

## **Section 4 Suit Against an Appeal/Trial Decision**

### **Subsection 1 General Remarks**

Since an administrative organ cannot conduct a trial in the final instance, it is imperative under the Constitution to be able to appeal to a court against a decision given by the JPO, including an appeal/trial decision (Article 32 and Article 76 (2) of the Constitution). Generally, a person who is dissatisfied with an administrative disposition can appeal based on the Administrative Case Litigation Law, but the Patent Law has special provisions that take precedence (Article 1 of the Administrative Case Litigation Law).

An appeal of an appeal/trial decision or an administrative decision belongs to the category of *Kokoku* appeal (Article 3 of the Administrative Case Litigation Law), which is principally under the jurisdiction of the district court in charge of the location of the defendant administrative authority (Article 12 (1) of the Administrative Case Litigation Law). However, special provisions are established in Section 178 onward of the Patent Law regarding an appeal of a decision of revocation, an appeal/trial decision, a written opposition, or a decision to decline a written demand for an appeal/trial or a retrial. This is because, as determination on these matters requires highly technical expertise compared with ordinary administrative cases, it is not necessarily appropriate to process them by the same procedure as that for ordinary cases. As mentioned in the part concerning appeals/trials, a system has been adopted in which appeals against certain dispositions by the JPO cannot be immediately made with the district court, but must be reviewed first in the appeal/trial system of the JPO. An appeal of the result of this review (appeal/trial decision) is handled under the exclusive jurisdiction of the Tokyo High Court, by omitting the court of first instance<sup>1</sup>.

### **Subsection 2 Procedure**

#### **Item 1 Jurisdiction and Limitation of Actions**

A suit against an appeal/trial decision, etc. is processed under the exclusive jurisdiction of the Tokyo High court (Section 178 (1) of the Patent Law) by omitting the court of first instance (Section 178 (1) of the Patent Law). This is because the appeal/trial system of the JPO is established to replace the trial of first instance due to

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<sup>1</sup> The reason that appeal of certain dispositions of the JPO must undergo appeal/trial examination within the JPO, unlike ordinary administrative cases, is explained as being due to the technical expertise required, but that reason alone is not sufficiently accountable for all of the appeals and trials. The cases that must undergo an appeal/trial also include those that only have a small technical aspect or have a strong legal aspect. (This point is mentioned in more detail later.)

the technical expertise required, as mentioned earlier.

An ordinary suit against a disposition must be filed within three months from the date when one becomes aware of the disposition (Article 14 (1) of the Administrative Case Litigation Law), but as decisions must be made promptly regarding patents, a suit against an appeal/trial decision must be filed within thirty days from the date when one receives the transmittal of the decision (Section 178 (3) of the Patent Law). This time limit is invariable (Section 178 (4) of the Patent Law). However, the trial examiner-in-chief can allow an additional period, usually ninety days, for a person residing in a place that is remote or difficult to access (Section 178 (5) of the Patent Law).

## **Item 2 Parties Concerned**

The plaintiff in a suit against an appeal/trial decision is limited to a concerned party, an intervener or a person whose application for intervention in the examination of an opposition, a trial, or a retrial has been refused<sup>1</sup> (Section 178 (2) of the Patent Law). This is a limitation that was established because, as a patent right is effective against the public and the number of interested parties in the broad sense is too large, it could cause delay in the lawsuit<sup>2</sup>.

A third party whose interest would be injured as a result of the suit can intervene (Article 22 of the Administrative Case Litigation Law).

The defendant is the JPO Commissioner for a case against an appeal where there is no specific opponent, and is either the demandant or the defendant of the trial for a case against an inter-partes trial where there is an opponent (Section 179 of the Patent Law).

The joint owners of a patent right or a right to obtain a patent must demand a trial, or have a trial against them demanded, in a joint manner according to the stipulations (Section 132 (2) and (3) of the Patent Law). However, there are no such stipulations regarding the filing of a suit against an appeal/trial decision. Thus, there are three divided interpretations: a theory stating that because the joint owners must uniformly have the same intention as in the case of an appeal/trial, it is a necessary

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<sup>1</sup> All persons who have a legal interest in the case can file a suit against an ordinary disposition (Article 9 of the Administrative Case Litigation Law), but the conditions for a plaintiff are restricted in a suit against an appeal/trial decision, and a person who wishes to become a plaintiff needs to have applied for intervention. On the other hand, Article 32 of the Constitution stipulates that “no one is deprived of the right of a trial before a court,” so it has been pointed out that such restriction on the conditions for a plaintiff could be violation of the Constitution. For discussions on this point, see Takigawa, *Tokkyo Soshou* (Patent Litigation): pp.1 ff.

<sup>2</sup> JPO. Clause-by-Clause Explanation of Industrial Property Laws: p. 373.

joinder of inherent parties similar to the case of a demand for an appeal/trial, and a suit filed by only one of the joint owners would be rejected<sup>3</sup>; a theory recognizing the eligibility of one of the joint owners to be a plaintiff of one of the joint owners as an act of preservation<sup>4</sup>; and a theory stating that a suit filed by one of the joint owners is legitimate, because although it is necessary to have joinder of inherent parties, filing of a suit by one of the owners has an effect on the interest of all of the joint owners based

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<sup>3</sup> Since the time of the old Law, most of the court decisions including Supreme Court decisions have adopted this theory. The following are cases under the old Law: the Supreme Court decision on August 31, 1961, Civil Court Decisions by the Supreme Court, Vol. 15, No. 7: p. 2040 ([Annotation] Yoshinobu Someno, *Journal on Civil and Commercial Law*, Vol. 46, No. 2: p. 388; Yoshitaka Watabe, *Housou Jihou* (Bar Journal), Vol. 13, No. 10: p. 153; Takeshi Akiyama, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 49); its original instance, the Tokyo High court decision on April 7, 1960, Court Decisions in Administrative Cases, Vol. 11, No. 4: p. 1012 ([Annotation] Naoto Komuro, *Tokkyo Hanrei Hyakusen*, Case 51); the Supreme Court decision on January 18, 1980, Court Decision Journal, No. 956: p. 50 (the Shield Method Segment case) ([Annotation] Shinya Yoshii, *Tokkyo Hanrei Hyakusen* (Second Edition) Case 59; Masashige Ooba, *Tokkyo Kanri* (Patent Management), Vol. 31, No. 3: p. 277; Youtarou Nunoi, *Journal on Civil and Commercial Law*, Vol. 83, No. 4: p. 112); its original instance, the Tokyo High Court decision on December 1, 1976, Court Decisions Relating to Intangible Property, Vol. 8, No. 2: p. 454 ([Annotation] Yoshihiko Umemoto, *Jurist*, No. 724: p. 129); the Tokyo High Court decision on June 17, 1958, Court Decisions in Administrative Cases, Vol. 9, No. 6: p. 1182 ([Annotation] Toshio Muramatsu, *Tokkyo Hanrei Hyakusen*, Case 53); the Tokyo High Court decision on February 27, 1968, The Law Times Report, No. 221: p. 148 (the Air Pressure Canning Device case). Despite the fact that the Supreme Court decisions and many of the Tokyo High Court decisions had adopted the theory of the necessary joinder of inherent parties as above, the situation was unstable, with some Tokyo High Court decisions adopting the theory of an act of preservation. Nevertheless, in the Supreme Court decision on March 7, 1995, Civil Court Decisions by the Supreme Court, Vol. 49, No. 3: p. 944 ([Annotation] Hisao Shiomi, *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 114, No. 3: p. 339; Hisao Shiomi, *Kougyou Shoyuiken Kenkyuu* (Study on Industrial Property), No. 117: p. 8; Katsuya Tamai, *Tokkyo Kenkyuu* (Study on Patents), No. 21: p. 67; Ryuu Takabayashi, *Jurist*, No. 1071: p. 104; Ryuu Takabayashi, *Housou Jihou* (Bar Journal), Vol. 49, No. 1: p. 219; Ryuu Takabayashi, *Houritsu Jihou* (Law Journal), Vol. 67, No. 8: p. 106; Hiroshi Furusawa, *Jurist*, No. 1091: p. 229; Eiichi Takigawa, *Chizai Kanri* (Intellectual Property Management), Vol. 46, No. 5: p. 811; Kazuhiko Yoshida, *NBL*, No. 595: p. 43), which was a case where one of the joint owners independently filed a suit against a trial decision since another of the joint owners went bankrupt, the court reversed the Tokyo High Court decision on January 27, 1994 (note 4) that recognized the eligibility of the demandant, and it dismissed the appeal based on the ground of the necessary joinder of inherent parties. Accordingly, this issue is considered to have been settled in practice with this Supreme Court decision.

<sup>4</sup> The Tokyo High Court decision on April 24, 1975, Court Decisions Relating to Intangible Property, Vol. 7, No. 1: p. 97 (the Bulky Knit Fabric case) ([Annotation] Toshio Muramatsu, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 53; Shinya Yoshii, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 59; Takigawa, *Tokkyo Soshou* (Patent Litigation): pp. 27-; Hiroaki Niki, "Hanrei Wo Chuushin To Shita Hitsuyou Teki Kyoudou Shinpan To Hitsuyou Teki Kyoudou Soshou Ni Tsuite No Ikkousatsu (Deliberation on the Necessary Joint Hearings and Necessary Joint Actions Based on Court Decisions)," *Tokkyo Kanri* (Patent Management), Vol. 31, No. 3: p. 231); the Tokyo High Court decision on January 27, 1994, Court Decision Journal, No. 1502: p. 137 (this case has been reversed by the Supreme Court decision in 1995 as in note 3); *Tokkyo Hou Seminaa* (Patent Law Seminar) (2): p. 738 [Statement by Hara]. Recently, this theory of an act of preservation has become more prevalent in theoretical studies.

on analogical application of the old provision of Article 62 of the Administrative Case Litigation Law (this provision has moved to Article 40 (1) in the new Administrative Case Litigation Law amended in 1996 and entered into force in 1998) by recognizing that the appeal/trial and the suit are practically in continuation<sup>5</sup>.

Under the current Law, it is difficult to consider an appeal/trial and a court action to be in the successive relationship of a rehearing, so analogical application of the old provision of Article 62 of the Administrative Case Litigation Law (Article 40 (1) of the current Law) would be impossible. Court decisions under the current Law consistently hold such an assumption. Therefore, the possible interpretation of the current Law would be either to reject the filing of a suit that lacks some of the joint owners or to treat such a case as legitimate, being an act of preservation.

There are two principal points of issue. Firstly, it is clear that the joint owners must uniformly have the same intention with regard to patents, and it is stipulated that the filing of an application (Section 38 of the Patent Law) and a demand for an appeal/trial (Section 132 (2) and (3) of the Patent Law) must be conducted by all of the joint owners. Although there are no such provisions concerning a suit against an appeal/trial decision, all the joint owners need to have the same intention in a similar manner. Accordingly, there is the question of whether or not a suit must also be filed by all of the joint owners in terms of interpretation. Secondly, there is the practical problem that if even one of the joint owners opposes filing a suit, the remaining joint owners would lose the opportunity to file a suit, which could be too severe for the remaining joint owners.

The core significance of the existence of a patent right is in its property value so in that respect it is problematic that the property value owned by the other joint owners would also extinguish when only some of the joint owners refuse to file a suit. However, that also applies to the filing of an application or the demand for an appeal/trial, so if the interests of the other joint owners are to be considered, it is necessary to wait for a legislative solution that also covers filings and the appeal/trial

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<sup>5</sup> The Tokyo High Court decision on February 20, 1962, Civil Court Decisions by High Courts, Vol. 15, No. 2: p. 114 ([Annotation] Touichirou Kikawa, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 50; Toyohisa Isobe, Jurist, No. 332: p. 124; Chouichi Yamashita, The Law Times Report, No. 159: p. 71). Naoto Komuro “*Shinpan Tetsuzuki To Shinketsu Torikeshi Soshou Tetsuzuki No Kankei -- Kyouyuu No Baai No Toujisha Tekikaku Wo Chuushin To Shite* (Relation Between the Appeal/Trial Procedure and the Procedure of a Suit Against an Appeal/Trial Decision -- Centering on the Conditions for the Parties in the Case of a Jointly Owned Patent),” Ishiguro, Book commemorating the sixtieth birthday of Professor Umase: p. 293. Incidentally, a similar decision was also rendered by the Supreme Court in prewar Japan under the old Law (the Supreme Court decision on July 7, 1933, Civil Court Decisions by the Supreme Court, Vol. 12, No. 18: p. 1849).

system. Even in such a case, it is not possible to deny the need for all of the joint owners to have the same intention regarding a patent right, so the only solution would be to recognize the right to purchase the individual shares of the right for the remaining joint owners. However, a patent, by its nature, cannot be discussed solely by considering its property aspect. For instance, some scholars do not want to monopolize their inventions, and prefer not to patent them for the benefit of the whole society, and the intentions of such inventors cannot be neglected either. Despite that, however, patent rights have to be discussed mainly based on their property value. So, in such a case, there would be no other reasonable way but to settle the problem of the inventor's individualism by an agreement before establishing joint ownership.

As discussed so far, this issue would ultimately require a legislative solution, but as an interpretation of the current Law, the theory of an act of preservation should be adopted, although it may not perfectly suit the actual situation<sup>6</sup>. It seems too formal to deny filing of a suit by one of the joint owners due to the need for the joint owners to uniformly have the same intention, and to overlook the injury caused to the other joint owners' interests. The solution of not recognizing a suit filed by only one of the joint owners may be the most easily rationalized measure. However, if one of the joint owners goes bankrupt or disappears, the remaining joint owners would lose their means to sue, which is too biased toward the procedural theory and disregards the property law aspect of a patent. A relatively harmless remedial measure for such a case would be the theory of an act of preservation<sup>7</sup>. In a suit against an appeal/trial decision, the

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<sup>6</sup> The weak point of the theory of an act of preservation is the possibility that the finalization of an appeal/trial decision will become different among the joint owners. An appeal/trial decision becomes final for the joint owners who have not filed a suit, but for those who have filed a suit, the decision becomes final only when another appeal/trial decision is given and becomes final in the resumed appeal/trial after the rendering of a court decision against the appeal/trial decision. (If a suit is filed against this decision again, the procedure is repeated.) Then, there would be a possibility for appearance of contradictory final appeal/trial decisions. At the same time, the situation where an appeal/trial decision has become final for one of the joint owners and it has not for the remaining joint owners is difficult to explain. Therefore, as long as the theory of an act of preservation is adopted, it would have to be considered that an appeal/trial decision does not become final for any of the joint owners when one of them files a suit against it, but this is difficult to rationalize. In a similar case (a case relating to the prohibition of double jeopardy under Section 167 of the Patent Law), the Tokyo High Court decision on February 8, 1995, Court Decision Journal, No. 1558: p. 121 ([Annotation] Ryu Takabayashi, Court Decision Journal, No. 1594: p. 218), the court frankly admitted that "a structure that is compliant, without any contradictions, with all aspects of the stipulations in the current Patent Law is considered to be difficult," and stated that the trial decision that was finalized first did not have an effect of prohibiting double jeopardy with respect to the other concurrently pending trials. This case has something in common with the currently discussed issue.

<sup>7</sup> Takigawa, *Tokkyo Soshou* (Patent Litigation): p. 30; Nobuhiro Nakayama, "*Tokkyo Wo Ukeru Kenri No Kyouyuusha No Hitori Ni Yoru Shinketsu Torikeshi Soshou No Tekikakusei* (Eligibility of

court does not reverse and render the judgment for the case. If the claim is dismissed, the appeal/trial decision becomes finalized just as it is, and if the claim is admitted, the appeal/trial decision is cancelled and the appeal/trial is merely resumed (Section 181 (2) of the Patent Law). If the appeal/trial decision were considered to have not finalized for the joint owners who did not file the suit, it would mean that they have not yet retired from the appeal/trial, so they would become parties to the resumed trial in such a case. Therefore, as long as the appeal/trial is treated as necessitating the joinder of parties, it is possible to meet the requirement of the joint owners uniformly having the same intention<sup>8</sup>. Nevertheless, even if the trial is resumed, it may often be practically meaningless to include the other joint owners who lack the urge to file a suit in the resumed appeal/trial. If so, the other joint owners could retire from the appeal/trial in practice, but their names would remain and, formally, they would be deemed to have demanded the appeal/trial in a joint manner<sup>9</sup>.

### **Item 3 Hearing Procedures**

A suit against an appeal/trial decision is heard as an administrative case in accordance with the procedure stipulated in the Administrative Case Litigation Law. Since a suit and an appeal/trial are not in the relation of rehearing, a separate examination is conducted in the suit. Therefore, all evidence must be submitted again, and the cost of the lawsuit must be paid separately from the cost of the appeal/trial.

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One of the Joint Owners of the Right to Obtain a Patent to File a Suit Against an Appeal/Trial Decision),” Book commemorating the seventieth birthday of Professor Takura: p. 549; Hisao Shiomi, *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 114, No. 3: p. 339; Hisao Shiomi, *Kougyou Shoyuiken Kenkyuu* (Study on Industrial Property Law), No. 117: p. 8; Hiroaki Niki, *Tokkyo Kanri* (Patent Management), Vol. 31, No. 3: p. 231.

<sup>8</sup> Hiroaki Niki, note 4.

