considering protection of the benefits of not only those who created or gathered the information, but also those who communicate it. This is because those who communicate information will become increasingly important in the future information society<sup>4</sup>. However, the term “intellectual” may be inappropriate for intellectual property law with such an expanded scope.

While initial signs of the concept of intellectual property can be glimpsed far back in history, the establishment of the concept of intangible goods as property was closely related to the development of capitalism. And 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

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<sup>4</sup> Regarding intellectual property in the information era, see Nobuhiro Nakayama, *Dejitaru Jidai Ni Okeru Zaisanteki Jouhou No Hogo* (Protection of Information as Property in the Digital Era), *Housou Jihou* (Bar Journal) Vol. 49, No. 8: p. 1.

recognized as important property, the meaning of intellectual property to be changed and intellectual property law to become an increasingly important business law.

If the only aim was to extend legal protection to information as property, it would be sufficient to prohibit imitation by others and to guarantee profits through exclusive use of the information, but in the course of time, there would be greater demands to assetize information. Specifically, a right similar to an ownership right would be granted for information. Making certain information an asset means artificially creating a scarcity for the information and giving economic value to it. As a result, it becomes possible to transfer, license or collateralize the information, enabling the information holder to not only use the information exclusively, but also to use the information as an asset to gain profits or receive loans<sup>5</sup>. In addition, information becomes tradable as economic property by making it into an asset, and has an effect of promoting technology transfer.

In this manner, the legal protection of information is gradually shifting from the mere prohibition of abusive uses of information to making information an asset, and without doubt, the assetized portion of the information will be the core of the intellectual property. However, intellectual property law also has a function of maintaining the competitive order, so its nature is not simply that of a property law as in the case of ownership rights.

Intellectual property law has the complex elements mentioned above. Generally speaking, particularly in the case of laws concerning creativity, the prohibition or restriction of the free use of information is considered to be an obstructive factor in the distribution of information, having a negative effect on society as a whole. Indeed, if we consider only the information that exists at present, the negative effect would be greater than the positive, but the problem becomes even more complex when considering the incentive for creating information in the future. In short, prohibition of the free use of information can be considered appropriate only when the prohibition of imitation and allowance of exclusive use of information have a more positive than negative effect on society after taking all factors into consideration<sup>6</sup>.

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<sup>5</sup> In the United States, in particular, damage amounts relating to infringements have become massive, resulting in considerably high license fees. This has had a global impact. Such profits from licensing are sometimes greater than the profits gained from exclusively manufacturing and selling the products using the company's own capital and labor. Therefore, in many fields where technology has been in effect standardized, licensing is very important in the patent strategy of a company.

<sup>6</sup> Although it is practically difficult to give empirical evidence that the positive effect is greater, patent law and other intellectual property laws are basically established on the judgment that there is a more positive than negative effect on economic development in granting exclusive rights so as to

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provide an incentive for creative activities. 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. Since the scope of intellectual property law is extremely broad, empirical analysis of it is likely to be extremely difficult. Looking back through history, there was a strong anti-patent movement in Europe in the late 19<sup>th</sup> century. Under the prevailing idea that the patent system had a negative effect on economic development, Holland abolished its patent law in 1869, Switzerland delayed in enacting its patent law, and Germany saw the patent system of each Land face a critical situation. 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. It would be impossible to bring this dispute to a conclusion. This dispute of the late 19<sup>th</sup> century did not come to a theoretical conclusion, but was dissolved as conservatism gained power with the coming of recession. In a narrow sense, we should expect an economist to analyze this issue, but the role of a patent system in technological or even economic 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 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 (e.g., there was incentive for Edison, but not for R ntgen.). Thus, the economic significance of patent law cannot be determined easily. There have been many analyses on the relation between patents and the economy. See Tatsuki Shibuya, *Tokkyo Seido No Keizaiteki Kinou* (Economic Functions of the Patent System), Collected papers in memory of Prof. Teruhisa Ishii: *Shouji Hou No Sho-Mondai* (Issues relating to Business Law) (Yuhikaku, 1974); Tatsuki Shibuya, *Tokkyo To Keizai Shakai* (Patents in Economy and Society) (Nihon Keizai Shimbun, 1979); Ken'ichi Imai, *Tokkyo No Keizaigaku* (Patent Economics) Vol. 1 & 2, *Hatsumei* (Invention) Vol. 74, No. 1: p. 12 and No. 2: p. 10; Yuu Saitou, *Tokkyo Hatsumei No Keizaiteki Kouka* (Economic Effects of Patented Inventions), *Hatsumei*, Vol. 75, No. 3: p. 2; Yuu Saitou, *Tokkyo Seido No Keizaiteki Kinou* (Economic Functions of the Patent System), *Hatsumei*, Vol. 75, No. 4: p. 2; and Sadao Nagaoka, *Ruiseki-teki Na Gijutsu Kakushin To Chiteki Zaisan Ken -- Saikin No Riron Kenkyuu No Gan'i* (Cumulative Technological Innovation and Intellectual Property -- Implications of the Recent Theoretical Study), *Tokkyo Kenkyuu* (Patent Studies), No. 25: p. 11. Overseas studies translated into Japanese are: Machlup, F., *The Political Economy of Monopoly* (The Johns Hopkins Press, 1952), translated by Teruo Doi, *Tokkyo Seido No Keizaigaku* (Nihon Keizai Shimbun), and Penrose, E. T., *The Economics of International Patent System* (The Johns Hopkins Press, 1951), translated by Tatsuhisa Kuroda/Takeo Nakashiba/Takashi Yoshimura, *Kokusai Tokkyo Seido Keizairon* (Eibun-Horei-Sha, 1957). As for recent studies, references of U.S. studies are listed on p. 18 of the afore-mentioned paper of Nagaoka. Other studies include: Kenneth W. Dam, *The Economics Underpinnings of Patent Law*, 27 *Intellectual Property L. Rev.* 3 (1995), and Mark Schankerman, *How Valuable is Patent Protection? Estimates by Technology Field*, 29 *Rand Journal of Economics* 77 (1988).

<sup>7</sup> There are enormous social costs in maintaining as massive a 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 patent office with more than 2,000 officials, personnel costs for patent attorneys/lawyers/judges, and those persons working in companies or patent related foundations, as well as the cost of having competent people who should be engaging in technological development participate in lawsuits when large disputes occur. These expenditures, which would not be needed if there were no patent system, are the costs of the patent system. The patent system is established under the premise that, despite such enormous costs, the benefits it brings to society are still greater. In the past, incentive schemes, promotion of invention, research in national and

If so, the important thing is to secure a balance between free use and exclusive use of information. That does not necessarily mean that the more the intellectual property system is strengthened the better it would be for society. Accordingly, the system must be designed and elucidated so as to minimize the negative effects and attain the purpose of the law to the fullest with respect to the content of intellectual property law, such as the subject matter, term, and scope of protection.

## **Subsection 2 Classification of Intellectual Property Law**

Since intellectual property law is a relatively new legal field, its concept and its scope of protection are not clearly defined yet. Therefore, intellectual property law does not have established classifications. We can, however, conceive of classifications of the law based on the nature of the subject matter (laws concerning creativity and laws concerning marks) and based on the method of protection (right-granting laws and act-regulating laws). Both classifications view intellectual property law from their respective perspectives, so it is not a question of which one is right. Since the concept of intellectual property law is not necessarily clear at present, the overall picture of the law might be understood by looking at it from different aspects. Therefore, this book examines intellectual property law from the above two perspectives.

### **Item 1 Laws concerning Creativity and Laws concerning Marks**

The subject matter protected under intellectual property law consists of creations made from human intellectual/mental activities and marks used in business; the laws for the former are referred to as “laws concerning creativity”<sup>1</sup>, while those for the latter are referred to as “laws concerning marks.”<sup>2</sup> These two sets of laws have many points in

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public universities and so forth were advocated as means to encourage invention in place of the patent system, but none of them were an adequate substitute for the patent system. Incentive schemes were put to practice as inventor certificate systems in socialist countries where production goods are in principle owned by the state. However, those systems are dying out with the collapse of socialist countries. At least under the current free economy system, not many people assert that a patent system is not required. The patent system now exists in most countries including all major powers, and the world economy has been 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.

<sup>1</sup> Specifically, the Patent Law, Utility Model Law, Design Law, Semiconductor Chip Law, Seeds and Seedlings Law, and Copyright Law fall under the laws concerning creativity. Although trade secrets and the appearances of goods that are protected under the Unfair Competition Prevention Law sometimes include creations made from human mental activities, creativity is not stipulated as a requirement for protection under that law.

<sup>2</sup> Specifically, the Trademark Law, the part relating to marks in the Unfair Competition Prevention Law, and the part relating to trade names in the Commercial Code fall into the category of laws concerning marks. The Unfair Competition Prevention Law prohibits the act of stating or

common in terms of legal techniques and are collectively referred to as intellectual property law. However, since they are different with respect to the nature of their subject matter, purpose of protection and historical background, it is logical to classify them as two separate sets of laws. This was often done in the past.

The laws concerning creativity protect creations made from human intellectual/mental activities, which is new information in principle<sup>3</sup>. The purpose of the laws concerning creativity is to inspire human creativity, provide more information to society, and contribute to development of industry and culture<sup>4</sup>.

In contrast, the laws concerning marks protect marks used in business, but what is really protected is the business reputation represented by the mark. Business reputation is the total information that the customers have regarding the business operator, and it is, at the same time, an asset of the operator<sup>5</sup>. While the laws concerning marks protect these marks as property, their purpose is not only to protect property but also to maintain the competitive order<sup>6</sup>.

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circulating a false fact (Article 2 (11)); this is a provision for protecting business reputations and prohibits acts such as circulating a falsified fact (e.g., that a competitor is infringing one's patent). This provision resembles laws concerning marks in that it protects business reputations, but it is not included in those laws.

<sup>3</sup> Something that subjectively appears new may not be new objectively. While a copyright is granted once a person creates a work even if it is objectively not new, a patent is not granted unless an invention is objectively new (i.e., novel). Thus, the strict definition of creativity differs under each law.

<sup>4</sup> Not all creations made from human intellectual/mental activities are protected under law; in fact, most of them are not, which means they can be used freely in principle. However, despite the lack of protective law, some such creations have come to be or are gradually becoming recognized as de facto property in economic society, and these are often handled under the domain of creative law. For instance, although legal protection of typefaces (character fonts) is often denied in court decisions, they are in reality traded in commerce. Court decisions that denied protection to typefaces or fonts under the Copyright Law include a decision by the Tokyo District Court on March 9, 1979, Court Decisions Relating to Intangible Property, Vol. 11, No. 1: p. 114 (the Yagi Boldface case) ([Annotation] Kouji Abe, Court Decision Journal, No. 960: p. 166, Tamao Monya, Jurist, No. 763: p. 146), and those that denied protection under the Unfair Competition Prevention Law include a decision by the Tokyo District Court in March 10, 1980, Court Decisions Relating to Intangible Property, Vol. 12, No. 1: p. 47 (the Typos case). On the other hand, court decisions that found that there was protection under the Unfair Competition Prevention Law include a decision by the Tokyo High Court on December 24, 1997, Court Decision Journal, no. 1505: p. 136 (the Morisawa case) ([Annotation] Daisuke Yoshida, Court Decision Journal, No. 1534: p. 218).

