

## Section 8 Infringement

### Subsection 1 General Remarks

A patent right has an effect of exclusion (passive effect), which prevents others from working the invention without a proper ground and enables the patentee to demand compensation for damages. In addition, not only civil remedies, but also criminal penalties are stipulated regarding a patent infringement. In this manner, an absolute exclusive right is recognized for a patent right. However, that is only under the current Law, and it is not irrational to have a patent right that recognizes no right of exclusion but only the right to demand compensation. It is solely a matter of legislative policy.

Since a trial for confirmation of the scope of right had existed before the Law of 1959, patent infringement had rarely been disputed in civil litigation at that time. Most such suits have taken place under the current Law.

In patent infringement litigation, the technology often becomes the point of dispute, making it difficult to determine the infringing article, and the referential documents for the litigation tend to be vast and complicated in comparison to ordinary civil litigation. As a result, the litigation period is inclined to be long. As delay of litigation is a critical issue in connection with implementation of the right, measures are being sought to somehow shorten the litigation period.

Incidentally, infringement here only refers to cases where a third party having no title works the patented invention, and does not include cases that practically obstruct working of the exercise of the patent. Therefore, an act of stopping a loan by putting pressure on the financial institution or an act that practically disables the working by stopping the supply of the raw materials is not an act of infringement<sup>1</sup>.

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<sup>1</sup> The following is a copyright-related case: the Yokohama District Court decision on October 29, 1985, Court Decision Journal, No. 1176: p. 126/The Law Times Report, No. 609: p. 98 (the Case on a Bird with a Flower in Its Beak) ([Annotation] Eimi Takura/Youichi Tsuji, *Chosakuken Hanrei Hyakusen* (100 Selected Copyright-related Court Decisions), Case 84). In this case, the court held that the act of practically obstructing a person who acquired the right to make a movie of a work from the copyright owner from making the movie was not a copyright infringement, and stated that an act in the mode of harming the use of the copyright owner's work itself does not constitute an act

**Subsection 2 Civil Remedies**  
**Item 1 Right to Demand an Injunction**

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of infringement.

There were no provisions on the right to demand an injunction under the old Law (Law of 1921), but the right had been recognized in court decisions and theories from the viewpoint that a patent right was a right having an aspect of a real right. The current Law has set forth this interpretation in provisions, and makes it clear that destruction of articles by which an act of infringement was committed, removal of the facilities used for the act of infringement, or other measures necessary to prevent the infringement can also be demanded (Section 100 of the Patent Law). This demand, which is not a demand for an injunction, but demand for a feasance, cannot be made independently, but only together with a demand for an injunction<sup>1</sup>.

Instead of being a law in extension of the tort law, the Patent Law has been legislated as a law that grants a right, and it recognizes the right to demand an injunction as one of the effects of the right. This is considered to be a right to make a demand having the aspect of a real right, for which a demand can be made based merely on objective existence of an act of infringing a right without having to satisfy subjective requirements such as intent or negligence<sup>2</sup>.

Since a patent right is a title under which one is guaranteed the exclusive use of certain technical information and can acquire exclusive profits from that use, the primary means of countering an infringement would be to recover the exclusivity. If the amount of damages is equivalent to or exceeds an amount sufficient for recovering all of the profits that would have been gained by exclusive use, ex-post facto demand for compensation for damages can also have an important significance.

An injunction can be demanded when an infringement has actually occurred or is likely to occur (Section 100 (1) of the Patent Law). Even if the defendant does not manufacture or sell the product, there could be cases where an infringement is likely to be committed<sup>3</sup>.

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<sup>1</sup> In the Tokyo District Court decision on September 29, 1993, Court Decisions in Suits Against an Appeal/Trial Decision, 1994: p. 635 (the Tiekapto case), the court held that the right to demand destruction and the right to demand removal can only be exercised together with exercise of the right to demand stoppage or prevention of an infringement and cannot be exercised independently, so after the termination of the patent term, destruction etc. cannot be demanded for articles with which an act of infringement was committed before the termination of the patent term as an act necessary for preventing an infringement.

<sup>2</sup> Section 100 of the Patent Law is similar to Article 198 of the Civil Code (regarding a claim for maintenance of possession) also in respect to the appearance of the provision, and it does not impose subjective requirements for constitution of an infringement. In addition, an injunction can also be demanded against one's own invention. (This is called a suspensive effect.) Therefore, the Patent Law is not a law prohibiting imitation in a strict sense. On the other hand, the Copyright Law is purely a law prohibiting imitation, so one cannot demand an injunction against one's own work.

<sup>3</sup> In the Tokyo District Court decision on July 10, 1987, Court Decisions Relating to Intangible Property, Vol. 19, No. 2: p. 231 (cited above), the court held that entrustment of trial experiment of

The patentee and an exclusive licensee are entitled to the right to demand an injunction, but a non-exclusive licensee is not considered to have the right. (This point shall be discussed in the part about non-exclusive licenses.) Grant of an exclusive license restricts the working by the patentee to that extent (Section 77 (2) of the Patent Law), but it does not obstruct exercise of the right to demand an injunction<sup>4</sup>.

By making demand for destruction of articles by which an act of infringement was committed, one can demand destruction of articles that are necessarily involved in the act of infringement; specifically, in the case of an invention of a product or the case of an invention of a process of manufacturing a product, the products manufactured by the working. By making a demand for removal of the facilities used for the act of infringement, one can demand removal of articles that were used to facilitate the act of infringement; specifically, in the case of an invention of a product or an invention of a process of manufacturing a product, articles used for the working, such as dies, catalysts, or equipment, and in the case of an invention of a process, articles used for the working. It should be understood that delivery cannot be demanded in place of such destruction or removal<sup>5</sup>.

In addition, one can demand an act necessary for preventing an infringement

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another person's patented agricultural chemical and application for its registration as an agricultural chemical are acts of preparation for selling, using, or assigning the product by a person who is not the patentee, so demand for an injunction against these acts is an act necessary for preventing a future infringement.

<sup>4</sup> The Yamaguchi District Court decision on February 28, 1963, Civil Court Decisions by Lower Courts, Vol. 14, No. 2: p. 331 (the Synthetic float case) ([Annotation] Tomohira Taniguchi, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 71; Nobuo Monya, Jurist, No. 349: p. 112); the Tokyo District Court decision on March 18, 1964, Court Decision Journal, No. 377: p. 63/The Law Times Report, No. 160: p. 133 (the Trousers Waist Lining case). This is similar to the fact that the right to demand abatement of a nuisance based on an ownership right is recognized even after the grant of a limited real right.

<sup>5</sup> Minoru Takeda, *Shingai Youron* (Introduction to Infringements): p. 152; Etsuhiro Nozaki, "Tokkyoken Shingai no Teishi Oyobi Yobou Seikyuu (Demand for Stoppage or Prevention of a Patent Infringement)," *Makono/Kougyou Shoyuiken Soshou Hou* (Industrial Property Litigation Law) (*Saiban Jitsumu Taikei* (Outline of Court Practices) 9): p. 61 (this states that a demand by which one would be allowed to freely use or consume the articles or the facilities after delivery cannot be recognized). While no theories recognize free use or disposal of the articles or the facilities by the patentee after the delivery, the following theory supports the right to demand delivery: Yoshifuji, *Tokkyo Hou* (Patent Law): p. 474. It states that as long as destruction is recognized, delivery of possession should also be justifiably recognized. The same opinion is expressed in Oda/Ishikawa, *Shin Tokkyo Hou* (New Patent Law): p. 354. However, as the right to demand destruction is specially recognized under the Patent Law, there would have to be special provisions for the demand for delivery in order for it to be recognized. If it were to be recognized, provisions would be also required on the cost and method of storage after the delivery, the risk-bearing in the case of destruction, and the obligation to return the articles after the lapse of the patent right. The fact that such provisions are not established under the Patent Law suggests that the Law is not intended to allow such an excessively detailed system.

(Section 100 (2) of the Patent Law). There are conflicting views on which acts are considered to be necessary acts: an objective theory that they should be determined objectively and a subjective theory that they should be determined based on the subjective intention of the person who conducts the act. It is not possible to standardize the views, so the acts should be determined by comprehensively considering both the objective nature of the act and the subjective intention of the person who conducts the act.

As working of a patent right includes importation, an injunction can also be demanded against imports of infringing products. In reality, however, it is difficult to deal with such infringing imports by time-consuming litigation, and practically-speaking it is difficult to seize such products once they are imported into Japan. Therefore, a border measure to stop the products from coming in at customs is necessary. Article 21 (1) (v) of the Customs Tariff Law specifies goods that infringe a patent right, etc. as import-prohibited goods. The provision allows the customs director to order confiscation, destruction, or reshipment of goods prohibited from being imported ex officio (Article 21 (5) (vi)). Many of the import-prohibited goods under Article 21 of the Customs Tariff Law are those prohibited from the perspective of protecting the public interest, such as narcotic drugs, guns, and forged banknotes. However, patent infringing goods are completely different in nature from those kinds of articles in that their import is not impermissible in essence, and the import causes no trouble if the patentee has given his/her consent to it. In other words, whether an import should be allowed or not can be freely decided by the patentee, and it is not left to the independent determination of the customs director. Application of this measure had been difficult in some ways because, conventionally, there had been no procedural provisions concerning dispositions by the customs director, so in actuality the measure had been taken only when the right holder had made a claim as a means to offer information<sup>6</sup>.

The border regulation of goods infringing intellectual property dates far back to when “goods that violate the imperial law concerning patents, utility models, trademarks and copyrights” were proscribed along with opium and books that contravened the public order and morality in the customs tariff schedule attached to the Customs Tariff Law of 1899. Later, with the amendment of 1954, the provision was

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<sup>6</sup> The specific procedures had been decided by a directive (June 5, 1992, *Zoukan*, No. 519, Regulation of goods infringing intellectual property), but this directive was abolished upon the 1994 amendment of the Customs Tariff Law, and a new directive was issued (December 28, 1994, *Zoukan*, no. 1192). The directive was further amended (June 30, 1995, *Zoukan*, No. 585) before the present directive (March 26, 1998, *Zoukan*, No. 257) was issued.

changed to be almost identical to the one under the current Law, and neighboring rights were added to the covered rights upon the 1970 amendment. After that, provisions on border measures were established in Article 51 onward of the TRIPs Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) of the WTO (the Marrakesh Agreement) concluded in 1994. In response, Japan revised Article 21 of the Customs Tariff Law in 1994 (it entered into force on January 1, 1995), adjusted the Customs Tariff Law Enforcement Order (Amendment of the Customs Tariff Law Enforcement Order by addition of provisions from Article 61*ter* through Article 61*novies*; Cabinet Ordinance No. 414; Rules concerning the provision of security for compensation for damages in relation to a motion for an injunction against importation (Ordinance by the Ministry of Justice/Ministry of Finance No. 5)), and revised the directive. The substantive provisions related to patents have hardly changed<sup>7</sup>, but procedures for recognizing infringement were stipulated, the right to plead was recognized for trademark owners, copyright owners, and owners of neighboring rights (Article 21*bis*), and a system of monetary security was established to assure compensation for damages that may be suffered by the importer<sup>8</sup> (Article 21*ter*).

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<sup>7</sup> Nevertheless, the right to the circuit layout of semiconductor integrated circuits was added to the rights covered by the regulation.

<sup>8</sup> Until the procedures are complete, the importer faces the risk of suffering damages from not being able to import the goods. Therefore, in order to provide assurance for such damages, the customs director became authorized to order the pleader to provide as security a reasonable amount of money (Article 21*ter* of the Customs Tariff Law; Article 53 of the TRIPs Agreement). Such a system where the pleader provides security for a disposition by the administrative authority, which is the customs director in this case, is a completely new style of system, the legal structure of which is

However, the right to plead has yet to be recognized for patentees<sup>9</sup>.

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expected to stir up further argument. However, it was actually legislated as an obligation under the TRIPs Agreement.

<sup>9</sup> For details on the amendment and its background, see: *Chiteki Zaisan Shingai Buppin No Mizugiwa Torishimari Seido No Kaisetsu* (Explanation on the Border Regulation Measures for Goods that Infringe Intellectual Property) edited by the Institute of Intellectual Property, (Customs Intellectual Property Center, 1995); Katsuya Tamai, “*Kanzei Teiritsu Hou Ni Yoru Chiteki Zaisanken No Hogo* (Protection of Intellectual Property Rights under the Customs Tariff Law),” Makino/Saitou, *Chiteki Zaisan Kankei Soshou* (Intellectual Property related Litigation): p. 618; Makoto Saitou, “*Mizugiwa Kisei Ni Yoru Kenri No Shikkou -- Gyousei Hou No Shiten Kara* (Enforcement of Right by Border Regulation -- From the Perspective of Administrative Law),” *Annual of the Copyright Law Association of Japan*, No. 22: p. 9.

## Item 2 Right to Claim Compensation for Damages<sup>1</sup>

### 1. Introduction

The Patent Law has a presumptive provision on the amount of damages, but it does not have a stipulation that provides the basis for the right to claim compensation for damages. Therefore, a claim for damages concerning a patent infringement is based on a tort provision under Article 709 of the Civil Code. A possible legislative measure would be to establish a provision for claiming damages under the Patent Law. However, as it is hardly likely for a patent infringement to be an act other than a tort in actual cases, the result would be the same either with or without such a provision under the Patent Law<sup>2</sup>.

In order to claim compensation for damages caused by an act of tort, the plaintiff must bear the burden of proof regarding the intent or negligence of the infringer, the causal relation between the act of infringement and damages, and the

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<sup>1</sup> With regard to this issue, see: Industrial Property Council, “*Songai Baishou Nado Shou Iinkai Houkokusho -- Chiteki Zaisanken No Tsuiyoi Hogo* (Report by the Subcommittee on Compensation for Damages, etc. -- Secure Protection of Intellectual Property),” (1997); JPO, “*Nijuu-isseiki No Chiteki Zaisanken Wo Kangaeru Kondankai Houkokusho -- Korekara Ha Nihon Mo Chiteki Souzou Jidai* (Report by the Commission on Intellectual Property Rights in the Twenty-first Century -- Toward the Era of Intellectual Creation)” (1997); Institute of Intellectual Property, “*Chiteki Zaisanken Shingai Ni Kakaru Minji-teki Kyuusai No Tekiseika Ni Kansuru Chousa Kenkyuu* (Research and Study on Rectification of Civil Remedies concerning Intellectual Property Infringement)” (1995); Institute of Intellectual Property, “*Chiteki Zaisan Shingai Ni Taisuru Songai Baishou/Bassoku No Arikata Ni Kansuru Chousa Kenkyuu Houkokusho* (Report on Research and Study of the Ideal Compensation for Damages and Penalties concerning Intellectual Property Infringement)” (1998).

<sup>2</sup> The Unfair Competition Prevention Law provides for the obligation to compensate for damages under Article 4 and provides for a presumption of the amount of damages that is similar to Section 102 of the Patent Law under Article 5. However, the conclusion would hardly be different even without a stipulation like Article 4; it is only a matter of legislative technique.

amount of damages. Nevertheless, in the case of an infringement of a patent or other intellectual property, it is considerably difficult to prove all of these matters, so the Patent Law has a presumptive provision on negligence and presumptive provision and provisions that deem certain things as to the amount of damages (Sections 103 and 102 of the Patent Law).

Since there had been criticism that the amount of damages recognized by the courts was too small, the proof of the amount of damages was facilitated by revision of Section 102 of the Patent Law in 1998. However, this measure is still insufficient, so an amendment to facilitate the proof of an infringement, etc. is also planned in the near future.

## **2. Presumption of Negligence**

Since the subject matter of a patent right, an invention, is information, which is difficult to manage physically, it is generally difficult to prove the intent or negligence of the infringer. Accordingly, the Patent Law adopts the publication system, and provides that negligence shall be presumed (Section 103 of the Patent Law). Because all patent rights are published, and the party concerned is usually an expert since only commercial working constitutes an infringement, not much trouble is likely to occur by presuming negligence<sup>1</sup>. In reality, a defense of non-negligence has hardly ever been successful. However, the following problem will remain. The effects of a patent right extend not only to manufacturing but also to use or assignment of the invention (Section 2 (3) of the Patent Law). Therefore, not only an act by a manufacturer but also an act of commercially using the product would also correspond to a patent infringement. However, in actuality, it is often not reasonable to obligate all users to conduct patent searches. For instance, it would be difficult to obligate a taxi company to search patents involving automobiles. It may depend on the case, but in such a case it seems reasonable to deny negligence with regard to compensation for damages although an injunction against the use may be recognized. Even in that case, intent and negligence would be recognized if the act continued after the giving of a warning.

As for the presumed details of the negligence, it goes without saying that negligence is first of all presumed with regard to not knowing the existence of the patent

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<sup>1</sup> Although there was no presumptive provision on negligence in the Law of 1921, negligence was often presumed by court decisions, and such presumption was also supported by theories. Therefore, Section 103 of the Patent Law only stipulated the conventional practice, and hardly any change occurred by establishing this new provision.

right. The real problem, rather, is whether or not negligence should be presumed with respect to not knowing that the act belonged within the scope of rights of the patent, but negligence should also be presumed in this respect<sup>2</sup>. Otherwise, the proof of negligence would likely to be extremely difficult if negligence were not either recognized or denied in both respects, and the patent right would have no practical meaning. As long as presumption is recognized in both respects, it would be considerably difficult to have a defense of non-negligence recognized once the act is found to be a patent infringement. Due to such a fact, this stipulation, which is legally a presumptive provision, in effect is somewhat closer to a provision that deems a thing to be<sup>3</sup>.

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<sup>2</sup> Nakayama, *Chuukai Tokkyo* (Annotated the Patent Law), Vol. 1: p. 931 [Aoyagi] explains that “a high level of duty of care is imposed on determination of whether or not an act belongs within the technical scope,” and no court decisions have ever recognized rebuttal of the presumption regarding that point.

<sup>3</sup> Presumption of negligence is based on the publication system, and only because of the publication system is the infringer presumed to know the content of the patent. Therefore, it should be considered that the presumptive provision is inapplicable in a special case where the act took place when the patent gazette was still not published, but the presence of negligence is determined based on the specific circumstances. (In the following cases under the Design Law, the court denied negligence: the Osaka District Court decision on March 29, 1972, Court Decisions Relating to Intangible Property, Vol. 4, No. 1: p. 137 (the Road Safety Fence case) ([Annotation] Riichi Ushiki,

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*Tokyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 93); the Osaka District Court decision on November 28, 1973, *The Law Times Report*, No. 308: p. 278 (the Duster Handle case) ([Annotation] Riichi Ushiki, *Patent*, Vol. 27, No. 3: p. 11); the Osaka High Court decision on May 27, 1994, *Court Decisions Relating to Intellectual Property*, Vol. 26, No. 2: p. 447 (the Clamp Design case).) In the following case, which was a rather complicated case, the court, while recognizing that presumption could be rebutted under special circumstances as a generality, held that the presumptive provision was applicable even before the design was published in the Design Gazette: the Nagoya District Court decision on December 17, 1979, *Court Decisions Relating to Intangible Property*, Vol. 11, No. 2: p. 632 (the Screw Machine case). Under the Design Law, the presumption should be considered inapplicable when the gazette has yet to be published also with the objective of keeping consistency with the secret design system, and nothing obstructs the interpretation that the same should apply to cases under the Patent Law. There were a small number of cases where negligence was denied under the old Law, but no such cases have occurred under the current Law.

### 3. Determination of the Amount of Damages<sup>1</sup>

The Patent Law has a special provision on the amount of damages (Section 102 of the Patent Law). Although the plaintiff bears the burden of proof regarding the amount of damages according to the principle of tort law, it is often difficult to prove the amount of damages caused by a patent infringement. Since the subject matter of a patent right is an intangible good, an infringement can be concurrently committed by multiple persons in multiple places. Therefore, it is not only more difficult to discover infringements, but also more difficult to recognize the amount of damages caused by the act of infringement compared to the case of tangible property. Accordingly, if the amount of damages is assessed solely based on the general principles under tort law, there is a high risk of not being able to prove the amount, in which case the claim will be rejected. As this could encourage infringement, there was a need to provide plaintiffs with a system for security under which they could claim a reasonable amount of compensation from infringers. Thus, the Patent Law has a special provision concerning the amount of damages. Specifically, there are two methods to decide the amount of damages in a case of claiming damages caused by a patent infringement: a method to assess the amount based on Article 709 of the Civil Code without using the provision under the Patent Law and a method to assess it based on Section 102 of the Patent Law.

Because an act of patent infringement is a tort, it is possible to claim compensation for damages in accordance with the principle of tort law without using the presumptive provision in Section 102 of the Patent Law. Abstractly speaking, the claimable damages in this case are all those that have a reasonable causal relation with the act of infringement. However, since a patent is an intangible good, which cannot be materially destroyed<sup>2</sup>, the actual damages would mainly be the unrealized profits

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<sup>1</sup> Treatises on this issue include: Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages); Tamura, *Kinouteki Chiteki Zaisanken No Riron* (Theory of Functional Intellectual Property Law) (*Chiteki Zaisan Kenkyuujo Sousho* (Institute of Intellectual Property Series) 1): pp. 205 et seq. (The following is an article summarizing this treatise: Yoshiyuki Tamura, “*Tokkyoken Shingai Ni Taisuru Songai Baishou* (Compensation for Damages concerning a Patent Infringement),” *Shihou* (Private Law) (Japan Association of Private Law), No. 54: p. 269). The following reviews and organizes court decisions: Harumi Kojou, “*Tokkyo/Jitsuyou Shinan Shingai Soshou Ni Okeru Songai Baishou No Santei* (Assessment of the Amount of Damages in Patent/Utility Model Infringement Litigation) 1-6,” *Hatsumei* (Invention), Vol. 86, Nos. 1-6. Other articles include: Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 857 [Aoyagi]; Kaoru Yarita, “*Chiteki Zaisan Soshou Ni Okeru Songai Baishou Houru* (Principle of Compensation for Damages in Intellectual Property Litigation),” *Tokkyo Kenkyuu* (Study on Patent), No. 17: p. 4.

<sup>2</sup> It may be possible to cancel another person’s patent registration by using false documents, but that is not an issue of patent infringement.

(passive damages) that could have been gained if the act of infringement had not been committed. Theoretically, compensation can also be claimed for damages caused by a drop of confidence in the patent right, but it has hardly ever been recognized in actuality<sup>3</sup>. Even so, it is possible to claim necessary measures for recovering the confidence (Section 106 of the Patent Law).

Under the general principle of tort law (Article 709 of the Civil Code), compensation can be claimed for damages pertaining to any reduced sales caused by an act of infringement. In addition, if the selling price had to be lowered due to the act of infringement, compensation can be claimed for the resulting damages<sup>4</sup>. Compensation can also be claimed for damages pertaining to any reduction in license fee income caused by the act of infringement. Besides these, compensation can be claimed for attorney's fees and infringement investigation fees in some cases. As a result, it is

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<sup>3</sup> In the following case where compensation for damages was claimed concerning an infringement of a completely monopolistic non-exclusive license on a design right, the court recognized damages of one million yen as intangible damages for the inevitable expenses of the litigation cost and attorney's fees that could not be compensated by the separately recognized damages pertaining to reduction in sales profits, although the damages had not quite lowered confidence in the plaintiff: the Osaka District Court decision on December 20, 1984, Court Decisions Relating to Intangible Property, Vol. 16, No. 3: p. 803 (the Hairbrush Design case) ([Annotation] Kazuo Morioka, *Tokkyo Hanrei Hyakusen* (100 Patent-related Court Decisions) (Second Edition), Case 82). It may not necessarily serve as a reference, but the following are trademark cases where the court did not recognize the claimed compensation for mental damages, since the act of infringement only lasted less than two months: the Osaka District Court, March 3, 1971, Court Decisions Relating to Intangible Property, Vol. 3, No. 1: p. 80 (the Ginsou case; trademark case); the Tokyo District Court decision on March 27, 1978, Court Decisions Relating to Intangible Property, Vol. 10, No. 1: p. 102 (the Morimitsu case; trademark case). There are also trademark cases where the court recognized intangible damages pertaining to the spoiled image.