<sup>9</sup> The legal act of filing a suit has a strong aspect that is similar to a disposition, so troublesome issues would inevitably arise by adopting the theory of an act of preservation. A legal act, such as interruption of prescription or conclusion of a repair agreement would easily be recognized as an act of preservation, but recognition of the filing of a suit may be problematic, particularly considering its effect on the other joint owners when the case is lost. Also, if filing of a suit by one of the joint owners is recognized, there would be room for a suit to be filed in an overlapping manner, and at the same time, there remains the theoretical problem of why the filing of a suit by some of the joint owners should block the appeal/trial decision becoming final for the remaining joint owners. Therefore, ultimately, this issue requires a legislative solution.

The court can take evidence ex officio (Article 24 of the Administrative Case Litigation Law), but it is usually conducted pursuant to the Code of Civil Procedure (Article 7 of the Administrative Case Litigation Law). Although there are various discussions about application of the principle of confession, the issue shall be left to the references in the field of litigation<sup>1</sup>.

#### **Item 4 Court Decision**

In a suit against an appeal/trial decision, determination is made on whether or not an appeal/trial decision is illegal in substance or in procedure. In other words, the subject of determination is the illegality of the original administrative disposition, and not whether or not the patent application in question should be registered. The court dismisses the claim when it recognizes no cause for the claim. When the dismissal of the claim becomes final and conclusive, the appeal/trial decision becomes final and conclusive just as it is, and the case ends. In the case of a trial for invalidation, the prohibition of demanding another trial based on the “same facts and same evidence” takes effect by the registration of the final trial decision (Section 167 of the Patent Law).

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<sup>1</sup> Reference materials include: Naoto Komuro, “*Shinketsu Torikeshi Soshou Ni Okeru Jihaku To Gisei Jihaku* (Confession and Confession by Fiction in a Suit against an Appeal/Trial Decision),” *Tokkyo Kanri* (Patent Management), Vol. 27, No. 8: p. 809; Naoto Komuro, “*Tokkyo Shinketsu Torikeshi Soshou To Jihaku Housoku* (A Suit against an Appeal/Trial Decision on a Patent and the Confession Principle),” *Meijou Hougaku* (Meijo Journal on Law), Vol. 36, extra issue (Book commemorating the sixtieth birthday of Professor Nagao): p. 327; Naoto Komuro, Court Decision Journal, No. 1120: p. 183; Naoto Komuro, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 61; Yoshio Ishikawa, “*Jihaku Ni Tsuite* (Confession),” *Gakkai Nenpou* (Annual of Industrial Property Law), No. 6: p. 148; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 2: p. 1341 [Takura], Yutaka Kosake, “*Tokkyo Kankei Shinketsu Torikeshi Soshou* (Suit against an Appeal/Trial Decision on a Patent),” *Shin-Jitsumu Minji Soshou Kouza* (New Practical Civil Litigation Lecture) 10, (Nippon Hyoronsha, 1982): p. 248; Kaoru Kohashi, “*Tokkyo Mukou Tetsuzuki Ni Okeru Toujisha Shihai* (Dominance of the Parties in a Suit Against an Appeal/Trial Decision),” *The Rokkodai Ronshu* (Kobe University), Vol. 31, No. 4: p. 189. Incidentally, reference materials regarding claims and burden of proof in a suit against an appeal/trial decision include: Yomisada Matsuno, “*Shinketsu Torikeshi Soshou Ni Okeru Shuchou Risshou Sekinin* (Claims and Burden of Proof in a Suit Against an Appeal/Trial Decision),” Book commemorating the seventy-seventh birthday of Professor Miyake: p. 505; Shigetoshi Matsumoto, “*Tokkyo Shinketsu Torikeshi Soshou Ni Okeru Shoumei Sekinin* (Burden of Proof in a Suit Against an Appeal/Trial Decision on a Patent),” *The Law Times Report*, No. 567: p. 56; Minoru Takeda, *Tokkyo Shinketsu Nado Torikeshi Soshou No Jitsumu* (Practical Affairs Concerning a Suit Against an Appeal/Trial Decision on a Patent) (Japan Institute of Invention and Innovation, 1988): p. 43.

When the court recognizes a cause for the claim, it gives a formative judgment to cancel the appeal/trial decision (Section 181 (1) of the Patent Law). Even if an appeal/trial decision was illegal, the court cannot reverse it and render the judgment for the case, that is, give a decision to grant a patent or refuse the application. When a court decision of cancellation becomes final and conclusive, the appeal/trial decision is deemed to have never been made, and the appeal/trial examination is resumed, with the appeal/trial examiners making further examination to give another appeal/trial decision (Section 181 (2) of the Patent Law). In that case, the court decision of cancellation binds its parties, which include the administrative authority (Article 33 (1) of the Administrative Case Litigation Law), so the appeal/trial examiners are not allowed to give the same disposition based on the same reasons. However, the same disposition itself is not prohibited; they are only prohibited from making an appeal/trial decision that is contrary to the statement indicated in the reasons for the court decision. Any appeal/trial decision that violates that binding force can be cancelled in a suit against the appeal/trial decision<sup>1</sup>. However, if substantially new evidence is produced in the resumed appeal/trial, and a claim is made based on this new evidence, it is possible to have an appeal/trial decision of the same conclusion<sup>2</sup>. Nevertheless, various complex situations are found in actual cases, so it is often not easy to make a concrete determination on the scope of the binding force of the court decision of cancellation in practice<sup>3</sup>.

When a person is not satisfied with the decision by the Tokyo High Court, he/she can make a final appeal to the Supreme Court within two weeks from the transmittal of the court decision. The grounds for the final appeal are the same as those for ordinary civil litigation (Article 312 (1) of the Code of Civil Procedure).

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<sup>1</sup> The Tokyo District Court decision on September 29, 1980, Court Decisions Relating to Intangible Property, Vol. 12, No. 2: p. 554 (the Artificial Pearl Paint Manufacturing Method case) ([Annotation] Makoto Amino, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 62). This decision was handed down by the Tokyo District Court, because this case was a dispute demanding compensation from the state for the damages the plaintiff received by reason of an illegal appeal decision made by the JPO. The Tokyo High Court decision on December 2, 1986, Court Decisions Relating to Intangible Property, Vol. 18, No. 3: p. 509 (the Optical Transmission Device case). Tadashi Takura, “*Kyozetsu Shinketsu Fufuku Torikeshi Soshou Ni Okeru Kyozetsu Riyuu* (Reasons for Refusal in a Suit Against an Appeal Decision of Refusal),” Book commemorating the seventy-seventh birthday of Professor Miyake: p. 545.

<sup>2</sup> The Tokyo High Court decision on April 26, 1989, Court Decisions Relating to Intangible Property, Vol. 21, No. 1: p. 327 (the Two-Wheel Motorcycle Fuel Tank Manufacturing Method case) ([Annotation] Katsumi Takabayashi, Court Decision Journal, No. 1382: p. 197).

<sup>3</sup> This issue is discussed in detail in Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 2: pp. 1322- [Takura].

### **Subsection 3 Relationship Between Litigation and Appeals/Trials**

Patent litigation first undergoes an appeal/trial, and if a suit is filed against the appeal/trial decision, the case is directly brought before the Tokyo High Court by omitting the trial of first instance (Section 178 (1) of the Patent Law). In legal terms, an appeal/trial is an administrative procedure in the JPO, so its decision is an administrative disposition. Therefore, a suit against an appeal/trial decision is categorized as a protest suit (*Kokoku* appeal), and according to the principle of administrative law, the subject matter of the suit is the illegality of the administrative disposition either in substance or procedure. However, due to the peculiarity of the Patent Law, there are conflicting opinions over the question of whether or not the subject matter should be interpreted in such a broad manner.

The appeals/trials can be roughly divided into two types: appeals related to examiners' decisions (appeal-type trials) and those related to inter-partes trials. The former, centering on an appeal against an examiner's decision of refusal, does not adopt a structure where parties confront each other, so it has a strong aspect of an administrative disposition. Accordingly, there is no trouble in considering a suit against it as a protest suit<sup>1</sup>. On the other hand, the latter, centering on a trial for invalidation, takes a structure where parties confront each other, so it is more similar to the mode of a civil lawsuit. Accordingly, its aspect as an administrative disposition is more vague, and its procedure functions more like an antecedent trial before a suit against a trial decision. However, a trial for invalidation, too, is a dispute over the illegality of a disposition by the JPO, so its structure of having opposing parties is only adopted for convenience. In other words, since the substantive subject matter of the trial examination is the illegality of the administrative disposition by the JPO, its nature is more like a protest suit, so adoption of the inter-partes structure is only a matter of convenience, which can be considered as a party suit in formality<sup>2</sup>. Therefore, the hearing in the Tokyo High Court can be considered to be a fact-finding proceeding in

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<sup>1</sup> A trial for correction is a trial with no defendant, so it resembles an appeal. However, strictly speaking, there is no legal point of dispute, so it is a pure administrative disposition similar to an examiner's decision, and not a procedure similar to a judicial proceeding. (It may even be possible to exclude the trial for correction from the category of appeals.) In short, a trial for correction is not a dispute over the illegality of a disposition, but rather is itself a primary disposition. In any case, a suit against it is undoubtedly a protest suit.

<sup>2</sup> Katsumi Takabayashi, *Tokkyo Gyousei Hou* (Patent Administrative Law) (Japan Institute of Invention and Innovation, 1984): p. 262 explains that such trials are not formal party suits, but protest suits. Apart from whether the terminology of a formal party suit is applicable, the substance of a suit against a trial decision is a protest suit, so the handling of it as a party suit is only a matter of convenience.

the first instance.

Under the old Patent Law (Law of 1921), the provisions of the Code of Civil Procedure regarding appeal against a decision in the first instance (*Koso* appeal) were applied *mutatis mutandis* to bringing the case before the Supreme Court (in prewar Japan) (Section 115 (2)). However, under the current Law, those provisions are not applied *mutatis mutandis*, and there are no provisions to remand the case to the appeal/trial level<sup>3</sup>, but the appeal/trial is merely resumed when the appeal/trial decision is cancelled by the court decision. This point also emphasizes the fact that an appeal/trial and a suit do not have continuity like a rehearing<sup>4</sup>. Thus, the Tokyo High Court could be considered as the entity for the fact-finding proceeding in the first instance in which case the court would be able to conduct a hearing and give a judgment on its own without any restriction on the fact-finding proceeding, according to the principle of a protest suit.

However, as an appeal/trial follows a procedure similar to a judicial procedure, and a case is to be filed directly with the Tokyo High Court by omitting the first instance, it cannot be denied that the appeal/trial practically functions as the first instance. So, there are theories that try to recognize some relation between an appeal/trial and a suit although no direct grounds are stipulated in law<sup>5</sup>; specifically,

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<sup>3</sup> Article 81 (3) of the Anti-Monopoly Law provides for remand of a case to the Japan Fair Trade Commission by a court, but no such provision is stipulated in the Patent Law. The Patent Law only stipulates that when an appeal/trial decision is cancelled, the appeal/trial examiners must conduct further examination, and give another decision (Section 171 (2) of the Patent Law).

<sup>4</sup> Masushi Hara, "*Tokkyo Soshou* (Patent Litigation)," *Minji Soshou Hou Kouza* (Civil Litigation Law Lecture) 5 (Yuhikaku, 1956): p. 1503. However, this also explains that since patent litigation makes an appeal/trial decision the direct subject matter and is intended for cancellation of an illegal disposition by the administrative authority indicated in it, the scope of the hearing is restricted to the facts indicated in the reasons for the appeal/trial decision. Oda/Ishikawa, *Shin Tokkyo Hou* (New Patent Law): p. 524 and p. 527 states that in a court's hearing for fact-finding, the parties can produce not only the evidence produced in the appeal/trial, but also new evidence based on the imperative under the Constitution that an administrative organ cannot serve as the final instance, but it also asks if some restriction might be needed on the production of new evidence.

<sup>5</sup> The theories that consider an appeal/trial as something similar to an antecedent trial include: Hajime Kaneko, "*Shinketsu No Shihou Shinsa* (Judicial Examination of an Appeal/Trial Decision)," a book commemorating the sixtieth birthday of Justice Iwamatsu, '*Soshou To Saiban* (Litigation and Trial)' (Yuhikaku, 1956): p. 457 (another reference, though it does not directly discuss the issue of a suit against an appeal/trial decision on a patent, is Ichirou Okawa, "*Shihou Sinsa Ni Kansuru Ichi Mondai -- Kaneko Hakase No 'Shinketsu' Riron Ni Tsuite* (A Problem Relating to Judicial Examination -- Concerning the 'Appeal/Trial Decision' Theory of Professor Kaneko)," a book in commemoration of the sixtieth birthday of Professor Kaneko: p. 529); Kaneko/Someno, *Kougyou Shoyuuke Hou* (Industrial Property Law): p. 387; Jin Kaneko, *Gyousei Soshou Hou* (Administrative Litigation Law) (Chikuma Shobo, 1973): p. 181; Naoto Komuro, "*Shinpan Tetsuzuki To Shinketsu Torikeshi Soshou No Kankei -- Kyouyuu No Baai No Toujisha Tekikaku Wo Chuushin To Shite* (Relation between an Appeal/Trial Procedure and a Suit against an Appeal/Trial Decision -- Centering on the Conditions for a Party When the Right is Jointly Owned)," a book commemorating

these are theories that suggest some restriction to be imposed on the hearing in the Tokyo High Court. This issue had been mainly discussed as an issue on the scope of the hearing in a suit against an appeal/trial, or as a so-called “rehearing dispute.” There were various theories, including one allowing submission of any evidence including new evidence in the suit, similar to an ordinary protest suit, one denying submission of any new evidence that was not produced in the appeal/trial, one in between these two, one recognizing application of the substantial evidence rule, and one suggesting that production of evidence is restricted by legal stipulations.

Later, the Grand Bench of the Supreme Court held<sup>6</sup> that “in a suit against an

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the sixtieth birthday of Professor Ishiguro and Professor Umase: p. 293; Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 96; Toyosaki, *Journal on Civil and Commercial Law*, Vol. 45, No. 1: p. 88; and though the statement is set forth with a “maybe” limitation, Ichirou Okawa, *Gyousei Soshou Hou* (Administrative Litigation Law) (Yuhikaku, 1966): p. 144. Theories suggesting recognition that an inter-partes trial and a suit against its decision are practically in the relationship of a rehearing include Kaoru Kohashi, “*Tokkyo Mukou Tetsuzuki Ni Okeru Toujisha Shihai* (Dominance of the Parties in a Patent Invalidation Procedure),” *The Rokkodai Ronshu* (Kobe University), Vol. 31, No. 4: p. 189. This argues that “a trial for invalidation and a suit against a trial decision are not separated as clearly as is indicated by their formalities; the interpretation of these procedures is a critical issue affecting the essence of the patent invalidation procedure, and it should ultimately be settled by a legislative measure” (p. 215).

<sup>6</sup> This is a case under the old Law: the Supreme Court decision on March 10, 1976 (Grand Bench), *Civil Court Decisions by the Supreme Court*, Vol. 30, No. 2: p. 79 (the Knitting Machine case) ([Annotation] Shigetoshi Matsumoto, *Journal on Civil and Commercial Law*, Vol. 75, No. 5: p. 819; Tadashi Takura, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 60; Eiichi Takigawa, *Court Decision Journal*, No. 822: p. 150; Ryuichi Murabayashi, *Patent*, Vol. 29, No. 7: p. 3; Shoukichi Tanakadate, *Jurist*, No. 642: p. 43; Tatsuki Shishido, *Housou Jihou* (Bar Journal), Vol. 31, No. 2: p. 136; Jirou Yamada, *Gyousei Hanrei Hyakusen* (100 Selected Administrative Court Decisions) II, Case 145; Kanji Morita, *Gyousei Hanrei Hyakusen II* (Second edition), Case 192). Also see: Takashi Honma, “*Shinpan To Shinketsu Torikeshi Soshou No Kankei* (Relation between an Appeal/Trial and a Suit against an Appeal/Trial Decision),” *Gakkai Nenpou* (Annual of Industrial Property Law), No. 6: p. 126; Kaoru Kohashi, “*Shinketsu Torikeshi Soshou Ni Okeru Shinri Han’i* (Scope of Hearing in a Suit Against an Appeal/Trial Decision),” *Gakkai Nenpou*, No. 14: p. 80; Shigetoshi Matsumoto, “*Tokkyo Hatsumei No Shinkisei/Shinposei No Youken To Shinketsu Torikeshi Soshou Ni Okeru Sono Shinri Han’i* (Requirements of Novelty and Inventive Step for a Patented Invention and the Scope of Hearing in a Suit Against an Appeal/Trial Decision),” *Articles in the Memory of Professor Toyosaki*: p. 169; Takigawa, *Tokkyo Soshou* (Patent Litigation): pp. 51-/pp. 121-; Minoru Takeda, “*Tokkyo Hanrei No Kousoku Ryoku To Sono Igi Ni Tsuite* (Binding Force of a Patent-related Court Decision and Its Significance) II,” *Hatsumei* (Invention), Vol. 87, No. 11: p. 68; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 2: p. 1286 [Takura]. Until this issue was settled with this Grand Bench decision, the Supreme Court had been taking an opposite view. However, despite such Supreme Court decisions, the Tokyo High Court had been consistently taking the reverse view in its decisions, so the Grand Bench decision, in some way, finally admitted the view taken in the Tokyo High Court decisions. The prior Supreme Court decisions that were overruled by this Grand Bench decision include the following, which is a case under the old Law and a case on a decision of refusal under the new Constitution: the Supreme Court decision on October 16, 1953, *Civil Court Decisions by the Supreme Court*, Vol. 4, no. 10: p. 2424 (the Flour Mill case) ([Annotation] Shinji Tanaka, *Tokkyo Hanrei Hyakusen*, Case 56). In this case, the court stated that as long as the Tokyo High Court conducts a fact-finding proceeding, it is not

appeal/trial, a ground for invalidation relating to the invention being publicly known that was not examined in the *Kokoku* appeal trial procedure cannot be claimed as a reason for the illegality or legality of the trial decision,” and the issue was settled in practice. The court also clarified that this principle should not only be applicable to the case of a trial for invalidation, but also to the case of the appeals/trials without defendants. In other words, it was decided that only the point disputed in the appeal/trial should be the subject matter of the hearing in the suit, and the point disputed should be specified not by legal provisions, but based on concrete evidence (e.g.