<sup>5</sup> Characters and publicity have aspects resembling marks, though they are not protected by specific laws. Characters are not protected by specific laws, but they have an aspect that can be protected by the Copyright Law. Nevertheless, the nature of characters is not in their aspect as works in themselves, but in their function as business marks and as marks that are capable of promoting sales irrespective of business reputation. Publicity has an aspect resembling business marks and that of a personal right.

<sup>6</sup> Marks are basically protected by the Trademark Law and the Unfair Competition Prevention Law. When compared, the former is aimed more at protecting property and the latter is aimed more at maintaining the competitive order. Also, while the former grants real rights such as proprietary

The laws concerning creativity and the laws concerning marks are identical in that they protect information, which is intangible property, and have been collectively referred to as intellectual property law. The subject matter of intellectual property law could be completely categorized into these two sets of laws in the past, but due to the recent rapid expansion of the scope of the subject matter protected under intellectual property law, many items have appeared that could not be covered under either set of laws. For example, trade secrets (Article 2 (1) (v) onwards of the Unfair Competition Prevention Law) and appearances of products (Article 2 (1) (iii) of the same law) have come to be protected by the recent amendment of the Unfair Competition Prevention Law, but these two things are not necessarily results of human intellectual/mental activities<sup>7</sup>. They may be outside the framework of the laws concerning creativity, but they share a point in common with the reason for those laws; namely the need to give incentives for bringing such information out into society.

Fundamentally speaking, there is no rationale behind limiting the intellectual property law to laws concerning creativity and laws concerning marks. 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. After all, this dichotomy is merely a result of classifying what was called intellectual property in the past.

Moreover, 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. In particular, with the advancement of the information era, the legal protection of information communicators will become important. In that sense, categorization of intellectual property is expected to become increasingly difficult in the future<sup>8</sup>. Nevertheless, the communicators of information are not necessarily the creators of the information and communicators of non-creative information are also likely to become important in the future. We must not forget that a new type of protective law probably

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rights for marks, the latter only 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 marks.

<sup>7</sup> For instance, a customer list protected as a trade secret is neither a creation made by mental activities nor a sign, and protection of the shapes of products require no creativity. Meanwhile, the issue of protecting the data stored in a database is greatly debated around the world at present, but this does not require creativity either, neither falling under the past laws concerning creativity nor laws concerning marks. Many of these are intended for protecting investment, rather than protecting the act of creation.

<sup>8</sup> It is not that information communicators were completely neglected in the past. For example, performers, broadcasting organizations and producers of phonograms were protected by neighboring rights. However, in the information era (digital era), an incommensurable amount of information will be distributed and information communication methods will change, so protection of communications is expected to become even more important.

will be intended more for protecting invested capital and preventing unfair competition, and this will probably serve as an important factor in analyzing the system of intellectual property law<sup>9</sup>.

## **Item 2 Right-Granting Laws and Act-Regulating Laws**

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

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<sup>9</sup> With respect to law for protecting investment, protection of databases is presenting the greatest issue at present. A database itself can be protected as long as it satisfies the requirements under the Copyright Law (Article 12*bis* of the Copyright Law), but information included in the database is often not protected under the Copyright Law. Even if the information was copyrighted, the person who invested in making the database and the copyright owner may be different. Therefore, if a third party could freely extract the information and reuse it, the person who invested capital 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 extraction and reuse of information (content) included in a database. Its legislative purpose was not to protect the database as a work, but to protect investment regardless of the level of creativity involved. This is likely to have an extremely large influence in determining the ideal future intellectual property law; that is, with respect to the question of what should be protected by intellectual property law.

A right-granting law is a method of protecting certain information under a quasi-real right by regarding the information as tangible goods<sup>1</sup>. This makes it possible to transfer the right, succeed to the right, and establish a security right based on it. 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 defined in the Civil Code (specifically, an ownership right). This means that, although the content of the right-granting law is currently structured in a manner similar to a law regarding real rights, it does not necessarily have to be limited to such structure<sup>2</sup>.

On the other hand, an act-regulating law is similar to tort law, and is merely a method of protecting certain information from illicit infringements that is not structured as a right<sup>3</sup>. Since protection of subject matter under the Unfair Competition Prevention Law is not structured as a “right,” it can be used for eliminating infringements and demanding compensation for damage, but cannot be transferred,

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<sup>1</sup> Specifically, right-granting laws include the Patent Law, Utility Model Law, Design Law, Trademark Law, Seeds and Seedlings Law, Semiconductor Chip Law, and Copyright Law. The Patent Law protects technological information that satisfies certain requirements under a real right (patent right), which is similar to a property right, and grants the right to seek an injunction and the right to claim damages.

<sup>2</sup> Industrial property rights are different from property rights with respects to how they come into effect, their content, and when they lapse, as well as the reason for their existence. For instance, the content of a patent right is not fixed, but can be designed according to policy. It is possible to constitute it as a right to charge 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 royalty. For example, in the case of a patent right, utility model right, design right, trademark right and fosterer’s right, an infringement is established regardless of the intent of the perpetrator as long as an act of infringement is observed objectively. However, in the case of a copyright and right to a semiconductor layout, it would not be an infringement to end up creating the same work or layout, provided that it was the creator’s own idea; that is, if the person did not imitate the existing work or layout. Meanwhile, the right of lending phonograms, which is one of the neighboring rights, stays as an exclusive right for a period within the limits of one to twelve months from the first sale of the phonograms (stipulated as twelve months by Cabinet Order), then becomes a right to charge royalty (Section 95*bis* and 97*bis* of the Copyright Law). The specific contents of rights may differ as above, but they have the common point of being established as rights.

Incidentally, Japan’s old Civil Code (the so-called Boissonade Civil Code; it was supposed to be enforced in 1951, but was postponed indefinitely at the Third Imperial Diet in 1950, and was abolished in 1956 without being enforced) stipulated: a property right is a controlling right over goods (Article 30), and such goods include both those that are tangible and intangible (Article 6), therefore, a property right can also be established for intangible goods such as inventions. Nevertheless, “goods” only refer to tangible goods under the current Civil Code (Article 85), so a property right cannot be established for intangible goods such as inventions.

<sup>3</sup> The Unfair Competition Prevention Law is a notable example of an act-regulating law. The Unfair Competition Prevention Law is different from tort law in that it grants a right to seek an injunction. Tort law and criminal law can also be used for the prohibition of infringing uses of information, though they are not part of intellectual property law.

succeeded to or used for establishing a security right. Accordingly, the subject matter under this law cannot unequivocally be considered as economic goods<sup>4</sup>. 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 information as property, so it may 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 easily affected when subject matter changes through the course of time. However, although this may serve to categorize intellectual property law in an organized way, 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, information can also be protected as property under tort law, but tort law is usually not 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 which information. Service marks had been protected by the Unfair Competition Prevention Law for a long time, but came to be protected by the Trademark Law as trademark rights after the 1995 amendment of the Trademark Law. Although it may be a matter of course 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.

In short, the question of which protection method should be applied for intellectual property is determined by whether it is sufficient to merely protect it against infringing use by others or it is necessary to grant an ownership right to enable its transfer, succession, and use for establishing a security right. The determination is not a matter of theory, but depends on which alternative the economy and society call for.

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<sup>4</sup> Nobuhiro Nakayama, *Fusei Kyousou Boushi Hou No Hogo Wo Ukeru Chii No Jouto Kanousei* (The Possibility of Transferring a Person's Standing to Receive Protection under the Unfair Competition Prevention Law), Book Commemorating the Sixtieth Birthday of Professor Ono: p. 4. An example of a court decision which held that a person's or a company's standing to receive protection under the Unfair Competition Prevention Law cannot be transferred is that of the Sapporo High Court on January 31, 1981, Court Decisions Relating to Intangible Property, Vol. 13, No. 1: p. 36 (the Butter Candy Can case) ([Annotation] Tatsuki Shibuya, Jurist, No. 836: p. 116).

### Section 3 Internationalization of Industrial Property

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<sup>1</sup>, because the significance of national borders is relatively smaller than for tangible goods. This fact had already been recognized more than 100 years ago, and resulted in the conclusion of various treaties, including the Paris Convention.

Many of the industrial property rights are exclusive rights to information (more precisely, exclusive rights for certain modes of information usage), and they are only effective within the scope that is under the authority of the country that granted the right. Nevertheless, technological and other types of information can be distributed across national borders relatively easily, and is vulnerable to imitation in foreign countries. Thus, in order to protect information on a global scale, it needs to be protected in countries all over the world. This can be achieved only if countries worldwide have similar industrial property systems. The need for such harmonization has become especially strong in the recent era of economic globalization.

The main purpose of the conventional industrial property system was to protect and foster domestic industries, and there was no need to consider the relationship with other countries because trade was much more sluggish than at present. Each country had established an independent industrial property system just as in the case of other legal systems, with no links established between such national systems<sup>2</sup>. However, the growth of international trade gave rise to a need for international cooperation in the field of industrial property, and in 1883, the Paris Convention for the Protection of Industrial Property was enacted, having gained momentum from world expositions in Vienna and Paris<sup>3</sup>. The convention stipulates a general framework regarding priority

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<sup>1</sup> See Nakayama, *Chuukai Tokkyo Hou* (Annotated Patent Law) Vol. 1: p. 18 [Nakayama]; and Nobuhiro Nakayama/Masahiro Murakami/Moriya Uchida, *Chiteki Shoyuiken* (Intellectual Property) (The Nikkan Kogyo Shimbun, 1988).

<sup>2</sup> 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 provide for something like the prior right stipulated in the Paris Convention, the applicant often has to file applications concurrently in multiple countries. The countries are not obligated to grant rights to applicants of other countries, either. Such adverse effects can be clearly observed in the situation of Germany before unification and that of the United States before gaining independence.

<sup>3</sup> World expositions and internationalization of industrial property systems are closely linked. If one exhibits a product at a world exposition when there is no international treaty on industrial

rights, equal treatment for nationals and foreigners and other items, on the premise that each country has an independent system, and leaves most of the particulars of substantive law to the national law of the respective countries. Although the convention has been revised several times over the approximately 100 years since its enactment, the basic framework has not been changed.

Recently, however, dramatic changes in the international economic environment, such as the elimination of national borders in economic activities, greater economic emphasis on intangible goods and services, and a tremendous increase of R&D costs, are making it 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 entering into force in 1978). Nevertheless, now there is a need to harmonize not only procedures but also the substantive law of each country; even aspects such as the term of protection, protected subject matter and enforceability. In other words, industrial property is becoming extremely important for corporate strategies with the advancing integration of world markets. Before taking actions, many companies are now pressed to consider not only the domestic market, but also world markets. Companies can of course export their products to the world, but now they can also manufacture goods in the country where production is the most efficient due to various circumstances, and export the goods to the world from that country. This situation requires companies to establish industrial property for their products on a worldwide scale, but if each country has a different national law, companies cannot easily gain consistency in their business plans, must pay redundant expenses, and are likely to make more mistakes in obtaining rights. Therefore, industrialized countries that have global companies advocated improvement and reinforcement of industrial property laws.

In contrast, some developing countries had very conservative industrial property systems. From the industrialized countries' viewpoint, they seemed to be exporting counterfeits to the world, serving as hotbeds of illicit imitation. However, from the developing countries' side, the prohibition of counterfeits under the industrial property system seemed to fix the economic order and obstructed the development of their domestic industries. The key to the future development of the world's industrial property systems lies not only in achieving harmonization of the systems among industrialized countries, but also in resolving such conflicts between industrialized and

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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 conclusion of an international treaty on industrial property.

developing countries and strengthening their relationship.