<sup>4</sup> In the Okayama District Court decision on May 29, 1985, The Law Times Report, No. 567: p. 329 (the Punch Hanger case), the court stated that compensation can be claimed for the passive profits from not being able to maintain the selling price, which could have been maintained were it not for the infringement, as one type of passive damages. (After the court recognized the profits gained by the infringer as the amount of damages pursuant to Section 102 (1) of the Patent Law (before the 1998 amendment), it added the damages caused by the discount, and recognized their total amount as the amount of damages.) In the following case, although it is not a patent infringement case, the court held an act of selling a product that completely imitated the pattern of another person's woodgrain decorative paper that was in no way the defendant's work as an act of tort, and recognized the amount of damages to be the difference between the discounted price and the original price: the Tokyo High Court decision on December 17, 1991, Court Decisions Relating to Intellectual Property, Vol. 23, No. 3: p. 808 (the Woodgrain Decorative Paper case) ([Annotation] Kazufumi Dohi, Court Decision Journal, no. 1439: p. 222; Naoto Asano, Jurist, No. 1024: p. 267; Masamichi Matsui, *Chosakuken Hanrei Hyakusen* (100 Selected Copyright-related Court Decisions) (Second Edition), Case 13). Although this court decision is not an intangible property infringement case, the recognition of the amount of damages in the case where an identical product was sold by way of an act of tort also can be analogized to the case of a patent infringement, so it serves as a good reference. However, it should be noted that this is a tort case, so the amount of damages was found by considering all the circumstances including the selling method apart from the issue of the infringer directly imitating another person's work.

sometimes possible to claim an amount of damages exceeding the profits of the infringer. There is no problem regarding these points in theory, but unlike an act of infringement of the ownership right on a corporeal thing, which is the typical mode of infringement of a property right, it is often difficult to prove the causal relation between the act of infringement and the damages due to the involvement of factors like economic conditions and consumer preferences, besides determination of the infringer's technical capability, capital, advertising ability, experience, efforts, and presence of alternative products. It is usually not easy to prove that the reduced sales of the right holder, the lowered price, or the reduced license fee income was only attributable to the act of patent infringement<sup>5</sup>.

The Patent Law has a special provision on the amount of damages under Section 102 in consideration of the difficulty of claiming compensation for damages compared with ordinary acts of tort due to the peculiarity of infringements of intangible property. Section 102 (1) of the Patent Law (added upon the 1998 amendment) sets forth that the amount of damages is estimated to be the sum of money obtained by multiplying the quantity of the transferred infringing articles by the profits that could have been gained by the patentee within a limit not exceeding the amount attainable by the working capability of the patentee. Where there is any circumstance that prevents the patentee from making sales, the portion subject to that circumstance is deducted. Section 101 (2) presumes the profits gained by the infringer through the act of infringement to be the amount of damages, and Section 101 (3) deems an amount equivalent to the amount of money that the patentee would have been entitled to receive for the working of the patented invention as the damages. Section 101 (4) stipulates that a claim can even be made for damages exceeding the amount mentioned in Paragraph (3), and that the court can reduce the amount on its discretion when the infringement was not caused by intent or gross negligence.

Since these special provisions did not exist under the old Law (Law of 1921), there had been various theories regarding the amount of damages. Accordingly, upon legislating the current Law (Law of 1959), the present provisions were added for the purpose of reducing the burden of proof within the framework of the damage system for

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<sup>5</sup> Proof would be difficult unless there is such a circumstance that the patented invention, being special in kind, is indispensable for manufacturing the patented product or its substitute product, or that the patented product is made to order, and it is apparent that the act has taken away the plaintiff's customers. Regarding claims for compensation for damages under Article 709 of the Civil Code, see Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages): p. 1; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 915 [Aoyagi].

a tortious act<sup>6</sup>. While the report by the amendment council had set forth that a claim can be made for the return of the profits gained by the infringement or for compensation for the damages actually suffered by the infringement<sup>7</sup>, this was later revised, and a further slight amendment was made in 1998. That was because of the criticism that, if the infringer had to return the entire amount of the profits when the profits were higher than the amount of damages suffered by the patentee, it would be excessive protection of the patentee and too severe for the infringer, while it would also be against the general principle of the Law on Compensation for Damages (Law of 1959)<sup>8</sup>.

According to court decisions and the majority of theories, Section 102 (2) is a provision on the legal presumption of facts, which is a presumptive provision on the passive damages pertaining to the reduced sales; in short, a mere assessment provision, so it does not apply to a presumption of the occurrence of the infringement (as to facts serving as a premise for the presumption). Specifically, when the right holder does not work the invention himself/herself, the idea of the occurrence of passive damages does not stand, so the presumption in Section 102 (2) is considered to be inapplicable<sup>9</sup>. In

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<sup>6</sup> For the detailed process of legislation of the current Law, see Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages): pp. 48 et seq.

<sup>7</sup> *Kougyou Shoyuiken Seido Kaisei Shingikai Tousein Setsumeisho* (Explanation on the Report of the Council on Amendment of Industrial Property Systems): p. 105; JPO, *Chikujou Kaisetsu* (Clause-by-Clause Explanation of Industrial Property Laws): p. 240.

<sup>8</sup> JPO, *Chikujou Kaisetsu* (Clause-by-Clause Explanation of Industrial Property Laws): p. 242. It is apparent that the legislators had an intention to abolish the idea of returning the profits and to process the issue within the framework of tort law, but Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 237 indicates a possibility that the return of the profits could be recognized under the name of compensation for damages, because no consideration is given to whether the right holder could have actually gained such amount of profits in absence of the infringement.

<sup>9</sup> The Tokyo District Court decision on September 22, 1962, *The Law Times Report*, No. 136: p. 116 (the Double-Barreled Toy Gun case) ([Annotation] Hiroshi Saitou, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 98); the Tokyo District Court decision on March 27, 1978, *Court Decisions Relating to Intangible Property*, Vol. 10, No. 1: p. 102 (the Morimitsu case; a trademark case); the Nagoya District Court decision on April 25, 1980, *Court Decision Journal*, No. 992: p. 93 (a trademark case where, out of three trademarks, Paragraph 2 was applied to one that was not in use but was a stock trademark, and Paragraph 2 (before the 1998 amendment) was also applied to the other two for lack of proof of the damages received; in its appellate instance, the Nagoya High Court decision on July 17, 1981, *Court Decision Journal*, no. 1022: p. 69, the court found for application of Paragraph 1 (before the 1998 amendment) regarding the two trademarks that were in use.); the Osaka District Court decision on June 17, 1980, *Court Decisions Relating to Intangible Property*, Vol. 12, No. 1: p. 242 (the Nameplate case); the Osaka High Court decision on February 19, 1981, *Court Decisions Relating to Intangible Property*, Vol. 13, No. 1: p. 71 (a trademark case); the Osaka District Court decision on December 20, 1984, *Court Decisions Relating to Intangible Property*, Vol. 16, No. 3: p. 832 (a trademark case) ([Annotation] Masafumi Ikoma, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 96). Shouzou Yoshihara, “*Tokkyoken Shingai Ni Yoru Songai Baishou Seikyuu Soshou No Youken Jijitsu* (Fact Requirements in a Damage Suit concerning Patent Infringement),” *Articles in the Memory of Professor Ishiguro*: p. 186; Yutaka

other words, when the right holder conducts a similar working, some damages can be estimated from the act of infringement, so the presumption of damages under Paragraph 2 functions in such a case<sup>10</sup>. If the right holder does not work the invention, he/she would claim damages equivalent to the license fee pursuant to Paragraph 3<sup>11</sup>.

While Section 102 (2) of the Patent Law is a provision on the legal presumption of facts, such a provision is usually established when there is an empirical

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Tsutsui, “*Songai (1) -- Suitei Kitei No Tekiyō Youken (Damages (1) -- Requirements for Application of the Provision of Presumption)*,” Makino, *Kōgyō Shōyūken Sōshō Hō* (Industrial Property Litigation Law): p. 323; Ryūichi Shitara, “*Songai (2) -- Shingai Kōri Ni Yori Uketa Rieki (Damages (2) -- Profits Gained through Infringement)*,” Makino, *Kōgyō Shōyūken Sōshō Hō (Saiban Jitsumu Taikei (Outline of Court Practices))*: p. 330; Toshiaki Shimizu, “*Songai (4) -- Fukusuu No Shingai* (Damages (4) -- Multiple Infringers),” Makino, *Kōgyō Shōyūken Sōshō Hō*: p. 350; Nakayama, *Chuukai Tokkyō* (Annotated Patent Law), Vol. 1: p. 863 [Aoyagi]. In many of the court decisions, the court applied the presumptive provision under Paragraph 1 (before the 1998 amendment) as long as the subject matter had been worked, and the presumption has hardly ever been rebutted. (For specific examples, see Tamura, *Chiteki Zaisanken To Songai Baishō* (Intellectual Property and Compensation for Damages): p. 8.) The dominant theories opposing such majority theories include: Tamura, note 1; Yarita, note 1.

<sup>10</sup> In the Tokyo District Court decision on June 26, 1972, *The Law Times Report*, No. 282: p. 267 (the Electric Stand case; a design case), the court denied application of the presumptive provision and only recognized a claim for an amount equivalent to the license fee, stating that the amount claimed by the plaintiff was not found to be entirely attributable to the defendant’s tortious act, because it could not be asserted that persons other than the defendant were not selling goods of a design similar to the design in question. This decision is the ultimate version of the view held in the majority of theories, and this interpretation would nullify most of the significance of establishing the presumptive provision. According to the view held in this decision, the plaintiff has to claim and prove various circumstances supporting the fact that the plaintiff would have gained profits equivalent to those gained by the infringer in the absence of the infringement, not only including the fact that the subject matter of the right had not been worked by other third parties, but also that the plaintiff had a sufficient manufacturing capacity or a sufficient distribution system. This would virtually be the same as not establishing the presumptive provision. The presumptive provision under Paragraph 2 was established because it was extremely difficult to prove these facts. It seems that the court was reluctant to recognize an amount exceeding the actual damages, considering that compensation for a patent infringement is compensation within the general framework of tort law, which was only intended to cover actual damages. However, Paragraph 2 is only a presumptive provision, and it does not deem the profits of the infringer to be the damages, so such interpretation does not seem to be necessary. These circumstances should be considered as grounds for rebuttal of the presumption. Incidentally, many court decisions have not imposed such strict requirements.

<sup>11</sup> As a matter of course, the plaintiff can claim a higher amount, if he/she could prove damages greater than the amount equivalent to the license fee (Section 102 (iv) of the Patent Law). However, the proof in that case must be similar to the proof in the case of an ordinary act of tort. Incidentally, according to the majority of theories, Section 102 is a provision on passive profits (Toyosaki, *Kōgyō Shōyūken Hō* (Industrial Property Law): p. 237; Nakayama, *Chuukai Tokkyō* (Annotated Patent Law), Vol. 1: p. 861 [Aoyagi]; Monya, *Chuukai Tokkyō Hō* (Annotated Patent Law): p. 248 [Shibuya]), and other damages can be claimed as long as they can be proved, irrespective of Section 102. (In the Okayama District Court decision on May 29, 1985, *The Law Times Report*, No. 567: p. 329 (the Punch Hanger case), the court recognized the profits gained by the infringer plus the passive profits pertaining to the discount as the amount of damages.) The same applies to compensation for non-pecuniary damages or attorneys’ fees.

rule that backs up that conclusion. If so, then is there an empirical rule that allows the presumption as set forth under Paragraph (2) in the case of a patent infringement? The answer is “no” as long as Paragraph (2) is a provision on passive profits. It is quite rare for the infringer to gain profits through the act of patent infringement alone. Various factors are involved, including the infringer’s efforts, management ability, marketing strength, capital strength, and labor force, as well as economic conditions, consumer preference, and presence of other competitors. The circumstances on the right holder’s part, such as whether he/she was capable of increasing production, would also greatly affect the amount of damages. In addition, the right holder sometimes even increases sales, owing to the market cultivation by the infringer. In short, the sales amount is not only decided by the patent right, but by multiple factors<sup>12</sup>. The fact that Paragraph (2) presumes the profits of the infringer to be the amount of damages suffered by the right holder, despite the empirical principle being as explained above, suggests that the Patent Law assumes compensation that is different from the compensation for damages concerning a tortious act, although this may not comply with the intention of the legislators<sup>13</sup>.

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<sup>12</sup> In the Osaka District Court decision on October 31, 1980, Court Decisions Relating to Intangible Property, Vol. 12, No. 2: p. 632 (the Children’s vehicle tire case), the court stated in obiter dictum as follows: “In general, when the infringer has gained some profits through the act of infringement, there is no reasonable ground to always deem that a patentee has suffered the same amount of damages as the profits gained by the infringer. It is apparent that the infringer’s profits are immediately deemed to be the patentee’s damages in a claim for compensation for damages only due to the existence of the presumptive provision prescribed in Section 102 (1) (before the 1998 amendment) of the Patent Law” (p.671). This implies that the presumption is not being made in accordance to an empirical rule, but merely due to the existence of a presumptive provision. Also, in the Osaka District Court decision on March 27, 1981, Court Decisions Relating to Intangible Property, Vol. 13, No. 1: p. 336 (the Float Indicator case), the court held that although it was a case where Section 38 (1) of the Trademark Law before the 1998 amendment (a provision similar to Section 102 (1) of the Patent Law) was analogically applied to a case violating the (old) Unfair Competition Prevention Law, it was clearly against the empirical rule to consider that all of the profits gained by the infringer resulted from selling the product that attached the indicator in question, and that a considerable part of the profits was acquired by the infringer’s own corporate efforts such as selling efforts and management efforts (p. 356). Akio Morishima, “*Fuhou Kouji Hou Kara Mita Chieki Shoyuiken* (Intellectual Property from the pPrerspective of Tort Law),” *Tokkyo Kenkyuu* (Study on Patents), No. 8: p. 10; Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 237.

<sup>13</sup> Section 102 (2) of the current Law is a presumptive provision, which neither squarely stipulates the return of profits nor deems the profits of the infringer to be the amount of damages suffered by the right holder. Since such presumption can be rebutted upon production of contrary evidence, it may not be appropriate to assert that a special concept of damages is being assumed under the Patent Law. However, the significance in purposefully establishing a presumptive provision that runs counter to the empirical rule should be reviewed. The article by Yarita (note 1) also explains that Section 102 of the Patent Law was an attempt to allow the return of the profits gained by the infringer. For a study that presses for a review of the concept of damages under the Patent Law, see Tamura, note 1.

In accordance with Section 102 (3), an amount equivalent to a license fee can be claimed as the minimum amount of damages irrespective of whether or not the right holder was working the invention, though a problem remains with regard to how the amount should be assessed. If the infringer were to work the invention legally, he/she would need to pay the fee by concluding a license agreement, irrespective of whether or not the patentee is working or has the ability to work the invention, so it is natural that the infringer must pay an amount equivalent to the license fee even when he/she worked the patented invention illegally. The provision is consequential from this viewpoint, but it may not be so from the viewpoint of passive profits of the right holder. This is because the right holder may happen to obtain an amount that could never have been obtained on his/her own account. Thus, there remains the same question of whether Paragraph (3) assumes the same concept of damages as those caused by an ordinary tortious act<sup>14</sup>.

In any case, the system of compensation for damages for patent infringement does not seem to be functioning sufficiently, regardless of the existence of Section 102 of the Patent Law<sup>15</sup>. In many court decisions, the amount of damages has been assessed in accordance with license agreements generally concluded in the industry, and the amount has been quite small. Therefore, in respect to the amount of damages alone, it was often the same result to pay damages ex post facto when the infringement was discovered, and to pay a license fee by concluding a license agreement in advance. Considering the possibility of the infringement not being discovered and the patentee's hesitation to litigate, the current practice of compensation for damages could rather

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<sup>14</sup> There should be no objection that, when one uses another person's land without authorization, at least an amount equivalent to the rent for the land is recognized as damages. Therefore, in the same manner, it should not be peculiar to be able to claim an amount of damages equivalent to the license fee also in the case of a patent infringement. However, an amount equivalent to the rent for the land is automatically determined by the market price of the neighborhood, and it is basically not changed by who the infringer is or how much profit the infringer has made in business there. On the other hand, there is no quantitative limitation to use in the case of a patent or other intellectual property, so the amount equivalent to the license fee changes completely by the amount of use by the infringer. Even if a patent were infringed in the same mode of use, there would be a world of difference between a case where the invention was worked in large quantities by a large company and a case where it was worked in small quantities by a small company. Such difference naturally occurs in terms of the amount that should be paid by the infringer, but it may not be a satisfactory outcome in terms of the passive profits suffered by the right holder. In this respect, Paragraph (3) is also considered to assume a concept of damages that has specially been established under the Patent Law. Meanwhile, there is a theory stating that while a land owner is not obstructed at all from using and gaining profits after the infringement, a patentee loses the opportunity to exploit the market due to the act of infringement, which means that the value of the patent has diminished to that extent (Tamura, *Chiteki Zaisanken To Songain Baishou* (Intellectual Property and Compensation for Damages): p. 214).

<sup>15</sup> Many theories have come to the same conclusion. For instance, Tamura, note 1; Yarita, note 1.

encourage infringement.

In light of such circumstances, there is a need to review whether or not it is appropriate to consider the damages caused by a patent infringement within the framework of the general acts of tort as has been intended by the legislators and expressed in court decisions and the majority-view theories. It would also be necessary to examine whether there is, first of all, no problem in considering an infringement of information that is an asset like a patent, in the same manner as an infringement concerning a corporeal thing. There is also some doubts as to the feasibility of concretely assessing the passive profits regarding an infringement of a patent, which is an exclusive right to a certain kind of information, and as to the appropriateness of considering the passive profits to be the damages.

Additionally, since a patent infringement, which involves no possession, is not restricted either in location or time, infringement is easier and its discovery or prevention is more difficult than an infringement of a corporeal thing. In addition, the fact that the patent infringement does not involve a direct act of harm, like seizing another person's possession, strengthens the temptation to infringe. The present tort law is only intended to compensate for losses, with no punishing function. Nevertheless, considering the above, the system for damages caused by a patent infringement requires some institutional guarantee to prevent infringements, so it would not be irrational to add practical punishing functions to a certain extent<sup>16</sup>. It might then become possible to establish an interpretation of the amount of damages that is different from the conventional court decisions and majority of theories. At the very least, there is a need for an interpretation that does not serve as an incentive for infringement<sup>17</sup>.

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<sup>16</sup> As long as the present Japanese tort law exists, it would be impossible to introduce a treble damage system or a punitive damage system, which have extremely strong punishing functions, as are adopted in the United States (the Tokyo District Court decision on February 18, 1991, Court Decision Journal, No. 1376: p. 79/The Law Times Report, No. 760: p. 250; and its appellate instance, the Tokyo High Court decision on June 28, 1993, Court Decision Journal, No. 1471: p. 89/The Law Times Report, No. 823: p. 126; and its final instance, the Supreme Court decision on July 11, 1997, Court Decision Journal, No. 1199: p. 3/The Law Times Report, No. 958: p. 93. This was a complicated case where the court held that execution of a U.S. court judgment ordering payment of punitive damages contravenes public order in Japan.) However, it would not be impossible to add a tinge of punishment by changing the composition of the conceptual framework of damages caused by an intellectual property infringement.

<sup>17</sup> However, it must be noted that a patent right and other intellectual property rights generally do not have clear limits compared to the case of a corporeal thing and, at the same time, many people would want to work the invention, if it is a superior technology. Therefore, a person tends to work a technology that is extremely close to such a superior patent within the scope of not conflicting with that patent. As a result, a person is sometimes judged to have committed an infringement without having awareness of such, and is also presumed to have been negligent. In such a case, it is often

The first issue is the concept of damages assumed in Section 102 (2). As mentioned earlier, to consider the profits gained by the infringer as the passive profits of the right holder does not necessarily comply with the empirical situation. Why then was such a presumptive provision established in Paragraph 2? It could be interpreted that damages in a patent infringement are not solely intended for compensating the actual damages that could be proved, but are model damages that could serve as an incentive for not committing infringement<sup>18</sup>.

The next issue is the meaning of Section 102 (3). The provision before the 1998 amendment had prescribed “an amount of money which he/she would normally be entitled to receive.” According to court decisions and the theories held by the majority, this had been considered as the reasonable amount of a license fee, and was usually assessed by referring to the license agreements that had been concluded for that patent in the past and the average license fee in the industry, among other elements<sup>19</sup>. Since this amount can be claimed as a minimum guarantee irrespective of the damages actually suffered by the right holder, it is essentially different from passive profits<sup>20</sup>. There should be no need to establish a special provision if the damages were similar to passive profits under tort law in the Civil Code<sup>21</sup>. Also, it is interpreted that Paragraph 3 provides for a minimum guarantee, so damages can always be claimed within this scope, but there is a question regarding whether or not damages can always be claimed without exception<sup>22</sup>.

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very severe for the infringer to compensate for an excessively large amount of damages. From this viewpoint, it is reasonable to conclude that the amount of damages should be the same as the actual damages. In short, it is an issue of balance.

<sup>18</sup> Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 237 states that “there may be room to recognize a return of profits under the name of compensation for damages,” and this also seems to assume a model concept that is different from the conventional concept of compensation for damages.

<sup>19</sup> The following looks at court decisions concerning this point: Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages): p. 23.

<sup>20</sup> Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages): p. 212 describes that “the context of Paragraph 2 (before the 1998 amendment) indicates the fact that the Paragraph always considers the reasonable price for the act of infringement to be the amount of damages, and inevitably assumes a concept of damages other than passive profits.” It mentions that attention should be paid to “what the patentee has lost” instead of what kind of license agreement has been concluded, with regard to Paragraph 2.

<sup>21</sup> If Paragraph 3 only addresses the passive profits caused by the decline of profit from the license fee, there is no use establishing a special provision under the Patent Law, and it is sufficient to leave the matter to the general principles of the Civil Code. In addition, either when claiming the lost license fee pursuant to tort law under the Civil Code or when making the same claim pursuant to Paragraph 3, the subject matter that should be claimed and proved are the same, so there is no reason to particularly establish Paragraph 3. Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages): p. 212.

<sup>22</sup> In the Supreme Court decision on March 11, 1997, *Saibansho Jihou* (Court Journal), No. 1191: p.

According to court decisions and the majority of theories, the plaintiff must claim and prove the occurrence of damages under the provision of Paragraph 2, as mentioned above, so when the right holder has not worked the invention, application of Paragraph 2 would be denied by reason of a lack of proof of the occurrence of damages, and only the claim for a reasonable license fee under Paragraph 3 would be recognized. In actuality, many court decisions have found that only Paragraph 3 should be applicable, and in relatively many cases, the amount of damages have been considered to be equivalent to the license fee under a non-exclusive license agreement at the time of the commencement of infringement. As a result, the amount of payment would be the same both in the case of formally concluding a license agreement and in the case of committing an infringement. Considering the possibility that the infringement might not be discovered, one would enjoy more advantage by committing an infringement from the perspective of compensation for damages. This problem had conventionally been pointed out and criticized by many knowledgeable people. Meanwhile, the word “normally” was deleted upon the 1998 amendment, so it became possible to also consider the specific circumstances of the individual cases.