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illegal for a party to newly claim a fact that was not claimed in the appeal/trial or a fact on which the appeal/trial decision by the competent authority was not based in a lawsuit, and it is not in the least illegal to adopt such a fact as a basis for the court decision, and recognized unlimited submission of new evidence. A case under the old Trademark Law where the court ruled to the same effect is the Supreme Court decision on December 20, 1960, Civil Court Decisions by the Supreme Court, Vol. 14, No. 14: p. 3130 (the President Lincoln case) ([Annotation] Toyosaki, *Journal on Civil and Commercial Law*, Vol. 45, No. 1: p. 88; Akio Takeuchi, *Journal of the Jurisprudence Association*, The University of Tokyo, Vol. 79, No. 5: p. 673; Kenzou Shiraishi, *Gyousei Hanrei Hyakusen* (Second Edition), Case 92; Shinji Tanaka, *Saihan Kaisetsu* (Explanation of the Supreme Court Decisions), 1960: p. 438). A case under the Utility Model Law is the Supreme Court decision on April 4, 1968, Civil Court Decisions by the Supreme Court, Vol. 22, No. 4: p. 816 (the Synthetic Resin Flower case) ([Annotation] Tastunori Shibuya, *Journal of the Jurisprudence Association*, The University of Tokyo, Vol. 86, No. 7: p. 866; Kunio Yano, *Saihan Kaisetsu*, 1968: p.335; Shinya Yoshii, *The Law Times Report*, No. 224: p. 64; Akio Noguchi, *Patent*, Vol. 22, No. 3: p. 17; Minoru Iriyama, *Court Decision Journal*, No. 531: p. 131; Takeshi Akiyama, *Patent*, Vol. 22, No. 5: p. 34; Kinji Katayama, *Kigyō Hou Kenkyū* (Study on Business Law), No. 175: p. 56; Tadashi Takura, *Journal on Civil and Commercial Law*, Vol. 59, No. 6: p. 109; Nobuo Monya, *Keizai Hou* (Economic Law), No. 12: p. 30; Yumi Gaku, *Kougyō Shōyūken Hou Kenkyū* (Study on Industrial Property Law), Vol. 14, No. 2: p. 26; Kouzou Mimino, *Hanrei Kougyō Shōyūken Hou* (Industrial Property Case Law) (Edited by Uchida) (Yushindo, 1972): p. 175). In this Supreme Court decision in 1968, which was a case on invalidation of registration under the old Law, the court stated that a suit against a trial decision of invalidation is the same as a suit against an ordinary administrative disposition, so there is no reason to consider that the reason for cancellation should only be the incorrectness of the matters produced in the trial that were found and examined in the trial decision, and it is not prohibited to claim and produce as evidence new matters that were not produced in the trial. In this respect, this decision followed the older Supreme Court decisions. However, the court stated in the obiter dicta that since a trial for invalidation of registration judges a dispute over violation of specific provisions that are set forth as grounds for invalidation in law, it is possible to consider that there is a restriction also in a suit against that trial decision, which forbids the parties to claim grounds for invalidation that are different from the violation of the provisions in dispute. Thus, the court did not find for unlimited claiming of evidence in the litigation phase. (The court also ruled to the same effect in the Supreme Court decision in 1960 mentioned above.) In that sense, both the Supreme Court decision in 1960 and that in 1968 seem to have considered a suit against an appeal/trial decision and a suit against an ordinary administrative disposition to be not completely the same, but have assumed certain restrictions in the former. The Grand Bench decision is estimated to have further advanced this view. Meanwhile, a dissenting opinion by Justice Jiro Matsuda was attached to the Supreme Court decision in 1968, in which Justice Matsuda denied submission of new evidence that had not been produced in the trial, in a suit. Later, the above-mentioned Supreme Court Grand Bench decision denied the past three Supreme Court decisions and supported the view taken by this Justice Matsuda and the conventional Tokyo High Court decisions.

material showing that the invention is publicly known, in an invalidation case). There remained minute issues over the scope of application of this idea, but the range of the Grand Bench decision was clarified further in a later Supreme Court decision and other decisions<sup>7</sup>. According to those decisions, it was judged admissible to recognize the common technological knowledge of a person skilled in the art at the time of the filing based on material that had not appeared in the appeal/trial procedure for the purpose of clarifying the significance of the device described in the printed publication that was examined in the appeal/trial procedure. In other words, it is not admissible to produce evidence that is new in substance, but it is admissible to produce such new evidence that would supplement the evidence that has already been produced in the appeal/trial.

Apart from the issue of the detailed application of this idea in practice, there are issues that must be further examined theoretically.

An explanation would be required on why production of evidence is restricted in a suit against an appeal/trial decision while there is no such restriction in an ordinary protest suit, as mentioned earlier. This point has been explained in various ways by different theories.

First of all, there is a theory that tries to apply the substantive evidence rule stipulated under Articles 80 and 81 of the Anti-Monopoly Law also to the Patent Law<sup>8</sup>. However, considering the right of access to courts, which is imperative under the Constitution, the rule that all judicial power belongs to the courts, and the principle that an administrative organ cannot conduct a trial in the final instance, it would be difficult to recognize the substantive evidence rule even in the Patent Law, which has no express provisions as in the Anti-Monopoly Law. In addition, Article 81 of the

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<sup>7</sup> The Supreme Court decision on January 24, 1980, Civil Court Decisions by the Supreme Court, Vol. 34, No. 1: p. 80 (the Food Package Structure case) ([Annotation] Shigetoshi Matsumoto, *Journal on Civil and Commercial Law*, Vol. 83, No. 3: p. 433; Kazufumi Dohi, *Jurist*, No. 715: p. 76; Shouzou Yoshihara, *Tokkyo Kanri* (Patent Management), Vol. 30, No. 11: p. 1183; Yutaka Kosake, *Housou Jihou* (Bar Journal), Vol. 35, No. 1: p. 201). Also, in the Tokyo High Court on March 12, 1985, Court Decisions Relating to Intangible Property, Vol. 17, No. 1: p. 26 (the Taxi Rooftop Indicator case), the court held that even material that did not appear in the appeal/trial procedure can be newly submitted as long as it is supplementary evidence for proving matters that are well-known and commonly-used by a person skilled in the art. Meanwhile, in the Tokyo High Court decision on July 31, 1990, Court Decisions Relating to Intangible Property, Vol. 22, No. 2: p. 457 (the Vane Pump case), the court held that when, in a suit against a decision in an appeal of an examiner's decision of refusal, the JPO Commissioner comprehends the composition of the invention differently from the appeal decision and replaces the well-known technology cited by the appeal decision, it is the same as producing new evidence, which is no different from the JPO indicating a new reason for refusal, so it is not admissible in a suit against an appeal decision which provides no opportunity for amendment.

<sup>8</sup> Hajime Kaneko, "*Shinketsu No Shihou Shinsa* (Judicial Examination of an Appeal/Trial Decision)" and others in note 5.

Anti-Monopoly Law exceptionally recognizes production of new evidence, but even that is inadmissible according to the Grand Bench decision, so the restriction could become stricter than that under the Anti-Monopoly Law, which has express provisions<sup>9</sup>. Also, the substantive evidence rule functions most effectively when there is a need for a policy decision by the administrative authority, and it is not suited to a purely technical or legal matter as a decision on a patent. There are also questions as to whether the appeal/trial procedure of the JPO is truly equivalent to a judicial proceeding<sup>10</sup>. What is more, it has been indicated that, as the substantive evidence rule was for the most part legislated during the period in time when Japan was ruled by the United States, this U.S. style system does not match the actual conditions in Japan. This theory had conventionally been supported by many people, particularly by scholars of procedural law, but it is hardly supported today. The issue of the substantive evidence rule is not directly linked with the issue of the evidence that can be heard in court.

Secondly, due to the special technological nature of patent-related litigation, there is a view that places emphasis on the appeal/trial decision in the JPO, which specializes in technology. No theory is solely based on this view, but it is often mentioned as one of the grounds. Indeed, the reason for the establishment of the appeal/trial system was because of the technological expertise involved in the cases, but that is only the reason for establishment of the system, which is not a direct reason for imposing restrictions on the hearing in court. Since there are many other administrative cases that involve technological expertise, it cannot be explained why only patents and other industrial property should be handled in a special manner. Furthermore, some of the appeals/trials do not require technological expertise. For instance, a trial for invalidation based on the reason of violation of a treaty or a

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<sup>9</sup> Indeed, according to the substantive evidence rule, any fact-finding supported by substantive evidence binds the court (Article 80 of the Anti-Monopoly Law), so the hearing by the court is restricted to that extent. In contrast, according to the Grand Bench decision, a court can hear any evidence produced in the appeal/trial again in the suit and give a decision to nullify the appeal/trial decision, which binds the administrative authority (Article 33 (1) of the Administrative Case Litigation Law). In this case, the court is able to demand a separate appeal/trial regarding any new evidence, and that can also be admitted in the suit, so the court hearing would not be restricted as in the case of adopting the substantive evidence rule. However, there would be a possibility that the case would be passed back and forth between the court and the appeal/trial.

<sup>10</sup> Ryuichi Murabayashi, "*Tokkyo Soshou Ni Okeru Aratana Shuchou/Aratana Shouko Teishutsu Ni Tsuite -- Gyousei Hou To Shite No Kougyou Shoyuiken Hou No Kenkyuu No Hitotsu To Shite* (New Claim and Production of New Evidence in Patent Litigation -- As a Study of Industrial Property Law as an Administrative Law)," *Shihou Kenshuujo Souritsu Juugo Shuunen Kinen Ronbunshuu* (Articles Commemorating the 15<sup>th</sup> Anniversary of the Foundation of the Legal Research and Training Institute), Vol. 2: p. 120. Shuu Honma, "*Shinpan To Shinketsu Torikeshi Soshou No Kankei* (Relation Between an Appeal/Trial and a Suit Against an Appeal/Trial)," *Gakkai Nenpou* (Annual of Industrial Property Law), No. 6: p. 126.

misappropriated application may often be more suited to be judged by a judge rather than a trial examiner due to its nature. Also, cases such as trademark cases have aspects that are not technological. Although many patent infringement cases involve technological expertise, these cases are to be handled by the district courts nationwide. Therefore, this theory is not convincing either.

Thirdly, there is a theory that emphasizes the interest in receiving an antecedent decision<sup>11</sup>. This theory posits that the parties concerned are given the benefit of receiving a decision in an appeal/trial in the JPO, which specializes in technology, before receiving a court decision, due to the technological aspects peculiar to industrial property. It states that because currently appeals/trials are conducted through a careful procedure similar to a judicial procedure, there is no problem in omitting the court of first instance. Nevertheless, the receiving of an antecedent decision sometimes does not become a benefit to the parties concerned. If it were for the benefit of the parties, there would be no reason to prohibit the parties from producing evidence for the first time in the suit by abandoning the benefit of receiving a decision in an appeal/trial. Even supposing that the benefit of receiving an antecedent decision were recognized, although consideration may have to be given to the benefit to the opposing party in a suit against a decision in a trial with a defendant, such consideration is not required in a suit against a decision in an appeal/trial without a defendant. For instance, even though a patentee who was unauthorized to make a correction in a trial for correction produces new evidence for the first time in a suit against the decision, there is no practical reason to deny it.

In an ordinary protest suit, it is also possible to conduct a hearing in the second instance concerning facts that were not heard in the first instance, so if the hearing in the Tokyo High Court were to be restricted, the appeal/trial would have to be conducted by a procedure that is equivalent to or even stricter than the ordinary first instance trial in a court, but the appeal/trial procedure is not as strict in actuality. Indeed, the provisions in the Code of Civil Procedure are often applied *mutatis mutandis*, but an appeal/trial is less strict than a suit with respect to the guarantee of the status of the judge and the guarantee of an oral proceeding, among other aspects. Therefore, it seems insufficient to rationalize the severe restrictions on the hearing in a suit merely based on the benefit of receiving an antecedent decision.

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<sup>11</sup> Takigawa, *Tokkyo Soshou* (Patent Litigation): p. 136; Sadaharu Tada, “*Shinpan To Soshou No Kanreinsei Ni Tsuite No Ichi Mondai -- Shinketsu Torikeshi Soshou Ni Okeru Shinriken No Han’i Wo Chuushin To Shite* (Issue Concerning the Relation Between an Appeal/Trial and a Lawsuit -- Centering on the Scope of the Right of Hearing in a Suit Against an Appeal/Trial Decision),” Book Commemorating Judge Hara’s Retirement, Vol. 1: p. 645.

Apart from these, there are other theories that attempt to restrict the scope of hearings in court based on the ground of reducing the burden on the court or on the fact that reasons are already included in the written appeal/trial decision.

Whichever theory is adopted, it would be difficult to rationalize the Grand Bench decision by one of those theories alone. To the extent that an appeal/trial system has been established, it would be necessary to reasonably divide the functions and the authority between the appeal/trial and the court. However, there is an imperative under the Constitution that all jurisdiction ultimately belongs to the court, so it is necessary to indicate not merely a reasonable ground, but an unchallengeable ground to do so. The following part discusses this point.

The Grand Bench decision can be read as if it treats all suits against appeal/trial decisions uniformly. However, the appeals/trials are varied in nature, and even trials/appeals of a single kind (e.g. a trial for invalidation) do not always have the same nature. Although the Patent Law stipulates matters for suits against appeal/trial decisions under one provision, in theory separate examinations would be required for individual cases.

The Patent Law has four kinds of appeals/trials, but they are all discussed almost uniformly in scholarly discussion, and often the suits against the appeal/trial decisions are also discussed uniformly<sup>12</sup>. However, supposing that the hearing in court should be restricted, as held in the Grand Bench decision, it would not be possible to rationalize this measure based on a single reason for all of the kinds of suits against appeal/trial decisions. Since appeals/trials with defendants and those without defendants are quite different in nature, they cannot be discussed on a single basis.

Trials with defendants are more similar to lawsuits, so it may be possible to consider them as a quasi-judicial procedure. Nevertheless, although all trials for invalidation are to be conducted through the same procedure, not all of them have the same nature. For instance, a trial for invalidation based on lack of novelty or an inventive step and a trial for invalidation based on a misappropriated application or violation of a treaty are totally different in nature<sup>13</sup>. In a case of a misappropriated application, the point of dispute is the ownership of a right, so it is rather similar to an

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<sup>12</sup> Many theories seem to discuss the issue with mainly the suit against a trial decision of invalidation in mind, and only a few of them make clear distinctions based on the nature of each type of appeal/trial. Some theories mention that distinctions should be made between appeals/trials with defendants and those without defendants (e.g. Minoru Iriyama, *Court Decision Journal*, No. 531: p. 131), but they do not give a detailed explanation.

<sup>13</sup> For details, see Section 3, Subsection 1, Item 3, 2 (2) “Conditions for a Demandant and Conditions for a Defendant.”

ordinary civil case. Accordingly, no reasonable explanation can be given as to the fact that new evidence cannot be produced in a suit. This kind of issue is often more appropriate to be determined by a judge than a trial examiner, so there is no practical reason to conduct a trial in the JPO in advance. Nevertheless, the trial in advance cannot be avoided under the interpretation of the current Law, because all cases must first undergo a trial/appeal. Yet, there is not much reason for restricting production of new evidence in court in such cases.

On the other hand, the need to restrict the hearing in court is much higher for a trial for invalidation based on lack of novelty or an inventive step. This case is formally a dispute between two parties, but it is quite different in nature from other formal party suits in that its decision has a great effect on the public<sup>14</sup>. There may be meaning in conducting a thorough trial examination first in the JPO in order to be extra careful, but its negative side of consuming extra time to settle the dispute cannot be denied either.