In light of this situation, efforts have been made in the WTO (World Trade Organization; formerly GATT), WIPO (World Intellectual Property Organization), and other organizations to reform the world's industrial property systems<sup>4</sup>. The greatest achievement of these efforts is the WTO's TRIPs (Trade-Related Aspects of Intellectual Property Rights) 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 ground-breaking industrial property treaty which, unlike the Paris Convention, stipulates substantive provisions and enforcement procedures to a considerable extent. Apart from this TRIPs Agreement, discussions are being held in WIPO to establish a trademark treaty and a patent law treaty.

Issues of international treaties shall be discussed in detail later (Vol. 2).

## **Section 4 Industrial Property Law and Other Legal Domains**

Intellectual property law can be regarded as an independent legal genre, with industrial property law constituting one of its domains. The other domain is copyright law, but as mentioned earlier, the relationship between industrial property law and copyright law is very delicate at present. Thus, this section shall only examine the relationship between industrial property law and legal domains outside intellectual property law.

### **Subsection 1 Civil Code**

An industrial property right has a strong characteristic as property, so it is particularly deeply related to the most basic property law, the civil code<sup>1</sup>. Also, since patent rights and most other industrial property rights have a structure like real rights, if industrial property law could be fully comprehended within the framework of the law of

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<sup>4</sup> The systems are not necessarily harmonized among industrialized countries. The United States, in particular, adopts a different system from other industrialized countries including the first-to-invent system. In order to promote harmonization of systems in the world, it is important that industrialized countries harmonize their systems first. However, it is a difficult task for any country to change its already established systems, so countries tend to demand that other countries change their systems. Nevertheless, harmonization among industrialized countries would be much easier than harmonization among a group of countries that included developing countries.

<sup>1</sup> Provisions of the Civil Code are often directly applied to industrial property law. For example, the provision on quasi co-ownership is applied *mutatis mutandis* unless otherwise stipulated by the Patent Law, etc. (Article 264 of the Civil Code).

real rights, industrial property law would not be able to claim its own identity<sup>2</sup>.

The Patent Law, which is the principal part of industrial property law, stipulates two provisions regarding the real right aspects of a patent right: a right to demand elimination of interferences and a right to demand prevention of interferences. Theoretically, patent law is considered to have real right aspects due to these two rights to make claims<sup>3</sup>.

However, there exists a big difference between industrial property rights; including patent rights and real rights (especially ownership rights) as to whether or not the right incorporates a right to claim recovery (right to claim recovery of possession). In other words, intangible goods subject to patent rights and other industrial property rights are different in nature from tangible goods, so the idea of possession does not exist under these rights<sup>4</sup>; consequently there is no need for a right to claim recovery. Possession of tangible goods can only be held by one person, that is it is premised on exclusive consumption of the goods<sup>5</sup>. Therefore, a right to claim recovery is required in order to exercise control over the goods. In the case of intangible goods, on the other hand, a third party can effectively work an invention or use a trademark any time, anywhere, in any amount without depriving the right holder of possession. What is more, the working or use by a third party who has no title to the invention or trademark does not prevent the right holder from working the invention or using the trademark<sup>6</sup> (no exclusive consumption). Although industrial property rights have real right

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<sup>2</sup> If so, the relationship would be similar to that between the provision of the right of lease under the Civil Code and the Land and House Lease Law, and industrial property law would not be able to claim its own identity. The Land and House Lease Law is usually comprehended within the framework of the lease rights under the Civil Code, and is explained in the lectures of the Civil Law class. See Nobuhiro Nakayama, *Mutai Zaisanken (Intangible Property)*, *Iwanami Kouza Kihon Hougaku 3 - Zaisan* (Iwanami lecture series <Basic law 3>: Property): p. 286.

<sup>3</sup> These two rights to make claims were not stipulated in the old Patent Law, but they were interpreted as being recognized due to the reason that a patent right is a real right. Both the old law and the current law share the idea that a patent right has real right aspects. However, this idea does not apply in the same manner to the Unfair Competition Prevention Law, which also constitutes a part of industrial property law, because the law does not have a real right aspect in its constitution. This is, as mentioned earlier, a question of how industrial property law should be comprehended.

<sup>4</sup> Some consider the working of an invention and use of a trademark as acts of possession, but this is not reasonable. Recognizing the establishment of the concept of possession serves as the basis for a right to claim elimination of an infringement of possession, for presumption of the lawfulness of a right, for acquisition of fruits, for reimbursement of expenses and for acquisitive prescription. Therefore, it is not reasonable to admit any of these effects from the mere working of an invention or use of a trademark.

<sup>5</sup> Although there are exceptional cases such as co-ownership and indirect possession, these are not taken into account here for they are not essential to the present discussion.

<sup>6</sup> The fact that the working or use by a third party who has no title to the invention or trademark may harm economic benefits of the right holder is a separate issue.

aspects in terms of legal technique, they do not constitute an absolute right to control a thing, but rather, entitle the enjoyment of exclusive use of intangible goods such as inventions; in other words, a right that can prohibit the working or use by others. Hence, the right holder can regain the monopolistic state by merely prohibiting such working and use by those not entitled to the invention or trademark, without involving the concept of possession.

In the case of tangible goods, it may be reasonable to give the effects stipulated in the Civil Code, such as assuming the possessor to be the right holder. However, in the case of intangible goods, there is no reason for giving the same effects merely because one is working an invention or using a trademark; as a result, there is no basis for recognizing the concept of possession for intangible goods.

Nevertheless, Article 205 of the Civil Code stipulates that the provisions on possession “shall apply *mutatis mutandis* to cases where a person exercises a property right with the intention of doing so on his own behalf.” This means that the provisions on possession are also applied, *mutatis mutandis*, to property rights other than those for tangible goods. This kind of possession provided under Article 205 is called quasi-possession. The fact that the provision on quasi-possession is applied *mutatis mutandis* to intellectual property rights is hardly contested, with many theories even stating that the provision can be most effectively applied to intellectual property rights<sup>7</sup>.

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<sup>7</sup> Sakae Wagatsuma, *Bukken Hou* (Real Right Law) (Iwanami Shoten, 1952): p. 354; Hiroshi Suekawa, *Bukken Hou* (Real Right Law) (Nippon Hyoronsha, 1956): p. 274; Jun'ichi Funabashi, *Bukken Hou* (Real Right Law) (Yuhikaku, 1960): p. 334; edited by Takeyoshi Kawashima, *Chuushaku Minpou* (7) *Bukken* (2) (Annotated Civil Code <7> Real Rights <2>) (Yuhikaku, 1968): p. 212 [Teruo Matsumoto]; Sakae Wagatsuma/Tooru Ariizumi, *Minpou I Sousoku Bukken* (Civil Code I, General Rules, Real Rights) [Third Edition] (Ichiryusya, 1976): p. 314; Rokuya Suzuki, *Bukken Hou Kougi* (Lecture on Real Right Law) [Third Revised Edition] (Sobunsha, 1985): p. 80; Ken Kawai, *Bukken Hou* (Real Right Law) (Nippon Hyoronsha, 1985): p. 184. Fujio Obo, *Bukken Hou* (Real Right Law) (Vol. 1) (Yuhikaku, 1966) explains that quasi-possession practically only presents a problem in relation to servitude (easement). Germany does not have provisions on quasi-possession regarding property rights in general as in Japan, but only those regarding real servitude and personal servitude (BGB 1029, 1090). Meanwhile, Sakae Wagatsuma/Tooru Ikuyo, *Minpou Annai* (Guide to Civil Code) 3-2 *Bukken Hou* (Real Right Law) (Vol. 2) [First Fully Revised Version] (Ichiryusya, 1981): p. 246 mentions that although quasi-possession can also be established regarding patent right and copyright, “it is questionable how much the Civil Code itself can be applied to them, because these two kinds of rights are extremely peculiar. It is unlikely that application *mutatis mutandis* of the provisions in the quasi-possession chapter can be accepted so easily.” This statement is considered to be to the point, but it may be even more straightforward to conclude that quasi-possession cannot be established regarding patent right and copyright in the first place, if in fact, practically, there is almost no way to apply it. To begin with, it is unclear why Article 205 of the Civil Code was established at all and, in terms of practice, the scope of application of the article is extremely limited. See Yoshiyuki Tamura, *Mutai Zaisanken To Junsenyuu* (Intangible Property Right and Quasi-Possession), a book commemorating the seventieth birthday of Professor Yamabata/Igarashi/Yabu, *Minpougaku To Hikaku Hougaku No Shosou* II (Various Aspects

However, it is unclear what these civil code theories consider as possession of an intellectual property right. In other words, while quasi-possession takes effect upon “exercise of a property right,” no explanation has been given as to which acts should be considered as such exercise of a property right. If the exercise of a property right assumes the working of an invention or use of a trademark, how can quasi-possession be coordinated with the current patent law or trademark law that establishes and transfers a right by using the registration system<sup>8</sup>? Unlike intangible goods, inventions and trademarks can be concurrently worked or used by multiple persons. Therefore, even if a person having no title to an invention or trademark was working or using it on his/her behalf, acquisition by prescription should not be approved merely by reason of such act. At the same time, the registered titleholder is considered important in practice, and it is inconceivable that a person other than the registered titleholder would demand an injunction based on quasi-possession. If quasi-possession is considered to be established by registration in the register, it would run contrary to the purpose of the provisions on possession, which is to protect the factual status. Or, can establishment of quasi-possession be found based on some factor other than these two? Unless this point is made clear, application of provisions on quasi-possession to intellectual property rights may be admitted in theory, but would be meaningless in actual practice.

As stated by the reigning theory, it is questionable whether there is a need to allow quasi-possession for industrial property rights in the first place. In short, there seems to be no reason to allow quasi-possession for intellectual property rights.

The provisions on quasi-possession are not applicable to marks and trade secrets, which are protected by the Unfair Competition Prevention Law. The Unfair Competition Prevention Law was originally established in extension of tort law, with an intention to protect certain factual situations irrespective of title. Therefore, it is not compatible with the nature of quasi-possession.

The next point is that industrial property rights are decisively different in nature from ownership rights with respect to the establishment, term and lapse, as well

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of Civil Code and Comparative Law) (Shinzansha, 1997).

<sup>8</sup> Of the intellectual property rights, only copyright is subject to the so-called non-formalities system. The right takes effect upon creation of a work, there are no formal procedures involved in registering the right and, even when transferring the right, registration is only a requirement for setting up against a third party and is not a requirement for the right to enter into force. Most scholars only indicate examples of copyright when explaining about quasi-possession, and hardly ever indicate examples of industrial property rights. See Hunabashi, *supra* note 7, and Takeyoshi Kawashima, *Minpou I Souron Bukken* (Civil Code I, Overview, Real Rights) (Yuhikaku, 1960): p. 122. Quasi-possession of copyright shall be discussed in another book, and this book shall only examine quasi-possession of industrial property rights.

as the content and scope of the rights.

Firstly, an ownership right is primarily obtained through gain based on occupancy, specification or other conditions (Articles 239-246 of the Civil Code), but an industrial property right takes effect through administrative dispositions of the patent office. In order for the latter to take effect, it is necessary to establish a patent office and other administrative organizations, and to enact various administrative provisions for the procedures to obtain the right. These procedures for making a right effective constitute one of the pillars of industrial property law, and laws and regulations for these procedures have the nature of administrative law. This aspect is another reason why industrial property rights cannot be comprehended only within the framework of real right law.