Since the conventional theories had considered damages to be within the scope of the principle of tort law, which was to compensate for the damages suffered by the right holder, it was extremely difficult to secure necessary and sufficient compensation for the right holder. As a result, Section 102 could not fully function, and many theories called for legislative measures instead of trying to remedy the situation by interpretation.

Recognition of the amount of damages caused by an act of tort pertaining to an intellectual property infringement or, even broader, an infringement of property information, always involves difficult issues. Monopoly of intellectual property is specially recognized by law due to industrial and other needs, and information, which is the subject matter of intellectual property, is public property that is not subject to exclusive consumption. In the case of an infringement of intellectual property that has

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6 (the Kozosushi case), which was a trademark case, the court stated that Section 38 (2) of the Trademark Law (Paragraph 3 under the current Law) is a provision for reducing the injured party's burden of claim and proof, and it exceeds the basic framework of tort law to find that the defendant has the obligation to compensate for damages even when damages have clearly not occurred. The court has limited the scope of that decision to trademarks by stating that a trademark does not have property value in itself like a patent, but is essentially intended to protect general consumers by protecting business reputations and maintaining the distribution order, so if it clearly has not contributed to the sale of a third party's products, it has not caused damages of an amount equivalent to the license fee the right holder was entitled to receive. However, even in the case of patents, there could be cases where the infringement had not contributed to the sale at all.

such essential character, it is not always clear what should be regarded as damages, so it is natural that the matters to be considered are different from the case of infringement of a corporeal thing. The current Patent Law and other intellectual property laws deal with such an infringement within the framework of general tort law as a premise, often resulting in a situation where sufficient compensation is not recognized<sup>23</sup>.

Corporeal things and information are both important as economic goods, but it is questionable whether or not the same legal principle is naturally applicable with respect to recognition of the amount of damages caused by an infringement in both cases. This question goes to the issue of how information should be treated along with corporeal things under tort law, or more widely, under the Civil Code. It is in no way possible to completely address such a vast issue that also takes the transformation of a legal paradigm in an information society into view, but the following could be said about the question.

As there is no exclusivity in consumption of information, even if another person infringes the exclusive right and uses the information without authorization, it does not obstruct the right holder's intended use of information. In the case of a patent, the right holder can continue working the invention even if an infringement has been committed. However, unless the market is practically limitless, existence of an unauthorized user may cause the right holder economic damages by threatening the right holder's exclusive status, so some kind of obligation to compensate for the damages must be imposed. Nevertheless, since the size of the market is, although not limitless, almost impossible to determine, the causal relation between the act of infringement and the damages is not clear in a strict sense, so determination of the amount of damages is fundamentally difficult. In other words, caught between the idea of considering the damages to be the actual damages in a pure sense (the difference between when the infringement did and did not occur) and the idea of considering them to be something similar to a quasi-management of affairs without a mandate (having all the profits gained by the infringer delivered over), one arrives at a question of whether a solution should be sought to achieve balance between these two extremes.

Besides the above theoretical issues, the specific assessment of the amount of

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<sup>23</sup> As can be seen in the treble damage system and the punitive damage system, the idea of compensation for damages is fundamentally different between Japan and the United States, and Japan does not necessarily have to follow the U.S. style. An excessive amount of damages can induce new problems in itself, so careful measures would be required, but it is not so desirable to have a large gap between the two countries either, in this era of globalization. Accordingly, Japan should investigate a truly appropriate amount of damages without being bound to the perspective of compensating the actual damages that have been proved.

damages must be discussed.

Firstly, there is an argument over whether the profits under Paragraph 2 refer to net profits or gross profits. The majority of the theories seem to consider them as net profits based on the reason that Paragraph 2 is a system for compensating for damages actually suffered<sup>24</sup>. However, the profits should be considered as gross profits in principle, and discussions should be held on what should actually be deducted from the profits. Otherwise, application of Paragraph 2 would often be denied for lack of proof of the amount of profits due to the plaintiff's not being able to prove net profits<sup>25</sup>, and the significance of establishing the presumptive provision would be lost<sup>26</sup>. The profits the right holder has lost can be considered similar to marginal profits, and deduction of development expenses or general administrative expenses should not be recognized in principle<sup>27</sup>. For the right holder, costs like development expenses are sunk costs that

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<sup>24</sup> See Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 867 [Aoyagi], and the theories and the court decisions cited there. In a later court decision, the Tokyo District Court decision on February 9, 1990, Court Decision Journal, No. 1347: p. 213/The Law Times Report, No. 725: p. 213 (the Lead Chromate Pigment Composition case) ([Annotation] Yoshiyuki Tamura, Jurist, No. 1058: p. 116), the court stated that general administrative expenses, non-operating profits and losses, and extraordinary profits and losses are not unrelated to the act of manufacture and sale, and ruled that the profits gained by the infringer should be the net profits after deducting these expenses. Actually, few theories adopt the idea of net profits or the idea of gross profits completely. Most theories are considered to be based on either one or the other of these ideas, with some suitable amendments added.

<sup>25</sup> In the Tokyo District Court decision on April 27, 1988, Court Decisions Relating to Intangible Property, Vol. 20, No. 1: p. 209 (the Louis Vuitton case; a trademark case), the court denied application of Paragraph 1 (before the 1998 amendment) for lack of proof of the net profits, stating that "the amount of profits is not the amount of gross profits obtained by deducting the amount of purchase from the amount of product sales, but an amount obtained by deducting all of the expenses required for sales, including the amount of purchase, advertising expenses, personnel expenses, and the rent for the stores or exhibition sites, from the amount of product sales." A similar view has been taken in the Okayama District Court decision on May 29, 1985, The Law Times Report, No. 567: p. 329 (the Punch Hanger case). In contrast, in the Osaka District Court decision on June 28, 1985, Court Decisions Relating to Intangible Property, Vol. 17, No. 2: p. 311 (the Etiquette Brush case; a trademark case), the court ordered compensation of an amount equivalent to the amount of gross profits, stating that as long as the plaintiff has given certain proof of the gross profits, the burden is on the defendant to prove any factors for reducing this amount. The court mentioned, as the ground for the order, that because the plaintiff often cannot prove anything more than the gross profits in response to an order to produce documents, imposition of an additional burden on the plaintiff to also prove the net profits would produce a result contrary to the purpose of establishing the presumptive provision, which is to facilitate proof.

<sup>26</sup> Ikuo Hata, Book Commemorating the Seventieth Birthday of Professor Umase: p. 745.

<sup>27</sup> Tamura, *Chiteki Zaisanken To Songai Baishou* (Intellectual Property and Compensation for Damages): pp. 236 ff.; Harumi Kojou, "Tokkyo/Jitsuyou Shin'an Shingai Soshou Ni Okeru Songai Baishou No Santei (Assessment of the Damages in Patent/Utility Model Infringement Litigation) (2)," *Hatsumei* (Invention), Vol. 86, No. 2: p. 45; Reiko Aoyagi, "Tokkyo Hou 102 Jou 1 Kou (Songai Baishou No Suitei) Ni Tsuite (Discussions on Section 102 (1) of the Patent Law (Presumption of Compensation for Damages))," NBL Additional Volume, No. 33: p. 13. In the Tokyo District Court on October 30, 1995, Court Decision Journal, No. 1560: p. 24/The Law Times

have already been invested, so it is not the average profits that take all of these expenses into account that should be addressed, but instead, the profits that are gained on the premise that such investment has been made<sup>28</sup>.

The assessment of a reasonable license fee under Paragraph 3 also involves many problems. According to the majority of theories, this license fee had been considered to be what a reasonable license fee would be at the start of the infringement; in other words, the amount that would have been paid if a license agreement had been concluded at the start of the infringement. However, this could encourage infringement, as mentioned earlier<sup>29</sup>. Therefore, the reasonable license fee in this

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Report, No. 908: p. 69 (the Control Program case; a copyright case), the court stated that there is social recognition of facts that back up the presumption of the probability that the copyright holder can obtain the same profits by using the work in an identical manner, as long as the infringer has actually gained some profits by using the copyright; thus, the meaning of the “profits gained by the infringer,” which is the premise of the presumption, should be determined in relation to the presumed facts without being bound to the concept of profits in financial accounting, and when the number of products is within the scope that can be manufactured and sold without requiring new capital investment or hiring and training of new workers, the passive profits of the plaintiff should be considered as the marginal profits obtained by deducting only the variable expenses for the manufacture and sales from the amount of sales. In the Tokyo District Court decision on February 21, 1997, Court Decision Journal, No. 1617: p. 120 (the Plastic Infant Toy case; a case relating to the Unfair Competition Prevention Law), the court stated that when the plaintiff had already engaged in manufacture and sales after investing in development, the passive profits of the plaintiff, in a case where the number of the products is within the scope that can be manufactured and sold without requiring any new investment in development or hiring of new workers, should be considered as the selling profits obtained by deducting only the variable expense for the sales, such as the purchase costs, from the amount of sales, and since the number of the defendant’s products sold was found to be within the scope that could be manufactured and sold by the plaintiff without new investment, it is reasonable to consider that the amount of profits obtained by the person who conducted the act of unfair competition, which is the premise for the presumption, is the amount obtained by deducting only the variable expenses including the purchase costs from the amount of sales of the defendant’s products. Accordingly, expenses such as the development expenses for the defendant’s product, personnel expenses, general administrative expenses, and manufacturing control expenses are not deducted. It is a new trend for the court decisions to hold such a view, which can be referred to as a “marginal expense theory.” If this idea is adopted, a considerably higher amount of damages may be recognized compared to the past, and it could significantly contribute to remedying the situation.

<sup>28</sup> For instance, the amount of damages payable in a case where a person traveled within a 100-yen zone by train without paying the fare is not the profits of the railway company that have been assessed by taking into account the railroad building expenses, personnel expenses, and electric charges (e.g. 10 yen), but it is 100 yen. (It is a separate issue that a higher amount could be charged pursuant to a covenant.) This is because the company does not need to build a new railroad to carry the traveler who did not pay the fare, but it should have gained a profit of 100 yen by having that traveler ride the train in a regular manner. The case of a patent infringer is considered to be similar to this case of a traveler who did not pay the fare.

<sup>29</sup> Of course, if a company commits an infringement, it cannot continue the business after receiving an injunction, it earns a disreputable image relating to the infringement, and it must pay the litigation cost. Nevertheless, from the viewpoint of compensation for damages, mere delivery of average profits would not have an effect of restraining infringements. Considering that some malicious infringers only engage in the infringement for a short period of time and are no longer working the

context should be regarded as the reasonable license fee at the time of the trial instead of that at the time of the infringement, and should be decided by considering all the circumstances during that time span. As damages caused by a patent infringement are damages caused by an act of tort, there are various modes of infringement, but their excessively wide-ranging details cannot be introduced here due to the limitation in space. Accordingly, only a few of the issues shall be mentioned here.

Complex problems arise with regard to the amount of damages where there are multiple infringers or right holders. When the patent right is jointly owned, the matter is handled according to the method mentioned earlier in the part on joint ownership. (See the relevant part in Section 6, Subsection 2 “Joint Ownership.”) Meanwhile, when claiming damages from an exclusive licensee, the amount of damages should be the amount obtained by deducting an amount equivalent to the license fee from the profits gained by the infringer<sup>30</sup>, and the patentee should be able to separately claim for damages in an amount equivalent to the license fee. Court decisions and the majority theories do not recognize application of Paragraph 2 in such a case, but theoretically, application of Paragraph 2 should be recognized as in the case where the plaintiff had not been working the invention, and it should be interpreted that although the profits gained by the infringer are presumed to be the damages, the presumption can be rebutted so that damages would be up to an amount equivalent to the license fee if the infringer proves the existence of an exclusive license.

The assessment would also be complicated when there are multiple infringers, but that issue shall be omitted here<sup>31</sup>.

Complicated problems also occur when the infringed patent is only related to a part of a product.

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invention when an injunction is given, and that some do not care about disreputable images, it would be extremely meaningful to charge a high amount of damages to such infringers.

<sup>30</sup> The Osaka District Court decision on February 28, 1979, Court Decisions Relating to Intangible Property, Vol. 11, No. 1: p. 92 (the Hair Implanter case). In the following case, the court held that the amount of damages suffered by a non-exclusive licensee who had a complete monopoly in effect should be obtained by deducting an amount equivalent to the license fee payable to the patentee: the Osaka District Court decision on May 27, 1991, Court Decisions Relating to Intellectual Property, Vol. 23, No. 2: p. 320 (the Double Mixer case).

<sup>31</sup> Cases in which multiple infringers are involved can be divided into cases where multiple infringers are manufacturing and selling the products in parallel and cases where a specific person manufactures the products and other persons sell those products. In addition, those engaged in the manufacture or sale can be specified in some cases, while they are difficult to specify in other cases due to the involvement of multiple parties, as in the case of retailing. Since this issue is too detailed and not specific to industrial property law, it shall be omitted here. See Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 903 [Aoyagi]; Tooru Kiyonaga, “*Shingai (4) Fukusuu No Shingaisha* (Infringement (4) Multiple Infringers),” Makino, *Kougyou Shoyuiken Soshou Hou* (Industrial Property Litigation Law): p. 350.

In addition, difficult issues arise when the product of the patentee and the product of the infringer are not in competition with each other (e.g. when the plaintiff's product is a liquid crystal television and the defendant's product is a liquid crystal clock, although it is an infringement from the perspective of patent), or when the plaintiff manufactures a product in competition with the defendant's infringing product, though the plaintiff has not worked the patented invention in question.

With the amendment of the Patent Law in 1998 (Law No. 51), provisions including those on the presumption of the amount of damages under Section 102 were revised. (Although the amendment was made while this book was being proofread, a brief explanation shall be given due to the importance of the amendment.) Upon this amendment, a new provision was added as Paragraph 1, and the other paragraphs were each moved down one paragraph. The new Paragraph 1 provides that where articles by which the act of infringement was committed were assigned, the sum of money that is the profit per unit of such articles multiplied by the number of articles may be estimated as the amount of damages within a limit not exceeding the amount that would be attainable depending on the working capability of the right holder. However, where there is any circumstance that prevents the right holder from selling part or the whole of the number of assigned articles, a sum equivalent to the number of assigned articles subject to that circumstance shall be deducted. This amendment remedied most of the problems deriving from the difficulty of proving that the right holder's sales decreased and that profits were lost in correspondence to the number of products sold by the infringer, and the infringer came to take on the burden of proving factors for reducing the amount of damages. Nevertheless, as the right holder would still have to bear the burden of proof regarding such matters as the number of assigned articles, procedural improvements will be required in the future. Although such a procedural amendment was proposed in the Industrial Property Council's report for the 1998 amendment, it was not realized, but this matter is expected to become subject to legislation in the near future<sup>32</sup>.

Moreover, before the amendment Paragraph 2 had a provision to the effect that an amount of money that the right holder was "normally" entitled to receive for the working of the invention could be claimed as damages, but it had been pointed out that the amount of damages was often estimated on the low side, because it was assessed by

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<sup>32</sup> The Committee on Economy and Industry, House of Councilors, has adopted a supplementary resolution "to conduct further discussions aiming at reaching conclusions at an early stage regarding expansion of the order to produce documents, establishment of the damage assessment expert system, and review of judicial procedures, in order to expedite settlement of intellectual property infringement litigation and to strengthen protection of rights."

referring to the average license fee in the industry or the license fee for a state-owned patent due to the presence of the word “normally.” Accordingly, the word “normally” was deleted in Paragraph 3 of the amended Law, making it possible to assess the amount by considering the circumstances specific to individual cases. While such an idea had only been expressed in theories until then, the amendment has opened the way for a higher amount of damages also in actual practice.

### **Item 3 Right to Claim Recovery with Regard to Unjust Enrichment or Quasi-Management of Affairs Without Mandate**

#### **1. Unjust Enrichment**

There are no provisions on unjust enrichment under the Patent Law, but according to court decisions and the prevalent theories, the working of another person’s patented invention without authority meets the requirement for unjust enrichment (Article 703 of the Civil Code) in principle, so the right holder’s claim for recovery is recognized<sup>1</sup>. In short, the right to claim compensation for damages and the right to claim recovery of unjust enrichment conflict with each other. However, even if a certain amount of money corresponds to unjust enrichment in theory, the right holder must prove the causal relation that the enrichment was acquired by an act of patent infringement and that it caused a loss in order to claim recovery of that amount. Nevertheless, the enrichment acquired by the infringer is not solely attributable to the patent but involves various elements as mentioned in the part on compensation for damages, so proof of the causal relation is often difficult<sup>2</sup>.

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<sup>1</sup> There used to be theories that denied unjust enrichment but today hardly any objections are expressed against application of the idea of unjust enrichment either in court decisions or theories. Fumio Umase, “*Tokkyo No Mudan Jitsuyouka To Futou Ritoku* (Unauthorized Commercialization of a Patent and Unjust Enrichment),” Book Commemorating the Sixtieth Birthday of Professor Taniguchi (1): pp. 259/275; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 923 [Aoyagi]; Minoru Takeda, *Shingai Youron* (Summary on Infringement): pp. 172/175; Takashi Honma, “*Songai Baishou To Futou Ritoku No Henkan No Douji Seikyuu No Mondai* (Issue of Concurrently Claiming Compensation for Damages and Recovery of Unjust Enrichment),” *Tokkyo Kanri* (Patent Management), Vol. 22, No. 6: p. 567.

<sup>2</sup> Although there are theories to analogically apply the presumptive provision under Section 102 of the Patent Law also in the case of unjust enrichment (Umase, note 1: pp. 266/268/273), such analogical application is considered to be difficult due to the difference in the reason for existence of compensation for damages and that of unjust enrichment. (Analogical application was denied in the following case: the Osaka District Court decision on October 31, 1980, Court Decisions Relating to Intangible Property, Vol. 12, No. 2: p. 632 (the Children’s Vehicle Tire case), and its appellate trial, the Osaka High Court decision on January 28, 1982, Court Decisions Relating to Intangible Property, Vol. 14, No. 1: p. 41 ([Annotation] Hiroshi Furusawa, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 99.) As an exception, in the Osaka District Court decision on October 14, 1987, Court Decisions Relating to Intangible Property, Vol. 19, No. 3: p. 389 (the Okeya case; a trademark case), the court found the amount of profits gained by the

Because of this, in actuality the right holder often claims an amount equivalent to the license fee also in the case of claiming recovery of unjust enrichment. In other words, the infringer, having escaped from paying a due license fee, must have enjoyed enrichment at least to that extent, and the right holder, having not received that receivable license fee, must have suffered a loss at least to that extent, so a certain causal relation can be observed between the two<sup>3</sup>. In this respect, the amount would

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defendant as the amount of losses suffered by the plaintiff, stating that due to the fame of the plaintiff's trademark, it could be assumed that the trademark had wholly accounted for the defendant's sales. While the system of tort is basically a system for compensating damages suffered by the infringed party, the system of unjust enrichment is a system for recovering the enrichment acquired by the infringer. As the two systems are thus theoretically different in terms of purpose, requirements and effects, the respective provisions could not simply be applied analogically. Meanwhile, the enrichment must still exist in order to claim recovery of unjust enrichment, but since this matter is subject to defense, the burden of proof is imposed on the infringer's side, so it does not obstruct proof on the right holder's side when making the claim.

<sup>3</sup> The Tokyo District Court decision on July 3, 1967, Civil Court Decisions by Lower Courts, Vol. 18, No. 7/8: p. 739 (the Streptomycin case); the Osaka District Court decision on March 28, 1975, The Law Times Report, No. 328: p. 364 (the Case of a Coupler Attached in a Door-Latch Fashion) ([Annotation] Tsunekazu Kojima, Patent, Vol. 31, No. 5: p. 72; Saburou Kuwata, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 112); the Tokyo High Court decision on August 29, 1991, Court Decisions Relating to Intellectual Property, Vol. 23, No. 2: p. 618 (the Nibbling Die Mechanism case). Meanwhile, Umase, note: p. 263 states that an amount equivalent to the license fee is the minimum amount of unjust enrichment; thus, the amount

practically be the same as the amount of damages claimable under tort law, but there is a great difference in that the period of extinctive prescription differs between the case of tortious act and that of unjust enrichment. While the period of prescription of the right to claim compensation for damages caused by an act of tort is three years, that of the right to claim recovery of unjust enrichment is ten years, similar to ordinary claims, so the latter right takes on its significance after the former right lapses by prescription.

Even if the right holder had not worked the invention, it would make no difference in that the infringer would have had to pay a license fee to work the invention and the right holder was entitled to receive a license fee, so such a right holder can also claim recovery of unjust enrichment<sup>4</sup>.

## 2. Quasi-Management of Affairs Without Mandate

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can be higher. This is natural, but in reality it is often difficult to prove an amount exceeding the amount equivalent to the license fee.

<sup>4</sup> The Toyama District Court decision on September 7, 1970, Court Decisions Relating to Intangible Property, Vol. 2, No. 2: p. 414 (the Melamine Resin case) ([Annotation] Sinichi Kukuzu, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 95); the Osaka District Court decision on October 28, 1983, The Law Times Report, No. 514: p. 303 (the Attachable Ventilator case); the Osaka District Court decision on September 27, 1984, *Tokkyo To Kigyō* (Patents and Enterprises), No. 191: p. 63 (the Register with Attached Plastic Cord case).

An infringer of another person's patent is clearly conducting the act for himself/herself, and not managing the affairs on behalf of the patentee, so the provision on management of affairs without mandate is not applicable. Thus, there is an issue of whether or not to recognize quasi-management of affairs without mandate for a patent infringement, though there is no provision on quasi-management of affairs without mandate under the Civil Code of Japan. As quasi-management of affairs without mandate is typically discussed in relation to not only the sale or use of another person's corporeal thing, but also unauthorized use of another person's intellectual property, some theories try to find it also in the case of a patent infringement<sup>1</sup>.

Since there is no provision on quasi-management of affairs without mandate under the Patent Law, it is basically left to the interpretation of the Civil Code. The council report upon establishing the current Section 102 of the Patent Law included a statement that "the patentee can claim recovery of the enrichment acquired by the infringement from the person who infringed his/her patent right by intention or negligence," but in the end this provision failed to be adopted, and the provision under the current Law was adopted instead. This statement in the report was intended to have the infringer deliver over the enrichment (profits), and it is practically equal to recognizing quasi-management of affairs without mandate. When considering this matter within the framework of tort law, such a conclusion would cause an imbalance with other acts of tort, and as the matter needed to be processed within the framework of tort law in any case, the present style of provision was adopted as a result.

Supposing that quasi-management of affairs without mandate were recognized, the profits gained by the infringer would always be considered to be the damages, so the provision in Section 102 (2) of the current Law to presume the profits gained by the infringer to be the damages would lose its meaning. Due to such a legislative circumstance, recognition of quasi-management of affairs without mandate is regarded as being difficult to accept as an interpretation of the current Law, though it is worth considering from a legislative approach.