Meanwhile, appeals/trials without defendants are closer to an administrative disposition, and farther from a judicial procedure. Particularly, a trial for correction, which does not have the function of re-conducting an examination, is nothing but an administrative disposition. Even if provisions of the Code of Civil Procedure were applied *mutatis mutandis* to the procedure, it does not have a nature of a judicial procedure in essence. The appeal/trial without a defendant is a dispute against the JPO Commissioner, so in that respect there should be no need to give consideration to the defendant's interest in receiving an antecedent decision. This is because, even if new evidence were produced by the plaintiff (applicant/patentee's side) in the suit, as long as the JPO Commissioner is the defendant, the technological issues could be sufficiently dealt with in the suit without undergoing an appeal/trial by technological experts in advance. In addition, there is no doubt that the plaintiff is not intending collusive litigation, since the opponent is the JPO Commissioner. The dispute in this category of appeals/trials is thus a dispute between the applicant/patentee side and the JPO side both in formality and in substance, so there should basically be no difference whether the dispute takes place in an appeal/trial or in court. Considering the time consumed in

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<sup>14</sup> In an ordinary formal party suit, it is possible to only dispute the amount of compensation pertaining to an administrative disposition instead of disputing the disposition itself. For instance, under the Eminent Domain Law, compensation for damages is disputed between the land owner/persons having interest in the land and the promoter of work (Article 133 (2)), but the illegality of an expropriation itself is disputed in an ordinary protest suit. On the other hand, a trial for invalidation of a patent and a suit against its trial decision are extremely peculiar systems in which the illegality of an administrative disposition of a patent registration itself is disputed between two parties instead of with the administrative authority that made the disposition.

passing the case back and forth between the appeal/trial and the suit every time new evidence is produced, it would rather be more desirable to process the entirety of the case in the Tokyo High Court. In particular, if too much time is consumed in a suit against a decision in an appeal against an examiner's decision, the term of the patent, which is twenty years from the filing date, could run out. However, the greatest problem with this idea is the handling of amendments. The applicant can no longer make amendment in the phase of the suit against an appeal/trial decision. Production of any new evidence by the JPO could be equivalent to indication of another reason for refusal, and in such a case, the applicant would be deprived of a chance to make amendment. Therefore, if production of new evidence in the phase of the suit against the appeal/trial decision is to be recognized for this category of appeals/trials, some legislative measure should be taken regarding amendment.

As is clear from the above, a reasonable solution cannot be obtained for this issue by merely focusing on the restriction of the scope of the hearing in a suit but, ultimately, one must go back and review the way an appeal/trial should be conducted. The need to review to that great extent naturally means that a legislative solution will be required. This issue should be discussed someday when the time comes to make a drastic reform of the appeal/trial system.

## **Section 5 Contestation of Disposition by the Commissioner of the JPO, etc.**

A person can appeal a disposition by an administrative authority to the authority that has made the disposition under the Administrative Appeal Law, unless otherwise stipulated in another law (Article 1 (2) of the Administrative Appeal Law). This only allows and does not obligate such appeal. However, the Administrative Appeal Law provides that appeal of a disposition under the Patent Law and the Patent Registration Order can only be made under this Law after a decision or an arbitration decision has been made concerning a request for reconsideration of the disposition (Article 6 of the Administrative Appeal Law) or a request for examination (Article 5 of the Administrative Appeal Law) (Section 184*bis* of the Patent Law), in accordance with the principle of reconsideration before appeal. Therefore, one appeals first to the JPO Commissioner, and if still dissatisfied, one appeals to the Tokyo High Court (Article 12 of the Administrative Appeal Law). A suit directly filed without first making the appeal under the Administrative Appeal Law is rejected as being illegitimate.

Such dispositions by the JPO Commissioner include: disallowance of extension

of a time limit (Section 5 of the Patent Law); invalidation of an application, etc. (Section 18 of the Patent Law); arbitration decision (Sections 83 and 92 of the Patent Law); cancellation of an arbitration decision (Section 90 of the Patent Law); rejection of a request for a certificate, etc. (Section 186 of the Patent Law); decision to refuse, etc. a request for review relating to an international application (Section 184 (20) of the Patent Law); rejection of a request for registration (Section 38 of the Patent Registration Order); and refusal of receipt<sup>1</sup>. Objections to the remuneration awarded by an

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<sup>1</sup> Although the disposition of refusal of receipt was stipulated in Section 10*bis* of the old Regulations under the Patent Law, there are no laws or ordinances providing for its ground under the current Law. However, the disposition of refusal of receipt had been made by the JPO as an established practice, and many theories supported this practice. See Nakayama, *Tokkyo Houshiki Mondai* (Patent Formality Issues): p. 41 (Opposing theory: Ryuichi Murabayashi, “*Tokkyo Chou Choukan No Fujuri Shobun Ni Tsuite* (Disposition of Refusal of Receipt by the JPO Commissioner,” Book commemorating the sixtieth birthdays of Professor Ishiguro and Professor Umase: p. 278). If the disposition were not recognized at all, an application including an essential defect would be subject to a decision of refusal after it has been received. Such processing even for applications that include critical defects that cannot be remedied is uneconomical, and the refusal of receipt is often more beneficial for the applicant since it is usually quicker than the examiner’s decision for refusal (although it is sometimes exceptionally late as in the later-mentioned court case). Accordingly, the disposition for refusal of receipt was recognized in general. The problem is the specific determination of when to refuse the receipt and when to invite amendment after receipt. (See Formality Examination Manual 15-20. It gives a detailed explanation on the practice of refusal of receipt separately for the request, the documents attached to the request and the other filed documents. This issue is considered to stem from the issue of the admissible scope of amendment rather than being an inherent issue).

Therefore, it is necessary to study the actual cases in detail regarding this issue. In the Tokyo District Court decision on April 22, 1970, Court Decisions Relating to Intangible Property, Vol. 2, No. 1: p. 181 (the Electronic Shutter Camera case), the court stated that a utility model application that was prepared in the form of a patent application was merely prepared in an erroneous form and its receipt could not be refused. Meanwhile, in the Tokyo District Court on January 29, 1971, Court Decisions Relating to Intangible Property, Vol. 3, No. 1: p. 11 (the Toilet Paper case) ([Annotation] Nobuhiro Nakayama, Jurist, No. 601: p. 141; Mitsukuni Doihara, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 34), the court held that a disposition of refusal of receipt two years and four months after the filing of a utility model application based on the reason that no drawings were attached was illegal. In this decision, the court stated that a disposition of refusal of receipt does not require an express stipulation and it is reasonably anticipated under the law that one can be given when the matter lacks an essential requirement and when it is inadmissible from the overall intention of the law to supplement it by amendment. In the Tokyo District Court decision on June 14, 1971, The Law Times Report, No. 265: p. 203 (the Absorber case), the court stated that when it is objectively apparent that the person has forgot to cite the drawings when converting a patent application into a utility model application, amendment should be invited, and it is not permissible to give a disposition of refusal of receipt automatically. In the Tokyo District Court decision on May 2, 1979, Court Decisions Relating to Intangible Property, Vol. 11, No. 1: p. 311 (the Transplanting Machine case) ([Annotation] Ryuichi Murabayashi, *Tokkyo Kanri* (Patent Management), Vol. 30, No. 4: p. 363), which was a case where a disposition of refusal of receipt was made based on the reason that, when filing a divisional application, the name of the original applicant was described and there was a statement to the effect that the power of attorney of the original applicant will be availed, the court held the disposition to be illegal, stating that it was a mere erroneous description. In the Tokyo High Court decision on

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November 28, 1984, Court Decisions Relating to Intangible Property, Vol. 16, No. 3: p. 725, the court stated that it was illegal to give a disposition of refusal of receipt regarding a written argument and a written amendment that were submitted with a statement of a name and address different from those of the demandant of the appeal without inviting amendment, because it aroused a suspicion of being an erroneous description at a glance. In the Tokyo District Court decision on December 21, 1992, Court Decision Journal, No. 1454: p. 139/The Law Times Report, No. 809: p. 199 (the Polyester Composition case) ([Annotation] Nariki Saen, *Tokkyo Kanri*, Vol. 44, No. 6: p. 823; Kazufumi Dohi, Court Decision Journal, No. 1503: p. 236; Katsuya Tamai, Book commemorating the seventieth birthday of Professor Takura: p. 575), the court held that a disposition of refusal of receipt, which was given based on the fact that the address of the assignor indicated in the deed of assignment of a notification of change of the patent applicant was different from that indicated in the request for patent, was illegal. In the Tokyo District Court decision on August 31, 1994, Court Decision Journal, No. 1514: p. 128/The Law Times Report, No. 874: p. 268, the court invalidated a disposition of refusal of receipt, stating that such a disposition regarding a written amendment creates the same situation as when no written amendment was submitted in response to an invitation for amendment, and it is a seriously detrimental disposition that also brings about an outcome where the application in question would be subject to a disposition for invalidation of the application, which is given without any grounds in express provisions under the current Law, and such a disposition must only be made when the matter lacks an essential requirement under law and the defect cannot be remedied by amendment. In the Tokyo District Court decision on August 30, 1996, Court Decision Journal, No. 1589: p. 128 (the Landscape Light case), which is a case under the Design Law where the applicant did not describe the name of the country in which the first application was filed and the filing date of the first application in claiming the right of priority, but wrote in the column for the list of the attached documents, "One copy each of a priority certificate and its translation (to be supplemented later)," and later submitted a written amendment and a priority certificate but received a disposition of refusal of receipt, the court held that the disposition was legal because a claim of the right of priority must be declared clearly in writing as it has a great influence on third parties. Cases under the Trademark Law include: the Tokyo District Court decision on March 6, 1961, Court Decisions in Civil Cases, Vol. 12, No. 3: p. 521 (the court held that a disposition of refusal of receipt was illegal stating that lack of the representative's seal does not constitute a considerable formality violation.); the Tokyo District Court decision on October 15, 1982, Court Decisions in Intangible Property, Vol. 14, No. 3: p. 699 (the Chill-Proof case) (the court held that a disposition of refusal of receipt was illegal because an erroneous description in the column "Designation of the case" in a written amendment is not something that cannot be remedied by amendment.).

A disposition of refusal of receipt presents a problem in various situations, but particularly in the case of an application, the disposition extinguishes the application itself, which is considerably detrimental for the applicant, so most of the conventional court decisions have interpreted the requirements for the disposition of refusal of receipt quite strictly in actuality while recognizing the possibility of the disposition as a generality. Specifically, the disposition is likely to be judged illegal in a case where the influence on third parties is small and amendment is not likely to cause any particular harm, such as an inconsistency in name or address that is apparently an erroneous description, or a case where there was a mistake or negligence by the JPO, and it is judged valid when the influence on third parties is great. Katsuya Tamai, "*Tokkyo Chou Choukan No Fujuri Shobun/Saikou -- Shutsugan Shorui No Fujuri Shobun Wo Chuushin Ni* (Disposition for Refusal of Receipt by the JPO Commissioner/Review -- Centering on a Disposition of Refusal of Receipt concerning the Filing Documents)," Book commemorating the seventieth birthday of Professor Takura: p. 575.

Meanwhile, as the Trademark Law Treaty prohibited an application from being "refused totally or in part by an Office without giving the applicant or the requesting party, as the case may be, an opportunity to make observations on the intended refusal within a reasonable time limit" (Article 14 of the Treaty), the Trademark Law was revised in 1996, and Section 18*bis* was concurrently added to the Patent Law. (The provision in Section 18*bis* of the Patent Law is applied *mutatis mutandis* to

arbitration decision about a non-exclusive license by the JPO Commissioner or the Minister of Economy, Trade and Industry cannot be made a ground for reconsideration of the decision (Sections 91*bis*, 92 (7), and 93 (3) of the Patent Law).

Further, such dispositions made by an examiner or an appeal/trial examiner include disallowance of extension of a time limit (Section 5 of the Patent Law).

As exceptions to the principle of reconsideration before appeal, appeal under the Administrative Appeal Law cannot be made with regard to an examiner's decision, a decision of revocation, an appeal/trial decision, or a decision to dismiss a written opposition, demand for a trial, or demand for a retrial.<sup>2</sup> (Section 195*quater* of the Patent Law). These are either subject to an appeal/trial system or a provision to directly file a suit with the Tokyo High Court. Therefore, even if no appeal can be made based on the Administrative Appeal Law, the interest of the person receiving the disposition is not harmed in practice.

Incidentally, since the *Hantei* is the expression of an advisory opinion by the JPO, which is not an administrative disposition, no appeal can be made under the Administrative Appeal Law and no suit can be filed against it. However, a disposition of refusal of receipt of a written demand for the *Hantei* is a disposition by the JPO Commissioner, so it is handled in the same way as the disposition of refusal of receipt

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Section 77 (2) of the Trademark Law.) According to the provision, an irregular procedure that cannot be amended is dismissed by the JPO Commissioner after notifying the reasons of dismissal designating an adequate time limit and giving an opportunity to submit a statement with explanation. This was a measure to dismiss the matters that had conventionally been subject to a disposition of refusal of receipt by giving an opportunity to state an opinion, in order to rectify administrative dispositions based on the purpose of the Administrative Procedures Law established in 1993 (entered into force on October 1, 1994). There had been no express provisions concerning the disposition of refusal of receipt, but the disposition came to be made based on express provisions with this amendment. At the same time, in the provision in Section 18 of the Patent Law, which set forth that the JPO Commissioner may "invalidate" a procedure when a person who has been invited to make amendment fails to make the amendment or a person fails to pay the annual fees, "invalidate" was changed to "dismiss."

Summarizing the above, when an irregular procedure cannot be amended, the procedure is dismissed after giving an opportunity to submit an explanatory statement (Section 18*bis* of the Patent Law), and when it can be amended, amendment is invited, and the procedure is dismissed if no amendment is made in response (Section 18 of the Patent Law).

<sup>2</sup> An objection to a decision to decline amendment or an examiner's decision is made in a suit against an examiner's decision of refusal, and an objection against an appeal/trial decision or dismissal of a written demand for a trial or a retrial is directly filed with the court (Section 178 (1) of the Patent Law), so appeal cannot be made under the Administrative Appeal Law. The other dispositions against which appeal cannot be made under the Administrative Appeal Law are a decision on an opposition to the grant of a patent (Section 114 (5) of the Patent Law), a decision on a motion for exclusion or challenge of an appeal/trial examiner (Section 143 (3) of the Patent Law), and a decision on a demand to intervene (Section 149 (5) of the Patent Law). This is because there are other practical means to seek remedy by making appeal for these cases.

mentioned above.

## **Section 6 Nature of a Patent Right**

### **Subsection 1 Comparison with an Ownership Right**

A patent right is said to have the nature of a real right similar to an ownership right<sup>1</sup>. This is not wrong, but the patent right only borrows the legal structure of an ownership right. In fact, the subject matter of a patent right, which is an invention (technical idea), is different in nature from the subject matter of an ownership right, which is an object. Also, patent law and ownership law exist for different reasons.

An ownership right is the absolute and dominating title to a thing (Article 206 of the Civil Code), and a thing refers to a corporeal object (Article 85 of the Civil Code). As the subject matter of an ownership right is a corporeal thing, the typical means to restore the status quo in the case of an infringement of an ownership right is to demand recovery (make a demand for return). In other words, the harmonious state of an ownership right is restored by recovering the thing itself.

On the other hand, a patent right is a title to the exclusive working of an invention, which is information (Section 68 and Section 2 (3) of the Patent Law), so the means to restore the status quo in a case of an infringement of a patent right is an injunction against the working. If the infringer's act of working can be stopped, the exclusive state is recovered and the harmonious state of the patent right is restored. The idea of possession does not apply to the subject matter of a patent right, an invention, so unlike in the case of a corporeal thing, the right to demand recovery never presents a problem regarding an invention<sup>2</sup>.

In addition, the following differences are found between an ownership right and a patent right.

While an ownership right stays in effect permanently without a time limit, a patent right has a time limit. In addition, as ownership is a dominating right to control a concrete thing, other people can produce and sell the same thing, in principle, particularly if it is a movable property. Therefore, fundamentally, there is no problem

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<sup>1</sup> Section 100 of the Patent Law stipulates a right to demand abatement of nuisance and a right to demand prevention of nuisance, which is why the patent right is said to have the nature of a real right. No such provision existed under the old Law, but it was considered that those two rights existed due to the reason that the patent right has the nature of a real right. In any case, it is generally considered that the patent right has the nature of a real right.

<sup>2</sup> Regarding this point, see Part I, Chapter 1, Section 4, Subsection 1 "Civil Code."

with an ownership right for a specific thing staying in effect permanently. On the other hand, as a patent right is an exclusive right to production, sales, and the like, it is a right that can stop the working itself of an identical technology by others. Accordingly, permanent continuance of a patent right would greatly affect society, and would run contrary to the interest of society as a whole. For instance, it is apparent that recognition of an exclusive right to an obsolete and universal technology, such as a nail or a screw bolt, is harmful. Also, all inventions are made based on the achievements of their predecessors, so recognition of permanent effectiveness for a patent right would also give a permanent exclusive right to the achievements of the predecessors to a person who happened to make the invention, which is unfair. It is sufficient to allow an exclusive right to the inventor for a period that is enough for recovering the research and development expenses and acquiring reasonable profits. Because of this, the patent law of every nation around the world stipulates a certain time limit without exception.

A patent right and an ownership right are also totally different in how they come into being. While an ownership right originally arises by appropriation, specification, combination, or acquisition by prescription, a patent right arises by a disposition by the JPO.

These differences can be considered to derive from the difference in the reason for existence between the two.