Secondly, an ownership right exists permanently unless the subject matter is destroyed. As long as an ownership right is a right to control tangible goods, no particular inconveniences would arise even if the right remained effective permanently. On the other hand, permanent dominance over intangible goods, particularly ideas such as inventions, would bring adverse effects<sup>9</sup>. Inventions are made based on the accumulated technology of predecessors, so considering this nature, an exclusive right to work an invention should not be permanently given to the inventor only because he/she happened to make the invention. In addition, monopoly of an invention, which is an idea, prohibits third parties' acts, unlike the ownership right for tangible goods, so its influence is quite extensive. Also, if an exclusive right remains effective permanently, it would restrain even inventions of improvements based on that original invention, and that would inhibit technological development.

Thirdly, the scope of the right is clear regarding tangible goods, and the question of whether or not a right has been established for specific goods is hardly disputed<sup>10</sup>. In the case of industrial property rights, the existence of a right is often

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<sup>9</sup> Among industrial property laws, the law concerning marks is different regarding this matter. Laws concerning marks do not protect human ideas, but protect business reputations. Therefore, the right needs to remain effective as long as the business exists. Although the Trademark Law sets the term of a trademark right to be ten years (Section 19 (1) of the Trademark Law), it is possible to permanently keep the right effective by repeatedly renewing the term. In other words, the term of a trademark right and the term of a patent right have completely different purposes; the purpose of the former is to remove trademarks that are no longer in use. Since it is harmful to society to have unused trademarks registered forever, the term of a trademark right has been established to get those unused marks sorted out.

<sup>10</sup> Possible disputes are only those over whether or not something is a movable belonging to nobody. There are also disputes over the boundaries of real estate, but these are merely disputes over the attribution of the right, based on the assumption that the right exists.

clear from its registration<sup>11</sup>, but the scope of the right is extremely indefinite. The scope of right regarding tangible goods can easily be recognized by using the five senses, but it is extremely difficult to define the scope of a right regarding intangible goods<sup>12</sup>.

In addition to the above, industrial property rights also include an aspect of effecting the industrial policy<sup>13</sup> of preventing unfair competition and contributing to industrial development as well as having an aspect as a personal right. The reasons for the existence of industrial property rights and those for the existence of ownership rights greatly differ, which is another reason why it is difficult to comprehend industrial property rights within the framework of real right law<sup>14</sup>.

For these reasons, industrial property rights should be considered to constitute an independent legal domain that is different from the real right law of the Civil Code.

## **Subsection 2 Code of Civil Procedure**

Litigation related to industrial property can roughly be divided into infringement litigation and litigation against trial and appellate decisions. There are also other general administrative litigation cases, but these are small in number. While litigation against appellate and trial decisions is administrative litigation, industrial property infringement litigation is general civil litigation, so the principally applicable law would be the Code of Civil Procedure, which is a fact that does not require any

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<sup>11</sup> With regard to intellectual property that does not require registration, such as copyright, and goods protected by the Unfair Competition Prevention Law, the existence of the right or the property is often unclear. Particularly in the case of copyright, there are many disputes over whether or not the matter in question is a work that should be protected by the Copyright Law. With the recent development of computers, databases and multimedia, there has been an emergence of new things for which it is difficult to determine whether or not they are protected by copyright.

<sup>12</sup> In the case of intellectual property, it would be relatively easy to delimit the scope of protection if acts of infringement were limited to workings of exactly the same invention. However, this would allow infringers to circumvent the scope of the right easily, reducing the significance of intellectual property. So, the scope of protection must be broadened to a certain extent, although the extent differs in each legal domain of intellectual property law. That is why the scope of protection of intellectual property is fated to be constantly subject to dispute. The extent to which the scope is broadened is not only decided by a fixed principle, but is also affected by policy reasons. It can be different according to the country and the times.

<sup>13</sup> Therefore, the subject matter of the right is often determined by industrial policy reasons. A good example is the patent for a substance. The question of whether or not a patent should be granted to a chemical substance is decided by the technological level of the chemical engineering of that country. Although neither Germany nor Japan had approved patents for substances, Germany came to approve them in 1968 and Japan in 1975 due to the progress of their own countries' technology.

<sup>14</sup> Nobuhiro Nakayama, *Mutai Zaisanken* (Intangible Property), *Iwanami Kouza Kihon Hougaku 3 - Zaisan* (Iwanami lecture series <Basic law 3>: Property): p. 289.

special explanation.

Appeals and trials in the Japan Patent Office (JPO) are not categorized as litigation, but they practically serve as an action of first instance<sup>1</sup>, and the procedures involved are similar to litigation procedures. Since appeals and trials in the JPO seek the revocation or change of an administrative disposition, their fundamental nature is basically the same as administrative litigation. However, many provisions of the Code of Civil Procedure are applied *mutatis mutandis* to the procedures of appeals and trials in the JPO (e.g. Articles 151, 169, and 171). There are many types of appeals and trials, which differ in their respective natures, so the details will be discussed later in the section about appeals and trials.

### **Subsection 3 Labor Law**

Industrial property law and labor law conflict with each other over issues of the ownership of rights and distribution of profits in cases where an employee creates something in the course of his or her duties<sup>1</sup>. On the one hand, there is a need to protect the employee who actually engaged in the creative activity, but on the other, there is also a need to give an incentive to the employer to make 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 Law specially stipulates a section to deal with this problem (Section 35 of the Patent Law), while labor law is hardly ever applied to settling such a problem<sup>2</sup>. Therefore, in most cases in Japan, this issue is examined from the perspective of interpretation of the Patent Law. In reality, however, there have been some lawsuits filed in Japan over the validity of dismissal of an employee

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<sup>1</sup> Lawsuits against appeal/trial decisions are under the exclusive jurisdiction of the Tokyo High Court (Section 178 (1) of the Patent Law), and unlike in the case of general litigation, the first instance is omitted. This suggests the idea that the appeals/trials in the JPO are serving as a trial of first instance.

<sup>1</sup> These issues particularly involve that field of industrial property law consisting of laws concerning creativity. For example, the interests protected by laws concerning marks are business reputations, so even if an employee creates a mark, the act of creation has no significance in itself from the perspective of industrial property law and no right is attributed to the employee, who is not entitled to any business reputation. There is a separate argument that a copyright issue would arise in cases where the mark is a work, but this part of the textbook merely discusses the point that no issues would arise in relation to laws concerning marks.

<sup>2</sup> The German patent law does not have a provision on employees' inventions. As this issue belongs to the domain inbetween labor law and patent law, it is regulated by a special law called *Gesetz über Arbeitnehmererfindungen* (Law concerning Employees' Inventions), 1957. For details, see Nakayama, *Hatsumeisha-Ken No Kenkyuu* (Study on Rights of the Inventor): pp. 132 ff. In the United Kingdom and the United States, this issue is often dealt with in the domain of contract law.

resulting from a conflict over this issue<sup>3</sup>.

#### **Subsection 4 Administrative Law**

An industrial property right is a property right, which basically belongs to the domain of property law, but it is different from general property rights in that administrative dispositions are involved in its establishment, changes and lapse. The procedures relating to these administrative dispositions and provisions on the structure of the administrative organizations which carry out the procedures belong to the domain of administrative law. Accordingly, administrative law can be regarded as an important pillar of industrial property law<sup>1</sup>.

However, administration is hardly involved with intellectual property that takes effect without registration<sup>2</sup>. Protection of such property takes effect when the facts required for protection under the respective laws come into existence<sup>3</sup>.

#### **Subsection 5 Antitrust Law**

Industrial property law is a system that allows the monopolistic working and use of intangible goods such as inventions. In contrast, antitrust law is a system that prohibits private monopoly. Therefore, the two laws seemingly oppose each other.

Nonetheless, industrial property law aims to “contribute to the development of industry” (Section 1 of the Patent Law) and antitrust law aims to “promote the democratic and wholesome development of national economy” (Article 1 of the Anti-Monopoly Law). 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<sup>1</sup> as tools for sound industrial

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<sup>3</sup> A decision by the Tokyo District Court on July 14, 1959, Civil Court Decisions Relating to Labor, Vol. 10, No. 4: p. 645 ([Annotation] Yoshinobu Someno, *Tokkyo Hanrei Hyakusen* (One Hundred Selected Court Decisions relating to Patents) Case 29; Sumio Shinagawa, *Tokkyo Hanrei Hyakusen* (One Hundred Selected Court Decisions relating to Patents) (Second Edition) Case 14); Yoshirou Fukase, *Jurist*, No. 208: p. 132.

<sup>1</sup> In the past, many scholars of administrative law had also studied industrial property law, but most of the researchers studying industrial property law at present are scholars of civil law. Nevertheless, the importance of administrative law in the domain of industrial property law should be reaffirmed.

<sup>2</sup> Specifically, it is property protected by copyright law and the Unfair Competition Prevention Law.

<sup>3</sup> A copyright takes effect upon creation. The government only becomes involved in such cases as when the copyright owner registers the right in order to meet the requirement for opposing third parties. No registration is required to receive protection under the Unfair Competition Prevention Law either, but only certain factual requirements need be met.

<sup>1</sup> See Tetsu Negishi, *Dokusen Kinshi Hou No Kihon Mondai* (Basic Issues of Anti-Monopoly Law)

development.

Specifically, this issue has been raised as a matter of interpretation of Article 23 of the Anti-Monopoly Law. Experts of economic law have presented many academic papers regarding the interpretation of this article, so the matter shall not be discussed in this textbook. Just to mention the conclusion, the article merely states the natural conclusion that antitrust law shall not be applied to the exercise of intellectual property rights, though the result is likely to be the same even without this article. However, abusive exercise of intellectual property rights should not be made legitimate based on this article.

As the primary aim of industrial property law is industrial development, this point must be considered as an important guide in interpreting the law. Generally speaking, it is an empirical fact that 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 the economic order. Industrial property rights, which are exclusive rights, are sanctioned only because they contribute to industrial development, so they should not be interpreted in a way that would have a negative effect on industrial development. The aim of antitrust law should also be effectively taken into consideration in interpreting intellectual property law. For instance, the arbitrary license system under the Patent Law (Sections 83, 92, and 93) should be interpreted by also considering the perspective of restricting monopolies, and the scope of a right may sometimes need to be interpreted by also taking the competitive law aspect into consideration<sup>2, 3</sup>.

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(Yuhikaku, 1990): pp. 185 ff.

<sup>2</sup> There is also an opinion stating that issues involving the competitive law aspect should be dealt with by antitrust law and that such consideration is not required in interpretation of industrial property law. However, it is not reasonable to conclude that monopoly by patent and other types of monopoly are essentially and decisively different and that only the patent monopoly is good. The ultimate aims of antitrust law and industrial property law are the same and the two laws are not unrelated to each other. In other words, from the viewpoint of industrial development, which is the aim of industrial property law, the competitive law aspect must inevitably be considered in interpreting the industrial property law. It is impossible to think of a most appropriate system for industrial development without considering the competitive law aspect. Since protection under intellectual property law is expected to become greater in the coming information age, the relationship between intellectual property law and antitrust law is likely to cause more debates in the future. See Tadashi Shiraishi, *Gijyutsu To Kyouso No Houteki Kouzou* (Legal Structure concerning Technology and Competition) (Yuhikaku, 1994).