However, as mentioned earlier, the unique concept of damages in an intellectual property infringement makes it difficult to legally reckon quasi-management of affairs without mandate as a basis for damages, but it may not be unreasonable to reach a similar conclusion by some constructive theory or legislative measure. In short,

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<sup>1</sup> Toyosaki, *Kogyo Shoyuiken Hou* (Industrial Property Law): p. 241; Kiyomitsu Yoshimi, "Jun-Jimu Kanri No Sai-Hyouka -- Futou Ritoku Hou Nado No Kentou Wo Tsuujiite (Re-evaluation of Quasi-Management of Affairs Without Mandate -- Through Analysis of the Law of Unjust Enrichment)," Book Commemorating the Sixtieth Birthday of Professor Taniguchi (3): p. 371.

it seems to be against justice for the infringer to retain the profits he/she has acquired through an illegal act on the one hand, but on the other hand, it seems to be against equity to deliver all of the profits acquired by the infringer through his/her own ability, funds and efforts to the right holder. The challenge is to find the most reasonable stance between these two considerations.

#### **Item 4 Subpoena Duces Tecum**

The court may, upon the request of a party, order the other party to produce documents necessary for the assessment of the damages caused by the infringement (Section 105 of the Patent Law). The assessment of the damages is sometimes necessary not only for the right holder, but also for the infringer, and both parties can make such a request. However, production of documents can be refused when there is a justifiable cause for it. It is not necessarily clear what actually corresponds to a justifiable cause, but the most controversial issue is whether or not a trade secret corresponds to a justifiable cause. This issue is subject to active theories and passive theories. If the infringer could refuse to produce documents because trade secrets were automatically regarded to be a justifiable cause, it would be too disadvantageous for the patentee, who does not have means to assess the damages. On the other hand, if the infringer had to produce all documents even if they were trade secrets, a lawsuit could be filed in order to learn the trade secrets of the defendant. Although some kind of legislative measure would be required (discussions for amendment are being carried out as of 1998), this matter could be solved to a certain extent by an appropriate direction of the litigation<sup>1</sup>.

The Code of Civil Procedure provides for an obligation to produce documents (Article 220), so the relation between this provision and Section 105 of the Patent Law presents an issue. The prevailing theories consider that the provision under the Patent Law is supplementary to the provision under the Code of Civil Procedure. Specifically, the provision under the Patent Law makes it possible to request production of documents also in cases other than those stipulated under the Code of Civil Procedure,

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<sup>1</sup> In the Tokyo High Court decision on May 20, 1997, Court Decision Journal, No. 1601: p. 143 (the New Aromatic Carboxylic Acid Amide Derivative Manufacturing Method case), the court stated as follows: "As long as it makes up part of the documents in which matters required for assessing the profits gained by the appellant are described, production of the documents cannot justifiably be refused for the reason that a part of the documents is a trade secret at least in relation to the opponent. Prevention of unnecessary disclosure of the trade secret in a case where each of the documents was produced based on the order to produce documents is a matter that should be appropriately taken care of by direction of the proceedings, etc. in the court of the original instance with respect to the request made by the litigant party."

provided that it is for assessment of the damages<sup>2</sup>. However, considering the fact that it is a special provision of the Code of Civil Procedure, it should not be applied too broadly, but only to documents related to assessment of the damages<sup>3</sup>. Further, when a subpoena duces tecum is refused without a justifiable reason or breached in order to obstruct use by the opponent, the principle under the Code of Civil Procedure is applied and the claim by the opponent is deemed to be the truth<sup>4</sup> (Article 224 of the Code of Civil Procedure).

## **Item 5 Measures for Recovery of Reputation**

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<sup>2</sup> JPO, Clause-by-Clause Explanation of Industrial Property Laws: p. 245; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 963 [Aoyagi].

<sup>3</sup> Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 964 [Aoyagi]. In the Tokyo High Court decision on May 20, 1997 (note 1), the court stated that a document corresponds to a material for assessment “when it describes the content of the operator’s acts of commercially manufacturing and selling the products or matters that closely relate to such acts from the perspectives of its nature and of the matters usually expected to be described in it, and when the said act of manufacturing and selling the products corresponds to an act of patent infringement.”

<sup>4</sup> According to opposing theories, Article 316 of the Code of Civil Procedure (before the 1996 amendment) is not applicable even when the documents are not produced, in which case, the fact of not producing the documents would be taken into consideration in the entire content of the hearing (Kaneko/Someno, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 262).

Upon the request of the patentee or exclusive licensee, the court may order the person who committed an infringement either intentionally or by negligence to take measures necessary for the recovery of the business reputation he/she has injured (Section 106 of the Patent Law). The typical case is where the image of the patent has declined by goods of poor quality, and the recovery measures in such a case include publication of an advertisement of apology. However, unlike in the case of an infringement of a mark, such as a trademark, it would be rare for an infringement of a patent to immediately injure a business reputation<sup>1</sup>. That would only happen in special cases where the products manufactured and sold by an act of infringement were poor in quality and, at the same time, they created the impression of being related to the patent.

## **Item 6 Exhaustion of Right**

### **1. Exhaustion Theory**

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<sup>1</sup> A demand for publication of an advertisement of apology was not recognized in the following cases: the Osaka District Court decision on June 8, 1965, Court Decision Journal: No. 459: p. 69/The Law Times Report, No. 180: p. 193 (the Sport Spike case); the Tokyo District Court decision on July 24, 1968, The Law Times Report, No. 229: p. 231 (the Antibiotic Substance Pulverizing Device case); the Tokyo District Court decision on May 25, 1973, Court Decision Relating to Intangible Property, Vol. 5, No. 1: p. 128 (the Motorcycle Design case). Meanwhile, the Kobe District Court decision on April 21, 1986, The Law Times Report, No. 620: p. 179 (the Fractured Rib Fixing Belt Design case) was a rare case where the court ordered an advertisement of apology (not in a general newspaper but in a trade newspaper), considering the proportion of the plaintiff's products in the plaintiff's business, the damages suffered by the plaintiff from demand for a discount, the number of the infringing products sold, and the extent of similarity between the two designs, as well as the facts that the defendant had already stopped the manufacture and sale and that the plaintiff's reputation was only directly injured in relation to medical equipment dealers. (It is questionable whether the facts found in this case can be considered to be the factors for ordering an advertisement of apology, but it is introduced here since it is the only such court decision published.)

When articles relating to a patent are lawfully distributed by the right holder<sup>1</sup>, the effect of the patent does not extend to the distributed articles according to the common legal practice. If the act of purchasing an article sold by the right holder to resell it or use it by oneself is deemed to be illegal, it would confuse the distribution system and disable proper economic activities. Thus, the legality of such an act of working is naturally recognized around the world, and only its theoretical structure remains as a problem. In other words, while such an act (Section 2 (3) of the Patent Law) can theoretically correspond to an infringement due to the lack of an exceptional provision for such an act under the Patent Law, various theories have been advocated in order to avoid this unjust conclusion.

Among old court decisions, there was a case where the court held that the effect of the patent does not extend to an article that has been lawfully acquired, as part of the effect of the ownership right to that article<sup>2</sup>, but this decision, which has mixed patent rights with ownership rights, is not supported at all today.

Next, there are also theories, which consider that the lawful distribution of articles relating to a patent by the right holder means that the right holder has implicitly given authorization for working the invention. Such theories are prevalent in some countries, but gain small support in Japan. The assumable reason for the small support is that the distribution chain would be broken in cases where authorization apparently has not been given or special cases such as where the patent has been assigned.

The prevalent opinion in Japan is to consider that the lawful distribution of articles relating to a patent by the right holder means that the patent has already attained its purpose as far as those articles are concerned, and the patent right has been exhausted regarding those articles. The purpose of the patent system is to increase the incentive for invention through guaranteeing profits by recognizing monopolistic working of the invention, and if only the incentive were to be considered, the effect of a

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<sup>1</sup> The right holder refers to a patentee or a licensee. Even if the licensee distributes the articles, the situation is no different from the case where they were distributed by the patentee. This fact was stated in the following court decision: the Osaka District Court decision on June 9, 1969, Court Decisions Relating to Intangible Property, Vol. 1: p. 160 (the Automatic Bowling Pin Setting Device case). The following court decisions recognized a similar fact: the Nara District court decision on May 26, 1975, The Law Times Report, No. 329: p. 287 (the Synthetic Resin Door Frame case) (the court held that an act of a person who sold the products purchased from the licensee was a justifiable act that did not infringe the utility model right); the Tokyo District Court decision on October 13, 1964, The Law Times Report, No. 168: p. 152 (the Chain Joining Device case) (the court held that an act of selling the products purchased from a person who acquired a non-exclusive license based on prior use was legal).

<sup>2</sup> The Supreme Court decision on October 9, 1912, Civil Court Decisions by the Supreme Court in Prewar Japan, No. 18: p. 827.

patent right should be as strong as possible. However, the effect must always be determined in balance with the public interest. The limits of the effect of a patent right are not an inevitable theoretical consequence, but, rather, are determined based on policy. Because phased distribution of products is essential for industrial development, the patent system should not take a structure so as to obstruct such distribution. In light of this, the theoretical concept of exhaustion of the right should be recognized. Denial of exhaustion would be equal to giving the patentee the authority to control distribution, which makes the power of the patentee too strong, and could make the Patent Law approve an act that is considered to be an unfair trading method under the Anti-monopoly Law<sup>3</sup>. These serve as additional reasons why the concept of exhaustion, or a legal interpretation which derives a similar result (e.g. implicit authorization), cannot be denied. It would be desirable to expressly stipulate the concept of exhaustion of a patent right in a provision, but the concept should be recognized from the viewpoint of equity even without such a grounding in law<sup>4</sup>.

The problem of exhaustion does not occur in relation to a process invention in principle<sup>5</sup>. With regard to an invention of a process of manufacturing products, this matter should be dealt with in the same manner as in the case of a product invention<sup>6</sup>. In short, the patent right is also exhausted when the products manufactured by that process are lawfully distributed by the right holder.

As exhaustion of a patent right limits the effect of the patent right for reasons

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<sup>3</sup> Article 23 of the Anti-monopoly Law provides that the Law is not applicable to an act that is recognized to be exercise of right under the Patent Law. There are arguments over the interpretation of this provision with regard to what kinds of acts of the patentee escape the application of the Anti-monopoly Law, but the details shall be left to studies in the field of economic law. Incidentally, a right of distribution (a non-exhaustible right to control distribution) is presently recognized for cinematographic works under the Copyright Law, and the question of whether or not restrictions on prices or handling of second-hand products are legal under the Anti-monopoly Law is presenting a problem.

<sup>4</sup> Article 12 (3) of the Law Concerning the Circuit Layout of Semiconductor Integrated Circuits expressly provides for this exhaustion principle. However, the same interpretation would be adopted even without such an express provision. In the Supreme Court decision on July 1, 1997 (mentioned later), which was a case of parallel import, the court recognized domestic application of the exhaustion theory in its obiter dictum.

<sup>5</sup> Toyosaki, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 217 mentions that “an implicit license is considered to be granted if the machine were only used for working a process invention, though there would still be a problem if the machine for it were assigned.” The patent right for this machine could either be held by the same person who owns the patent for the process invention or by a different person. In the former case, an implicit license could be recognized also for the process patent by the assignment of the machine, but no such implicit license would be recognized in principle in the latter case.

<sup>6</sup> Tsunekazu Kojima, *Kougyou Shoyuiken To Sashidome Seikyuuken* (Industrial Property Rights and Right to Demand an Injunction) (Hougaku Shoin, 1986): p. 62.

of policy, its material effect cannot be changed by the intention of the right holder. Accordingly, even if the patentee prohibits sales of the patented products outside Hokkaido, it only binds the direct clients (contracting parties), and the patentee cannot stop any third parties who purchased the products from re-selling the products outside Hokkaido. Any kind of agreements can be concluded between the contracting parties unless it violates other enforceable regulations, so the right may sometimes appear not to be exhausted between the parties as a result<sup>7</sup>. However, that is only the effect of the agreement, which is unrelated to exhaustion of the right. Such effect of agreement does not extend to third parties.

## **2. Exhaustion of a Patent Right and Parallel Imports**

### **(1) Identification of the Problem**

Hardly any problems occur in recognizing the exhaustion theory as a general concept when the transactions are completed within Japan. The disputes actually observed are mostly limited to cases of parallel imports. When a patented product is lawfully distributed overseas by the right holder or an equivalent person, a problem arises on whether or not the Japanese patent right is exhausted (the issue of international exhaustion of a patent right).

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<sup>7</sup> For instance, it is possible to conclude an agreement between the parties that the assignee shall only use the article relating to the patent by himself/herself, and shall pay an additional license fee when assigning it to a third party, unless it does not violate another enforcing regulation (e.g. article 90 of the Civil Code or a provision in the Anti-monopoly Law). However, since the effect of such an agreement does not extend to a third party, if the assignee assigns the article to a third party in violation of this agreement, there would only be the problem of default of an obligation, and the third party would be able to claim exhaustion of the patent right.

Accordingly, what kinds of problems do parallel imports give rise to in relation to interpretation of the law<sup>1</sup>? Section 2 (3) of the Patent Law includes the act of importing within the scope of working the invention, and provides for no exceptions. Therefore, to be purely formalistic, it is possible to interpret that the import of all products within the scope of the patent right, including genuine products, constitutes an infringement. On the other hand, however, many people oppose prohibiting the import of genuine products, interpreting that the act of importing under Section 2 (3) of the Patent Law does not include genuine products. The questions of which conclusion should be adopted and on what ground are the issues regarding parallel imports. The important point here is that no treaties provide regulations on parallel imports, which allows Japan to adopt any kind of conclusion<sup>2</sup>.

In the past, there were strong views to formalistically deny international exhaustion of a patent right based on the independence of patents, without producing proof to support the appropriateness of this conclusion<sup>3</sup>. Indeed, as long as the world's present patent systems are based on the independence of patents (Article 4*bis* of the Paris Convention), exhaustion of a patent right in one country does not have any effect on the status of a patent right in another country. However, the status of the rights to a specific article relating to a patent cannot be discussed in the same manner. The independence of patents merely means that patents in other countries and patents in one's own country exist independent from each other, so the patents in other countries

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<sup>1</sup> With regard to this point, see Nobuhiro Nakayama, "*Tokkyo Seihin No Heikou Yunyuu Mondai Ni Okeru Kihonteki Shiza* (Basic Viewpoint concerning the Issue of Parallel Imports of Patented Products)," *Jurist*, No. 1094: p. 59.

<sup>2</sup> Various discussions took place over the issue of parallel imports in the process of formulating the WTO's TRIPs Agreement, but consensus could not be reached. Article 6 of the TRIPs Agreement provides that "for the purposes of dispute settlement under this Agreement, [omitted] nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights." Although complicated negotiations took place in the course of formulation of this Agreement, they shall not be discussed here. As a conclusion, Japan apparently would not violate any treaties even if it recognized parallel imports. With regard to this issue, see Naoki Koizumi, "*Heikou Yunyuu No Kokusai Keizai Hou Teki Kisei -- Kokusai Kougyou Shoyuiken Hou/Chosakuken Hou No Shitenkara* (Regulations on Parallel Imports from the International Economic Law Aspect -- From the Viewpoint of International Industrial Property Law and Copyright Law)," *Nihon Kokusai Keizai Hou Gakkai Nenpou* (Annual of the Japan Association of International Economic Law), No. 6: p. 45.

<sup>3</sup> In the Osaka District Court decision on June 9, 1969, Court Decisions Relating to Intangible Property, Vol. 1: p. 160 (the Automatic Bowling Pin Setting Device case) ([Annotation] Teruo Doi, *Jurist*, No. 460: p. 141; Masayoshi Tsunoda, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 83), the court stated as follows: "A patent right has geographical limitations, and the patents of each country are independent from each other, so the theory of exhaustion of a patent should only be applicable within the territory of the country in which the patent was granted. If so, even when a patent in one country were to be exhausted with regard to a certain product, there is no reason to consider that a patent in another country should also be justifiably exhausted based on the same ground."

do not affect the patents in one's own country. The independence of patents does not prohibit one from taking into consideration a fact that occurred in another country when determining the concrete effect of a patent right in one's own country<sup>4</sup>.

As mentioned earlier, an assignment that can be considered to be illegal formalistically is regarded as being legal by applying the theory of exhaustion, which is not stipulated in law, when the transactions are completed within Japan. Similarly, a purely formalistic conclusion should not be derived for cases of parallel imports, either. Instead, the rightfulness of the interpretation should be derived from the appropriateness of the conclusion in the end. In short, this issue can only be solved by formulating a desirable interpretation based on the desired conclusion.

## **(2) Court Decisions**

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<sup>4</sup> For instance, it does not conflict with the independence of patents to refuse or invalidate a patent application or a patent registration based on the reason that the invention was described in a printed publication that was distributed in another country (Section 29 (1) (iii) and Section 123 (1) (ii) of the Patent Law). The same idea should apply in the case of parallel imports, and the question of how the lawful overseas distribution of the product by the right holder should influence the effect of the patent right in Japan should be free for Japan to decide as an interpretation of the Japanese Patent Law. It is not an issue of whether the patent right itself lapses, but merely an issue of whether or not the effect of the patent extends to the parallel import products. This has been recognized as a natural fact in the BBS case by the District Court, the High Court and the Supreme Court. The following is a related description concerning copyright: Naoki Koizumi, "*Chosakuken Ni Yoru Kokusai Shijou No Bunkatsu -- Heikou Yunyuu No Kouzou* (Division of International Markets by Copyright -- Structure of Parallel Imports)," *Koube Hougaku Zasshi* (Kobe Law Magazine), Vol. 40, No. 1: p. 133.

Although many academic theories have been noted regarding parallel imports<sup>1</sup>, only one court decision was given, in 1969, in which the court held that international exhaustion of a patent right does not take place due to the independence of patents<sup>2</sup>. Regardless of this decision, however, it is a known fact that there have been many cases of parallel imports of automobiles and other genuine products relating to patents. While court decisions were successively rendered concerning the Trademark Law, no such court decisions were handed down concerning the Patent Law for as long as a quarter of a century. Nevertheless, the problem was finally settled in practice in 1997 when the Supreme Court rendered a decision<sup>3</sup> in the BBS case.

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<sup>1</sup> For theories, see those listed in note 2 of Nobuhiro Nakayama, “*Tokkyo Seihin No Heikou Yunyuu Mondai Ni Okeru Kihonteki Shiza* (Basic Viewpoint concerning the Issue of Parallel Imports of Patented Products),” *Jurist*, No. 1094: p. 68. Other references include: Takashi Ooseto, “*Tokkyo Seihin No Heikou Yunyuu* (Parallel Import of Patented Products),” *Ritsumeikan Hougaku*, No. 243/244: p. 1608; Seiji Oono, *CIPIC*, Vol. 71: p. 43; Shouen Ono, “*BBS Tokkyo Heikou Yunyuu Jiken Hanketsu* (Court Decisions on the BBS Patent Parallel Import Case),” *AIPPI*, Vol. 42, No. 8: p. 2; Naoki Koizumi, “*Heikou Yunyuu No Kokusai Keizai Hou Teki Kisei -- Kokusai Kougyou Shoyuukun Hou/Chosakuken Hou No Shitenkara* (Regulations of Parallel Imports from the International Economic Law Aspect -- From the Viewpoint of International Industrial Property Law and Copyright Law),” *Nihon Kokusai Keizai Hou Gakkai Nenpou* (Annual of the Japan Association of International Economic Law), No. 6: p. 45; Hiroaki Niki, “*Tokkyo Seihin No Heikou Yunyuu Ni Tsuite No Hitotsu No Shiron* (A Tentative Assumption concerning Parallel Imports of Patented Products),” *Patent*, Vol. 49, No. 9: p. 2; Yoshiyuki Tamura, “*Heikou Yunyuu To Tokkyoken -- BBS Jiken Saikousai Hanketsu No Igi To Sono Kentou* (Parallel Import and Patent -- Objections Against and Discussions of the Supreme Court Decision on the BBS Case),” *NBL*, No. 627: p. 29; Hideyuki Murata, “*Heikou Yunyuu Ni Tsuite -- Sousaku Hou To Hyoushiki Hou* (Parallel Imports -- Laws concerning Creativity and Laws concerning Marks),” *Kougyou Shoyuukun Hou Kenkyuu* (Study on Industrial Property Law), No. 116: p. 8.

<sup>2</sup> The Osaka District Court decision on June 9, 1969, *Court Decisions Relating to Intangible Property*, Vol. 1: p. 160 (See note 1 of (1) “Identification of the Problem”).

<sup>3</sup> The Supreme Court decision on July 1, 1997, *Court Decision Journal*, No. 1612: p. 160/*The Law Times Report*, No. 951: p. 106 (the BBS case) ([Annotation] Hidetaka Aizawa, *IIP Forum*, No. 31: p. 2; Tatsuki Shibuya, *Jurist*, No. 1119: p. 96; Shouen Ono, *AIPPI*, Vol. 42, No. 8: p. 594; Yoshiyuki Tamura, *supra* note 1, *NBL*, No. 627: p. 29; Keishi Kondou, *CIPIC*, Vol. 69: p. 62; Yoshikazu Oohara, *CIPIC*, Vol. 68: p. 72; Hiroyuki Ikeuchi, *AIPPI*, Vol. 42, No. 9: p. 51; Masayuki Koiwai, *Patent*, Vol. 50, No. 10: p. 19; Masayuki Koiwai, *CIPIC*, Vol. 70: p. 39). It was a pure and simple parallel import case where BBS, the plaintiff, owned a Japanese patent on an aluminum wheel and the defendant engaged in parallel import of the plaintiff’s product that had been lawfully sold in Germany. Its trial of first instance was the Tokyo District Court decision on July 22, 1994, *Court Decisions Relating to Intellectual Property*, Vol. 26, No. 2: p. 733 ([Annotation] Hidetaka Aizawa, *Book Commemorating the Eightieth Birthday of Professor Uchida*: p. 3; Naohiko Tatsumi, *Bessatsu Houritsu Jihou* (Additional Issue of Law Journal), No. 11: p. 87; Ryuuuya Tsutsumi, *Court Decision Journal*, No. 1518: p. 217; Saburou Kuwata, *Jurist*, No. 1065: p. 80), where the court concluded that the parallel import was illegal. Its second instance was the Tokyo High Court decision on March 23, 1995, *Court Decisions Relating to Intellectual Property*, Vol. 27, No. 1: p. 195 ([Annotation] Saburou Kuwata, *Jurist*, No. 1068: p. 264), where the court concluded that the parallel import was legal.

Since the practice on this issue was decided by the Supreme Court decision, the Customs and Tariff Bureau of the Ministry of Finance changed “*Shouhyouken Ni Kakaru Heikou Yunyuuhin No*

The BBS case, being a revolutionary court decision regarding the parallel import issue, needs to be studied in detail. In this case, the courts from the first through the final instance did not adopt the theories of denying international exhaustion based on the independence of patents or the principle of territoriality, but instead derived their conclusions as an issue of interpretation of the Japanese Patent Law.

The court of the first instance ruled as follows. International exhaustion could not have been the common understanding at the time of legislating the Patent Law, and also from the economic viewpoint, recognition of parallel imports is not considered to comply with the purpose of the Patent Law in its present phase, so parallel imports constitute patent infringements. On the other hand, the court of the second instance stated that, considering the actual conditions of current international economic transactions, it is sufficient to give the patentee remuneration for publishing his/her invention only once, so the patent right is exhausted and parallel imports are legal.