Firstly, unlike an ownership right, a patent right has an extremely strong character as an industrial policy. In other words, the subject matter, the scope of protection, and the term of the patent right is decided by policy-based determination of what kind of system is the most desirable for technological development. Taking a look at the protected subject matter, while an ownership right protects any corporeal things, there is an exceptive provision on the protected subject matter regarding a patent right (Section 32 of the Patent Law). What to exclude depends on the industrial situation at the time, and it is decided on a policy-based determination. For example, if a patent on a chemical substance itself is recognized when the technological level in the chemical industry is still low, the state's chemical industry could be taken over by efficient foreign companies, so the state will only recognize process patents, which have smaller effects. However, if a chemical substance patent is not recognized when the technology has developed to a certain level, the industry will devote itself only to making improvement inventions, and will lose the incentive to make pioneering inventions by investing in basic research. Therefore, the timing for the introduction of the chemical substance patent system is decided by closely watching the situation of the

industry<sup>3</sup>. Such an industrial policy character is not found in an ownership right.

What is more, a patent right has an aspect of a personal right (right of credit). Specifically, an inventor has a right to have his/her name described as the inventor in the filing documents, the certificate of patent, and the patent register (Section 36 (1) (ii) of the Patent Law; Article 4*ter* of the Paris Convention). The personal right aspect of a patent right is far smaller than that of a copyright, but compared to an ownership right, it could be counted as one of the special features of the patent right.

As the above suggests, a patent right has an extremely strong character as an industrial policy, unlike an ownership right. The patent right takes the structure of a real right not from necessity but merely for convenience, so various types of systems can be supposed in theory. For instance, a patent right based on which an injunction could not be demanded, but only compensation for damages, would not be irrational at all<sup>4</sup>. The only question would be whether or not it is appropriate. In this manner, a patent right has a nature that its requirements and effects are decided by policy-based determinations. Because of this strong industrial policy aspect, the patent is often discussed in connection with international trade and is taken up as an important negotiation item in the WTO and other arenas.

## **Subsection 2 Joint Ownership**

The difference between a patent right and an ownership right is most prominently shown by the stipulation on joint ownership and the discussions about its interpretation. The difference between a patent right and an ownership right derives from the fundamental difference in their respective subject matters, an invention (or information) and a corporeal thing, and that is a basic issue in studying intellectual property, including patent rights. The provision on joint ownership of a patent right suggests that the nature of a patent right is different from that of an ownership right. Therefore, the following part examines the joint ownership of a patent right in detail.

The joint ownership of a patent right arises by joint invention, assignment of one's share of the right to obtain a patent or the patent, or inheritance by multiple persons. The provision on co-ownership under the Civil Code is also applied *mutatis*

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<sup>3</sup> Due to such policy-based reason, the chemical substance patent was introduced in Germany in 1986 and in Japan in 1975. The Japanese chemical industry, especially the pharmaceutical industry, started to exert more efforts in basic research after the introduction of this system.

<sup>4</sup> This system is not preposterous, and actually exists under the Copyright Law. The detail of the system is that under the performer's right of lending the neighboring rights, the right to demand an injunction is recognized for a period as provided by Cabinet Order (twelve months), but only a right to demand remuneration is recognized for the forty-nine years after that period (Article 95*bis* (1) through (3) of the Copyright Law).

mutandis to property rights other than the ownership right, unless otherwise provided by law or ordinance (Article 264 of the Civil Code). Therefore, for joint ownership of a patent right, the provisions on joint ownership under the Patent Law are applied first, and when there is no applicable provision under the Patent Law, the Civil Code is applied.

Special provisions that are different from those for an ownership right are established for joint ownership of a patent right as mentioned below.

Firstly, each of the joint owners can, except as otherwise prescribed by contract, work the patented invention unrestrictedly, irrespective of his/her own share of the right (Section 73 (2) of the Patent Law). This greatly differs from the fact that the co-owners of an ownership right can use the subject matter to make profits according to their respective shares of ownership. Since the subject matter of a patent right is an exclusive right, which is intangible property, quantitative limitation cannot be conceptualized regarding its use, so it essentially cannot be used according to one's share and, at the same time, working by one of the joint owners does not obstruct working by another one of the joint owners (non-exclusiveness of information<sup>1</sup>). Therefore, the joint owners are basically considered to be in economic rivalry. The stronger the power of one of the joint owners, the more the other joint owners will be affected economically. As a matter of course, the joint owners may be in a cooperative relationship such as family members or association members in some specific cases, but that is not necessarily the relation required for the joint ownership of a patent right.

Next, none of the joint owners of a patent right can either transfer his/her share or establish a pledge upon it without the consent of all the other joint owners (Section 73 (1) of the Patent Law). While one's share of a co-owned ownership right can be freely transferred, although there are no express provisions for it, transfer of one's share of a patent right is restricted. Since each of the co-owners of an ownership right can use the subject matter according to his/her own share (Article 249 of the Civil Code), the value of the share is basically not affected legally by who the other co-owners are,

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<sup>1</sup> Non-exclusiveness of information is a basic concept in studying intellectual property law. Since information is intangible, it can be used in a superposing manner; it has a nature that can be used concurrently even if another person is using it. Therefore, unless specially provided by law, in principle information cannot be monopolized by possession as in the case of a corporeal thing. This accounts for the distinctive feature of the patent right and other intellectual property rights that is different from the ownership right. With regard to this point, see Nobuhiro Nakayama, "*Jouhou No Ryuutsuu To Chosakuken* (Information Distribution and Copyright)," a book commemorating the seventieth birthday of Professor Honma: p. 210; Nobuhiro Nakayama, "*Zaisanteki Jouhou Ni Okeru Hogo Housei No Genjou To Shourai* (The Current Status and the Future of Protective Law for Information as Property)" (Iwanami Kouza: *Gendai No Hou* (Iwanami lecture: Present Law), Vol. 10, '*Jouhou* (Information)': p. 267.

so there is no need to restrict transfer of the share. However, a joint owner of a patent right can freely work the invention irrespective of his/her share of the right, so he/she is greatly influenced by the financial power and the management power of the other joint owners. In other words, the other joint owners can be his/her rivals, so it would be extremely important who the other joint owners are. The economic value of one's share could considerably vary depending on the other joint owners. Accordingly, the system enables a joint owner to block third parties from entering into the joint ownership without him/her being involved in the entry<sup>2</sup>. This does not apply to general succession; the share of a jointly owned patent can justifiably be succeeded to. Some problems may arise in the case of a corporate merger, but the only reasonable interpretation would be that the share of a jointly owned patent is justifiably succeeded to.

At the same time, a joint owner of a patent right cannot grant an exclusive license or non-exclusive license without the consent of the other joint owners (Section 73 (3) of the Patent Law). This restriction was established because if a third party can come to work the invention without the knowledge of the other joint owners it would harm their interest, similarly to the case of restricting transfer. If one of the joint owners grants a license independently, it could cause the other joint owners similar economic damage as in the case of transfer. In short, the significance of this measure is in eliminating the means for persons other than the joint owners to work the invention without the consent of all the other joint owners.

The question here is the meaning of working by a joint owner. No problem occurs if a joint owner works the invention by himself/herself, but it is uncertain whether working by a subcontractor corresponds to working by the joint owner or whether it requires a license. If it requires a license, the act of subcontracting would be a patent infringement without the consent of the other joint owners. This is an important issue because subcontracting plays a significant role in Japan. Basically, if the situation is such that the subcontractor follows the instructions of the joint owner, delivers all of its products to the joint owner, and attaches the trademark, etc. of the joint owner, the subcontractor can be regarded to be operating subordinate to the joint

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<sup>2</sup> This kind of system is not necessarily common worldwide. For instance, the U.S. case law allows each joint owner to dispose of and license his/her share independently. When conducting joint research with a company of such a country that adopts a different system, one must make thorough coordination by an agreement in advance. Since patent law is a law that has a strong character as an industrial policy, restrictions on joint ownership of patents are also decided in a policy-based manner. For the joint ownership system of each country, see "*Sekai Shuyoukoku Ni Okeru Tokkyo Ken No Kyouyuu Ni Tsuite* (Joint Ownership of Patent Rights in the World's Major Countries)," *Tokkyo Kanri* (Patent Management), Vol. 34, No. 8: p. 1039.

owner, so the working of the invention can be considered as a working by the joint owner<sup>3</sup>.

There is no special provision under the Patent Law with regard to demand for partition, but due to the nature of a patent right being an exclusive right for working an invention, it is not possible to partition the actual right<sup>4</sup>. However, even a jointly-owned patent right is a property right, and it is not something that should be subject to a collective restriction, so it is extremely unreasonable if the joint owners could not break away from the relationship of joint ownership. Therefore, the prevalent theory allows a demand for partition of the right either by dividing the money acquired by selling the right or by having one of the joint owners acquire the right by

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<sup>3</sup> The Akita District Court decision on February 7, 1972, Court Decisions Relating to Intangible Property, Vol. 4, No. 1: p. 19 (the Horseshoe case), ([Annotation] Nobuhiro Nakayama, Jurist, No. 612: p. 110). This was a dispute over whether or not an act of manufacturing by the subcontractor of one of the joint owners of a utility model without the consent of the other joint owners required a license, in a case where the joint owner had created the die, provided technical assistance, given instructions on the materials, quality, and the performance of the manufacturing machine, had the entirety of the products delivered to itself, conducted a thorough inspection of the products, and decided the production volume and the unit price of the product, but the production facility was owned by the subcontractor. The court held that since joint owner and the subcontractor were in a product supply contract relationship including an aspect of a subcontract agreement, the subcontractor should be considered to be working the invention as its own business, so the working of the invention without the consent of the other joint owners infringed the utility model right of the other joint owners. In the Sendai High Court Akita Branch decision on December 19, 1973, Court Decision Journal, No. 753: p. 28 ([Annotation] Yasuo Inoue, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 71; Tatsuji Kishimoto, a book commemorating the seventieth birthday of Professor Umase: p. 627), which was appeal of the above district court decision, the court denied the infringement, judging that the subcontractor had manufactured the product as a part of the organization of the joint owner, and the joint owner had worked the invention on its own account and under its control and management. (The final appeal of this case was dismissed; Supreme Court decision on December 24, 1974, Patent News: p. 4096.) References include Tatsuji Kishimoto, “*Kyouyuusha No Kikan To Shite No Shitauke No Jisshi Ni Tsuite* (Working by a Subcontractor as a Part of the Organization of a Joint Owner),” *Kigyou Hou Kenkyuu* (Study on Business Law), No. 222: p. 30; Tatsuji Kishimoto, “*Kyouyuusha No Kikan To Shite No Jisshi Ni Tsuite* (Working by a Subcontractor as a Part of the Organization of a Joint Owner) (Re-examined),” *Kigyou Hou Kenkyuu*, No. 235: p. 20; Naoto Komuro, “*Kyouyuuken-sha No Jisshi Kouji Ni Tsuite -- Jitsuyou Shinan Ken Shingai Sasidome Seikyuu Jiken Hanrei Yori* (Working by Joint Inventors -- Based on the Court Decisions in Cases Seeking an Injunction Against a Utility Model Infringement),” *Tokkyo Kanri* (Patent Management), Vol. 25, No. 12: p. 1261. Considering the situation of subcontractors in Japan, the decision by the High Court seems to be more appropriate. Similar court decisions include the Supreme Court (in prewar Japan) decision on December 22, 1938, Civil Court Decisions by the Supreme Court, Vol. 17, No. 24: p. 2700 (the Patterned Knitwear case) ([Annotation] Masuji Haya, *Tokkyo Hanrei Hyakusen*, Case 83; Tooru Ariizumi, *Hanrei Minji Hou* (Civil Case Law), 1938, Case 165; Shizuo Tawara, *Journal on Civil and Commercial Law*, Vol. 9, No. 6: p. 1153).

<sup>4</sup> If partition of the actual right is recognized, it would be equivalent to giving rise to two identical patent rights. In theory, it may be possible to divide the right based on the applicable geographical area, divide it according to the mode of the working, or divide it by claim, but it is difficult under the current Law.

paying the other owners the price for the respective shares. This is not considered to cause any particular inconvenience. However, the proviso of Article 256 (1) of the Civil Code is applicable concerning a special agreement on prohibition of partition, so it is possible to conclude an agreement prohibiting partition for five years, and registration can be made to this effect (Section 33 (2) of the Patent Registration Order). The fact that it is possible to register a special agreement prohibiting partition can be viewed as a ground for arguing that partition itself is not prohibited in general.

The next issue is whether or not each of the joint owners can independently demand compensation for unfair profits gained by an infringer or demand abatement of a nuisance.

There should be no problem if a demand for compensation for unfair profits gained by an infringer and a demand for abatement of nuisance can be independently made by each of the joint owners regarding his/her own share<sup>5</sup>. Each of the joint owners can only demand an amount according to his/her own share, and not the entire amount of the damages. The person paying the damages only needs to pay the proportion of the damages corresponding to the claimant's registered share of the right<sup>6</sup>.

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<sup>5</sup> It is clear that a right to demand compensation for damages is a money claim, which is a divisible claim that does not have to be uniformly exercised by all of the joint owners together, and damages can be demanded by each of the joint owners regarding his/her own share alone (the Tokyo District Court, December 22, 1969, Court Decisions Relating to Intangible Property, Vol. 1: p. 396 (the Foldable Table Legs case); the Osaka District Court decision on November 25, 1987, Court Decisions Relating to Intangible Property, Vol. 19, No. 3: p. 434 (the Parquet-Patterned Building Material case)). The Copyright Law provides that each of the joint owners can demand compensation for damages in accordance with his/her own share (Article 117 (1) of the Copyright Law). This provision under the Copyright Law merely confirms what is only a matter of course. With regard to compensation for damages, there is no reason to distinguish between a copyright and a patent right, so the idea under the Copyright Law also applies to the Patent Law. Regardless of whether the infringed matter is a corporeal thing or an invention, the right to demand compensation for damages that arise after the infringement is a money claim having the same nature in both cases, so the two do not have to be distinguished.

<sup>6</sup> There should be relatively little resistance to the point that the claimant can demand compensation for the proportion of damages corresponding to his/her share when the amount of damages is considered to be an amount equivalent to a license fee (When Section 102 (3) of the Patent Law is applied; this provision was established in the Law amended in 1998; hereinafter the same applies to other references to this provision). However, there is a problem when the profits gained by the infringer are considered to be the amount of the damages (when Section 102 (2) of the Patent Law is applied). For instance, when one of the joint owners actually working the invention merely holds a one-percent share, but he/she is the only one working the invention (e.g. when a company has received a one-percent share of an invention from an individual inventor, and is working it), there would be a problem in distributing the damages according to the share. However, there is also resistance to distinguishing between Section 102 (2) and Section 102 (3) of the Patent Law. In any case, this is a difficult problem, which has not been clarified in theory or settled in practice, so it shall not be discussed in detail here. The Osaka District Court decision on November 25, 1987 in note 5 presumed the amount of profits gained by the infringer to be the damages and the proportion of the damages corresponding to the joint owner's (claimant's) share of the right as the amount of

When the share is unknown, with no registration having been made, each of the joint owners is presumed to have an equal share (Article 250 of the Civil Code), so unless otherwise proved, the infringer merely needs to pay an equally divided amount.

Further, while an act of preservation can be conducted independently by each co-owner, a typical act of preservation hardly exists in the case of a patent right, unlike in the case of a corporeal thing. Demand for an appeal/trial may correspond to an act of preservation, but it would not present a problem because there is an express provision that demand for a trial requires a necessary joinder of inherent parties that can only be demanded by all of the joint owners together (Section 132 (3) of the Patent Law). There is an issue of whether one of the joint owners can independently file a suit against an appeal/trial decision as an act of preservation, but this issue has been discussed earlier (Section 4, Subsection 2, Item 2 “Parties Concerned”).

Demand for abatement of a nuisance is more problematic. There are theories stating that each of the joint owners can independently make this demand as an act of preservation<sup>7</sup>. The conclusion that the demand can be made independently is reasonable, but a question remains in its theoretical structure as an act of preservation. Supposing that the demand is an act of preservation, there may be no problem if the plaintiff wins the suit, but if he/she loses, the effect of the court decision would extend to the other joint owners. This result would be unreasonable, because it would be the same as conducting a certain act of disposition. Since each of the joint owners has a right to the entirety of the jointly owned subject matter, it should be interpreted that they justifiably have the right to demand abatement of a nuisance based on the right for their respective shares<sup>8</sup>. In such case, the effect of the court decision would only bind the joint owner who filed the suit, and the other joint owners would still be able to file separate suits. Whether or not it can be considered as an act of preservation should be decided by also taking into account the situation where the plaintiff loses the case<sup>9</sup>. If

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damages suffered by that joint owner. On the other hand, in the Tokyo District Court decision on December 22, 1969, which was a case where products manufactured by one of the joint owners (the plaintiff) had been sold by the other joint owners, the court recognized that the profits of each joint owner are almost the same, so without recognizing the shares of joint ownership, it stated that the presumption under Section 29 (2) of the Utility Model Law (the same as Section 102 (2) of the Patent Law) is that damages are proportionate to the amount of profits made by the respective joint owners.

<sup>7</sup> Mustuishi, *Tokkyo Hou* (Patent Law): p. 352; Hashimoto, *Tokkyo Hou* (Patent Law): p. 177.

<sup>8</sup> It can be considered similar to the demand for abatement of a nuisance based on an ownership right. Junichi Funabashi, *Buken Hou* (Real Right Law) (Yuhikaku, 1960): p. 381; Sakae Wagatsuma, *Bukken Hou* (Real Right Law) (*Minpou Kougi* (Civil Code Lecture) II) (Iwanami Shoten, 1952): p. 216; Ken Kawai, *Chuushaku Minpou* (Annotated Civil Code) (7) (Yuhikaku, 1968): p. 313.