<sup>3</sup> There is also an opinion stating that violation of antitrust law is hardly likely to occur regarding copyrights and that it is unreasonable to have copyrights included in the provision of Article 23 of the Anti-Monopoly Law (Narikazu Imamura, *Dokusen Kinshi Hou* (Anti-Monopoly Law) [New edition] (Yuhikaku, 1978): p. 198; Nobuo Monya, *Chosakuken To Kougyou Shoyuiken No Kankei* (Relationship between Copyright and Industrial Property Right), *Jurist*, No. 692: p. 61). However, it is clear that application of antitrust law is sometimes required also in the domain of copyright by

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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.

## Chapter 2 History of Industrial Property Law

### Section 1 Introduction

Intellectual property had long been disregarded by jurists since the time of the Roman Empire. However, the fact that monopoly produces profits has been known since ancient times, and the intellectual property concept of granting exclusive rights 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 in around 600 B.C.<sup>1</sup> In this way, 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<sup>2</sup>. However, these were merely monopolies that were arbitrarily granted by the government, and though they brought profits to those who gained the monopoly, they were not conceptualized as property rights in the same sense as those for tangible goods. Thus, although profits were actually made, they did not have the backing of any detailed legal theories. Not all of such monopolies were equivalent to intellectual property, but without a doubt such grants of monopolies were the harbinger of the later patent system.

Since the time of the Renaissance, there was intense competition among the cities of North 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. As a result, systems similar to the present patent system were established in Venice and other cities of North Italy<sup>3</sup>. 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 directly inherited by other countries.

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<sup>1</sup> Troller, *Immaterialg. recht* I 3. Aufl (1983), S. 15.

<sup>2</sup> 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 monopoly in some form.

<sup>3</sup> In 1474, the world's oldest patent law was enacted in Venice. It closely resembled modern patent law, stipulating novelty, usefulness and feasibility as the requirements for patentable inventions, as well as stipulating filing procedures and penal provisions. This fact was made clear by an Italian called Giulio Mandich by researching materials on Venice (English translation of the research paper: Prager, F.D., *Venetian Patents (1450-1550)*, 30 JPOS 166 (1948)). Until 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*, GURUR 1949, 139 ff..

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

The law concerning marks took a different course of historical development from patent law. Since ancient times, craftsmen had affixed some kind of marks to their products. However, unlike the present trademark right that has exclusivity, they were attached for different purposes such as for the craftsmen to indicate their ownership of their products<sup>4</sup> or as part of regulation by the authorities or guilds<sup>5</sup>. It may be possible to view these older types of marks as showing traits of the present trademark system, but the present system became significant only with the age of mass production and mass sales, and these pre-modern marks and present trademarks are hardly related to each other from the perspective of law<sup>6</sup>.

Since this textbook is not aimed at historical study, but at understanding the framework of the industrial property system, the following portion describes the history of industrial property systems of major countries within such limited scope.

## Section 2 United Kingdom<sup>1</sup>

Before the Industrial Revolution, Britain was a less-developed region of

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<sup>4</sup> Even if a product was stolen or lost at sea due to a shipwreck, the craftsman could prove his ownership by having his mark attached to the product. It was the same idea as branding cattle.

<sup>5</sup> Ono, *Shouhyou Hou* (Trademark Law): p. 26; Amino, *Shouhyou* (Trademarks): p. 5; and Shouen Ono/Toshio Eguchi, *Shouhyou No Chishiki* (Guide to Trademarks) (Nihon Keizai Shimbun, 1975): p. 26. With regard to cases in Japan, see Ipppei Inoue, *Shouhyou Shouron* (Detailed Discussions on Trademarks) (Dobunkan Shuppan, 1964): p. 8.

<sup>6</sup> For reference see Schechter, F., *Historical Foundations of the Law Relating to Trade-Marks* (1925). Its Japanese translation is *Shouhyou Ni Kansuru Houritsu No Shiteki Kiso* (*Shihou Shiryou* (Judicial Material) No. 249, 1939).

<sup>1</sup> With regard to the history of the U.K. patent system, see Ichirou Kiyose, *Hatsumei Tokkyo Seido No Kigen Oyobi Hattatsu* (Origin and Development of the Invention Patent System) (not on sale; dissertation for obtaining a degree from Kyoto Imperial University in 1915); Akira Kukimoto, *Eikoku Tokkyo Hou Shi No Ichi Sobyou* (General Outline of the History of the U.K. Patent Law), *Eibeihougaku* (Common Law), No. 18: p. 19; Akira Kukimoto, *Igirisu Tokkyo Seido No Kaisetsu* (Commentary on the U.K. Patent System) [Revised Edition] (Japan Institute of Invention and Innovation, 1983): pp. 1 ff.; and Nakayama, *Hatsumeisha-Ken No Kenkyuu* (Study on Rights of the Inventor): 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 Ages to 1836*, 46 *JPOS* 268 (1964).

Europe. For this reason, the monarch granted certain privileges<sup>2</sup> 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. This type of privilege was excessively granted during the reign of Elizabeth I. It 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 became closer to the present patent system with this shift from a release from guilds to a right to monopoly or specialization.

However, such monopolies of parts of existing commercial and industrial businesses by specific traders caused 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<sup>3</sup>, the Parliament established the Statute of Monopolies in 1624, which was then ratified by the monarch<sup>4</sup>. The Statute of Monopolies, which was later referred to as the *great charter of patent law*, is considered as the origin of modern patent law.

This Statute was not directly aimed at establishing a patent system. Its aim was to legislatively confirm the principle that had been established through court decisions; specifically, the principle that denied the validity of the privilege granted by the monarch for a part of an existing industry. However, as the only exception, a fourteen-year monopoly was allowed for the true and first inventor (interpreted to include the first importer) (Article 6 of the Statute of Monopolies). This Statute was significant in that the Parliament imposed a heavy regulation of the privileges granted by the monarch as a result of the conflict between Parliament and monarch. It was not a law that stipulated procedures for granting patent rights. It prohibited the monarch from granting monopolies within a certain scope, but it did not prohibit the monarch from granting or require him to grant monopoly rights for novel inventions. In that

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<sup>2</sup> 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*.

<sup>3</sup> *Darcy v. Allen, Moor* (K.B.) 672; 72 Eng. Rep. (K.B.) 830 (1602), the *Clockworker of Ipswich*, 78 Eng. Rep. 147 (1615).

<sup>4</sup> Stat. 21 Jac. I. ch. 3, *Halsbury's Law of England*, 2<sup>nd</sup>. ed., Vol. 17: pp. 617-620.

sense, it cannot be considered as a modern patent system, because it continued to allow the monarch to grant monopoly rights as favors. Nevertheless, it was a forerunner of the U.K. patent law and had an extremely large influence on the modern patent system.

In fact, even after that the monarch still sometimes granted monopoly rights that violated the common law, but such monopoly rights gradually disappeared and only the fourteen-year monopoly approved for novel inventions remained effective, leading to the structure of the modern patent system.

### Section 3 United States<sup>1</sup>

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 enactment of the Statute of Monopolies, and a patent was first granted to a salt production method in the same year. Unlike in Britain where under royal prerogative patents were granted as a favor, patents were granted under the state statute. However, these patent systems were only effective within the respective states so, just as in Germany before the 1871 unification, the economic value of a patent right was limited. The patent systems not only were inappropriate for economic development, but even obstructed economic development by causing differences among economies in America. From this viewpoint, Article 1 Section 8 (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 article gave the U.S. Congress the power 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"<sup>2</sup>. Based on this, the United States' first federal patent law, the Act to

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<sup>1</sup> Reference works on the history of the U.S. patent law include Shirou Mitsuishi, *Beikoku Tokkyohou Kenkyuu* (Study on the U.S. Patent Law) (Ryosho Fukyu Kai, 1953): pp. 1 ff.; Shouzou Taniyama, *Amerika Tokkyo Seido No Kaisetsu* (Commentary on the U.S. Patent System) (Japan Institute of Invention and Innovation, 1981): pp. 13 ff.; and Nakayama, *Hatsumeisha-Ken No Kenkyuu* (Study on Rights of the Inventor): pp. 27 ff. 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).

<sup>2</sup> The U.S. Constitution has a different significance from that of the Japanese Constitution. 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 provision, each state would enact its own patent law. Since the Constitution does not have provisions concerning trademarks, the U.S. Congress does not have the legislative power over them in principle, but related laws are established by the respective

Promote the Progress of Useful Art, was enacted in 1790. Under this act, 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, assignment of the right to file a patent application is still not allowed in the United States<sup>3</sup>. If an inventor wishes to assign the right, he or she must file the application first, and then assign the pending application or the obtained patent right.

Also, the U.S. patent law adopts the first-to-invent system, in which the patent is given to the person who invented the art first. Therefore, a proceeding in which the first inventor is determined, called *interference*, was established in 1793. In addition, the substantive examination system was introduced for the first time in the world in 1836. Ever since, the substantive examination system has been adopted by many countries, becoming 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 assets. The present U.S. patent law was more or less formed with this 1836 amendment.

The current law has been established after going through yet some more amendments, but the present U.S. patent system is now under pressure to be further amended from the viewpoint of international harmonization, because it has a number of peculiar aspects compared to other patent systems in the world, such as adoption of the first-to-invent system.

The first federal trademark law in the United States was established in 1870. However, the trademark law of 1870 was held as a violation of the U.S. Constitution in the famous Trade Mark Cases in 1879, because it did not fall under the patent and copyright clauses of the Constitution<sup>4</sup>. Thus, pursuant to the amendment of 1881, its scope of application was limited to commercial transactions with other countries and

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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.) In Japan, there is no need to stipulate such provisions in the Constitution. It is noteworthy that the term *secure* is used instead of *grant* in the provision of the U.S. Constitution. This implies that unlike in Britain where the right is granted as a privilege by the monarch, the right initially attributable to the inventor is protected under law.

<sup>3</sup> The assignment of the right to file a patent application was not allowed in the United Kingdom either, but it was approved by an amendment in 1949. As the right to file a patent application has value as an asset, the prohibition of assignment makes it inconvenient to use it as an economic asset. However, in reality, the assignee only has to take a complex procedure of filing the application under the name of the assignor based on his or her own calculations, and have the right to the pending application or the obtained patent right assigned, which in the end leads to the same result.

<sup>4</sup> 100 U.S. 82, (1879).

with Native Americans. Trademark protection in the United States developed as common law protection similar to the case of the United Kingdom. In 1905, a federal trademark law complying with the interstate commerce clause of the U.S. Constitution was established, which developed into the trademark law of 1946 (Lanham Act). The current law is an extension of the Lanham Act.

## Section 4 France<sup>1</sup>

In France before the French Revolution, monopolies were granted by the monarch in the same manner as in other European countries. Similar to the situation in Britain, 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 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 an ownership right to his or her invention as a natural human right. This concept, which views intangible goods such as inventions to be equivalent to tangible goods, does not enjoy much theoretical support today, but it is regarded as having had a considerable significance in history. Due to such concept, France adopted the 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 disputes relating to such patents had to be settled constantly in court. Ever since, the non-substantive examination system has become a distinctive feature of French-style patent laws. In comparison to the substantive examination system, it requires low administrative expenses, but it is decisively defective from the viewpoint of legal stability because it allows registration of many patents that contain reasons for invalidation. Therefore, the system degraded the value of French patents 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 became rather out-dated.