Against this decision, the Supreme Court stated the following. The patent right is exhausted when the patented product is transferred within Japan, but the same does not necessarily apply when it is transferred overseas. The patentee may not own a corresponding patent in the country in which the patented product was transferred, and even if he/she does, exercise of the right in Japan does not immediately mean that the patentee gains double profits. However, in light of the present situation that international economic transactions are developing more widely and becoming more advanced in modern society, freedom needs to be allowed as much as possible in the distribution of products, and even in the case of economic transactions outside Japan, transactions generally take place on the assumption that the transferor transfers all of his/her rights to the article to the transferee, and it can naturally be expected that the transferee or a person who acquired the product from the transferee would export the article to Japan. Therefore, the patent right must not be exercised in Japan against the transferee except when an agreement to exclude Japan from the location of sale or use of the product has been concluded, or against a person who acquired the product from the transferee except when an agreement to the same effect has been concluded with the transferee and an indication to that effect is attached to the patented product. If the

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*Toriatsukai* (Practice on Parallel Import Products relating to Trademark Rights)” in 5. of the transmittal “*Chiteki Zaisanken Shingai Buppin No Torishimari Ni Tsuite* (Regulations on products that infringe intellectual property)” (*Zoukan*, No. 1192, December 28, 1994; partially amended by *Zoukan*, No. 585, June 30, 1995) to “*Shouhyouken Nado Ni Kakaru Heikou Yunyuuhin No Toriatsukai* (Practice on parallel import products relating to trademark right, etc.).” It added items concerning patent rights, and allowed parallel imports under the same requirements as those in the Supreme Court decision (partially amended by *Zoukan*, No. 257, March 26, 1998).

patentee has transferred the patented product overseas without concluding an agreement with reservations, the patentee should be considered to have implicitly granted the right to control the product in Japan without any patent restrictions to the transferee or the person who acquired the product from the transferee. In this regard, the conclusion would not differ by the existence of a foreign patent corresponding to the Japanese patent. In this case, no claim nor proof was made to the effect that the above-mentioned type of agreement had been concluded or that such fact had been indicated on the product in question, so no injunction or compensation for damages could be demanded based on the patent right.

This Supreme Court decision, which is assumed to have been made with reference to U.K. and U.S. court decisions, denies international exhaustion of the patent right as a generality<sup>4</sup>, but from the viewpoint of the international distribution of products, allows parallel imports except when the patentee has concluded an agreement to exclude Japan from the location of sale and use and that has been clearly indicated on the product. Therefore, the problems in actual practice are expected to shift to issues including what kind of agreement should be sufficient for blocking parallel imports, how the indication of exclusion of Japan should be made (whether it should be indicated on the product or whether it is sufficient to indicate it on the packaging or the tag), what happens if that indication is erased or vanishes in the course of distribution, and which language should be used for the indication<sup>5</sup>.

Nevertheless, the theoretical ground for the Supreme Court decision is not necessarily convincing, so arguments are expected to continue in the academic world in the future. The import of products covered by the scope of the patent right is legal as long as the right holder gives authorization, even if they are not genuine products, and that authorization can sometimes be given implicitly, so it is natural that parallel imports are legal as long as implicit authorization has been given. Accordingly, the

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<sup>4</sup> The Supreme Court decision does not clearly state that parallel imports are illegal in principle. Considering the judgment stating that the right to control the product without any restrictions from the patent is considered to have been implicitly granted when the right holder transferred the product overseas without concluding an agreement with reservations, the Supreme Court assumed that parallel imports are illegal in principle, but are legal only when the right has been granted either expressly or implicitly. Nevertheless, it is also possible to read it as stating that parallel imports are legal in principle, but exercise of the right is exceptionally recognized only when an agreement has been concluded and the indication has been attached (explanation in *The Law Times Report*, No. 51: p. 108). Apart from theoretical problems, the actual conclusion would be determined by the presence of the indication, so the indication can be considered as the de facto requirement for exercise of the right.

<sup>5</sup> If the emphasis were to be laid on the agreement, it would be important that the language can be understood by both the right holder and the first assignee, but in view of safe trading, it would also be important that the language can be understood by the import trader.

Supreme Court decision is considered to be significant in stating that, under the present international economic situation, lack of an agreement and indication would mean implicit authorization. (The judgment used the phrase “authorization was implicitly granted”.)

Although the judgment referred to the direct transferee and a person who acquired the article from the transferee separately, it is natural that the direct transferee is bound by the agreement (the issue relating to the Anti-monopoly Law shall not be mentioned here), so the problem of parallel imports occurs with respect to a person who acquired the article from the transferee. The judgment requires not only attachment of an indication to the article, but also presence of an agreement between the right holder and the transferee to exclude Japan from the territory of sale and use in order to exercise the patent right against the person who acquired the article from the transferee. However, the agreement is only a contract between the right holder and the transferee, and its effect does not extend to a person who acquired the article from the transferee. The fact that the right holder cannot exercise the right against the person who acquired the article from the transferee is considered to mean that the right holder has expressed his/her intention not to exercise the right. In other words, it would be contrary to a kind of estoppel to first express an intention of not exercising the right (according to the judgment, lack of indication would be such an expression), and then to exercise the right, or, demand an injunction of the parallel import afterwards. Although the decision describes this fact as an implicit grant of right, it is considered to have adopted an idea close to estoppel in reality. Therefore, even if the theory set forth by the Supreme Court were to be adopted, the same conclusion could have been derived regarding a person who acquired the article from the transferee without discussing the existence of the agreement, but merely was exposed to the presence of the indication attached to the article<sup>6</sup>. In that case, lack of the indication would be considered as a “conclusive presumption” rather than a “rebuttable presumption” of implicit authorization and, in actuality, the approval of the parallel import would depend not on the intention of the right holder, but on the fact of whether the indication has been attached<sup>7</sup>.

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<sup>6</sup> Since the issue is whether or not the patentee can exercise the right against a person who acquired the product from the transferee, it is considered sufficient for the right holder to create an appearance of not exercising the right; that is, if the right holder does not attach the indication, and there seems to be no need to further require an agreement between the patentee and the transferee.

<sup>7</sup> There is room for future argument over the meaning of the phrase “implicitly granted” that is used in the judgment. For instance, the dispute will continue in the future over whether parallel imports would be allowed when there are circumstances that negate the grant of implicit authorization, such as a case where the right holder thoroughly made it known to the public by newspaper

### **(3) Theoretical problems**

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advertisements, etc. that import of the product is prohibited, or where the right holder directly notified the parallel importer that the import of the product is prohibited or filed a suit against the parallel importer, even if he/she did not attach the clear indication to the patented product, and as to whether or not the presence of the indication itself is an absolute requirement.

If the admissibility of parallel imports were to be determined based on existence of an agreement and an indication as in the Supreme Court decision, the right holder would be able to block parallel imports by concluding the agreement and attaching the indication with regard to products, excluding those that cannot carry the indication due to their nature. As mentioned earlier, the conclusion of this issue is not something that can be directly derived from the stipulation in law, but must first undergo examination of whether or not parallel imports should be admitted in the first place<sup>1</sup>.

At present, the economy is rapidly becoming more borderless, and companies are becoming more multinational. Today, production bases of companies are no longer limited to within their home countries, and products are distributed across national borders. On the other hand, national borders still persist in terms of law, and applicable laws differ by country. The issue of parallel imports can be considered as a phenomenon that has occurred between those two worlds of law and economy.

If parallel imports are prohibited, the right holders would be able to increase their profits, but the consumers would be deprived of choices and opportunities to buy products at low costs. Therefore, the final conclusion would depend on policy determination under the Patent Law: whether to consider that (i) unless excess profits are allowed for the patentees by prohibiting parallel imports, the incentive for new technological development would be lost and a negative effect would occur on economic growth; or (ii) no negative effect would occur either on technological development or economic growth even if parallel imports were allowed and the world market would be considered to be unified as far as genuine products are concerned.

The effects, particularly the economic effects that arise by either recognizing or not recognizing parallel imports have not necessarily been clarified<sup>2</sup>. They will have to be clarified in future economic studies, but as there is a wide range of factors that must be considered, analysis would be extremely difficult.

What can be said at least is that to prohibit parallel imports means to recognize international market segmentation concerning that product by use of the patent right, which has an economic effect similar to that of market segmentation by an international cartel, and to allow the right holders to acquire excess profits gained by the disparity

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<sup>1</sup> For details, see Nobuhiro Nakayama, "*Heikou Yunyuu To Tokkyo Shingai* (Parallel Imports and Patent Infringement)," *Chizaiken 5 Shuunen* (IIP 5<sup>th</sup> Anniversary): p. 273.

<sup>2</sup> The following is one of the rare economic analyses on this issue: Hirokazu Hamada, "*Tokkyoken Ni Yoru Heikou Yunyuu Sashidome No Zehi Ni Tsuite -- Keizaigaku Teki Kouzatsu* (Appropriateness of Giving an Injunction Against Parallel Imports Based on a Patent -- Economic Examination)," *Jurist*, No. 1094: p. 73.

between domestic and foreign prices (profits gained by the market segmentation).

In contrast, to allow parallel imports means that, taking no account of other factors such as distribution channels and tariff- or non-tariff barriers, the right holder or the licensee would, in theory, manufacture the products in the most economical country in the world and export the products worldwide at the price in that country, so international price gaps would disappear. In reality, however, there are no markets that are close to such a conceptual form, and public price regulations are often implemented as in the case of pharmaceuticals, so, it can be easily assumed that recognition of parallel imports alone would not lead to unification of world markets or the complete disappearance of the disparity between the domestic and foreign prices. Nevertheless, recognition would undoubtedly serve as one of the effective means toward correction of the situation, considering past experience. This is based on the fundamental judgment that recognition of parallel imports is desirable also because internationally unified markets contribute to the world's economic welfare, and that that should be the appropriate direction of the policy.

The issue of parallel imports is an issue of determining which of the above two contradictory views should be regarded as reasonable.

Next, some of the specific problems that arise when parallel import of a patented product is prohibited shall be pointed out. The first problem is the relation with trademarked products. It has become more or less established, though in lower court decisions, that parallel imports should be allowed in principle under the Trademark Law, and this idea is supported by academic theories. Therefore, if parallel imports of patented products were prohibited, the patented products and trademarked products would, practically, become incompatible. Many of the patented products subject to parallel imports are consumer goods, so they are trademarked products at the same time. Accordingly, even if the parallel import could not be stopped under the Trademark Law, it could be stopped by using the Patent Law. Since cases under the Utility Model Law and Design Law can be considered to be the same as cases under the Patent Law<sup>3</sup>, parallel imports of a handbag that is a famous trademarked product could be stopped by, for instance, registering a design on the handbag or a utility model on the

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<sup>3</sup> There is no reason to apply different interpretations for the Patent Law, the Utility Model Law, and the Design Law, because they are all laws concerning creativity in the category of industrial property law, and they all have similar legal structures. The same idea is adopted in the customs office's notification of the amendment of March 26, 1998 (*Zoukan* No. 257) (It says that the handling of the patent rights is applied *mutatis mutandis* to utility model rights and design rights in 5. "*Shouhyouken Nado Ni Kakaru Heikou Yunyuuhin No Toriatsukai* (Practice on Parallel Import Products relating to Trademark Rights, etc.)" (3) of "*Chiteki Zaisanken Shingai Buppin No Torishimari Ni Tsuite* (Regulations on Products that Infringe Intellectual Property).")

clasp of the bag.

The relationship among rights would be extremely complicated when a product involves a large number of patents, such as an automobile or an electric home appliance. For instance, one car involves patents of most of the world's leading automobile manufacturers and parts manufacturers, and possibly even the patents of individual inventors. Then there would be a considerable number of people in the world who would have the right to demand an injunction against the parallel import of an automobile.

In addition, prohibition of parallel imports would also have the negative effect of compelling Japanese nationals to purchase products at a price higher than that overseas. To begin with, parallel importing is in principle a method of importing products that have been sold overseas, which is not a rational importing method considering costs, lots, and other elements. Thus, the fact that the parallel import is conducted indicates that the disparity between the domestic and foreign prices is considerably large<sup>4</sup>.

Conversely, there is the idea that recognition of parallel imports would obstruct international licensing. The reasoning behind this idea is that the incentive for licensing would be lost if a product that was licensed from Japan to overseas, especially to developing countries, were sold at a low price and imported back into Japan. Nevertheless, such a case does not seem to have occurred so far, so the relevancy of the theory is unknown. If this theory were to be adopted, however, parallel imports of trademarked products would also have to be prohibited.

There is also a theory stating that even if parallel imports were to be allowed, Japan would be disadvantaged if they were allowed by Japan alone, so at least all industrialized countries should adopt the same policy together by a treaty. This is a just theory in a sense, but such a treaty is not likely to be established for the time being, and it would be a violation of national treatment or most-favored-nation treatment to conclude a treaty only with some countries and allow parallel imports only between such countries (Article 3 (national treatment) and Article 4 (most-favored-nation treatment) of the TRIPs Agreement; Article 3 (most-favored-nation treatment) of GATT). Also, the same practice would have to be applied for trademarked products under this theory.

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<sup>4</sup> The disparity between the domestic and foreign prices is not decided solely by the allowance or prohibition of parallel imports. For instance, Japan's land prices would also affect the disparity. However, since the parallel import trader is also subject to the same circumstance, it can be considered as a factor in the disparity between the domestic and foreign prices, but not as a factor for an unjust price difference.

Judging comprehensively from the above, it seems appropriate to allow parallel imports. The greatest reasons for it are, above all, the promotion and safety of international distribution. As a matter of course, it is apparent that at present world markets are not unified, so the idea is not that parallel imports should naturally be recognized due to the markets being unified, but, rather, it is a question of which policy should be prioritized in the interpretation of the law.

Supposing parallel imports were to be allowed, the next problem would be the specific requirements. It should be considered that the fact that parallel imports are allowed under an interpretation of the Patent Law is not because the patentee has given authorization but because genuine products do not constitute an infringement since they are not included in the concept of the act of importing under Section 2 (3) of the Patent Law. The rationale behind this would be the idea of international exhaustion of the patent right<sup>5</sup>.

Accordingly, the import goods must be genuine products to begin with<sup>6</sup>.

Then, the right holder has to have put the products into distribution lawfully and voluntarily<sup>7</sup>.

Next, the holder of the Japanese patent and the person who placed the products into distribution must be the same or can be deemed to be the same<sup>8</sup>.

Then, there would be a question of whether or not the existence of a

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<sup>5</sup> International exhaustion of a patent right is not a concept under positive law, but is merely used for convenience to justify the idea of not recognizing parallel imports. Therefore, it is not appropriate to derive a certain content from the word “exhaustion” itself. Instead, the word has to be given a specific meaning. Its requirements and grounds are not defined, so they are naturally different depending on the theory. Assumable grounds include prevention of double profits and securing international distribution of the product (safety of trade). The central ground seems to be to secure distribution, but various opinions are set forth in theories and court decisions.

<sup>6</sup> While this is a natural requirement, it is often difficult in actuality to judge whether or not a product is genuine. Particularly, when the product has been illegally sold by a subcontractor of the right holder, judgment is difficult because the product is genuine in quality, but it merely has not received the authorization of the right holder. In addition, as the seller is the subcontractor of the right holder, it can also be difficult to even judge whether or not its sale was illegal. Nevertheless, this is not an issue specific to parallel imports, but an issue that can also occur in an ordinary infringement case.

<sup>7</sup> Although “lawfully” is a natural requirement, the requirement of “voluntarily” presents a problem. If emphasis were to be placed on safety of distribution, maybe exhaustion should also be recognized for products that have been involuntarily distributed, but that would be too disadvantageous to the right holder. If the safety of trade alone were to be emphasized, maybe the parallel import should be allowed even for a product stolen from the right holder, since it is a genuine product, but no theory recognizes parallel imports to that extent. Consequently, the issue is to find a balance between the interest of society (safety of trade being part of it) and that of the right holder.

<sup>8</sup> This requirement also involves an ambiguous borderline. For instance, there would be a problem when the foreign patent has been assigned or when the parties who used to be parties to a license agreement do not have a contractual relationship.

corresponding foreign patent should be required. Many of the theories that recognize parallel imports require the existence of a corresponding patent. Therefore, they face trouble in explaining the cases in which there was a difference in the claims, a difference in the content of the right, or a difference in the term of the patent between the Japanese patent and the corresponding foreign patent, and come to a dead-end as a result. With regard to this point, it should be considered that the existence of a corresponding patent is not required from the viewpoint of the safety of distribution, as stated in the Supreme Court decision. This is because, when considering the present situation of the international economy, it is reasonable to interpret that placing a product into distribution in any country in the world is deemed as placing the product in the international market regardless of the existence of the patent in that country. (The theory of double profits should not be the ground for allowing parallel imports.)

#### **(4) The remaining problem**

Supposing that parallel imports of patented products were allowed as a general rule, there would still be cases where it would not be reasonable to allow them. That would be when the patentee involuntarily places a patented product in the market due to public regulations, etc. The cases can be divided into those where a compulsory license has been granted<sup>1</sup> and those where there is a compulsory price<sup>2</sup>. The main ground for allowing parallel imports is that the right holder voluntarily distributed the product at his/her own pricing in a country of his/her choice. The right holder could have set the most advantageous conditions by considering various circumstances with international markets in view, so there should be no need to further recognize international market segmentation based on the patent right. This voluntary distribution, however, does not have a statutory ground, but should be dealt with by a legislative measure<sup>3</sup>.

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<sup>1</sup> It is also possible to interpret that such a person who obtained a compulsory license does not correspond to a licensee in terms of parallel imports in the first place, so he/she should not be considered to be the same as the patentee.

<sup>2</sup> Some products such as pharmaceuticals are subject to public pricing or pricing close to it. Even if a product was placed into distribution voluntarily, the fact of not being able to set a voluntary price has an extremely important meaning in the free economy, and it should naturally be evaluated rather similarly to the involuntary case. However, this decision is difficult to make for some price regulations, such as the case of an administrative directive.

<sup>3</sup> To begin with, it is too arbitrary and elaborate to allow parallel imports as a general rule when there are no statutory grounds for the recognition and to further recognize exceptions to it without statutory grounds. On the other hand, although some legislation is required for parallel imports, it is difficult for Japan to take a legislative measure in the present situation where no international consensus has been reached. As there are weak points in both completely recognizing parallel imports and completely denying them, the current law would have to be interpreted in an unnatural

The issue of parallel imports arises because while the ownership of a thing is transferred across national borders by trade, the intellectual property right attached to the thing is not transferred but remains with the right holder. Therefore, this issue does not only involve patent rights, but intellectual property rights in general. Since technologies are often substitutable, serious problems do not occur so much from prohibiting parallel imports when the article is a patented product in a pure sense whose distinctive features are only in its technology<sup>4</sup>. In other words, it would be difficult to maintain parity between domestic and foreign prices by blocking the parallel imports. On the other hand, as trademarked products can be discriminated by the brand strength

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manner under either conclusion.

<sup>4</sup> When the technology is particularly brilliant and unrivalled, the patented product is not so substitutable, so competition does not occur easily. When the parallel import is prohibited in such an exceptional case, unreasonable situations are likely to occur in relation to the disparity between the domestic and foreign prices and other aspects. Troubles occur more easily when the technology has been standardized. It may be sufficient to deal with such exceptional cases by the Anti-monopoly Law.

and cannot be substituted easily, greater problems would occur from prohibiting parallel imports. The problems would be even greater in the case of copyright. Accordingly, the issue of parallel imports is expected to be argued as an issue of import entitlement in the future<sup>5</sup>.

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<sup>5</sup> Unlike the Patent Law and the Trademark Law, the Copyright Law does not include the act of importing itself within the scope of rights (Section 123 (1) (i) of the Copyright Law). Therefore, it is easier under the Copyright Law to recognize parallel imports compared to the Patent Law. However, there is presently an international argument over import entitlement in relation to copyright, so there would be a need to examine the admissibility of parallel imports separately from Japanese positive law. The issues involved with copyright shall not be described in detail here, but as a generality of intellectual property law, products that can be reproduced (or worked) at lower costs are more vulnerable to parallel imports. For instance, in the case of a patented product like an automobile, it is difficult to create a massive disparity between the domestic and foreign prices since the manufacture thereof requires a fair amount of cost. On the other hand, a computer program requires a considerable amount of cost to create, but once it is complete it can be reproduced merely at a negligible amount of cost that is needed for the medium, etc. Therefore, as the program can be sold at a minimum price (it is at least more profitable than not selling it), it can be sold at a considerably different price in each country depending on the national income level and other factors. If parallel imports were allowed without limitation, the products would flow in from countries where the price was set extremely low, which could make such country-by-country pricing meaningless. This problem, which particularly applies to digital copyright works in general, needs to be addressed in the future. However, discussions on parallel imports may become meaningless with regard to digital works, if they come to be distributed internationally via the Internet without passing through customs with the future progress of telecommunications. Meanwhile, the method for collecting the remuneration for copyright could also change to a pay-per-use system similar to pay-per-view television, so the merit of discussing the parallel import issue relating to copyright may lessen in the

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21<sup>st</sup> century.

### Subsection 3 Criminal Penalties<sup>1</sup>

While there are various criminal penalties stipulated under the Patent Law, this subsection shall only describe patent infringements, and leave the other offenses to be discussed later in this book.

The general provisions of the Penal Code also apply to offenses prescribed in other laws or ordinances (Article 8 of the Penal Code). Accordingly, the general principle of the Penal Code is applied in regard to whether or not an act meets the requirements for constituting the offense, the illegality of the act, and the liability of the perpetrator. Since the Patent Law has no provisions concerning offenses committed through negligence, only intentional offenses are punished<sup>2</sup>, and attempted offenses are not punished either since there are no provisions about them.

Any person who has infringed a patent right or an exclusive license shall be liable to imprisonment with labor not exceeding five years or to a fine not exceeding 5 million yen (Section 196 (i) of the Patent Law). A legal entity used to be charged the same amount of fine as a natural person, but with establishment of a provision on dual liability upon the 1998 amendment, a legal entity became liable to a heavier fine not exceeding 150 million yen (Section 201 (i) of the Patent Law).

While a trademark infringement had not required a complaint for indictment, a patent infringement had been an offense indictable upon a complaint (Section 196 (2) of the Patent Law before the 1998 amendment). However, patent infringement also became an offense that does not require a complaint for indictment upon the 1998 amendment (deletion of the provision on the offense indictable upon a complaint in Section 196 (2) of the Patent Law). The reason for the legislation was the growth of

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<sup>1</sup> For patent infringement offenses in general, see: Edited by Sakaki Itou/Keiji Ono/Kunio Soushi, *Chuukai Tokubetsu Keihou* (Annotated Special Penal Code) (Tachibana Shobo, 1984): p. 149 [Kunio Harada]; Yomitsugu Ibayashi, *Kougyou Shoyuiken Ni Kansuru Keiji Jou No Sho-Mondai* (Various Penal Issues concerning Industrial Property (*Kougyou Shoyuuke Hou Kenkyuu* (Study on Industrial Property Law), No. 21 (Special Additional Issue)); Shin Yamamoto, *Mutai Zaisanken Kankei Hourei No Bassoku No Kenkyuu* (Study on Penalties under Intangible Property Laws and Ordinances) (*Houmu Kenkyuu Houkokusho* (Research Reports on Legal Affairs), Vol. 43, No. 1, 1955); Minoru Takeda, *Shingai Youron* (Summary on Infringements): p. 215.