<sup>9</sup> Although it is not related to patents, there are court decisions that have denied demands for

the defendant side wants to settle the case in a single suit without having the other joint owners filing different suits, the defendant can simply give a notice of action (Article 53 of the Code of Civil Procedure).

Some theories take the view that joint ownership of a patent right having the above nature is not co-ownership under the Civil Code, but joint ownership under the Civil Code or having a nature like that<sup>10</sup>, but these theories are incorrect. Such theories are merely founded on the superficial phenomenon that transfer and license are restricted with joint ownership of a patent right, and they overlook the essence of the patent right. Although there is no direct stipulation on joint ownership under the Civil Code, joint ownership is one mode of common ownership where transfer, partition and so forth are subject to collective restriction due to the existence of a joint purpose, such as a partnership asset or inherited property. Joint ownership under the Civil Code is a pre-modern mode of common ownership subject to strong collective restriction, though there is a concept of individual shares of the subject matter. Therefore, if joint ownership of a patent were considered to be the joint ownership under the Civil Code, there would be inconveniences such as not being able to partition the right, so the right would no longer be adequate as an economic good. Joint ownership of a patent right may be restricted in terms of transfer or license, but that is not collective restriction based on a joint purpose among the joint owners, but is, rather, entirely attributed to the peculiarity of intangible property. Co-ownership of an ownership right is also naturally restricted (e.g. restriction on use) when the subject matter is a corporeal thing, but that is only restriction deriving from the nature of the subject matter. The content of restriction differs between joint ownership of a patent and co-ownership of an ownership right only because of the difference in the subject matter. The restriction on transfer or license derives from the peculiarity of the subject matter, and the fact that the appeal/trial requires a necessary joinder of inherent parties is based on the necessity of having uniform intentions for a patent right, and not due to an aspect of joint ownership under the Civil Code. In the first place, a patent can be co-owned without a joint

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cancellation of a miner's right, demand for cancellation of registration of a first mortgage, demand for cancellation of land registration, etc. In the past, there had also been theories suggesting that the demand can be considered as an act of preservation only when the plaintiff wins the suit, but these theories are not supported today.

<sup>10</sup> Monya, *Mutai Zaisan Ken Hou* (Intangible property right law): p. 60 (stating that the nature of joint ownership under the Civil Code is strong); Morioka, *Kougyou Shoyuiken Hou* (Industrial property law): p. 50 (stating that it is co-ownership having an aspect of joint ownership under the Civil Code); Mitsubishi, *Tokkyo Hou* (Patent Law): p. 347. Meanwhile, Oda/Ishikawa, *Shin Tokkyo Hou* (New Patent Law): p. 304 states that it is quite close to joint ownership under the Civil Code, but that aspect mainly derives from the peculiarity of intangible property.

purpose or a trustful human relationship. The joint owners may establish a joint purpose in some cases, but that is not a requirement for establishment of joint ownership of a patent right. Some theories try to explain the peculiarity of joint ownership of a patent right as a consequence of it being joint ownership under the Civil Code, but that is not sufficient to explain the peculiarity of joint ownership of a patent. As is clear from the above, it is unnecessary and harmful to expound that joint ownership of a patent right has the nature of joint ownership under the Civil Code<sup>11</sup>.

## **Section 7 Effects of a Patent Right**

### **Subsection 1 Active Effect and Passive Effect**

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<sup>11</sup> The court stated that although joint ownership of a patent right (utility model right) is subject to restrictions similar to that on joint ownership under the Civil Code, the nature of the joint ownership of a patent is not that of joint ownership under the Civil Code, but is that of co-ownership under the Civil Code, in the Tokyo High Court decision on April 24, 1975, Court Decisions Relating to Intangible Property, Vol. 7, No. 1: p. 97 (the Bulky Knit Fabric case). (This is a case where the court held that a suit against an appeal/trial decision can be made independently by one of the joint owners.) Similarly, the court stated that the nature of joint ownership of a patent right is that of co-ownership under the Civil Code, in the Tokyo High Court decision on January 27, 1994, Court Decision Journal, No. 1502: p. 137. (This is also a case where the court recognized one of the joint owners as being eligible to file a suit against an appeal/trial decision. This point has been rejected in the Supreme Court decision on March 7, 1995, but the Supreme Court decision did not refer to the nature of a patent right.) Incidentally, the argument over the joint ownership of a patent and the joint ownership under the Civil Code is only intended for theoretically comprehending the patent right. In settling an actual problem (e.g. settling the problem of whether or not one of the joint owners can file a suit against an appeal/trial decision), the conclusion should not be directly derived from the theories over the joint ownership of a patent/joint ownership under the Civil Code, but should be determined based on various factors. (For details, see Nobuhiro Nakayama, “*Tokkyo Wo Ukeru Kenri No Kyouyuusha No Hitori Ni Yoru Shinketsu Torikeshi Soshou No Tekikakusei* (Eligibility of One of the Joint Owners of the Right to Obtain a Patent to File a Suit Against an Appeal/Trial Decision),” a book commemorating the seventieth birthday of Professor Takura: p. 551.)

A patent right has an active effect and a passive effect. The former refers to the effect that the patentee can exclusively work the invention, and its extent is called the scope of effect. Meanwhile, the latter refers to the effect that the patentee can abate the working of the invention by others, and its extent is called the scope of protection. The scopes of the two effects differ in the case of a trademark right, so the distinction between the two has an important meaning, but they are basically the same under the Patent Law, so the distinction is not considered to be important<sup>1</sup>. Scope-related issues are mostly issues of the passive effects discussed in infringement cases, so they shall be described later in the part about infringements.

Looking at laws comparatively, the effect of the patent right is stipulated in law either in the form of an active effect or a negative effect. The current Japanese law formally stipulates it as an active effect, stating that the patentee shall “have an exclusive right to commercially work the patented invention” (Section 68 of the Patent Law). On the other hand, the Japanese Patent Bylaws of 1888 had stipulated the effect as a right of prohibition (Section 1 (2)), while it is also stipulated as a right of prohibition under the U.S. Patent Act<sup>2</sup> (Section 154 of the U.S. Patent Act).

The content of the effects of a patent right should be decided by industrial policy-based determination in nature, but under the current Law it is stipulated as an

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<sup>1</sup> The term “technical scope” is used in Section 70 of the current Patent Law, but its meaning is not clearly defined. The technical scope is considered to refer to the technical idea materialized by the description of the claims, but it is also often interpreted to be the same as the scope of the right. (However, the technical scope and the scope of the right differ when there is a prior user’s right. It may be possible to say that the scope of the right is not reduced by the existence of a prior user’s right, because a prior user’s right is stipulated as a non-exclusive right under the current Law, but in practice, the scope is reduced). It is also sometimes regarded to be the same as the scope of protection, but the relation between the two is not quite clear. Under the Patent Law, an indirect infringement (an act deemed to be an infringement; Section 101 of the Patent Law) refers to the infringement of the part of the technical idea outside the scope of the technical idea materialized by the claims so, at least in that sense, the technical scope and the scope of protection do not coincide with each other. Incidentally, the Patent Law stipulates as an exception that the effects of a patent right of which the term has been extended do not extend to acts other than the working of the subject of the disposition that served as the ground for the registration of the extension (Section 68*bis* of the Patent Law), so the technical scope described in the claims and the scope of protection are different in that case.

<sup>2</sup> There has long been a dispute over whether a patent right is a right of monopoly or a right of exclusion. The subject matter of a patent right is technical information, and considering the nature of information, it should be enough to deem that the essence of a patent right is basically a right of exclusion. However, this dispute does not seem to be so useful. If it is a right of monopoly, it would also have an effect of exclusion, and if it is a right of exclusion, it tends to be a right of monopoly at the same time. This issue seems to be often discussed in relation to double patenting and to a non-voluntary license pertaining to use prior to demanding an invalidation trial (*chuuyouken*), but the conclusion should be determined for each point of issue rather than drawing an inescapable conclusion from the various theories.

exclusive right to commercially work the invention. In addition, restrictive provisions are established concerning the effects of a patent right in the form of exceptions to the exclusive right, due to various reasons. The following part shall study the effects of a patent right.

## **Subsection 2 Commercial Working of the Invention**

### **Item 1 “Commercial”**

The scope of the effect of a patent right is restricted to “commercial working” of the invention. Such restriction had not been established under the old Law, so in theory the effect had also extended to personal and home working of the invention<sup>1</sup>. However, a revision was made in the current Law. The purpose of the Patent Law is “to contribute to the development of industry” (Section 1 of the Patent Law). Therefore, according to this purpose, it is sufficient to only regulate commercial working<sup>2</sup>.

While there are various theories concerning interpretation of “commercial” in this context<sup>3</sup>, judging from the purpose of the Patent Law, which is to contribute to

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<sup>1</sup> The restriction of “commercial” working had been established in the old Utility Model Law and the old Design Law, but not in the old Patent Law. However, a patent right is an exclusive right to a technical idea, which has the nature of regulating others’ acts of putting the idea into practice. Thus, it is an extremely powerful right. Accordingly, the scope of the effect should not be expanded without cause, and it is sufficient to recognize the exclusive right to be within the scope necessary for the purpose of the law. Because of this, the restriction of “commercial” working was established under the current Law. Although the effects of a patent had theoretically extended beyond commercial working under the old Patent Law, there seem to be no court cases in which that point was disputed in actuality.

<sup>2</sup> At least until recently, non-commercial working of inventions had not presented much problem. Since working of an invention requires a certain level of expertise, experience, and funds, non-commercial working (e.g. manufacture for one’s enjoyment) could hardly ever harm the interest of the patentee. However, with the increase of software-related inventions in recent years, production (reproduction, to be precise) of patented inventions for home or personal use suddenly increased, and the situation could greatly affect the economic interest of the patentee if no measure is taken. At the moment, it is quite unlikely that the requirement of “commercial working” would be reviewed in the area of the Patent Law, but since personal reproduction has become extremely easy due to the progress of digital technology, there is a great debate over review of the provision concerning reproduction for private use (Article 30 of the Copyright Law) in the area of the Copyright Law.

<sup>3</sup> The majority theory is to interpret that commercial working refers to working other than personal and home working of the invention (Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 208, etc.). Some of the other theories define it as “repeated and continuous working in business not limited to cases intended for profit making” (Monya, *Mutai Zaisanken Hou* (Intangible Property Law): p. 133); “working with the purpose of directly or indirectly meeting the demand or convenience of the general public” (Oda/Ishikawa, *Shin Tokkyo Hou* (New Patent Law): p. 272); “working where the working of the patented invention is the purpose of business” (Kaneko/Someno, *Tokkyo Shouhou* (Patents and Trademarks): p. 102); or “an economic activity conducted with a continuous intention” (Takino, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 60).

industrial development, this requirement should be considered to merely exclude personal and home working of the invention. As long as it is worked as part of an economic activity, it can be considered as commercial working even if it was not directly intended for gaining profits, and even the working of an invention in public works, medical services and law practices that are not profit making-businesses can also be regarded as commercial working. However, the issue of whether or not an act corresponds to commercial working has hardly ever been disputed in a court case, so it is considered to be a requirement of low importance in practice. In other words, most of the disputed cases are related to commercial working, and a claim that an act does not correspond to commercial working has hardly ever been made, at least so far<sup>4</sup>.

## **Item 2 Working**

### **1. Significance of Defining “Working”**

There is no need to prescribe a definition of use in the case of an ownership right, which is a title to the use, profits, and disposition of a (corporeal) thing (Article 206 of the Civil Code does not give a definition of use). This is because a thing must always be possessed in order to be used, and the mode of use does not go beyond the bounds of common sense.

On the other hand, the content of a patent right, which is a right of exclusive working of an intangible technical idea, an invention, is not quite clear. The scope of working of the invention, which corresponds to use in the case of a corporeal thing,

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However, first of all, the requirements of repetition and continuation are not necessary. An invention could be worked only once in the case of civil engineering work, or the product could be imported only once for a business purpose. It is unreasonable to consider that an act conducted as a business activity does not constitute a patent infringement, as long as it is only worked once. Secondly, the requirement of working for the general public is not necessary either, because there are business activities that only target a small number of specific users. Thirdly, the requirement that the working of the patented invention is the purpose of business is also unreasonable. The working of an invention by a company for the welfare of the employees or for goods to be distributed to the shareholders or customers must also be considered to be an infringement. In sum, the requirement of “commercial” should be considered to have been established to exclude working in the area outside industry, since the purpose of the Patent Law is industrial development. If so, the majority theory should be regarded as appropriate. Nevertheless, as mentioned in note 2, it is becoming difficult to draw a clear line between commercial working and personal working today. Therefore, it is expected to become more difficult in the future to achieve balance between the interest of the patentee (or, even technological development) and the harm caused by restricting the acts of others.

<sup>4</sup> As mentioned in the part about the subject matter of the right, technologies relating to computer software tend to be patented, and medium claims are coming to be recognized nowadays. With diffusion of computer networks, such software is likely to be distributed and used via telecommunications more frequently in the future. Therefore, a situation can be foreseen where it would be difficult to determine whether or not such use corresponds to a commercial working.

cannot be demarcated by the concept of possession, and the mode of working is not always singular. For instance, it is not clear whether or not an act of distributing a catalog in order to sell an infringing product is illegal until some legislation is enacted. Unless this point were made clear, third parties would not be able to distinguish between legal and illegal working. Therefore, the Patent Law prescribes definitions of “working” in order to clarify the scope of effect of the right (Section 2 (3) of the Patent Law).

## 2. Working of an Invention of a Product

In the case of an invention of a product, working is defined as acts of manufacturing, using, assigning, leasing, importing or offering for assignment or lease (including displaying for the purpose of assignment or lease) of the product (Section 2 (3) (i) of the Patent Law).

“Manufacturing” refers to the act of making the product, and covers not only the manufacture of industrial products, but also assembly, construction, forming, and plant cultivation. The combining of parts also corresponds to manufacturing. Also, modification (repairing) or remodeling of an important part is also considered to correspond to manufacturing<sup>1</sup>.

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<sup>1</sup> No one disputes this point, but in actuality, it is difficult to determine how much a product must be modified or remodeled in order to correspond to “manufacturing” (For details, see Yoshifuji, *Tokkyo Hou* (Patent Law): pp. 443 ff.) While purchasers of machines, etc. commonly use the products by modifying or remodeling them to some extent, it is not legally reasonable to interpret that even such acts correspond to “manufacturing.” In the Osaka District Court decision on April 24, 1989, Court Decisions Relating to Intangible Property, Vol. 21, No. 1: p. 279 (the Sand-Making Machine Hammer case) ([Annotation] Kazuko Matsuo, Jurist, No. 957: p. 248; Kazuko Matsuo, Court Decision Journal, No. 1330: p. 219; Hideo Kuroda, *Tokkyo Kanri* (Patent Management), Vol. 40, No. 6: p. 715; Masayoshi Tsunoda, Hatsumei (Invention), Vol. 87, No. 9: p. 96), which is a case about an indirect infringement, the court stated as follows: “When the purchaser becomes unable to recover the remuneration paid to the utility model owner as had been planned because of a breakdown of the purchased machine or device before attaining the planned objective of use, and replaces the broken part of the above machine or device to restore its function, the act can be considered to be within the scope of an act of recovering the paid remuneration, so it is admissible as a repairing act. However, if the purchaser uses the machine or device by newly replacing the parts after attaining the objective of use planned at the time of purchase, and after recovering the remuneration paid to the utility model owner as had been planned, the act should not be justifiably admitted, because the purchaser will newly use the device beyond the remuneration paid to the utility model owner as a result of the replacement of parts. This is because the purchaser’s use of a device beyond the remuneration paid to the utility model owner is considered to harm the exclusive interest that should be secured for the utility model owner. ... Replacement of parts cannot be regarded as a mere repairing act, if it results in a use of the device exceeding the remuneration paid to the utility model owner, but it should be considered to correspond to “manufacturing” as in the above legal provision (Section 28 of the Utility Model Law; although the term *seizou* (manufacturing) is used under the Utility Model Law in relation to the protected subject matter (Section 2 (3) of the Utility Model Law), the term *seisan* (manufacturing) is used under the Patent

“Using” should be considered to refer to using the product relating to the patented invention by a method of attaining the purpose of the invention. This is because there is no reason to consider that use in a mode that is unrelated to the purpose of the invention is illegal from the standpoint of the purpose of the Patent Law, which is industrial development. For instance, when the subject matter of a patent is a car, the use of it in an avant-garde flower arrangement does not correspond to a “use” of the invention. In addition, use of a product manufactured by using the product relating to the patented invention does not correspond to working of the invention. Mere possession does not correspond to “use” either, even if it was possessed with an intention to use it<sup>2</sup>.

“Assigning” refers to transfer of the ownership right to the patented product, either for value or free of charge. Even an act that legally corresponds to a contract for work can be an “assignment” if the product is manufactured and delivered for value<sup>3</sup>.

“Leasing” means to lend, and similar to the case of assignment, it does not matter whether the product is lent for value or free of charge. However, many of the cases where a product is lent free of charge are considered not to be commercial leasing.