The non-substantive examination system is not only disadvantageous to French industry, but is not necessarily desirable either from the perspective of achieving

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<sup>1</sup> Reference works on the history of the French patent system include Yoshiro Hashimoto, *Furansu Tokkyo Seido No Kaisetsu* (Commentary on the French Patent System [Revised edition] (Japan Institute of Invention and Innovation, 1983): pp. 1 ff.

compliance with the European Patent Convention or harmonization with other countries. In the amended law of 1968, France adopted a unique system of conducting a search to determine the novelty of the invention and attaching the result as a comment when granting a patent for it. This search comment can be used as a reference by the applicant in continuing with the subsequent procedures, and can be helpful in court trials when disputes occur.

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

## Section 5 Germany<sup>1</sup>

In the beginning of the modern age, Germany was a less-developed region of Europe, serving as a suitable market for Britain in terms of 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 Lander according to the Peace of Westphalia that was signed to terminate the War. Patent systems also varied in each Land, and this segmentation was obstructing the development of the German economy. The only way for Germany to outgrow its backwardness was to unify the nation and overcome the economic segmentation. The history of German patent law also followed the same course. Customs unions had been formed between some Lander, and in 1833, the **German Customs Union** was formed under the incentive of Prussia. Although the allied Lander concluded an agreement on patents, the patent rights of each Land were basically independent, and the Lander remained independent just the same. A unified patent system could only be established after the unification of Germany in 1871.

Even after the German unification, enactment of the patent law was delayed by

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<sup>1</sup> Reference works on the history of the German patent system include Nakayama, *Hatsumeisha-Ken No Kenkyuu* (Study on Rights of the Inventor): pp. 30 ff.; Katsuya Tamai, *Tokkyo Hou Ni Okeru Hatsumeisha Shugi* (Study on the Inventor Principle <a Principle that an Inventor Naturally has the Ownership Right to His or Her Invention under the Patent Law>) (I, II), Journal of the Jurisprudence Association (The University of Tokyo), Vol. 111, No. 11: p. 1593 / No. 12: p. 1824; 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.

the conflict between free-trade supporters and protectionists, in the same manner as in other European countries, but finally in 1877, **the Imperial Patent Law** 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 a purpose as an industrial policy, which 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 (called *Anmelderprinzip*), in principle.

The German patent law changed to an inventor-oriented law with the Nazi patent law of 1936<sup>2</sup>. With this law, the inventor principle (*Erfinderprinzip*; the principle that an inventor naturally has the ownership right to his or her invention under the patent law) was stipulated in text, and provisions on the inventor's personal rights and the inventor's right of resumption were also established. This concept could already be observed in the draft of the amendment of 1913, but it was actually made into positive law in the law of 1936 and still lives on. However, provisions for the employees' inventions system were not stipulated in the patent law, but separately stipulated by a special law<sup>3</sup>. Although drastic amendments 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.

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

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<sup>2</sup> The basic concept can be understood from the following sentences in Hitler's *Mein Kampf*: "All inventions are 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 to 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 position such an inventor so as to bring benefit to the whole society in such a manner." (Japanese translation: Translated by Ichirou Hirano/Shigeru Masatsumi, *Waga Tousou* (My Struggle) (Kadokawa Shoten Publishing, 1973). As a matter of course, this book was only written as sloganeering.

<sup>3</sup> See Nakayama, *Hatsumeisha-Ken No Kenkyuu* (Study on Rights of the Inventor): pp. 132 ff.

## Section 6 Japan<sup>1</sup>

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<sup>2</sup>.

The Meiji government advocated wealth and military strength as well as encouragement of new industry as 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 laws having an industrial policy aspect such as the patent law were legislated at early stages out of necessity or due to a positive intent to promote westernization<sup>3</sup>.

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<sup>1</sup> The most informative reference works on the history of the Japanese industrial property system are the Japan Patent Office, *Kougyou Shoyuukun Seido Hyakunen-Shi* (One-Hundred-Year History of Industrial Property Systems) Vol. 1, Vol. 2, and Supplementary Volume (Japan Institute of Invention and Innovation, 1984). Other references include Japan Patent Office, *Tokkyo-Kyoku Gojyuunen-Shi* (Fifty-Year History of the Japan Patent Bureau) (a book commemorating the fiftieth anniversary of establishment of the Japanese patent law, 1934); Japan Patent Office, *Tokkyo Seido Nanajyuunen-Shi* (Seventy-Year History of the Japanese Patent System) (Japan Institute of Invention and Innovation, 1955); **Ministry of International Trade and Industry**, *Shoukou-Seisaku-Shi* (History of Commercial and Industrial Policies) Vol. 14 (Shoukou-Seisaku-Shi Kankoukai, 1965); Kazuo Ichikawa, *Nihon No Tokkyo Seido* (Japanese Patent System) (Nihon Hatsumei Shimbunsha, 1965); Kougyou Shoyuukun Seido-Shi Kenkyuukai (Study group on the history of industrial property systems) Japan Patent Office, *Tokkyo-Seido No Hassei To Hensen* (Genesis and Transition of the Patent System) (Printing Bureau, Ministry of Finance, 1982); Yasuo Kawazu, “*Tokkyo-Hou No Ayumi* (Progress of the Patent System)” Patent Vol. 11, No. 11: p. 11; Noriyuki Kogaki, “*Nihon Tokkyo Seido No Rekishi-Teki Gaikan* (Historical Overview of the Japanese Patent System)” Patent Vol. 16, No. 10: p. 26; Takio Okano, “*Waga Kuni Ni Okeru Kindai Tokkyo-Hou No Keisei To Sono Keizai-Teki Haikei* (Formation and Economic Background of the Japanese Modern Patent Law),” *Chuuou Gakuin Daigaku Rongyou* (Academic papers of Chuo Gakuin University) No. 10: p. 57; Nobuo Sasaki, “*Waga Kuni No Tokkyo-Seido Seiritsu Ni Kansuru Kenyuu No Igi* (Significance of the Study on Establishment of the Japanese Patent System),” *Hatsumei* (Invention) Vol. 77, No. 7: p. 25; Nobuo Sasaki, “*Senbai Tokkyo Jourei No Seiritsu Katei* (Process of Establishment of the Patent Monopoly Act) Parts I/II,” *Hatsumei* (Invention) Vol. 77, No. 8: p. 25 and No. 9: p. 23; Nobuo Sasaki, “*Inoue Takeshi To Tokkyo-Seido No Seiritsu* (Takeshi Inoue and the Establishment of the Patent System) Parts I/II/III,” *Hatsumei* (Invention) Vol. 77, No. 10: p. 23, No. 11: p. 21 and No. 12: p. 25; Nobuo Sasaki, “<Sequel> *Inoue Takeshi To Tokkyo-Seido No Seiritsu* (Takeshi Inoue and the Establishment of the Patent System),” *Hatsumei* (Invention) Vol. 78, No. 1: p. 55; Nobuo Sasaki, “*Waga Kuni Kougyou No Kindaika To Tokkyo-Seido No Sousetsu* (Modernization of Japan’s Industry and Foundation of the Japanese Patent System) Parts I-V,” *Hatsumei* (Invention) Vol. 78, No. 3: p. 41, No. 4: p. 23, No. 6: p. 27, No. 7: p. 71, and No. 8: p. 63.

<sup>2</sup> He introduced the patent systems of other countries in *Seiyoujijou* (Conditions in the West) Vol. 3 (1867).

<sup>3</sup> The same situation was seen in Germany. Although the German patent law was established in 1877, soon after unification, the German civil code (BGB) was only established in 1900. As is well

First, Japan's first patent system, the Provisional Regulations for Monopoly (Dajoukan Ordinance No. 175) was decreed in 1871. This system was uniformly controlled by the central government (Minbu-sho), and could also be considered as a strategic move toward centralization with the abolition of clans and establishment of prefectures close at 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 abolished for a certain period of time without having shown much success<sup>4</sup> (Dajoukan Ordinance No. 105). The reasons for the abolition 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.

Thereafter, no industrial property laws existed in Japan until the Trademark Bylaws were established in 1884 (Dajoukan Ordinance No. 19) and the Patent Monopoly Act was established in 1885 (Dajoukan Ordinance No. 7). However, technology advanced and there were incidents like the famous case of the *gara* spinning machine during this period<sup>5</sup>. Also, labels of foreign products like matches were 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, the above-mentioned Trademark Bylaws were first established in 1884. The Bylaws did not adopt the system that required either that the applicant already be using the trademark at the time of filing an application or that the applicant have a bona fide intention to use the trademark, which was adopted in the United Kingdom and the United States, but adopted the first-to-file system. Then, in 1888, the Trademark Bylaws were amended (Imperial Ordinance No. 86) based on the survey

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known, great controversies took place in establishing the civil code both in Germany and in Japan.

<sup>4</sup> Although the wording in the Dajoukan Ordinance was that the regulations be abolished for a certain period of time, it virtually meant suspension, and inventors were allowed to report their inventions to the government (Koubu-sho) even after the abolition. With regard to this reporting, a supplementary provision of the Patent Monopoly Act of 1885 stipulated that even if an invention was already publicly known or used, the inventor could submit a patent application for it to the Minister of Agriculture and Commerce (Noushoumu-Kyou) within six months from 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 one-hundred-year history of the industrial property system mentioned in Note 1 above calculates the one hundred years from 1885.

<sup>5</sup> 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 Bouseki* (The cultural Legacy of Inventions -- Tokimune Gaun and the *gara* Spinning Wheel) (Agnes Technology Center, 1994).

of overseas systems by Korekiyo Takahashi, and this amended law was in effect until 1899. The appeal/trial system was adopted with this amendment.

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, the patentee was able to choose a patent term of five years, ten years, or fifteen years. The Act was planned to be amended from the first place, and necessary preparations for amendment were launched immediately after its enforcement to establish the Patent Bylaws in 1888 (Imperial Ordinance No. 84). The Bylaws maintained the first-to-invent system and the substantive examination system, while some improvements were made, including adoption of the appeal/trial system.

Concurrently, the design system was also created, and Japan's first Design Bylaws (Imperial Ordinance No. 85) were established in 1885. The Bylaws adopted the first-to-file system and the substantive examination system.

With the establishment of these three bylaws for the time being Japan had formed a kind of system of industrial property laws.. Presumably, the reasons that Japan rushed to enact these laws are that it wanted to use the industrial property law as leverage for encouraging new industries, that it needed to quickly modernize its domestic legislation in order to amend the unequal treaties, and that it was influenced by the establishment of the Paris Convention for the Protection of Industrial Property in 1883 although Japan had not acceded to it.