<sup>2</sup> Determination of involvement of intent is often difficult. There is a case where the court denied criminal liability since the party had asked for and followed the expert opinion of a patent attorney (the Sendai High Court decision on September 26, 1968, *Hanrei Kougyou Shoyuiken Hou Genkou Hou Hen* (Industrial Property Case Law) Current Law Version, 7, 2455: p. 53); and a case where the court held that no criminal intent is involved when it is reasonable to consider that the party has been given the implicit authorization of the right holder (the Toyama District Court decision on October 5, 1961, Criminal Court Decisions by Lower Courts, Vol. 3, No. 9/10: p. 930; [Annotation] Saiken Ishikawa, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 100; Minoru Nakamura, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 113).

the need to provide stronger protection for patents compared with general property rights in line with the fact that patents have become extremely important property, and the great reduction of the need to protect personal rights due to the increase in the share of patent applications filed by legal entities (94% as of 1996). In short, the offense has become closer to larceny. However, even in the case of an application filed by a legal entity, the right of credit (a personal right) of the actual inventor of the technology still exists, so the name of the inventor has to be described in the column indicating the inventor in a patent certificate, etc. even in the case of an application filed by a legal entity. Therefore, the increase in the number of patent applications filed by legal entities would not necessarily be directly linked to the amendment to require no complaint for indictment.

The issue of what kinds of infringements of property information should require a complaint for indictment involves a difficult problem. Technological information, which is essentially public property, should be available for free use in principle, but patent rights have been authorized by law to monopolize such information. Therefore, there is some hesitation in providing strong legal protection similarly to a natural offense, and requiring no complaint for indictment. On the other hand, if there is a need to provide strong legal protection for a patent right, because it is an artificial right, which is easily infringed and of which infringement is more difficult to monitor compared to the case of corporeal things, it is reasonable to consider it a crime that requires no complaint for indictment. After all, even if the patent were a right purely for protecting a private interest, a patent infringement would come to require no complaint for indictment, if it became generally recognized that a patent infringement damages the social order to an extent similar to larceny. Thus, the 1998 amendment is considered to have been made under the recognition that patent rights in modern society have grown to such a level, and it is a certain evidence of the present pro-patent era. Although there are various opinions concerning an indirect infringement<sup>3</sup>, the prevalent

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<sup>3</sup> Mitsubishi, *Tokkyo Hou* (Patent Law): p. 671 states that it may run contrary to the principle of the legality of the crime and punishment system to expand the interpretation of a conclusive provision and treat it as a criminal offense. However, it is clear under the stipulation that an indirect

theory is to consider it as an offense of infringement due to it being one mode of infringement<sup>4</sup>.

#### **Subsection 4 Scope of Protection**

##### **Item 1 Technical Scope of a Patented Invention**

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infringement constitutes an infringement, so it is not considered to run contrary to the above principle.

<sup>4</sup> The following was a trademark case in which the court held that even an indirect infringement constitutes an infringement: the Tokyo District Court decision on August 3, 1981, Court Decision Journal, No. 1042: p. 155.

The technical scope of a patented invention indicates the technical idea embodied by the statements of the patent claim<sup>1</sup>. A patent right is significant in that a person can work an invention exclusively by excluding others, so while the technical scope of an invention is naturally discussed in the phase of deciding to grant a patent, it often has significance also in patent infringement cases. Apart from some exceptional cases, the technical scope is the scope in which an act constitutes a patent infringement, so infringement litigation is often centered on a battle over the technical scope. The scope determined in the case of an infringement is sometimes referred to as the scope of protection. This scope is not absolutely fixed, but is decided in relation to the technology allegedly being infringed in the course of an actual infringement case.

A patented invention does not exist as a concrete thing, but is described as statements in the specification. However, it is impossible to completely express the technical scope in statements, so the technical scope must always be decided through the interpretation of the statements. While the technical scope is determined on the basis of the statements in the patent claim (Section 70 (1) of the Patent Law), there are questions as to what extent of materials can be used as references and how the scope should be determined.

The old Law (Law of 1959) did not have a provision corresponding to Section 70 of the current Law, so it was also possible to interpret that the technical scope of a patented invention should be determined based on the entire specification. However, under the current Law that includes Section 70, it became conclusive that the technical scope must be determined on the basis of the statements in the claim. Nevertheless, even under the current Law, there is a conflict between the idea that the determination should be made solely based on the statements in the claim and the idea that it should be

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<sup>1</sup> The technical scope is often used in the same meaning as the scope of right. Further, the scope of protection is used both in the same and different meaning as the technical scope. This book intends to consider the scope that actually constitutes a patent infringement as the scope of protection, so there is a slight difference with the technical scope in that sense. The terminology aside, the technical scope embodied in the claim and the scope of infringement differ in the case of an indirect infringement (Section 101 of the Patent Law) and the case of a patent right for which the term has been extended (Section 68*bis* of the Patent Law). There is also a theory that, regarding the difference between the technical scope and the scope of protection, the technical scope is determined by the JPO, and it is just as described in the statements of the claim, while the scope of protection is the technical domain recognized by the courts (equivalent, incomplete working, circumvention, etc.) (Kenjirou Ooe, “*Tokkyo Seikyuu No Han’i To Tokkyo Hatsumei No Hogo Han’i To No Kakusa* (Difference between the Scope of Claims and the Scope of Protection of a Patented Invention),” *Tokkyo Kanri* (Patent Management), Vol. 25, No. 7: p. 713; Kenjirou Ooe, “*Tokkyo No Hogo Han’i Ni Tsuite* (Scope of Protection of a Patent),” *Patent*, Vol. 21, No. 10: p. 6; Kenjirou Ooe, “*Tokkyoken No Kenri Han’i No Kaishaku Ni Tsuite No Ichi Kousatsu* (Examination of the Interpretation of the Scope of Right of a Patent),” *Gakkai Nenpou* (Annual of Industrial Property Law), No. 2: p. 39).

interpreted from the entire specification. In other words, there is an argument over the extent to which one can refer to materials other than the claim. Many court decisions have stated that although the statements of the claim indicate the scope of the patent, it is not completely prohibited to refer to other materials, and items such as the detailed description of the invention can also be taken into consideration<sup>2</sup>.

Later, a Supreme Court decision was handed down that considerably limited the room for reference to the specification, in a suit against an appellate decision, and this induced confusion in actual practice<sup>3</sup>. Partly due to this incident, Section 71 (2)

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<sup>2</sup> The Osaka District Court decision on May 4, 1961, Civil Court Decisions by Lower Courts, Vol. 12, No. 5: p. 937 (the Expanded Polystyrol case) ([Annotation] Nobuo Monya, *Jurist*, No. 317: p. 89; Keiko Someno, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 15; Masao Miyake, *Tokkyo Hanrei Hyakusen*, Case 66; Shigetoshi Matsumoto, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 66; Takeshi Ooseto, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 77). In this case, the court stated that the determination of the technical scope should naturally be made based on the statements of the claim, but it is not inadmissible to use other materials for supplementing the determination, so the determination can be made by also taking into account the statements of the specification excluding the claim, the technological level at the time of the filing, the intention of the applicant at the time of the filing indicated by the prosecution history, and interpretation of the JPO's intention to grant the patent or not. There are many other court decision to the same effect. Meanwhile, Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 649 [Matsumoto] states that "it is wrong to interpret Section 70 of the Patent Law as if it insists the determination be solely based on the matters stated in the claim by separating the claim from the other descriptions in the specification."

<sup>3</sup> The Supreme Court decision on March 8, 1991, Civil Court Decisions by the Supreme Court, Vol. 45, No. 3: p. 123 (the Lipase case) ([Annotation] Kenji Saba, *Tokkyo Kanri* (Patent Management), Vol. 42, No. 5: p. 641; Shuuhei Shiotsuki, *Jurist*, No. 982: p. 99; Shuuhei Shiotsuki, *Housou Jihou* (Bar Journal), Vol. 44, No. 9: p. 212; Katsuya Takabayashi, *Court Decision Journal*, No. 1394: p. 206; Nobuo Monya, *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 109, No. 9: p. 1543; Takashi Ooseto, *Jurist*, no. 1002: p. 241; Tadashi Takura, *Hatsumei* (Invention), Vol. 88, No. 7: p. 98; Masayoshi Tsunoda, *Tokkyo Kenkyuu* (Study of Patents), No. 10: p. 54). This case concerned an invention of a method to measure triglyceride (neutral fat) for diagnosing hyperlipemia by using Ra lipase (a kind of enzyme for decomposing fat). While the term "lipase" was used in the plaintiff's patent claim, the explanation in the specification was centered on Ra lipase, and only Ra lipase was mentioned in the working example. The examiner and the appeal examiner refused the application by stating that the lipase described in the claim also included lipases other than Ra lipase, so that part did not involve an inventive step. However, the Tokyo High Court cancelled the decision in the appeal, mentioning that in light of the statements of the detailed description of the invention, it was reasonable to consider the lipase to be Ra lipase. The Supreme Court decision cited above was given in the final instance of this case. The Supreme Court stated as follows: "Determination of the gist of the case should be made based on the statements of the patent claim in the specification attached to the request, unless there is a special circumstance. The statements of the detailed description of the invention in the specification can also be taken into consideration only in special circumstances, such as when the technical meaning of the statement of the claim cannot be understood in a singular and clear manner or when the statement is apparently erroneous at a glance when compared with the statements of the detailed description of the invention in the specification. This fact is clear from the provision under Section 36 (5) (ii) of the Patent Law (presently amended), which stipulates that only matters that are indispensable for the composition of the invention for which the patent is sought should be described in the claim." When the plaintiff received the decision of refusal, it should have amended the term

was added (Law No. 116 of 1994) to stipulate that “the meaning of a term or terms in the patent claim shall be interpreted in the light of the specification excluding the patent claim and the drawings.” This confirmed that determination of the technical scope cannot deviate from the statements of the claim, and while maintaining the conventional premise that if any inconsistency or difference of scope were found between the statements of the claim and those of the specification, the determination should be based on the statements of the claim<sup>4</sup>, it confirmed that the meaning of the term used in the

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“lipase” described in the claim to “Ra lipase,” but it did not (probably with the aim to make a broader claim), but later insisted that the “lipase” described in the claim should be interpreted as “Ra lipase” by taking into account the entire specification. Therefore, there seems to have been no need to develop a sweeping discussion as in the judgment. Since this case was a suit against a decision in an appeal, the point at issue was what scope of materials could be referred to by the examiner in making the decision to grant a patent, so the extent of applicability of the theory in this Supreme Court decision to infringement cases should be considered as a different matter. However, this decision had a great influence on actual practice, and served as a motivation for amending Section 70, which was a provision on interpretation of the claim in the infringement phase. Incidentally, in the following case, which took place immediately after this lipase case, the statements of the detailed description of the invention and the drawings are referenced based on the reason that, although the claim itself had not been corrected, the scope of the claim had been narrowed by the corrections made to the detailed description of the invention and the drawings: the Supreme Court decision on March 19, 1991, Civil Court Decisions by the Supreme Court, Vol. 45, No. 3: p. 209 (the Clip case) ([Annotation] Ryu Takabayashi, *Jurist*, No. 982: p. 101; Ryu Takabayashi, *Housou Jihou* (Bar Journal), Vol. 44, No. 9: p. 235; Kazuo Morioka, *Hatsumei* (Invention), Vol. 89, No. 6: p. 114; Tsuneteru Aragaki, *Tokkyo Kanri*, Vol. 42, No. 7: p. 929; Masayoshi Tsunoda, *Jurist*, No. 1002: p. 243; Yoshinobu Someno, *Journal on Civil and Commercial Law*, Vol. 105, No. 3: p. 394; Katsumi Takabayashi, *Court Decision Journal*, No. 1394: p. 206). It is possible to derive a reasonable conclusion depending on the interpretation of the “special circumstances” as mentioned in the Supreme Court decision of the lipase case, and the clip case can be considered as one such example. Other such examples include the Tokyo High Court decision on September 19, 1991, *Court Decisions Relating to Intellectual Property*, Vol. 23, No. 3: p. 681 (the Case of Diesel Oil Composition that is Fluid at Low Temperatures) and the Tokyo High Court decision on September 10, 1997, *Court Decision Journal*, No. 1615: p. 10 (the Kilby Semiconductor Device case).

<sup>4</sup> In the Supreme Court decision on December 14, 1972, Civil Court Decisions by the Supreme Court, Vol. 26, No. 10: p. 1888 (the Phenothiazine Derivative Manufacturing Method case), which cannot be discussed on the same plane as infringement cases since it is a case against a trial decision concerning correction, the court found that the statements of the claim should be prioritized by stating that “the importance of the claim within the specification in no way matches that of the detailed description of the invention or the drawings.” Meanwhile, in the Osaka District Court decision on May 23, 1986, *Court Decisions Relating to Intangible Property*, Vol. 18, No. 2: p. 133 (the Fiber Separating Device case) ([Annotation] Nobuo Monya, *Jurist*, No. 946: p. 129), which was an infringement case, the court stated that “the statements of the claim take priority when the statements of the claim and those of the detailed description of the invention are inconsistent.” In the appellate trial, the Osaka High Court decision on July 15, 1988, *Court Decisions Relating to Intangible Property*, Vol. 20, No. 2: p. 323, the court stated that even if the matters described in the claim were described as being not indispensable in the detailed description of the invention, it cannot be considered as an ancillary feature as long as it is described in the claim. There are many other court decisions holding to the same effect. However, there are cases where the court held that when features that are not described in the claim are required for attaining the working effect of the patented invention, they can be recognized as indispensable features (the Tokyo District Court

claim should be interpreted by referring to the detailed description of the invention, the drawings, and the brief descriptions of the drawings<sup>5</sup>. There are many court decisions concerning the technical scope, and some of the generalities stated in them appear to be contradictory to each other, but this is because practical determination is made in accordance to the relevant facts of the individual cases. Specifically, there is a need to provide protection suitable for the invention on the one hand, but on the other hand there is a need for the claim to be definite since it serves as the borderline between the rights of the patentee and the public domain, and it is necessary to achieve a balance between the two. In actual cases, determination should be made independently for each case, and it is often meaningless to make a discussion by only focusing on the generalities stated in the court decisions. Thus, the following part shall briefly examine the materials that can be referenced for determining the technical scope and the method of determination in infringement litigation.

Meanwhile, the abstract that was added as a matter to be described in the specification upon the 1990 amendment cannot be taken into account (Section 70 (3) of the Patent Law). This is apparent from the original purpose of introducing the abstract.

It is often difficult to understand the content of an invention sufficiently from the claim alone, or, rather, the content can be more precisely understood by also referring to the detailed description of the invention or the drawings, so those parts of the specification are taken into account in such cases. While the descriptions of the specification use academic terms, and the terms are used in their general meanings in principle, it is also possible to use them with special meanings by defining them (Remarks 7 and 8, Form 29, Section 24 of the Regulations under the Patent Law). Therefore, when the meaning of a term used in the claim is not clear or when the term is defined in the detailed explanation of the invention or other parts of the specification,

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decision on December 11, 1967, The Law Times Report, No. 218: p. 239 (the Expanded-Mouth Seine case)), or that although the claim does not state the extent of the softening by heat, according to the detailed description of the invention and the written reply, it is meant that the object should be heated to the melting point (the Osaka District Court decision on April 11, 1975, The Law Times Report, No. 326: p. 328 (the Coherent Pressure-Resistant Hose case), or that although the upper limit of the temperature is not defined in the claim, it would not be lower than the upper limit described in the specification (the Toyama District Court decision on September 7, 1970, Court Decisions Relating to Intangible Property, Vol. 2, No. 2: p. 414 (the Melamine Resin case) ([Annotation] Sinichi Kuku, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 95).

<sup>5</sup> Article 69 (1) of the European Patent Convention provides that although the scope of protection is decided by the scope of the claim, the statements of the specification and the drawings are used for its interpretation. Japan should also adopt a similar interpretation.

those parts are referred to<sup>6</sup>.

As a patent right is granted on the part that exceeds the technological level at the time of the filing, the technological level at the time of the filing must be taken into consideration in determining the content of the invention. This issue is mainly discussed when the claim includes a publicly known technology, so it shall be mentioned again in the part about the defense of publicly known technology.

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<sup>6</sup> In the Supreme Court decision on August 4, 1964, Civil Court Decisions by the Supreme Court, Vol. 18, No. 7: p. 1319 (the Rotary Oil Firing Device case) ([Annotation] Yoshitaka Watabe, *Housou Jihou* (Bar journal), Vol. 16, No. 10: p. 194; Shouen Ono, *Journal on Civil and Commercial Law*, Vol. 52, No. 4: p. 562; Souji Hara, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 69; Kazufumi Dohi, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 67), the court stated that “according to the empirical rule, the applicant often describes in the claim matters that are not the gist of the device, but merely relate to the device or, conversely, fails to describe matters that are judged to be the gist of the device, so when determining the scope of right of a utility model, the gist of the device should always be practically determined by also taking into account the nature and the purpose of the device, as well as the overall descriptions in the detailed explanation and the attached drawings, without being bound solely to the literal meaning of the statements of the claim” (a case concerning a trial for confirmation of the scope of right under the old Utility Model Law). Partly because it is a case under the old Law, the court’s determination of the scope was too lax to be a general rule, and such extreme view is considered to be rare at present. Cases under the current Law include the Supreme Court decision on May 27, 1975, Court Decision Journal, No. 781: p. 69 (the **Oar** case) ([Annotation] Kazuko Matsuo, *Jurist*, No. 684: p. 159; Tsunekazu Kojima, *Kinyuu Shouji* (Financial and Commercial Affairs), No. 493: p. 2). In this case, the court stated that there is no harm in considering the structure and the effects of the device that are described in parts of the specification other than the claim as materials for judging the meaning and the content of the statements of the claim more specifically and precisely. There are many other court decisions ruling to this effect. For instance, in the Tokyo District Court decision on August 31, 1994, Court Decision Journal, No. 1510: p. 35/The Law Times Report, No. 862: p. 108 (the Kilby Semiconductor Device case), the court concluded that the elements in question were not included in the technical scope, but as a general theory it stated that “when determining the technical scope of a patented invention, the statements of the claim should be interpreted and determined in light of the detailed description of the invention and the drawing attached to the request when necessary as supplements, and in making the above interpretation, it is reasonable to consider that the publicly known technology, which indicates the level of technology at the time that had been assumed by the specification and the intentions expressed by the applicant in the prosecution history, can also be taken into account.” (This was a peculiar case at a time when the term of a patent had not been restricted based on the filing date, in which a Japanese patent application was filed in 1960 based on a U.S. patent application filed in 1959, and it was registered 30 years from the filing of the first application, in 1989, after repeated division of the application.) Meanwhile, in the Tokyo High Court decision on February 14, 1995, Court Decision Journal, No. 1539: p. 126 (the Module-shape Electric Connector case), which was an infringement case, the court stated as follows, almost identically to the Supreme Court decision in the lipase case (note 3): The statements of the detailed description of the invention in the specification and the drawings can also be taken into consideration only when there is a special circumstance, such as when the technical meaning of the statements of the claim cannot be understood in a singular and clear manner or when the statement is apparently erroneous at a glance when compared with the statements of the detailed description of the invention in the specification. At first glance, this seems to be contradictory to the Supreme Court decision in 1964, but attention should not only be focused on the general statement, but the gist of the decision should be considered in relation to the specific details of the case. For a detailed explanation of actual cases, see Supreme Court, *Gaikan* (Overview): pp. 52 ff.

During the course of progress from the filing to registration, various interactions often take place between the applicant and the examiner. Sometimes, the patent becomes registered after the applicant makes clarification to limit the technical scope in the course of those interactions and, sometimes, the technical scope becomes clear due to such clarification. Those documents that were submitted in the prosecution history are subject to public inspection, and have a great significance in determining the technical scope. In reality, inspection of these materials is regarded as an extremely important process in infringement litigation. On the applicant's side, this has the significance of "file wrapper estoppel"<sup>7</sup>; that is, not being able to deny what has been argued in the prosecution history<sup>8</sup>. This originates from the general legal

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<sup>7</sup> The documents involved from the filing until the registration are filed in bulk in a bag called a file wrapper, and the arguments by the applicant in the prosecution history (e.g. interactions between the applicant and the examiner) are revealed by the documents contained in it. Because the right holder is not allowed to make an argument contrary to his/her words and deeds revealed by the content in the file wrapper, it has come to be called file wrapper estoppel or prosecution history estoppel. Incidentally, file wrappers used to be moved to and from different divisions in line with the progress of the procedure, but the present advanced electronic filing system transfers all the information online between the different divisions, so the file wrappers are no longer used for electronic applications. However, the term "file wrapper estoppel" is likely to remain.

<sup>8</sup> This is a prevalent theory, and many court decisions have determined the technical scope by taking the prosecution history into account. For instance, the Tokyo District Court decision on March 25, 1970, *The Law Times Report*, No. 247: p. 263 (the Calendar Law case) ([Annotation] Gen Shouzou Yoshihara, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 69; the Tokyo District Court decision on February 15, 1974, *Court Decision Journal*, No. 762: p. 54 (the Lighter case); the Tokyo District Court decision on October 20, 1976, *The Law Times Report*, No. 353: p. 250 (the Jet-Combined Ultrasonic Device); the Tokyo District Court decision on June 26, 1997, *Court Decision Journal*, No. 1619: p. 119 (the Case of a Pressure Fluid Cylinder Device Without a Piston Rod)). The prosecution history can merely be taken into account, and it does not bind the court (the Toyama District Court decision on September 7, 1970 (note 5); Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 681 [Matsumoto]). Therefore it is not taken into account in some cases (the Tokyo District Court decision on September 18, 1972, *The Law Times Report*, No. 288: p. 378 (the Golf Glove case)). It should be considered that taking the prosecution history into account is practically equivalent to making an amendment to narrow the claim, which gives a disadvantage to the applicant (Nakayama, *Chuukai Tokkyo*, Vol. 1: p. 683 [Matsumoto]). In reality, an application would hardly ever be registered if the applicant makes a clarification to take a broader interpretation in the course of prosecution history. In the following case, the court held that the prosecution history can only be taken into account in the case of limiting the interpretation of the technical scope: the Tokyo District Court decision on July 21, 1976, *The Law Times Report*, No. 352: p. 313 (the Nalidixic Acid case). The determination in the individual cases is to be made case by case (In the Osaka District Court decision on October 26, 1987, *Court Decision Journal*, No. 1304: p. 118 (the Lightweight Fireproof Article Manufacturing Method case), the court stated that what has been mentioned in a written argument by the applicant is merely regarded to be an unconsidered statement, and is not regarded to be a cause of limitation). There are many court decisions that took the prosecution history into account (e.g. the Tokyo District Court decision on March 25, 1970 (mentioned above); the Tokyo District Court decision on December 27, 1973, *The Law Times Report*, No. 289: p. 283 (the Ingot Mold Rise Frame case); the Tokyo District Court decision on August 30, 1976, *The Law Times Report*, No. 353: p. 211 (the Aerial Wire Built-in Holder case); the Osaka District Court decision on January 27, 1976, *Court Decisions*

principle called estoppel, but in applying the idea to the Patent Law, requirements specific to the Patent Law would have to be investigated.