“Offering for assignment or lease” includes display, distribution of catalogs and pamphlets, and solicitation to that end. The provision only covered such “display” before the 1994 amendment, but since “offering for sale” was stipulated as part of the exclusive right in Article 28 of the WTO’s TRIPs Agreement, the provision was changed to use the term “offering.” The “display” before the amendment can be considered to be included in the “offering” after the amendment, but it was clearly

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Law [note by the author].” There is also a court decision in which the court held that when a defective product has been given to a third party for the purpose of disposal, an act of re-selling the reconditioned product corresponds to an infringement (the Osaka District Court decision on February 29, 1996, Court Decision Journal, No. 1573: p. 113 (the Gas Sensor case)). As disposable products such as disposable cameras are increasing recently, the illegality of an act of re-filling the film in a used product and selling it is presenting a problem. It depends on the purpose of the disposable product (e.g. whether its disposability is intended for safety as in the case of medical equipment, or is intended for simplification and reduction of cost as in the case of a camera) and on what patents are used for which parts but in general, it could constitute an infringement as exceeding the above-mentioned concept of repair. (The question of whether it violates the Trademark Law or the Unfair Competition Prevention Law is a separate issue.) However, if this is interpreted too strictly, it will be extremely difficult to sell or buy second-hand products involving patent rights (e.g. a second-hand car). It could also involve a problem relating to antitrust law. Therefore, careful determination must be made in individual cases.

<sup>2</sup> It is clear from the stipulations that mere possession is not included in the concept of working, but it should be noted that a court could order a halt to possession if it was likely to infringe the right (Section 100 (1) of the Patent Law). Such possibility of infringement is particularly likely to be recognized when a person possesses the product with an apparent intention to sell it.

<sup>3</sup> The following is a case relating to a design right: the Tokyo District Court decision on August 31, 1965, The Law Times Report, No. 185: p. 213 (the Revolving Book-Displaying Instrument case).

defined in brackets to make sure. The scope of working expanded slightly with this amendment.

“Importing” refers to an act of carrying overseas goods into Japan. Goods that are in a bonded area are regarded as not being imported yet. Meanwhile, Article 21 (1) (5) of the Customs Tariff Law mentions goods that infringe patent rights, utility model rights, design rights, trademark rights, copyrights, neighboring rights, and rights to layout-designs of integrated circuits as goods prohibited from being imported, which are subject to confiscation and disposal or a reshipment order by the customs director (Article 21 (2)). Once the goods are imported into Japan, it is often difficult to seize them in practice, so this disposition under the Customs Tariff Law has an important meaning<sup>4</sup>. It is clear from the stipulations that importing corresponds to working of the invention. However, in relation to establishment of an arbitrary license when the invention had not been worked for a certain period, some theories state that mere importing alone is not adequate working. This point shall be discussed later.

The greatest issue regarding importing is parallel imports. The issue shall be described in detail in the part about “Exhaustion of Right” in Section 8, Subsection 2, Item 6.

Exporting does not correspond to working. Since the patent right is only effective inside Japan and not overseas, the effects of the patent right do not extend to exporting. However, since manufacturing, sale, or assignment usually takes place before exporting, it is not such a problem even if the exporting itself could not be stopped. However, if a person having the title to manufacture and sell the product in Japan (e.g. a licensee) exports the product, the exporting cannot be stopped as the act is not stipulated as an act of working the invention<sup>5</sup>. In order to prevent such exporting by a person having the right to work the patent, the matter must be dealt with beforehand by an agreement. It is a different issue that conclusion of an agreement prohibiting exporting upon grant of a license sometimes presents problems relating to antitrust law, although it is valid as a general point.

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<sup>4</sup> Such customs measures are extremely important for securing the effectiveness of intellectual property rights, and they are also obligated on an international basis under the WTO's TRIPs Agreement (entered into force in January 1995). In Japan, the Customs Tariff Law was amended (it was amended in 1994 and went into force in January 1995) to establish procedural provisions including the system for the right holder to plead stoppage of the importation.

<sup>5</sup> In the following case, the court held that when no agreement on exporting had been made upon granting a non-exclusive license for a patent right, the patentee cannot stop the licensee's act of exporting: the Tokyo District Court decision on May 18, 1963, Civil Court Decisions by Lower Courts, Vol. 14, No. 5: p. 979 (the Laundry Method Utilizing Swelling Pressure case) ([Annotation] Daijirou Nagata, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 72).

### **3. Working of an Invention of a Process**

With regard to an invention of a process, only the acts of using the process are stipulated as working of the invention (Section 2 (3) (ii) of the Patent Law). Similarly to the case of an invention of a product, only such use of the process for attaining the original purpose of the invention of the process corresponds to working. Since an invention of a process does not involve products, troublesome problems do not occur so often.

### **4. Working of an Invention of a Process of Manufacturing a Product**

An invention of a process of manufacturing a product has the nature of both an invention of a product and an invention of a process. Its working not only includes the acts of using the process, but also the acts of using, assigning, leasing, importing or offering for assignment or lease (including displaying for the purpose of assignment or lease) of the product manufactured by the process (the manufactured product) (Section 2 (3) (iii) of the Patent Law).

In this case, there is an issue of whether use of the manufactured product is limited to use of the direct product manufactured by the claimed process or whether it covers use of the final product (secondary/tertiary product, etc.). This issue becomes a problem mostly in the case of a chemical substance. In other cases, the direct product is often used in the final product just as it is, so there is hardly a problem in the effect of the patent for the process of manufacturing the direct product extending to the final product. It should be considered that the effect of the patent extends to the final product also in the case of a chemical substance, in principle, but delicate problems could arise in some specific cases. When a patent right has been granted to the process of manufacturing an intermediate product, there are cases where the intermediate product is manufactured first and then it is reprocessed into the final product, and cases where the intermediate product is presumed to be manufactured within a series of chemical reactions. While use of the intermediate product itself is clear in the former case, it is difficult to tell in the latter case<sup>1</sup>.

### **Subsection 3 Restriction on Effects of a Patent Right**

A patent right, which is an exclusive right to commercially work the invention, has powerful effects that can stop others from working the invention, unlike the effects

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<sup>1</sup> For detailed discussions, see Yoshifuji, *Tokkyo Hou* (Patent Law): p. 447.

of an ownership right. Therefore, unless considerable restrictions are imposed on its effects, it could have a negative rather than a positive influence on industrial development. Accordingly, the Patent Law imposes various restrictions on the effects of a patent right. These restrictions are based on industrial policy reasons, public interest reasons, or the principle of equity.

### **Item 1 Restrictions Pertaining to the Limits of the Scope of Right**

These restrictions limit the effects of a patent right with regard to specific products or acts, irrespective of who conducts the acts. In that sense, they are considered to indicate the limits of the scope of right.

#### **1. Working for the Purposes of Experiment or Research (Section 69 (1) of the Patent Law)**

The purpose of the Patent Law is industrial development, and as the means to attain this purpose it grants an exclusive right in return for having the inventor publish the invention. The purpose of having the invention published is to raise the technological level of society in general, but it would not make a great contribution to that end if third parties could only read through the specification. It is necessary to allow additional experiments by third parties for the purpose of learning the content of the patented invention. Such additional experiments may also give rise to inventions of improvements. To put it strongly, one of the greatest objectives of the Patent Law is to promote inventions of improvements. Since existence of a basic patent deprives the means to work inventions using the same principle, it also has an effect to promote inventions of completely different principles, so inventions of improvements are not the only purpose of the Patent Law. Nonetheless, it is one of the greatest objectives of the Patent Law without doubt<sup>1</sup>. As long as the product that resulted from such

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<sup>1</sup> In recent years, social criticism has been rising against imitation, and Japan has been criticized for this and has been trying to remedy the situation of free-riding on overseas basic research. There are no objections to the fact that Japan should make efforts to advance basic research and obtain pioneering patents, but it is not appropriate to overlook patents on improvements. It goes without saying that basic inventions are important, but basic inventions are often not enough to create actual products. It should not be forgotten that many inventions of improvements and peripheral inventions are required to create actual products. Products meeting the needs of society are often developed through the existence of many improvement patents surrounding a basic patent, so the Patent Law has a function to also promote inventions required for realizing actual products besides basic inventions. The important thing is that basic and applied technologies should develop in a balanced manner. Such basic recognition would be helpful for interpretations of many aspects of the Patent Law, including the interpretation of the scope of right based on the doctrine of equivalents.

experiments (a patent infringing product) does not go on the market, the patentee would not receive direct damage either<sup>2</sup>. Accordingly, the Patent Law stipulates that the effects of a patent right do not extend to working of the invention for the purposes of experiment or research.

Since the stipulation that the effects of a patent right shall not extend to the working for the purposes of experiment or research was established based on the above reasons, the effects would extend to the working outside those purposes even if the invention was worked under the name of experiment or research. For instance, the effects are considered to extend to acts including experimental working for the purpose of market research for selling products or a working for the purpose of stocking data to prepare for the termination of the patent term<sup>3</sup>. Such acts of working are not intended

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<sup>2</sup> Indeed, the patentee could receive an economical disadvantage of not being able to sell the product well due to development and sale of better products that resulted from inventions of improvements. However, in many cases, it would be an invention utilizing the original patent, in which case the original patentee would have some control over it and could gain benefits by cross licensing. Even if not, it is still important to promote inventions of improvements for industrial development, so although some economic loss may practically be incurred on the patentee's part, it cannot be helped.

<sup>3</sup> A pharmaceutical or agricultural chemical cannot be manufactured or sold without the authorization of the Ministry of Health, Labor and Welfare or the Ministry of Agriculture, Forestry and Fisheries, and an enormous amount of experimental data must be submitted to receive that authorization. In order for a third party to immediately start selling a product after the termination of the patent term, the party must conduct experiments and acquire the governmental authorization before the termination of the term. However, an act of working for such a purpose is only preparation for acquiring profits by working the same invention immediately after the termination of the patent term, and not for making new inventions of improvements through experiment. Therefore, such working should be considered not to correspond to the working intended by Section 58 (1) of the Patent Law. The following is a court decision setting forth a similar opinion: the Tokyo District Court decision on July 10, 1987, Court Decisions Relating to Intangible Property, Vol. 19, No. 2: p. 231 (the Herbicide case). ([Annotation] Kazuo Morioka, Court Decision Journal, No. 1260: p. 197; Tatsuki Shibuya, *Hatsumeji* (Invention), Vol. 85, No. 3: p. 94; Hiroaki Niki, a book commemorating the eightieth birthday of Professor Uchida: p. 261; Hiroshi Furusawa, *Tokkyo Kanri* (Patent Management), Vol. 38, No. 8: p. 1061). However, there are many cases where the determination is difficult. Even though the conclusion that an experiment solely for the purpose of sale does not correspond to an experiment under Section 69 of the Patent Law; that is, the effects of the patent extend to such an experiment, it may be appropriate considering the legal purpose of Section 69, and some sort of improvements are often made in actual experiments for clinical research (see Osamu Kusama, *Chizai Kanri* (Intellectual Property Management), Vol. 47, No. 2: p. 209; The above-mentioned Tokyo District Court decision in 1987 was a case where the beneficial effects of the agricultural chemical were already known overseas, and the experiment was conducted solely for obtaining the authorization of the Ministry of Agriculture, Forestry and Fisheries.) For example, there is a question of whether or not it is legal to conduct experiments for the clinical research of a pharmaceutical relating to a basic patent, which is intended for improving the dosage form, dosage method and amount of dosage. This question needs to be determined in the end based on whether or not the working was conducted to make a new creation by comprehensively judging the value of the patent and the value, significance, etc. of the invention of improvement. Ultimately, it would be a determination on whether the working could bring about technological progress but, specifically, it would be a determination on whether the experiment was aimed at improving the

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basic patented invention (often a new substance such as a new active ingredient in the case of a pharmaceutical product) or the experiment was related to the invention without being directly linked with improvement of the basic patented invention (Naoto Shimizu, “*Iryouhin No Rinshou Shiken To Tokyo Hou 69 Jou Ni Kitei Sareru ‘Shiken Mataha Kenkyuu’ Tono Kankei* (Relation Between a Clinical Experiment of a Pharmaceutical Product and ‘Experiment or Research’ Stipulated in Section 69 of the Patent Law),” *Chizai Kanri*, Vol. 46, No. 1: pp. 23 et seq.). When a patent has already been granted to an invention of an improvement of a basic patented invention, an experiment for making that improvement would be presumed to be an act of working for the purpose of making a new creation in effect.

A problem with making illegal the act of conducting an experiment for a clinical purpose during the term of the patent with the purpose of receiving the authorization of the Ministry of Health, Labor and Welfare to start manufacturing and selling the product upon termination of the patent term is that prohibition of such working would disable a third party from working the invention immediately after the termination of the patent term, and practically cause an effect similar to extending the term of the patent. On the other hand, the situation of the patentee can be considered to be balanced with that of a third party, because the patentee often cannot work the invention for a considerable time after obtaining the patent due to the need to acquire governmental authorization for the manufacture and sale of the product. The introduction of the system to extend the term of a patent right up to five years (Section 67 (2) and Sections 87*bis* through 87*quater* of the Patent Law) upon the 1987 amendment of the Patent Law remedied a large part of the disadvantages on the patentee’s side, but this measure may still be insufficient for the patentee in practice. Partly in relation to the revision of drug prices, the importance of pharmaceuticals for which the patent term has expired has grown, and disputes over the legality of clinical experiments have been rapidly increasing in recent years. Cases related to this issue involve various points of dispute. First is the question of whether the act of experiment in question was a mere experiment on bioequivalence, or whether it also intended improvement of the dosage form or dosage method. In addition, it also often involves the question of interpretation of Section 5 (2) of the Supplementary Provisions in changing the term of the patent. (The term of fifteen years from the publication of the examined application was changed to twenty years from the filing date by the Patent Law amended by Law No. 116 of 1994. This issue is transitional and will extinguish soon.) Section 5 (2) of the Supplementary Provisions grants a statutory non-exclusive license to a person who is preparing for a business of working the invention regarding a patent for which the term has been extended, but if the person has already been working the invention, the license is not recognized because he/she is conducting an illegal act (JPO, *Heisei 6 Nen Kaisei Kougyou Shoyuukun Hou No Kaisetsu* (Explanation of Industrial Property Law Revised in 1994): p. 236). On that assumption, if a clinical experiment were interpreted not to be an experiment under Section 69 (1) of the Patent Law, but an act of working itself, the license under Section 5 (2) of the Supplementary Provisions would not be recognized as it is not a preparation but a working, but if the clinical experiment were a preparation, the license could be recognized depending on the extent of its nature as a preparation. There are also many cases where the issue of whether stoppage and compensation can be demanded during a certain period after the termination of the patent term is disputed (a claim that because clinical experimentation during the patent term is illegal, the act of working during a certain period after the termination of the patent term would also be illegal). Roughly dividing cases related to this, the cases where the working was judged legal as corresponding to an experiment under Section 69 (1) include: the Tokyo District Court decision on July 18, 1997, Court Decision Journal, No. 1616: p. 34 (the Carbostyryl Derivative case); the Tokyo District Court, August 29, 1997, Court Decision Journal, No. 1616: p. 34 (the Aciclovir case). The cases where the working was judged illegal as not corresponding to an experiment under Section 69 (1) include: the Nagoya High Court Kanazawa Branch decision on March 18, 1996, Court Decision Journal, No. 1559: p. 134 (the Tiapride Hydrochloride case) ([Annotation] Osamu Kusama, *Chizai Kanri*, Vol. 47, No. 2: p. 209); the Osaka District Court decision on February 7, 1997, Court Decision Journal, No. 1614: p. 124 (the New Substituted Quinolinecarboxylic Acid case; the court stated that although an experiment on bioequivalence does not correspond to an experiment under Section 69 (1) of the Patent Law, if it

for technological progress, but only for profit. Therefore, such experiments would not contribute to industrial development as intended by the Patent Law. Even if an act corresponds to working for the purposes of experiment or research, it would be an infringement to sell the resulting product in a mode that infringes the patent right<sup>4</sup>.

## **2. Means of Transportation Merely Passing Through Japan (Section 69 (2) (i) of the Patent Law)**

The effects of a patent right do not extend to vessels or aircraft merely passing through Japan or machines, instruments, equipment or other accessories used in them, even if the invention was worked in Japan in such a manner as to infringe the patent right. A means of transportation merely passing through Japan causes only slight damage to the patentee for it leaves Japan in a short time even if the working infringed the patent right, and this provision was established because stoppage of the working could cause an extremely serious obstruction to the international transportation system.

This is the national legislation of the provisions in Article 5<sup>ter</sup> of the Paris Convention. The Paris Convention also provides for land vehicles, but they are not included in the provision under the Japanese Patent Law. It is considered to be based on the assumption that no land vehicles will come to Japan from overseas only for the

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was produced in an extremely small amount for a trial purpose, it would lack illegality in effect, and would correspond to preparation under Section 5 (2) of the Supplementary Provisions). Court decisions on this issue are expected to increase rapidly in the future.

Incidentally, Section 69 (1) of the Patent Law does not have an express provision to limit the experiments to only those for the purpose of technological development. Based on the purpose of the system, experimentation for trying out whether the patent actually has the effect as described in the specification and experiment in the case of demanding a trial for invalidation should also be considered to be legal (See the article by Keiko Someno in note 4).