Until 1899, Japan's industrial property rights were regulated by these three bylaws. The fundamental amendment of 1899 was implemented in order to join the Paris Convention for the Protection of Industrial Property, which was one of the international treaties of commerce and navigation that were concluded by Japan in order to amend the unequal treaties at the time. It was a revolutionary amendment, which incorporated principles including the equality of Japanese and foreign nationals. Thus, the three bylaws were amended in 1899 into the Patent Law (Law No. 36), the Design Law (Law No. 37) and the Trademark Law (Law No. 38), and Japan acceded to the Paris Convention in the same year. The fact that the Civil Code (Law No. 89; enforced in 1898) was established in 1896 was another reason for the rising calls for new industrial property laws. Since the bylaws of 1888 were legislated at the time of the old Civil Code (though it was not enforced) that was strongly influenced by the French Civil Code drafted by Boissonade, they needed to be amended under the new Civil Code that was under strong influence of German law. Under the old Civil Code, the subject matter of ownership right included not only tangible but also intangible

goods, so patent rights and the like were categorized under ownership rights. However, since the current Civil Code limited the subject matter of ownership right to tangible goods (Article 85 of the Civil Code), industrial property rights had to be set up separately as rights similar to real rights under laws such as the Patent Law. Due to such circumstances, vigorous debate took place over the legal status of industrial property rights. Also, provisions on compensation for damages that had been stipulated in the conventional bylaws (e.g. Sections 34 and 35 of the Patent Bylaws) were deleted and they instead came to be handled under the tort law of the Civil Code. With these amended laws of 1899, Japan's industrial property law reached an international level.

Later, in 1905, the Utility Model Law (Law No. 21) was established based on the German law. This law 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 devices relating to the shape or construction of articles or a combination of articles" in resemblance to the German law, process was not made subject to protection. This Utility Model Law adopted the substantive examination system, so it was destined to develop into a system similar to the patent system in reality. Since the Law was designed after the German law, it adopted the first-to-file system, unlike the Japanese Patent Law of the time that adopted the first-to-invent system.

After the end of the Russo-Japanese War, the Patent Law (Law No. 23), Design Law (Law No. 24), Trademark Law (Law No. 25) and Utility Model Law (Law No. 26) were drastically amended in 1909 from the viewpoint of consolidating the foundation for industrial development. The main points amended in the Patent Law were the shift from the conventionally adopted system of making globally-known inventions unpatentable to a system of making only nationally-known inventions unpatentable<sup>6</sup>, establishment of provisions concerning employees' inventions, establishment of

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<sup>6</sup> The reason for adopting the system of making globally-known inventions unpatentable in the past was 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 decision by the Supreme Court in prewar Japan on May 4, 1903, Civil Court Decisions by the Supreme Court in prewar Japan, Vol. 9: p. 523 dismissed this interpretation, and supported the idea of making only the nationally-known inventions unpatentable, referring to the difficulty of conducting examination in the former case and stating that the purpose of the Patent Law is to encourage and protect national industrial inventions. Accordingly, the system of making nationally-known inventions unpatentable was adopted in the Utility Model Law of 1905 and in the Patent Law of 1909. The system is still adopted at present except for the case of descriptions in publications.

provisions on prior users' rights, and slight modification of the first-to-invent system<sup>7</sup>. The amended Design Law limited the protected subject matter to industrial designs, established the secret design system, and limited the effect of the design right to commercial working. The amendment of the Trademark Law included clarification of the concept of trademarks, establishment of the associated trademark system, and adoption of the trial system for cancellation of registered trademarks not in use. Since the Utility Model Law had only been established in 1905, no drastic amendment was made, but the revisions made were mainly for coordination with the Patent Law.

After World War I, the Patent Law (Law No. 96), Utility Model Law (Law No. 97), Design Law (Law No. 98), and Trademark Law (Law No. 99) were fundamentally amended in 1921. Japan became acutely aware of the need to establish its own national technologies by experiencing World War I, and to achieve this end it needed to strengthen protection of inventors' rights and expedite and streamline Japan's dispute settlement system. As for the Patent Law, 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 law, was adopted. This system was introduced from Germany in order to dispel the excessively detailed procedures and the unstableness of rights associated with the first-to-invent system. With regard to employees' inventions, the existing provision was reversed so as to attribute the right to obtain a patent to the person employed (the employee). Many other points were also amended, and the law became close to the current law. The amendment of the Utility Model Law included a change of the protectable subject matter from abstract motifs to the appearance of an article itself, establishment of provisions for coordination with other rights, and securing compliance with the amended Patent Law. The amendment of the Trademark Law included introduction of the concept of similar trademarks and creation of the collective trademark system. With these amendments to the four laws, the framework of the current industrial property law became almost complete.

Later, in 1934, Japan's first Unfair Competition Prevention Law (Law No. 14) was established. The enactment of this law had been pending since the Meiji Period, and its draft had been drawn up by 1909. Drafts were written up several times after that, but they were all turned down for the reason that it was too early for such legislation. Nevertheless, Japan needed to fulfill its obligations under the amended Hague Agreement of 1925 in order to participate in the London meeting of the Paris Convention that was scheduled in 1934. Specifically, the amended Hague Agreement

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<sup>7</sup> If the time of invention was not clear, the patent was granted to the prior user, and the first inventor's right to demand trial for invalidation lapsed by prescription in three years.

included an obligation to prevent acts of unfair competition, so Japan had to legislate an unfair competition prevention law. Under the Unfair Competition Prevention Law of 1934, acts that were considered to cause confusion were limited to those involving confusion with another person's product<sup>8</sup>, and they needed to have the "purpose of unfair competition" as a subjective requirement in order to constitute acts of unfair competition<sup>9</sup>. Meanwhile, the provision for an injunction was merely stipulated in a subsidiary manner as "instead of or together with compensation for the damages." This law was only legislated to satisfy the minimum obligation under the Paris Convention, and under Japan's economic situation at the time, prohibition of unfair competition was not considered as important as it is today.

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

After the war, reconstruction of the devastatingly-damaged industrial property system was launched. Starting with abolishment of war-time laws including the **Foreign Product Control Law**, the industrial property rights of the allied nationals were preserved, after which the **Order Concerning Postwar Measures for Industrial Property Rights of the Allied Nationals** (Cabinet Order No. 309) was promulgated pursuant to a GHQ memorandum of 1949. This was a measure to recover patent rights that had lapsed due to non-payment of annual fees or had been revoked by the **War-Time Special Provisions** during the war, and to exclude the period from the start of the war through the recovery of the rights from the patent term. A similar measure was also taken for trademarks. Even after Japan became independent by signing the peace treaty, the **Order Concerning Postwar Measures** remained as an effective law (Law No. 87 of 1952)<sup>10</sup>. Furthermore, secret patents were made public when secrecy was cancelled

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<sup>8</sup> The scope was expanded to include confusion with the indication of another person's business in the amended Law of 1938 (Law No. 2).

<sup>9</sup> Such subjective requirement was established in order to attain a balance with the subjective requirement for demanding compensation for damages under tort law that the act must be intentional or negligent. However, the subjective requirement of having the "purpose of unfair competition" was just as strict or even stricter than the requirement of being intentional, so the Unfair Competition Prevention Law was hardly applied in practice as a result. The Law came to be used after the amendment of 1950 (Law No. 90) in which the subjective requirement was no longer necessary for seeking an injunction and the act only needed to be intentional or negligent in order to support a demand for compensation for damages.

<sup>10</sup> Apart from the allied nationals, post-war measures regarding neutral nations such as Germany and

under a GHQ memorandum of 1948, and the secret patent system was abolished by partial amendment of the Patent Law in the same year.

When the new Constitution was promulgated, the organization of courts was also amended, and the part of the Patent Law relating to litigation was amended in 1948 accordingly. With this amendment, lawsuits against trial/appeal decisions were put under the exclusive jurisdiction of the Tokyo High Court.

The Unfair Competition Prevention Law was also drastically amended as part of postwar reform. The amendment (Law No. 90) was made in 1950 in accordance with a GHQ memorandum of 1949. The amendment included the granting of injunctions without subjective requirements, approval of compensation for damages in case an act was intentional or negligent, stipulation of stricter penal provisions, and inclusion of acts of export as acts of unfair competition. As a result, the Law became more useful to a certain extent.

The four industrial property laws had not undergone fundamental amendment since 1921, but calls for such amendment grew as Japan entered a decade of high economic growth starting in 1955. Thus the four laws were fundamentally amended into the current laws in 1959. The amendment of the Patent Law (Law No. 121) covered stipulation of the purpose of the Law and the definition of inventions, the addition of “distribution in publications overseas” as one of the reasons for lack of novelty, addition of “presentation in printed publications and presentation in writing at a study meeting” as exceptions to the lack of novelty, making substances produced by atomic nucleus transformation unpatentable, improvement of provisions relating to licensing, and establishment of provisions concerning presumption of damages, negligence and production method. The Utility Model Law (Law No. 123) was amended to coordinate with the Patent Law, in addition to stipulating the protectable subject matter as being devices relating to the shape or construction of articles or a combination of articles, and excluding devices that *very* easily have been made from protectable subject matter based on lack of involvement of an inventive step. The amendment to the Design Law (Law No. 125) included stipulation of the definition of designs, making globally-known designs unprotectable based on lack of novelty, adoption of the principle of filing one application for one design and abolishing designation by classification, and provisions were established for designs of sets of articles. As for the Trademark Law (Law No. 127), the purpose of the Law and the definition of trademarks were stipulated just as in the other laws, free assignment and

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Switzerland were taken by concluding individual agreements one after another from 1953 in order to normalize Japan’s relationships with them.

licensing of trademarks were approved, and the term of trademark right was shortened to ten years.

After that, the industrial property laws were amended a number of times in line with Japan's economic development. Some of the major amendments were: the Patent Law amendment of 1970 (Law No. 91) in which the system of request for examination, early publication system, and the system of reconsideration by the examiner before an appeal were introduced; the Patent Law amendment of 1975 (Law No. 46) in which patents for substances and the multiple claim system were introduced; and an amendment to make the obligation to use the registered trademark stricter. Also, the Patent Cooperation Treaty (PCT) that was signed in 1970 entered into effect in 1978, so the Law Concerning International Applications, etc. Pursuant to the Patent Cooperation Treaty (Law No. 30) was established in 1978 accordingly. In addition, the international priority system was adopted and the system of additional patents was abolished in 1985 (Law No. 41), while the patent term extension system was introduced and the multiple claim system was enforced all-out in 1987 (Law No. 27).

In 1993, the Patent Law (Law No. 26) was amended again, making the amendable scope narrower than before to achieve international harmonization, and streamlining the appeal and trial systems. At the same time, the Utility Model Law (Law No. 26) was drastically amended, introducing the non-substantive examination system for the first time<sup>11</sup>. The adoption of the non-substantive examination system was a revolutionary step for Japan, and it may bring about an overall change in awareness of industrial property in the future. Since the then-existing Unfair Competition Prevention Law included many deficiencies, it was also fundamentally amended (Law No. 47) in 1993, this time using kanji and hiragana characters instead of kanji and katakana. With this amendment, provisions were established concerning protection of famous marks and prohibition of imitating the shapes of products. Furthermore, the Patent Law was amended in 1994 (Law No. 116) in order to correspond to the WTO's TRIPs Agreement. This amendment changed the patent term to 20 years from the filing date (Section 67 (1)), excluded substances produced by transforming an atomic nucleus from unpatentable subject matter (deletion of Section

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<sup>11</sup> However, it is not completely without examination. Devices are examined as to whether or not they relate to the shape or construction of articles or a combination of articles, whether they are liable to contravene public order, morality or public health, whether their specifications meet the requirements for description, and whether any required information is missing from the specifications or is not clear enough (Sections *6bis* and *2ter* of the Utility Model Law). In short, no examination is conducted to determine 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.