Matters that are determined to be intentionally excluded from the specification by the applicant are excluded from the technical scope, but it is difficult to determine what matters correspond to those that have been intentionally excluded from the specification, so the determination must be made case by case<sup>9</sup>. The specific details on

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Relating to Intangible Property, Vol. 8, No. 1: p. 7 (the Case on a Device for Preventing the Part from Falling Out); the Tokyo District Court decision on January 31, 1977, The Law Times Report, No. 353: p. 258 (the Fast-Drying Ink Pen case); the Osaka District Court decision on February 29, 1980, Court Decisions in Suits Against Appeal/Trial Decisions, 1980: p. 91 (the Hot Box Molding Machine case); the Osaka District Court decision on May 23, 1986, Court Decisions Relating to Intangible Property, Vol. 18, No. 2: p. 133 (the Fiber Separating Device case) ([Annotation] Nobuo Monya, Jurist, no. 946: p. 129); the Nagoya District Court decision on May 27, 1988, The Law Times Report, No. 682: p. 218 (the Photo Weft Detecting Device case); the Osaka High Court decision on July 15, 1988, Court Decisions Relating to Intangible Property, Vol. 20, No. 2: p. 323 (the appellate instance of the above-mentioned fiber separating device case), etc.). In the Osaka District Court decision on September 26, 1996, Court Decision Journal, No. 1602: p. 115 (the Fruit and Vegetable Wrapper case), the court found for application of the file wrapper estoppel as a generality, but stated that this application is only recognized when the applicant is very likely to be given a decision of refusal in connection with a publicly-known technology unless such a plea was made.

There are also opinions against taking the prosecution history into account. In the Toyama District Court decision on September 7, 1970 (note 5), the court stated that “since it is already possible to review the entire specification and clarify the temperature conditions in light of the technical level at the time of filing, there is no room to take into account the intention of the applicant that was expressed in the prosecution history of the patent application, which is originally not revealed to the public.” An academic theory to the same effect is Masao Miyake, *Tokkyo Hanrei Hyakusen*, Case 66; Koue Toyosaki, *Tokkyo Shingai Soshou* (Patent Infringement Litigation) (*Jitsumu Minji Soshou Kouza* (Practical Civil Litigation Lecture, Vol. 5)): p. 217. Meanwhile, there is also a theory stating that the prosecution history should only be taken into account when the technical scope is not clear from the claim. There would not be many cases where the prosecution history must be taken into account though the technical scope is apparent from the specification, but there could be cases where a statement that should have been amended was merely clarified or where the examiner failed to order amendment by mistake and the application became registered. In such cases, the prosecution history should also be taken into account. For a detailed explanation on the court decisions, see Supreme Court, *Gaikan* (Overview): pp. 68 ff.

<sup>9</sup> While there are many court decisions that have recognized the intentional exclusion theory, a famous one is the Tokyo District Court decision on January 31, 1972, The Law Times Report, No. 276: p. 358 (the Insecticide Composition case). In this case, in which the claim was described by a generic concept at the time of the filing, but was later limited to five types of substances based on more specific concepts, the court stated that the substances other than those five types had been intentionally excluded by the applicant. In the Tokyo District Court decision on August 30, 1976 (note 8), the court held that the applicant corrected the original term “resin insulators” to “thermosetting insulators” in order to intentionally limit the scope to thermosetting insulators. Meanwhile, the court did not easily recognize the intentional exclusion theory by stating that there was no reason to limit the interpretation as long as there were no clear statements to intentionally limit the scope included in the specification or other filing documents in the Tokyo District Court decision on April 26, 1985, Court Decisions Relating to Intangible Property, Vol. 17, No. 1: p. 199 (the Article Conveyer case). In the Osaka District Court decision on May 27, 1991, Court Decisions Relating to Intellectual Property, Vol. 23, No. 2: p. 320 (the Double Mixer case), the court

this point need to be studied in the future. Since the claim has the nature of deciding the scope of one's patent right, strict application of the intentional exclusion theory would lead to an unjust conclusion in which there would hardly be any room for application of the doctrine of equivalents, so it should only be applied when it is apparent that the exclusion was intentional<sup>10</sup>. The theory of the limit of awareness is a similar idea. This idea tries to grant protection within the limit of which the inventor

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held that as long as the patent right has been established, the technical scope should be determined objectively, separately from the subjective intention of the applicant, so the gist of the written reply is not considered to limit the technical scope, and it is neither against the "fair and equitable" principle nor estoppel, because the objection had been made even though the explanation in the written argument had been accepted by the examiner. (The court did not necessarily deny the application of the estoppel itself.) Toshiaki Makino, "*Tokkyo Hatsumei No Gijutsuteki Han'i No Kakutei Ni Tsuite No Kihontekina Kangaekata* (Basic Approach to Determination of the Technical Scope of a Patented Invention)," Makino, *Kougyou Shoyuukun Soshou Hou* (Industrial Property Litigation Law): p. 101. In addition, in the Toyama District Court decision on September 7, 1970 (note 4), the court stated that when the technical scope can be clarified from the statements in the specification, there is no room to take into account the applicant's intention expressed in the course of the patent application procedure, which is originally not revealed to the public.

<sup>10</sup> In the Tokyo District Court decision on April 26, 1985 (note 9), the court held that the intentional exclusion theory is only applicable when the intention is apparent. An academic theory to the same effect is that of Yoshifuji, *Tokkyo Hou* (Patent Law): p. 416. Intentional exclusion may often be claimed to counter a claim of equivalence, but even if it were recognized, it would not mean complete denial of the claim of equivalence. See Sumio Shinagawa, "*Tokkyo Hatsumei No Gijutsuteki Han'i No Kettei To Youtai Kinhangen No Gensoku Narabini Ishiki Jogai/Ishiki Gentei* (Determination of the Technical Scope of a Patented Invention and the Principle of the File Wrapper Estoppel, Intentional Exclusion, and Intentional Limitation)," *Tokkyo Kanri* (Patent Management), Vol. 31, No. 6: p. 659.

was actually aware, which in reverse means that the content that the inventor was not aware of should not be protected. However, thorough application of this idea would drastically limit the room for applying the later-mentioned doctrine of equivalents, so it must be carefully applied, as in the case of the intentional exclusion theory.

The technical scope is not restricted by the literal meaning of the claim or the working examples. As long as the technical idea is expressed in words, it cannot be avoided that the periphery of the technical scope becomes ambiguous to a certain level. In addition, in an infringement case, the technical scope is not only determined purely by a technical point of view, but could also involve normative elements. The extent of the difference with other inventions in the same technical field would also be taken into consideration, and the scope of protection should naturally be different between the case of a pioneer invention and an invention of improvement. This issue shall be mentioned again in the part about the doctrine of equivalents.

## **Item 2 Doctrine of equivalents**

### **1. Basic Concept of the Doctrine of Equivalents**

As a general principle, the inventor should be given protection corresponding to the actual substance of the invention. This is why it is often said that great protection should be given to a large invention and small protection to a small invention. Emphasis on this viewpoint results in advocacy of the central definition doctrine (the idea that the claim expresses the core part of the invention, so protection should be extended to the general concept of the invention), which had been adopted by Germany in the past. On the other hand, when a patent right is viewed as economic property, it is not possible to solely focus on the circumstances of the inventor (right holder), but instead, consideration must also be given to foreseeability by third parties and the legal stability of the right in order to maintain the economic order. If emphasis were also to be placed on such a viewpoint, the limits of the right would have to be decided by the claim (the doctrine of peripheral definition).

Since the technical scope of a patented invention is determined on the basis of the statements of the patent claim (Section 70 (1) Of the Patent Law), the most important element is the literal meaning of the claim. The main reason for describing the claim in the specification is in its public notice function of clarifying the scope of the claim for third parties, and if this point were to be prioritized, the technical scope should be limited to the literal meaning of the claim. However, when the technical scope is determined by being strictly bound to the literal meaning of the claim, it sometimes leads to an unreasonable result. It is difficult to describe the claim by assuming all

modes of infringement at the time of filing, and it is sometimes almost impossible to describe interchanges with a material having the same effect that had not existed at the time of the filing<sup>1</sup>. Therefore, the patent right would often be easily circumvented if the literal meaning of the claim were strictly interpreted. This would reduce the incentive for obtaining a patent and the incentive for technological development, which would be against the primary purpose of the Patent Law (Section 1 of the Patent Law), to aim at industrial development.

The technical scope is identical to the scope of the claim under the principle of the Patent Law, but “identical” in that case is not only identical in the purely technical or literal sense, but can be expanded to the scope that can be considered as identical from the legal perspective. An instrumental concept used for determining such identity in the legal sense is called the doctrine of equivalents, and subordinate concepts thereof include such terms as “very minor difference in design,” “an equivalent thing,” “interchange of materials,” “circumvention method,” and “incomplete use.” (mentioned later) In any case, the doctrine of equivalents is intended to adequately protect the patented invention by expanding the interpretation of the scope of the claim to a certain

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<sup>1</sup> At a time when the only rubber existent was natural rubber, it was impossible to describe artificial rubber (a material having the same effect) in the claim, but after the development of artificial rubber, it was extremely easy to interchange natural rubber with artificial rubber. This example is often cited as a textbook example in favor of recognizing the doctrine of equivalents, but in this case, too, determination should be made by reviewing more detailed facts in actuality. There would also be a questions of whether or not there is a need to limit the statements in the claim to “natural rubber,” and whether or not it was difficult from the technological level at the time to use a more general statement like a “buffer material.”

extent from the literal scope, while giving consideration to not harm third parties' interests. From a legal point of view, it is necessary to clarify the grounds, requirements, and the framework for this determination. Ultimately, the point at issue is how a balance should be achieved between the right holder's interest and interests of third parties (general society)<sup>2</sup>.

## **2. Changes in the Circumstances Surrounding the Doctrine of Equivalents**

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<sup>2</sup> Masashige Ooba, "*Tokkyo Hatsumei No Jisshitsuteki Hogo Han'i -- Tokuni Kagaku Tokkyo Wo Chuushin Ni* (Actual Scope of Protection of a Patented Invention -- Focusing on Chemical Patents)," Book in the Memory of Professor Toyosaki: p. 45 mentions that, after all, this is also an issue of balance between how explicitly the right holder can be expected to describe the specification and how much efforts can be expected from a person skilled in the art to understand the described insufficient statements by supplementing them with his/her own expertise knowledge. Even when the same doctrine of equivalents is discussed, the technical scope is not interpreted identically, but the scope is somewhat wide or narrow depending on the particular treatise. There is an idea that views the doctrine of equivalents as a mere issue of literal interpretation of the claim for determining the technical scope on one hand, and an idea that tries to apply the concept of equivalence to the portion that cannot be covered by a literal interpretation on the other hand.

With the existence of opposing theories<sup>1</sup> and many negative court decisions<sup>2</sup> against the doctrine of equivalents, formerly it was difficult for the doctrine of equivalents to gain acceptance. This was partly due to the specific circumstances at the time. When technical levels were low in general, there was a demand for a narrower scope of protection instead. This cannot only be said about the doctrine of equivalents, but strong protection had not been sought for intellectual property in general. Another cause could be the fact that people who obtained process patents insisted on an unreasonably expanded interpretation by referring to the doctrine of equivalents during the era where chemical substances were unpatentable (Law of 1975

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<sup>1</sup> Toshiaki Makino, “*Tokkyo Hatsumeï No Gijutsuteki Han’i No Kakutei Ni Tsuite No Kihontekina Kangaekata* (Basic Concept of Determination of the Technical Scope of a Patented Invention,” Makino, *Kougyou Shoyuiken Shoshou Hou* (Industrial Property Litigation Law): p. 104. (However, as this deals with a case where the opponent makes a social accusation levied against him/her, that is more serious than the mere deficiency on the right holder’s side, such as being a treasonous person in bad faith, as a different issue, Makino’s theory cannot be regarded as a theory of complete denial of the doctrine. Toshiaki Makino, “*Tokkyo Hatsumeï No Gijutsuteki Han’i Kakutei No Mondai* (Issue of Determining the Technical Scope of a Patented Invention),” Makino/Saitou, *Chiteki Zaisan Kankei Soshou* (Intellectual Property Related Litigation): p. 442 was written in consideration of the later “increase and diversification of information’s value and economic globalization” as well as the several legal amendments made “with the aim of upgrading the environment for promoting creative business activities of Japanese industry,” and it describes the requirements for the doctrine of equivalents on the basis of recognizing the theory.). Hiroaki Oohashi, “*Shingai Soshou Ni Okeru Kintouron* (Doctrine of Equivalents in Infringement Litigation),” Makino, *Kougyou Shoyuiken Soshou Hou* (Industrial Property Litigation Law): p. 179.

<sup>2</sup> There are many theories that do not deny the doctrine of equivalents itself, but are negative about its application. For instance, the Osaka District Court decision on May 4, 1961, Civil Court Decisions by Lower Courts, Vol. 12, No. 5: p. 927 (the Expanded Polystyrol case) ([Annotation] Keiko Someno, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 15; Masao Miyake, *Tokkyo Hanrei Hyakusen*, Case 66; Nobuo Monya, *Jurist*, No. 317: p. 89; Takashi Oseto, *Tokkyo Hanrei Hyakusen*, Case 77); the Osaka District Court decision on October 24, 1967, Court Decision Journal, No. 521: p. 24 (the Polyester Fiber case) ([Annotation] Tomoko Takii, *Tokkyo Hanrei Hyakusen* (Second edition), Case 75); the Osaka District Court decision on June 19, 1968, The Law Times Report, No. 223: p. 200 (the Automatic Zigzag Sewing Machine case); Tokyo District Court decision on October 20, 1976, Court Decision Ties, No. 353: p. 247 (the Basic Substitution Diphenylalkane Derivative Manufacturing Method case); the Tokyo District Court decision on March 28, 1983, Court Decisions Relating to Intangible Property, Vol. 15, No. 1: p. 253 (the Wheel Mud Removing Device case); the Shizuoka District Court Hamamatsu Branch decision on September 30, 1991, Court Decisions Relating to Intellectual Property, Vol. 23, No. 3: p. 699 (the Night Soil Treatment Product Usage case); Osaka District Court decision on October 27, 1994, Court Decisions Relating to Intellectual Property, Vol. 26, No. 3: p. 1200 (the t-PA case; the original instance of the Osaka High Court decision on March 29, 1996 in note 9), etc. (for details, see Masui/Tamura, *Tokkyo Hanrei Gaido* (Guide to Patent-related Court Decisions): pp. 135 ff.; the Supreme Court, *Gaikan* (Overview): pp. 95 ff.). Nevertheless, the appropriateness of application of the doctrine of equivalents greatly depends on the factual relations, so there are also many cases in which the theory should justifiably be denied. For example, there were cases that involved a complex situation like repeated amendments or where the right holder claimed the doctrine of equivalents despite the fact that the principle of estoppel or intentional limitation could be applied, and the right holder’s claim was denied as a result.

and earlier)<sup>3</sup>. In addition, as there was a flood of broken up patents under the single claim system, application of the doctrine of equivalents could induce inconveniences, such as conflicts of rights<sup>4</sup>.

In the United States, the doctrine of equivalents gathered attention when a pro-patent policy was promoted during the 1980s, and various academic theories and court decisions accumulated as a result<sup>5</sup>. The issue has also been discussed in the WIPO in relation to the Patent Law Treaty (yet to be enacted), and now there is an international trend to recognize the application of the doctrine of equivalents<sup>6</sup>. Also in Japan, supporting views have become stronger with improvements in technological levels and with the strengthening of the trend to attach importance to basic patents in recent years<sup>7</sup>.

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<sup>3</sup> For example, see the Tokyo District Court decision on December 23, 1981, Court Decisions Relating to Intangible Property, Vol. 13, No. 2: p. 977 (the Ibuprofen case).

<sup>4</sup> Etsuji Kotani, "Kintouron (Doctrine of Equivalents), Book commemorating the Eightieth Birthday of Professor Uchida: p. 599; Toshiaki Makino, "Tokkyo Hatsumei No Gijutsuteki Han'i Kakutei No Mondai (Issue of Determining the Technical Scope of a Patented Invention)," Makino/Saitou, *Chiteki Zaisan Kankei Soshou* (Intellectual Property related Litigation): p. 444.

<sup>5</sup> Since the legal system of each country functions as a whole, it is risky to discuss only the issue of the doctrine of equivalents separately. For instance, the doctrine of equivalents in the United States is closely linked with the jury system and the reissue system and the relation between common law and equity. No U.S. Supreme Court decisions had been handed down concerning the doctrine of equivalents until recently, ever since *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 US 605, 85 USPQ 328 (1950), but after a blank period of about half a century, a decision was rendered in *Warner-Jenkinson Co. inc. v. Hilton Davis Chemical Co.*, 117 S. Ct. 1040, 41 USPQ 2d 1865 (1997) (the Warner-Jenkinson case; referred to as the Hilton Davis case until the previous instance). This case involves various points of dispute, and although the court reversed and remanded the case, it basically recognized the doctrine of equivalents. The Japanese translation of the entire text of this decision is in IPR, Vol. 11, No. 3: p. 124 (1997). Treatises related to this decision are: Ryyuichi Shitara, "Beikoku No Tokkyoken Shingai Soshou No Jitsujou To Nihon No Kintouron Ni Tsuitemo Ikkousatsu -- Hiruton De-bisu Hanketsu No Youyaku To Sono Bunseki (Study of the Actual Conditions of U.S. Patent Infringement Litigation and the Doctrine of Equivalents in Japan -- Summary and Analyses of the Decision in the Hilton Davis case), (1) (2)," *Housou Jihou* (Bar journal), Vol. 48, No. 6: p. 49/No. 8: p. 25; Michael Bednarek/Richard Peterson, "Hilton Davis Jiken Saikou Saibansho Hanketsu Ga Ataeru Eikyuu (Impact of the Supreme Court Decision in the Hilton Davis case)," *Chizai Kanri* (Intellectual Property Management), Vol. 47, No. 5: p. 645. A comparative study on the doctrine of equivalents is: *Hikaku Tokkyo Shingai Hanketsu Rei No Kenkyuu -- Kintouron Wo Chuushin To Shite* (Comparative Study on Patent Infringement Court Decisions -- Centering on the Doctrine of Equivalents) (*Chiteki Zaisan Kenkyuu Ronshuu* (Treatises on Intellectual Property) 1) written and edited by Shigetoshi Matsumoto/Takashi Ooseto, (Shinzansha Shuppan, 1996).

<sup>6</sup> Article 21 (2) (a) of WIPO's Patent Law Treaty, which had yet to be enacted as of 1998, stipulates that patent claims cover equivalents, and Article 21 (2) (b) stipulates that equivalence at the time of an infringement should also be taken into consideration.

<sup>7</sup> The following are some of the many theories that favor application of the doctrine of equivalents: Shigetoshi Matsumoto, *Tokkyo Hatsumei No Hogo Han'i* (Scope of Protection of a Patented Invention); Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 659; Yoshii, *Shingai Soshou* (Infringement Litigation): p. 43; Kenjiro Ooe, "Tokkyo Seikyuu No Han'i To Tokkyo

As mentioned above, court decisions had been negative about application of the doctrine of equivalents in general<sup>8</sup>, but in 1996, the Osaka High Court found an

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*Hatsumei No Hogo Han'i To No Kakusa* (Difference Between the Scope of the Patent Claim and the Scope of Protection of a Patented Invention)," *Tokkyo Kanri* (Patent Management), Vol. 25, No. 7: p. 723; Kenjiro Ooe, "*Tokkyoken No Kenri Han'i No Kaishaku Ni Tsuite No Ichi Kousatsu* (Study on the Interpretation of the Scope of Right of a Patent)," *Gakkai Nenpou* (Annual of Industrial Property Law), No. 2: p. 39; Masashige Ooba, "*Tokkyo Shingai Ni Okeru Kintou No Mondai* (Issue of Equivalence in a Patent Infringement)," *Gakkai Nenpou*, No. 2: p. 70. Further, *Kougyou Shoyuiken Seido Kaisei Shingikai Tousei Setsumeisho* (Explanation of the Report of the Council on Amendment of Industrial Property Systems) in connection with enactment of the current Law describes in page 8 that, while determination of the technical scope should basically be centered on the scope of the patent claim, "it is considered reasonable to interpret that some room is left for determining that such matters recognized by an ordinary expert as the content of the invention from the statements of the claim are included within the scope of the patent right, instead of being strictly bound to the literal interpretation of the claim." Although the term "equivalence" is not used, a similar idea is indicated there. An idea to put the doctrine of equivalents in a statutory form was considered upon the 1994 amendment, but it was shelved due to the various problems that would occur in relation to it. However, the Industrial Property Council has made a conclusion that Sections 70 and 36 (5) (ii) of the Patent Law (before the 1994 amendment) do not eliminate application of the doctrine of equivalents, but reasonable consideration should be made case by case, and that they do not eliminate the idea of determining the interchangeability with a material having the same effect at the time of the infringement (JPO, *Heisei 6 Nen Kaisei Kougyou Shoyuiken Hou No Kaisetsu* (Explanation of the Industrial Property Laws, Amended in 1994): pp. 122 et seq.).

<sup>8</sup> Many court decisions have judged that the products were substantially identical when recognizing an infringement. These are considered to be not so different from recognizing the doctrine of equivalents. Court decisions in which the court rendered a judgment virtually similar to recognizing the doctrine of equivalents through expanded interpretation of the claim include: the Tokyo District Court decision on September 29, 1964, *The Law Times Report*, No. 168: p. 140 (the Watch Ring Band case); its appellate instance, the Tokyo High Court Decision on June 2, 1969, *The Law Times Report*, No. 241: p. 248; the Osaka District Court decision on April 2, 1969, *Court Decisions Relating to Intangible Property*, Vol. 4, No. 1: p. 340 (the Velcro Fastener case; this decision was repealed by the Osaka High Court decision on June 26, 1972, *Court Decisions Relating to Intangible Property*, Vol. 4, No. 1: p. 360 ([Annotation] Minoru Iriyama, *Court Decision Journal*, No. 691: p. 126)); the Osaka District Court decision on July 30, 1974, *Court Decision Journal*, No. 790: p. 87/*The Law Times Report*, No. 322: p. 294 (the Basic Ester Manufacturing Method case); this decision, which used the term "equivalence," was repealed by the Osaka High Court decision on April 27, 1977, *Court Decisions Relating to Intangible Property*, Vol. 9, No. 1: p. 406 ([Annotation] Shinya Yoshii, *The Law Times Report*, No. 367: p. 222)); the Tokyo High Court decision on May 20, 1982, *Court Decision Journal*, No. 1065: p. 178 (the Liquid Filtering Machine case; this was a unique case where application of the doctrine of equivalents was recognized, but since the defendant did not appear before the court within the time limit for the oral proceedings, it was more like a constructive confession, and thus did not create a great sensation); the Osaka District Court decision on March 14, 1986, *Court Decision Journal*, No. 1200: p. 142/*The Law Times Report*, No. 617: p. 153 (the Electric Razor case; though the court did not use the term "equivalence," it stated that "when interpreting or determining the literal meaning or content of the claim, the interpretation or determination should be made objectively and reasonably without being bound to the general abstract meaning or content of the wording itself, but rather by examining the technical meaning expressed by the wording, also referring to the purpose of the device described in the column of the detailed description of the invention, the technical features employed as means for attaining the purpose, and the effect of the invention," and virtually held a view close to the doctrine of equivalents); the Kyoto District Court decision on December 21, 1987, *Tokkyo To Kigyou* (Patent and Enterprise), No. 230: p. 79; the Tokyo High Court decision on February 3, 1994, *Court*

infringement by openly recognizing the doctrine of equivalents for the first time in Japan in the t-PA case<sup>9</sup>.