<sup>4</sup> Keiko Someno, “*Shiken/Kenkyuu Ni Okeru Tokkyo Hatsumei No Jisshi (Working of a Patented Invention in Experiment/Research) (I) (ii)*,” AIPPI, Vol. 33, No. 3: p. 2/No. 4: p. 2 is particularly outstanding as a study on this issue. It mentions investigation of the patentability, investigation of the functions, and experiment for the purposes of improvement/development as legal acts of working the invention. Other studies include: Hiroaki Niki, “*Iyakuhin No Tokkyoken Sonzoku Kikanchoo Ni Okonawareta Kouhatsu Iyakuhin Ni Tsuite No Seizou Shounin Shinsei Koui To Tokkyoken Shingai (Relation Between an Act of Applying for the Authorization to Manufacture a Generic Pharmaceutical Product During the Patent Term of a Pharmaceutical Product and a Patent Infringement) (1) (2) (3)*,” Patent, Vol. 50, No. 11: p. 17/Vol. 51, No. 1: p. 49/Vol. 51, No. 2: p. 15; Yukio Shimizu/Yoshiyuki Tsujida, “*Tokkyo Hou 69 Jou 1 Kou Ni Okeru ‘Shiken Mataha Kenkyuu’ No Rironteki Konkyo To Chosakuken Hou (Theoretical ground of ‘Experiment or Research’ in Section 69 (1) of the Patent Law and the Copyright Law)*,” a book commemorating the seventieth birthday of Professor Takura: p. 141. Studies focusing on the U.S. system includes: Ryouko Iseki, “*Shiken/Kenkyuu Toshite No Tokkyo Hatsumei No Jisshi -- Gasshuukoku No Baai (Working of a Patented Invention as Experiment/Research -- in the Case of the United States)*,” Doushisha Hougaku, Vol. 44, No. 5: p. 43.

purpose of passing through, as Japan is surrounded by sea. Nevertheless, if a land vehicle (e.g. automobile) did pass through Japan, the provision of the Paris Convention would be directly applied. The working would not be commercial in most cases where an automobile passes through, but vehicles like a bus could be driven commercially.

With regard to international aviation, Article 27 of the Convention on International Civil Aviation provides that seizure, etc. by reason of a patent, etc. is not allowed.

### **3. Products Existing in Japan Prior to the Filing of the Patent Application (Section 69 (2) (ii) of the Patent Law)**

The effects of a patent right do not extend to products existing in Japan prior to the filing of the patent application. This is a provision with a similar purpose as the provision on the prior user's right in Section 79 of the Patent Law. However, while the prior user's right takes the form of a non-exclusive license, this provision protects products that had actually existed at the time of the filing by excluding them from the scope of effects of the patent right. Therefore, if the product is destroyed this provision becomes no longer applicable, and if the same product is made again, it would be a patent infringement.

Although there is no provision on products manufactured by using products that had existed in Japan prior to the filing, the effects of the patent right should not extend to them either<sup>1</sup>.

### **4. Acts of Mixing Two or More Medicines (Section 69 (3) of the Patent Law)**

With the 1975 amendment, patents came to be granted also for medicines, which had not been subject to patents. However, if the effects of patents on medicines that are made by mixing multiple medicines and their mixing methods extend to acts of mixing two or more medicines based on prescription by doctors or dentists, it may cause confusion at the medical scene. Therefore, the act of mixing two or more medicines was excluded from the effects of a patent right in the 1975 amendment.

The medicines under discussion here are restricted to those used for human diseases. According to Article 2 (1) of the Pharmaceutical Affairs Law, medicines include those used for animals, but they are not included under the Patent Law.

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<sup>1</sup> For instance, when a patent has been granted on a certain weaving machine, the effects of the patent right do not extend to fabric made by using a weaving machine that had existed prior to the filing. Otherwise, Section 69 (2) (ii) of the Patent Law would lose its practical meaning (Oda/Ishikawa, *Shin Tokkyo Hou* (New Patent Law): p. 287).

## **5. Restriction on the Effects of a Patent Right Restored by a Retrial (Section 175 of the Patent Law)**

A trial decision that a patent is invalid in a trial for invalidation has a retroactive effect, so the patent would be deemed to have never existed, and all people would be able to work the invention in principle<sup>1</sup>. However, if the patent right is recovered in a retrial, the patent right would retroactively be deemed to have been valid from the start. Then, acts conducted between when the trial decision of invalidation became final and conclusive and before the registration of the demand for a retrial would also be illegal. Nevertheless, since in such a case people would not be able to trust a trial decision of invalidation, a certain restriction is imposed on the effects of a patent right in order to protect those who trusted the trial decision. Specifically, it is stipulated that the effects of a patent right do not extend to any product imported into, or manufactured or acquired in, Japan in good faith during this period (Section 175 (1) of the Patent Law), the working of the invention in good faith (Section 175 (2) (i) of the Patent Law), and acts that constitute indirect infringements (Section 175 (2) (ii) of the Patent Law).

The same applies when a patent of which registration of extension of its term had been invalidated is recovered in a retrial, when a patent application subject to an examiner's decision of refusal is patented by a retrial, and when an application for registration of extension of the patent term became subject to a trial decision of refusal, but extension of the patent term is registered by a retrial.

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<sup>1</sup> There are some cases like a double patent where the other identical patent still exists after one of the patents becomes invalidated. In such a case, third parties cannot work the invention even if one of the patents is invalidated.

## **Item 2 Restrictions Pertaining to Relationship with Others**

The patent right is also restricted in relation to other persons. These restrictions are not limits deriving from the right itself, but restrictions for the purpose of adjusting interests with third parties.

### **1. Restrictions Pertaining to Utilization of or Conflict with Another Person's Invention**

While a patent right is stipulated as a title to exclusively work the patented invention commercially (Section 68 of the Patent Law), working of the invention is sometimes restricted in relation with another person's invention. Specifically, if one's patented invention utilizes another person's senior patented invention, registered utility model, or registered design (including a similar design), the patentee (including a licensee) cannot work his/her own patented invention (first half of Section 72 of the Patent Law). The patentee cannot work his/her own invention either if the invention conflicts with another person's senior design right or trademark right (latter half of Section 72 of the Patent Law). When a patented invention conflicts with another person's senior patented invention or registered utility model, the patent includes a reason for invalidation, so it needs only to be processed in a trial for invalidation (how to process a patent right that includes a reason for invalidation in an infringement suit is a separate issue), and there is no need to particularly stipulate to the effect that the invention cannot be worked. Therefore, such stipulation has only been established for a dependent invention (first half of Section 72 of the Patent Law). In comparison, when a patent right conflicts with a senior design right or trademark right, it may be able to coexist with the senior right without becoming invalidated immediately, so a stipulation has been established that the patented invention cannot be worked in such a case (latter half of Section 72 of the Patent Law).

The provision in the first half of Section 72 of the Patent Law would appear to be an issue of patent infringement from the senior inventor's point of view (it constitutes an infringement if the senior invention has been used), and would appear to be an issue of a requirement for an arbitrary license (Section 92 of the Patent Law) from the junior inventor's side. In practice, a request for an arbitrary license is rarely made, and constitution of an infringement only depends on whether or not the allegedly-infringing technology falls within the technical scope of the patented invention, so there is no need to directly discuss the question of whether or not it is a dependent invention. The conclusion would be the same whether the infringer is a

junior patentee or a person who has not filed any patent application so, in that sense, the dependency of the invention under Section 72 of the Patent Law does not present an issue in an infringement case. In other words, the invention does not necessarily have to be dependent to constitute an infringement. An invention is either dependent on or identical to a senior invention in order to constitute an infringement but in either case the issue is whether or not it falls within the technical scope of the senior patented invention. Recognition of an infringement involves more complicated and difficult problems in the case of a dependent invention than in the case of an identical invention, but in theory, whether or not an invention is dependent is not directly linked with constitution of an infringement<sup>1</sup>.

Firstly, dependency of an invention shall be reviewed<sup>2</sup>.

The first question is in what kinds of cases an invention is considered to be dependent on a senior invention. There are various court decisions and theories regarding this question without a settled answer but, roughly speaking, the opinions conflict between those that recognize the dependency only when the junior invention utilizes the senior invention and those that recognize the dependency also when the senior invention is unavoidably worked upon working the junior invention. Many of the court decisions set forth that a dependent invention refers to a case where the junior invention comprises all of the content of the senior patented invention and utilizes it as it is (the so-called direct utilization theory) or a case where the junior invention includes the entirety of the senior invention<sup>3</sup>. There also theories that consider a dependent

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<sup>1</sup> Kazuhiko Takeda, *Tokkyo No Chishiki* (Knowledge of Patents): p. 416; Fumio Umase, “*Riyou Hatsumei No Gainen* (Concept of a Dependent Invention),” *Kougyou Shoyuukun Hou Kenkyuu* (Study on Industrial Property Law), Vol. 13, No. 4: p. 11.

<sup>2</sup> With regard to the modern significance of the dependent invention system, see Yoshinobu Shomeya, “*Riyou Hatsumei Ron* (Discussions on Dependent Inventions) (1) - (5),” *Jurist*, No. 263: p. 32/No. 267: p. 28/No. 268: p. 36/No. 269: p. 59/No. 270: p. 30.

<sup>3</sup> The Osaka District Court decision on September 11, 1958, *Court Decision Journal*, No. 162: p. 23 (the Chlorpromazine case) ([Annotation] Shouji Matsui, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 14); the Osaka District Court decision on May 4, 1961, *Civil Court Decisions by Lower Courts*, Vol. 12, No. 5: p. 937 (the Expanded Polystyrene case) ([Annotation] Masao Miyake, *Tokkyo Hanrei Hyakusen*, Case 66; Keiko Someno, *Tokkyo Hanrei Hyakusen*, Case 15; Shigetoshi Matsumoto, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 66; Takashi Oseto, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 77; Nobuo Monya, *Jurist*, No. 317: p. 89); the Yamaguchi District Court decision on April 30, 1964, *Court Decision Journal*, No. 391: p. 32/*The Law Times Report*, No. 161: p. 153 (the Polypropylene case); the Osaka District Court decision on December 26, 1964, *Court Decisions by Lower Courts*, Vol. 15, No. 12: p. 3121 (the Polypropylene case) ([Annotation] Keiko Someno, *Tokkyo Hanrei Hyakusen*, Case 70; Yoshinobu Someno, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 101; Nobuo Monya, *Jurist*, No. 393: p. 139; Tatsuki Shibuya, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 73); the Osaka District Court decision on October 24, 1967, *Court Decision Journal*, No. 521: p. 24/*The Law Times Report*, No. 214: p. 107 (the Polyester case) ([Annotation] Tomoko Takii, *Tokkyo Hanrei Hyakusen*

invention to be an invention in which the main part of a matter requisite for its composition comprises the whole or the main part of a matter requisite for the composition of the senior patented invention (similarly to the requirement for the conventional additional patent)<sup>4</sup>. Meanwhile, there are theories stating that a dependent invention includes cases where the junior invention cannot be worked without utilizing the senior invention<sup>5</sup>. Considering that dependency of a patent is also an issue that is discussed as a requirement for an arbitrary license, the appropriate theory would be to consider that dependent patents include inventions that cannot be worked without utilizing a senior invention. Nevertheless, the actual determination must be made by examining the individual cases in detail. Particularly, many cases in the chemical field are extremely complicated and difficult to determine<sup>6</sup>.

Furthermore, different conditions apply in the cases of a double patent and a selection invention.

Unlike in the case of a dependent invention, no restriction is specially stipulated on the effects of a double patent, because the double patent only results from erroneous examination. However, since examination cannot always be perfect and double patents actually exist, some interpretation is also required for them. Theories conflict between those suggesting that the junior patentee must gain the consent of the senior patentee when working the invention<sup>7</sup>, and those suggesting that the junior

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(Second Edition), Case 75; Nakagawa/Harima, *Hanrei Kougyou Shoyuiken Hou* (Industrial Property Case Law [Eiji Saegusa]: p. 120); the Kyoto District Court decision on March 27, 1978, Court Decision Journal, No. 521: p. 38/The Law Times Report, No. 218: p. 153 (the Polyester case); the Kyoto District Court decision on May 7, 1971, Court Decision Relating to Intangible Property, Vol. 3, No. 1: p. 197 (the Binding Block Toy case) ([Annotation] Masafumi Ikoma, a book commemorating the seventieth birthday of Professor Umase: p. 577).

<sup>4</sup> Oda/Ishikawa, *Shin Tokkyo Hou* (New Patent Law): p. 289; Mitsuishi, *Tokkyo Hou* (Patent Law): p. 257. However, Mitsuishi's theory also states that when two patented inventions are directly technically dependent on each other (e.g. a senior patented invention of a product and an invention of the process of manufacturing that product), they are dependent inventions.

<sup>5</sup> For instance, when the senior invention is an invention of a product, and the junior invention is its manufacturing method, the junior invention does not utilize the idea adopted in the senior invention, but it cannot be worked without infringing the senior patent. Thus, these theories suggest that dependency should be recognized in such a case, too. Yoshifuji, *Tokkyo Hou* (Patent Law): p. 455; Fumio Umase, note 1; Kazuhiko Takeda, "Tokkyoken No Honshitsu To Riyo Kankei (Essence of a Patent Right and Dependency of Patents)," *Tokkyo Kanri* (Patent Management), Vol. 14, No. 8: p. 528.

<sup>6</sup> For detailed and specific analyses on this point, see Yoshinobu Someno, "Riyō Hatsumeī Ron (Discussions on Dependent Inventions) (3) (4)," *Jurist*, No. 268: p. 36/ No. 269: p. 59; Yoshifuji, *Tokkyo Hou* (Patent Law): p. 456.

<sup>7</sup> However, the theoretical structure differs depending on the scholar, see Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 842 [Matsumoto]; Eiji Saegusa, "Riyō Hatsumeī Wo Meguru Sho Mondai (Various Problems Surrounding Dependent Inventions)," *Tokkyo Kanri* (Patent Management), Vol. 28, No. 9: p. 1058; Tadashi Takura, "Kougyou Shoyuiken Ni Motozuku

patentee can work the invention without such consent<sup>8</sup>. There is an express provision to the effect that the junior patentee cannot work his/her invention freely if the junior invention has been made by adding something to another person's senior invention (when it is a dependent invention) (Section 72 of the Patent Law). In light of this, it would be extremely inequitable if the junior invention could be worked freely when it is identical to the senior invention, so the junior patentee should not be allowed to work the invention in such a case either. Only a junior patentee in good faith who is working or preparing to work the invention is remedied by grant of a non-exclusive license (Section 80 of the Patent Law). It goes without saying that the senior inventor can never be held liable to the junior inventor for an infringement<sup>9</sup>.

Next, the case of selection inventions shall be reviewed. A selection invention is an invention which, in the case where there exists an invention expressed in a generic concept, is expressed in a more specific concept covered by that generic concept, a constituent element of which has a prominent effect although it is not specifically described in the specification of the senior invention. It depends on one's concept of a selection invention, but since there are various types of selection inventions, it should ultimately be considered that the question of dependency differs in individual cases. While many selection inventions are likely to be recognized as dependent inventions, not all of them have such dependency.

## 2. Restriction by a License

If another person has a legal license, the effects of a patent right are restricted to that extent. Apart from a license granted by the intent of the party concerned, there

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'*Sashidome*' *Wo Megutte* (Discussions on an 'Injunction' Based on Industrial Property)," The Law Times Report, No. 210: p. 30; Kazuhiko Takeda, "*Iwayuru Kenri Koushi Setsu Ni Tsuite* (The So-called Right Enforcement Theory)," *Tokkyo Kanri*, Vol. 11, No. 3: p. 12; Gaku, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 187. The Tokyo High Court decision on February 24, 1959, Court Decision Journal, No. 181: p. 6 (the Carlton case); the Tokyo District Court on September 27, 1972, The Law Times Report, No. 288: p. 277 (the Propyl Carbide case).

<sup>8</sup> Oda/Ishikawa, *Shin Tokkyo* (New Patent Law): p. 291 (this theory is founded on the provision under Section 80 (1) (i) stipulating that the original patentee obtains a non-exclusive license when one of two or more patents have been granted for the same invention); Mitsuishi, *Tokkyo Hou* (Patent Law): p. 259; Kaneko/Someno, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 196. The Osaka District Court decision on September 11, 1958 (note 3); the Yamaguchi District Court decision on April 30, 1964 (note 3); the Kyoto District Court decision on May 7, 1971 (note 3).

<sup>9</sup> In the Tokyo District Court decision on March 12, 1979, Court Decisions Relating to Intangible Property, Vol. 11, No. 1: p. 134 (the Working Gloves case) ([Annotation] Nobuhiro Nakayama, *Tokkyo Kanri* (Patent Management), Vol. 31, No. 12: p. 1345), which was a case between a design right and a utility model right, the court rejected a claim by a design right owner against a person who was working the device under the consent of the senior utility model owner. The same applies in a case between patentees.

are statutory licenses and arbitrary licenses.

A license granted by the intent of the party concerned is the most typical type of license, and it is only natural that the scope of the exclusive right is reduced to that extent as it has been granted by the intent of the patentee, etc.

A statutory license is a license that justifiably arises under law by meeting certain requirements, and an arbitrary license is a license that a person who satisfies legal requirements obtains by making a request to a person having the authority to arbitrate (the JPO Commissioner or the Minister of Economy, Trade and Industry). Both licenses can be considered as restrictions on the effects of a patent right, because they arise irrespective of the intention of the patentee. These licenses are non-exclusive licenses under the Patent Law, and their details shall be discussed in the part concerning licenses.