32 (1)), approved applications in a foreign language (English is specified in the Regulations under the Patent Law) (Section 26 *bis*), and amended the description requirements for the specification sheet (Section 36). (These amendments went into force on July 1, 1995.) In addition, the pre-grant opposition system was abolished and the post-grant opposition system was adopted instead (Section 113; enforced on January 1, 1996). In the Trademark Law amendment of 1996 (Law No. 68), three-dimensional trademarks were approved, and in the Patent Law amendment of 1998 (Law No. 51), the provisions on compensation for damages and penal provisions were amended. The Design Law was also amended and, regarding the Trademark Law, associated trademarks were abolished. Moreover, in 1998, the amended UPOV Convention was ratified, so the Seeds and Seedlings Law was fundamentally amended (Law No. 83) and rights were strengthened.

The current laws came about with such historical background. It should be noted that the Patent Law has not been amended fundamentally for nearly 40 years since the amendment of 1959, so it is about time that it should be reviewed fundamentally and systematically once again. Today, the emergence of new technologies such as computer software and biotechnology has come 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 of protection, should be introduced into the industrial property system is a serious challenge that must be tackled in the future.

It had been considered that there was a distinct line between industrial property rights and copyright in the past, but as is clear from the case of computer software, copyright law is virtually functioning as technology protection law today. In the future, consideration will have to be given to how these two sets of rights can be positioned within the framework of intellectual property law, not as completely different systems of law, but in harmony with each other.

## **Chapter 3 Competent Authorities for Industrial Property**

Some types of intellectual property do not involve a registration system, in the same manner as goods protected under the Unfair Competition Prevention Law. There are no specific competent authorities for them, so if a conflict occurs, it will ultimately be settled in court. However, industrial property rights in the narrow sense (patent rights, utility model rights, design rights, and trademark rights), rights to the layout designs of semiconductor integrated circuits, and plant breeders' rights under the Seeds and Seedlings Law are rights that take effect upon registration, so government offices in charge of registration procedures such as the Japan Patent Office have been established, and the organization and the procedures taken there are very significant. This chapter is an overview of the organization and the relevant procedures of these government offices.

### **Section 1 Japan Patent Office**

The duties of the Ministry of Economy, Trade and Industry (METI) include “clerical work relating to industrial property rights” (Article 3 (8) of the Ministry of Economy, Trade and Industry Establishment Law), the scope of which is stipulated to include industrial property-related guidance, research, statistics, collection of materials, items relating to patent attorneys, examinations, and appeals/trials (Article 4 (101) - (110) of that Law). The Japan Patent Office (JPO) is established as METI's external organ (Article 21 and onwards of that Law). The organization of the JPO is stipulated by the Orders for the Organization of the Ministry of Economy, Trade and Industry. The JPO is headed by the Commissioner and consists of the General Administration Department, Examination Department, and Department of Appeal. In addition, the Industrial Property Council and the Patent Attorney Examination and Disciplinary Committee are established inside it. The Industrial Property Council is an organ that investigates and studies important matters concerning industrial property in response to requests for advice made by the Minister of Economy, Trade and Industry, and plays an important role especially in the process of making amendments to laws. The Patent Attorney Examination and Disciplinary Committee implements the qualifying examination for patent attorneys. Besides these, the National Center for Industrial Property Information (establishment of such center is obligatory under Article 12 (1) of the Paris Convention) and the Industrial Property Training Institute are established as

facility organs.

The particularly important parts of the JPO are the Examination Department and the Department of Appeal.

The JPO Commissioner makes examiners examine the filed applications (Section 47 of the Patent Law). The qualifications for an examiner are stipulated in Section 12 of the Patent Law Enforcement Order. An examiner has the authority to render a decision on a patent application on his/her own.

The JPO Commissioner designates three or five appeal examiners to form a collegial body for each appeal/trial case, and has them examine the case (Sections 136 and 137 of the Patent Law)<sup>1</sup>. The qualifications for an appeal examiner are stipulated in Section 13 of the Patent Law Enforcement Order. The collegial body makes an appeal/trial decision by a majority vote (Section 136 (2) of the Patent Law). The appeal/trial procedures are similar to judicial proceedings and are conducted independently from the JPO Commissioner, but unlike the case of a judge, an appeal examiner's status is not guaranteed either under the Constitution or by a law, and his/her appointment and displacement are left to the JPO Commissioner's discretion. Nevertheless, as the appeal/trial procedures are similar to those of a court, there are also provisions on the exclusion and challenge of appeal examiners (Sections 139-144 of the Patent Law).

In this manner, an application for an industrial property right handled by the JPO is first screened by the decision of an examiner, and a person who has an objection against that decision does not directly file an action in a district court as in the case of an objection to an ordinary administrative disposition, but must undergo the JPO's appeal or trial procedure before filing a court action (principle of appeal/trial first). A revocation suit against the appeal/trial decision falls under the exclusive jurisdiction of the Tokyo High Court (Section 178 (1) of the Patent Law)<sup>2</sup>. The reasoning behind this principle is that it is considered more appropriate to first examine the matter in the appeal/trial procedure of the JPO, which is a specialized government office, due to the highly specialized nature of the cases. (This issue is discussed in detail in Part II, Chapter 1, Section 3, Subsection 1 "Opposition".)

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<sup>1</sup> Judges are automatically assigned to cases in court, but appeal examiners are designated by the JPO Commissioner for each appeal/trial case. This is because appeal/trial examiners are extremely specialized in particular technical fields and thus it is difficult for them to deal with cases in other technical fields.

<sup>2</sup> The Tokyo High Court only serves as the court of first instance in a revocation suit against an appeal/trial decision. Proceedings for other types of disputes are the same as those of ordinary administrative cases.

A patent attorney is authorized to conduct various procedures before the JPO as an agent (Article 1 of the Patent Attorney Law). While a patent attorney can appear before a court as an assistant together with the party concerned or an attorney at law, to give a statement on items relating to patents, etc. as an assistant (Article 9 (1) of the Law), he/she can also serve as an attorney in a revocation suit against an appeal/trial decision (Article 9 (2) of the Law). In this sense alone, a patent attorney has the same status as an attorney at law. To qualify as a patent attorney one must have passed the examination for patent attorneys (Article 2 (1) (iii) of the Law), be licensed as an attorney at law (Article 3 (1) of the Law), or have engaged in appeals/trials as an appeal examiner or in substantive examinations as an examiner for seven years or more in the JPO (Article 3 (2) of the Law).

## **Section 2 Seeds and Seedlings Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries**

The Agricultural Seeds and Seedlings Law (Law No. 151) was enacted in 1947 in order to maintain the quality of vegetable seeds, etc. after the commodity controls in effect during World War II were abolished. The Law deals with the guaranteed seeds and seedlings system, the inspection of seeds and seedlings, and the registration system for the names of new varieties. The Law was then amended in 1978 and the name was changed to the Seeds and Seedlings Law (Law No. 89), after which the Law was fundamentally revised in 1998 (Law No. 83). In the 1998 amendment, a new system concerning registration of plant varieties was introduced, and the breeder of a new variety or his successor became authorized to register the variety, giving the person an exclusive right that is similar to a patent right. In theory, this can be considered as one type of industrial property system.

This Seeds and Seedlings Law is under the jurisdiction of the Seeds and Seedlings Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries (Article 47*bis* of the Orders for the Organization of the Ministry of Agriculture, Forestry and Fisheries). The breeder of a new variety or his successor is able to file an application for registration (Article 3 of the Seeds and Seedlings Law). In principle, the Seeds and Seedlings Division conducts an on-the-spot survey or a cultivation test regarding the application (Article 15 (2) of the Law). Therefore, the Seeds and Seedlings Division has an examination function, but there is no stipulation of detailed procedures as in the case of the JPO and there is no appeal/trial system either.

### **Section 3 Industrial Electronics Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry**

As integration of semiconductors became more and more complicated, there were growing demands for legal protection of the mask work (layout) of semiconductor circuits. Accordingly, the Law Concerning the Circuit Layout of Semiconductor Integrated Circuits (Law No. 43; the so-called Semiconductor Chip Law) was enacted in 1985. The competent authority is the Industrial Electronics Division, Machinery and Information Industries Bureau, Ministry of Economy, Trade and Industry (Article 85 (6) of the Orders for the Organization of the Ministry of Economy, Trade and Industry). A right to the layout design of an integrated circuit takes effect by way of registration but, unlike a patent right, the registration procedure is taken with a registration organ designated by the Minister of Economy, Trade and Industry (namely, the Industrial Property Cooperation Center (IPCC)) (Articles 28 et seq. of the Law). It is extremely rare to entrust the registration procedure, which makes the right take effect, to a private body rather than a public organization, but it is desirable in terms of streamlining administrative organs, as long as fairness is guaranteed (Chapter 4 of the Semiconductor Chip Law provides for items related to the designated organ, such as its disqualification, standards, obligations, limitation on discontinuation, and supervision by the Minister of Economy, Trade and Industry).

A right to the layout design of an integrated circuit becomes effective by registration, but unlike a patent right, no strict substantive examination is conducted. In other words, the right is registered unless: it is clear from the written request and the attached documents that the applicant is not the creator, etc. of the layout design; the application is not jointly filed when the design is created by two or more persons; a semiconductor integrated circuit using the layout design has been assigned, etc. to another person before the date two years prior to the filing date; or there is formality deficiency (Articles 6 and 8 of the Law). Unlike a patent right, a right to the layout design of an integrated circuit is not an absolute exclusive right; the exclusiveness does not apply to persons who have developed the design independently (Article 12 (1) of the Law). In this respect alone, the right is similar to a copyright. In short, the right may be held by two parties if they both happen to create the same layout design independently, and a single layout design could be doubly registered. Therefore, there

is no need to search for prior arts or a need to establish an enormous examination organ as in the case of patents. A person might file an application by imitating another's layout design, but unless the act of imitation is apparent, the application would be registered, and any disputes over this right would have to be settled in court. The question of whether or not a layout design is an imitation is rarely apparent from the filing documents, so as a result, most applications are registered and if a problem occurs, it is settled in court.

#### **Section 4 Intellectual Property Policy Office, General Affairs Division, Industrial Policy Bureau, Ministry of International Trade and Industry**

Conventionally, there were a large number of government offices concerned with intellectual property, and each office implemented independent intellectual property policies. However, the Intellectual Property Policy Office was established in the General Affairs Division, Industrial Policy Bureau, Ministry of Economy, Trade and Industry in 1989 to plan out comprehensive policies concerning protection of intellectual property<sup>1</sup>. Nevertheless, the respective government offices are in fact still independently planning policies on the intellectual property falling under their jurisdiction, so, precisely speaking, the Intellectual Property Policy Office is only responsible for the Unfair Competition Prevention Law. Creation of a special section involved in all aspects of intellectual property would be important for the planning and practice of the intellectual property system, which is expected to become more complicated in the future<sup>2</sup>.

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<sup>1</sup> The Intellectual Property Policy Office is established under Article 5*vicies* of the Rules for the Organization of the Ministry of Economy, Trade and Industry.

<sup>2</sup> The duties of the Intellectual Property Policy Office are limited to matters about the intellectual property for which METI is responsible, and do not cover rights relating to the Copyright Law and the Seeds and Seedlings Law. The current situation, where independent intellectual property policies are planned and implemented by each government office, could cause conflicts between the offices over authority and obstruct the Japanese government from implementing a unified intellectual property policy. Therefore, it is desirable to establish an “intellectual property agency” that deals with all aspects of intellectual property in the future.