Subsequently, in 1998, the Supreme Court finally rendered a decision recognizing the doctrine of equivalents, and the issue was settled for all practical

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Decisions Relating to Intellectual Property, Vol. 26, No. 1: p. 34 (the Ball Spline case; the original instance of the later-mentioned Supreme Court decision) ([Annotation] Tatsuki Shibuya, Court Decision Journal, No. 1521: p. 226; Sakahisa Hattori, *Tokkyo Kanri* (Patent Management), Vol. 47, No. 1: p. 39; although the court did not exactly use the term “equivalence,” it held that the technology was covered within the technical scope by recognizing the interchangeability and the ease of interchange, which are the common ideas of the doctrine of equivalents, so the decision is acknowledged to be virtually equivalent to recognizing the doctrine of equivalents). In the Supreme Court decision on June 2, 1974 (the Watch Ring Band case) (not published in the collection of court decisions; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 668 [Matsumoto]; Fumio Umase, *Tokkyo Kanri*, Vol. 33, No. 5: p. 538), the court found that the difference between the patented invention and the infringing article was not related to the essence of the invention and that it could have been easily arrived at by a person skilled in the art, and stated, “the difference between the above two things is merely a very slight difference in the design, so this difference cannot serve as the reason for denying that the article is covered within the technical scope of the patented invention,” using an expression that virtually recognizes the doctrine of equivalents. Further, the Supreme Court decision on November 14, 1974, *Tokkyo To Kigyō*, No. 75: p. 42 (the Velcro Fastener case) and the Supreme Court decision on May 29, 1987 (the Barking Machine Raw Wood Operating Position Adjustment Device case) (Not published in the collection of court decisions; the Asahikawa District Court decision on March 24, 1983 that recognized the doctrine of equivalents was upheld by its appellate instance, the Sapporo High Court decision on December 25, 1984, and the final appeal was dismissed by the Supreme Court) are illustrative court decisions that found the recognition in the original instance to be just, and it would be too hasty to consider from these decisions that the Supreme Court has openly recognized the doctrine of equivalents. (The Barking Machine case was a dispute over whether or not the crank mechanism was equivalent to an invention for which the patent claim included a reference to a “cylinder.” Takashi Honma, *Jurist*, No. 903: p. 85 estimated the Supreme Court to have recognized the doctrine of equivalents based on this decision. *Saikousai Gaikan* (Supreme Court (Overview)), p. 94 throws doubt on positioning it as a decision that adopted the doctrine of equivalents, stating that the decision did not positively indicate grounds for adopting the doctrine of equivalents.) The claim is an intangible technical idea expressed in words, so unlike in the case of a tangible property, its outer limits are inevitably ambiguous. Therefore, disputes over its concrete scope cannot be avoided. The problem is how the limits should be determined, but irrespective of the use of the term “equivalence,” some kind of interpretation must be made in any case. It is either possible to simply discuss it as an interpretation of the claim or to apply the legal concept of the doctrine of equivalents. The question is which is more convincing as a legal theory. Therefore, when reading a court judgment, it is important to observe the substance without being affected by the terms used.

<sup>9</sup> The Osaka High Court decision on March 29, 1996, Court Decisions Relating to Intellectual Property, Vol. 28, No. 1: p. 77 (the t-PA case). In this case, where an allegedly infringing article of a patent relating to modified tissue-type plasminogen activator (t-PA) was only different in respect to one of the amino acid sequences in the statements of the claim, the court held that the two were equivalent and the allegedly infringing article was covered within the technical scope of the patented invention, because the two had the same distinctive features, the same effects, and were interchangeable, and at the same time, the infringing article was highly foreseeable and could be easily arrived at. This decision also mentioned the interchangeability and the obviousness of interchange as the requirements for applying the doctrine of equivalents.

purposes<sup>10</sup>. The Supreme Court threw out the original decision that virtually recognized application of the doctrine of equivalents, and then indicated the requirements for application of the doctrine of equivalents. According to this decision, even if there is a part that is different from the allegedly infringing product in the composition of the claim, it is covered by the technical scope of the patented invention as an equivalent when: 1) that part is not the essential part of the patented invention; 2) the objective of the purpose of the invention can be achieved and the same effect can be obtained even if that part was interchanged; 3) that interchange could be easily arrived at by a person skilled in the art at the time of manufacturing; 4) that part was not identical to a publicly-known technology at the time of the filing or could not be easily conceived of by a person skilled in the art at the time of the filing; and 5) there is no special circumstance, such as that part being intentionally excluded from the claim during the filing procedure. Future discussions are expected to center on the requirements, based on the premise of recognizing the doctrine of equivalents.

### **3. Requirements of the Doctrine of Equivalents**

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<sup>10</sup> The Supreme Court decision on February 24, 1998, Court Decision Journal, No. 1630: p. 32 (the Ball Spline case).

Many academic theories have mentioned interchangeability and the obviousness of interchange as the two requirements for application of the doctrine of equivalents<sup>1</sup>. However, the above-cited Supreme Court mentioned three more requirements. The first is that the differing part is not an essential part of the patented invention, the second is that the allegedly infringing product is not identical to a publicly-known technology or easily conceived of by a person skilled in the art at the time of the filing, and the third is that there are no special circumstances such as intended exclusion. Each of these requirements shall be reviewed below.

### **(1) Interchangeability**

Interchangeability means that the purpose of the invention can be attained by interchanging a part of the constituent elements of the invention with another method or article. Specifically, it refers to a case where the inventive concept and the effect are identical to those of the patented invention. In that sense, the term “ability” or potentiality is not quite appropriate. By calling it the “objective sameness” of the invention, the content would be easier to understand, and also the meaning of the requirement of the “non-essential part” mentioned by the Supreme Court decision would become clearer. When determining interchangeability, the point to consider is not the sameness with the subjective invention made by the inventor, but the sameness with the inventive concept or the effect observed from the statements of the specification. The invention in a filed patent application could be modified by amendment, but since amendment becomes effective retroactively to the time of the filing, the invention described in the specification can be regarded as being fixed at the time of the filing, and its content does not change with time. Accordingly, there would be no use in discussing the timing of determination with regard to the interchangeability.

It can be considered that the requirement that the differing part is not the essential part of the invention, as mentioned by the Supreme Court decision, is an element of the conventional interchangeability requirement.

One of the practical issues involving interchangeability is the issue of

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<sup>1</sup> The Osaka District Court decision on May 4, 1961, Civil Court Decisions by Lower Courts, Vol. 12, No. 5: p. 937 (the Expanded Polystyrol case) ([Annotation] Nobuo Monya, *Jurist*, No. 317: p. 89; Masao Miyake, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 66; Keiko Someno, *Tokkyo Hanrei Hyakusen*, Case 15; Shigetoshi Matsumoto, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 66; Takashi Ooseto, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 77), the t-PA case (later mentioned in note 9), and many other court decisions cite interchangeability and the obviousness of interchange as the requirements. There do not seem to be many theories opposing this stance.

incomplete use. Incomplete use indicates working of an invention in such a way that part of the constituent elements described in the claim are missing. In the past, the theory of incomplete use was usually totally denied in court decisions or even if it was not expressly denied in theory, in practice the act in question was judged not to constitute an infringement in practice<sup>2</sup>. Since the stipulation in the Law before the 1994 amendment had set forth that the claim should only include matters that are indispensable to the constitution of the invention, the commonly derived conclusion was that a technology lacking part of the constitution was no longer the same invention, so the act was not an infringement. The same principle applies under the current Law, and working of a technology lacking part of the constitution of the invention is considered not to be an infringement. However, as long as the technology practically meets the requirements for equivalence, there seems to be no reason to particularly distinguish between a case where part of the constituent elements of the claim were interchanged and a case where that was missing. Considering the purpose of the doctrine of equivalents, which is to remedy the right holder under certain limiting requirements due to the difficulty of describing the claim by assuming all modes of

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<sup>2</sup> The Tokyo District Court decision on May 30, 1973, Court Decision Journal, No. 717: p. 64 (the Hand Dryer case; the court stated: “It is clear that an invention or device that lacks what is regarded to be a basic constituent part.....should be considered to constitute a separate invention or device.”); the Shizuoka District Court Hamamatsu Branch decision on June 25, 1975, Court Decisions Relating to Intangible Property, Vol. 7, No. 1: p. 188 (the Pachinko Ball Circulating Device case) ([Annotation] Katsumi Takabayashi, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 90); the Osaka District Court decision on July 25, 1980, Court Decisions Relating to Intangible Property, Vol. 12, No. 2: p. 399 (the Window Mortar Frame case); the Tokyo District Court decision on February 16, 1983, Court Decisions Relating to Intangible Property, Vol. 15, No. 1: p. 49 (the Door Knob Decoration case) ([Annotation] Shigeaki Manda, Jurist, No. 875: p. 264; it states that the theory of incomplete use does not deserve to be adopted under the current Law); the Tokyo District Court decision on May 25, 1983, Court Decisions Relating to Intangible Property, Vol. 15, No. 2: p. 396 (the Door Hinge case) ([Annotation] Michio Akaoka, *Tokkyo Hanrei Hyakusen*, Case 76; Nobuo Monya, Jurist, No. 879: p. 141; it states that the theory of omitted invention or the theory of unimproved invention should not be adopted under the current Law); the Tokyo District Court decision on September 28, 1983, *Tokkyo To Kigyō* (Patent and Enterprise), No. 179: p. 53 (the Pump Device case). Theories that do not recognize the theory of incomplete use include: Takashirou Kawashima, “*Fukanzen Riyō Ron* (Theory of Incomplete Use),” Makino, *Kōgyō Shōyūken Soshō Hō* (Industrial Property Litigation Law): p. 184; Minoru Takeda, *Shingai Youron* (Summary on Infringements): pp. 77/84; Yoshii, *Shingai Soshō* (Infringement Litigation): p. 75. (This states that while the technical unity of the patented invention is maintained in the case of interchange, the original unity is not maintained in the case of incomplete use due to lack of part of the constitution, so it is not acceptable to extend the same level of protection in such a case as in the case of equivalence in the narrow sense for it would open the path to protection of general inventive concepts. However, an act of working an invention by omitting part of its constitution when it is extremely easy to recognize that the importance of that part is relatively low among the constituent elements is against justice and equity, so it should be subject to a claim for compensation for damages as an act of tort).

infringement at the beginning of the filing, the theory of incomplete use should also be considered as one kind of doctrine of equivalents<sup>3</sup>. Although the number is small, there are some court decisions in which the theory of incomplete use was recognized<sup>4</sup>. It goes without saying that not all cases of incomplete use constitute infringements, but only those that meet the requirements for the doctrine of equivalents.

## (2) Obviousness of Interchange

The next requirement is the obviousness of interchange, which means that the interchange is obvious to a person skilled in the art. There are no decisive criteria regarding the level of obviousness, but it should be considered as a level which a person skilled in the art can arrive at without a special effort and that, generally, the level does not have to be as high as an inventive step<sup>5</sup>.

The first issue is the concept of a person skilled in the art who is the subject of the determination. What level of skills should a person skilled in the art be considered

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<sup>3</sup> Yoshifuji, *Tokkyo Hou* (Patent Law): p. 448 argues that the theory of incomplete use and the doctrine of equivalents are separate concepts. However, the two are the same in terms of the reason for their existence and their effect, and the requirements for them do not have to be considered separately. It is sufficient to regard the theory of incomplete use as a subordinate concept of the doctrine of equivalents.

<sup>4</sup> In the Osaka District Court decision on May 17, 1968, Civil Court Decisions by Lower Courts, Vol. 19, Nos. 5/6: p. 303 (the Toy Block case) ([Annotation] Nobuhiro Nakayama, Jurist, No. 463: p. 142), the court held that “when a person manufactures a product resembling a utility model product by using a technology that omits such part of the constituent elements of the device that is of relatively low importance, although it does not have any outstanding effects other than lowering the effect of the device of the utility model, only for the purpose of escaping a patent infringement,” the act infringes the scope of protection of the device. Although the court has not used the term “incomplete use,” it can be considered as practically recognizing the theory of incomplete use. The Fukushima District Court, Kooriyama Branch decision on April 26, 1984, Patent News, Nos. 6649/6654/6655 (not published in the collection of court decisions; the Heat Insulating Material case) ([Annotation] Takashi Ooseto, *Hatsumei* (Invention), Vol. 82, No. 6: p. 90; Takashi Honma, *Tokkyo Kanri* (Patent Management), Vol. 35, No. 9: p. 1043). Theories recognizing the theory of incomplete use include: Keiko Someno, “*Fukanzen Riyo To Tokkyo Shingai* (Incomplete Use and Patent Infringement),” *Shin Jitsumu Minji Soshou Kouza* (New Practical Civil Litigation Lecture), Vol. 5 (Nippon Hyoronsha, 1956): p. 425; Midori Tanaka, “*Fukanzen Riyo Ni Tsuite* (Incomplete Use),” *Kigyoo Hou Kenkyuu* (Study of Business Law), No. 254: p. 22.

<sup>5</sup> While an inventive step indicates some distance from publicly known technologies, the obviousness of interchange under the doctrine of equivalents indicates distance from the patented invention, so the two are different in their approaches. Since an inventive step is a requirement for granting a patent right, and the obviousness of interchange is a requirement for deciding the scope of a granted patent right in court, the two do not necessarily have to be the same. In the Osaka District Court decision on October 31, 1980, Court Decisions Relating to Intangible Property, Vol. 12, No. 2: p. 632 (the **Children's Tire** Manufacturing Method case), the court held that, unlike the requirement for an inventive step, the requirement for the ease of interchange under the doctrine of equivalents is that the technology could be easily conceived of to such an extent that it can be naturally conjectured by a person skilled in the art without requiring any particular additional tests.

to have? Particularly in fields such as biotechnology where changes are fast, there can be a considerable difference in the level of knowledge between a scientist engaged in the most-advanced technologies and an engineer engaged in manufacturing. Meanwhile, a patent infringement is not always committed by an act of manufacturing, but also by other acts including a sale. In such a case, it would be questionable whether a person skilled in the art could be considered as an average person among people including dealers. Supposing that the doctrine of equivalents is intended only to exclude people whose acts are highly malignant, it can also be interpreted that the level of a person skilled in the art differs depending on the individual infringement. In other words, even if the mode of infringement was the same, the conclusion may differ between the case of a Nobel prize winner and the case of a back-street factory. However, it does not seem appropriate for the constitution of a patent infringement to be dependent on the situation of individual cases to this extent. Taking dealers and users of the patented product into consideration as well, the patent system should have a somewhat standardized criterion in order to achieve legal stability, and the most convincing criterion would be an average engineer. Accordingly, the criterion of an average engineer would even be applied to a dealer having little technological knowledge. The result from this criterion may be rather severe for the dealer and the act could be judged as an infringement by application of the doctrine of equivalents. In such a case, the dealer would not be able to escape an injunction, but could possibly have the amount of damages adjusted by the court in the course of determining negligence or in the course of determination of the amount of damages under Section 102 (4) of the Patent Law.

Opinions are divided regarding the timing of determination of the obviousness of interchange. The prevalent theory in Japan regarding the timing of determination of equivalence has been the time of filing<sup>6</sup>, but recently, the time of infringement is also

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<sup>6</sup> Yoshifuji, *Tokkyo Hou* (Patent Law): p. 436; Fumio Umase, “*Kintouron* (Doctrine of Equivalents) (1),” *Tokkyo Kanri* (Patent Management), Vol. 33, No. 2: p. 132; Shigetoshi Matsumoto, *Tokkyo Hatsumeï No Hogo Han’i* (Scope of Protection of a Patented Invention), and many other theories consider the time of filing as a natural premise. The theories supporting the time of filing seem to assume that as long as the first-to-file system is adopted, the scope of a patent is decided at the time of filing. However, there is no necessity that the timing of determination of equivalence and the first-to-file system should be linked with each other. That depends on how the system of the doctrine of equivalents is positioned. The world trend is coming to adopt the method of determining equivalence based on the time of filing, while adopting the first-to-file system. Incidentally, determination based on the time of filing is prevalent internationally, and it is also adopted in Article 21 of WIPO’s Patent Law Treaty. (This treaty has not been enacted yet, but the member states’ consensus has been gained with regard to the issue of equivalence.)

becoming widely accepted<sup>7</sup>. If the time of infringement is adopted, the knowledge of a person skilled in the art would have increased according to technological progress, and the scope of obviousness of interchange would have broadened with time. Therefore, the resulting scope of equivalence would be broader. There is a criticism that this would also incorporate matters that were not included in the original invention made by the patentee or incorporate inventions that have been made by others on later dates into the scope of the patentee's exclusive right. However, even if the public announcement function of the claim were to be emphasized, the infringer is actually able to judge whether or not to work the technology by considering the various circumstances at the time of infringement, so there should be no inconvenience in determining the obviousness of interchange based on the technological situation at the time of infringement. In addition, if the international trend were to be taken into account, it is more appropriate to determine the obviousness of interchange based on the time of infringement<sup>8</sup>. Although lower courts have been determining the obviousness based

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<sup>7</sup> Keiko Someno, "*Hatsumei Ni Okeru Kintou Ni Tsuite* (Equivalence in Inventions) (3)," *Kougyou Shoyuiken Kenkyuu* (Study of Industrial Property), Vol. 12: p. 23; Keiko Someno, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 68 (it states that the doctrine of equivalents is a system for saving the applicant from not being able to describe the future technological progress that is unpredictable at the time of filing in the claim, and that it is unbalanced to make a patentable dependent invention an infringement while not making a non-inventive mere interchange an infringement.); Junpei Ishiguro, "*Poriesuteru Tokkyo Shingai Jiken No Mondaiten* (Controversial Points in the Polyester Patent Infringement Case)," Ishiguro, Book Commemorating the Sixtieth Birthday of Professor Umase: p. 119; Yoshii, *Shingai Soshou* (Infringement Litigation): p. 52; Morioka, *Kougyou Shoyuiken Hou* (Industrial Property Law): p. 89; Kawaguchi, *Tokkyo Hou* (Patent Law): p. 55; Senmoto, *Tokkyo Hou* (Patent Law): p. 122. Meanwhile, Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 661 [Matsumoto] supports determination based on the time of filing, but states: "When the adopted technology has already been worked at the time of the infringement, it is considered admissible to recognize protection of the patent right by including this technology within the scope of equivalence, if the interchange with the technology has the same quality and effect in light of the situation at the time of filing, and if the interchange has been realized in another technology. However, this is only to supplement the requirement for constitution of equivalence at the time of filing, and is not of a nature to cause the requirement of the ease of interchange to be based on the time of infringement." Sumio Shinagawa, "*Kintou To Tokkyo Seikyuu No Han'i* (Equivalence and the Scope of the Patent Claim)," *Kigyuu Hou Kenkyuu* (Study of Business Law), No. 270: p. 11 states that the determination should inevitably be based at the time of filing, but as it is too inequitable considering that a dependent invention is regarded as an infringement, a technology that involves the obviousness of interchange at least at the time of infringement should be considered as a dependent invention by slightly modifying the definition of the dependent invention (this way, the inconsistency and the imbalance between equivalence and dependency can be solved).

<sup>8</sup> Shigetoshi Matsumoto, "*Tokkyo Hou 70 Jou No Gijutsuteki Han'i To Tokkyo Shingai Soshou Ni Okeru Kintouron* (Technical Scope under Section 70 of the Patent Law and the Doctrine of Equivalents in Patent Infringement Litigation)," *Chizaiken 5 Shuunen* (IIP 5<sup>th</sup> Anniversary): p. 358 (the determination on the differing important part should be based at the time of infringement); *Tokkyo Inka Dai Ni Shou Inka* (Second Subcommittee of the Patent Committee), "*Kintouron Ni Kansuru Ichi Kousatsu* (Examination Concerning the Doctrine of Equivalents) (Part 2) (Final),"

on the time of filing, the Supreme Court has adopted the theory of determining it based on the time of infringement, as mentioned earlier, so future court decisions are expected to follow the Supreme Court's practice.

The next issue is the specific content of the obviousness of interchange. Although the interchange needs to be easy as a natural requirement, it is a question whether the effect resulting from the interchange must also be obvious. In the machinery or electric fields, a person skilled in the art is likely to find the effect arising from the interchange obvious in many cases, if the interchange itself is easy. Strictly speaking, however, in the chemical field, particularly biotechnology, the effect arising from the interchange often cannot be precisely understood until it is tested, even if the interchange itself is easy<sup>9</sup>. Therefore, if the obviousness of the effect arising from the interchange were to be strictly required for application of the doctrine of equivalents, it might become difficult to apply the doctrine, and as a result, the doctrine might only become applicable to specific fields of technology. Thus, the obviousness of interchange should be recognized as long as the interchangeable technology has been established in general, and it is known among persons skilled in the art that such interchange would generally bear the same effect. Given that there is also the requirement of interchangeability, such interpretation would not indefinitely expand the scope of right. Incidentally, the term "ease of interchange" is also used frequently, but from the above viewpoint, it is considered to be more appropriate to use the term "obviousness of interchange" as in the Supreme Court decision.

### **(3) Other Requirements**

The Supreme Court decision excludes from equivalents technologies that are easily conceivable from publicly known technologies<sup>10</sup>. Even if a technology was

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*Tokyo Kanri* (Patent Management), Vol. 47, No. 3: p. 348.

<sup>9</sup> In the Osaka High Court decision on March 29, 1996, Court Decisions Relating to Intellectual Property, Vol. 28, No. 1: p. 77 (the t-PA case), which was a case relating to a patent on human tissue-type plasminogen activator (t-PA), the court recognized equivalence regarding a variant that is only different in respect to position 245 of a sequence of about 500 amino acids. However, how different the effect would be by interchanging the amino acid of position 245 cannot be found in a strict sense until it is tested. The difference in position 245 in this case seems to have merely been caused by a cloning error, but this may have been a case where no definite answer could be given regarding whether it was possible to manufacture a variant by specifically trying to modify position 245 or whether it was easy to predict the effect of such a variant. In the original instance (the Osaka District Court decision on October 27, 1994, Court Decisions Relating to Intellectual Property, Vol. 26, No. 3: p. 1200), the court derived the opposite conclusion by stating that the prediction of the effect was not considered to be easy without an objective backing, such as test results.

<sup>10</sup> It is not quite clear whether this requirement is a cause of claim or defense. It seems to be a cause of claim considering the context of the Supreme Court decision and the fact that the case was

covered within the scope of equivalence, it would be improper to judge a publicly known technology or a technology that can be easily conceived of from such technologies as an infringement, because it would be the same as recognizing a monopoly on a technology that should essentially be in the public domain. However, the question is whether this should be regarded as a requirement for the doctrine of equivalents as in the Supreme Court decision or whether it should be regarded more generally as defense of a publicly known technology or defense of invalidity. This is because the idea of not making a publicly known technology or a technology that is easily conceivable from such technologies an infringement is not only applicable when the technology is covered within the scope of equivalence, but indeed, the effect of a patent should not be extended to such a technology in the first place, irrespective of the doctrine of equivalents. Consequently, it should not be considered as a mere issue of the doctrine of equivalents, but rather as an issue concerning the entire Patent Law<sup>11</sup>.

Another requirement is that there are no special circumstances such as intentional exclusion. This requirement is considered to largely overlap with the doctrine of estoppel. The principles of estoppel and intentional exclusion derive from general principles of law, and are also applied in the general process of determining the scope protected by the claim (See Item 1 “Technical Scope of a Patented Invention”). Accordingly, it is natural that these principles are also taken into account upon application of the doctrine of equivalents, so the reason that the Supreme Court purposefully mentioned them as a requirement for the doctrine of equivalents is not quite clear, but there should be no particular problem in recognizing them as requirements. Indeed, it is assumable that estoppel or intentional exclusion would

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reversed and remanded, but since it is not easy for the plaintiff to completely prove the distance from publicly known inventions, it may function as defense in practice. See the annotation for the Supreme Court decision in Ryouichi Mimura, Jurist, No. 1134: p. 115.

<sup>11</sup> If this issue were to be addressed as an issue of the defense of “publicly known technology,” the Supreme Court could not have reversed and remanded the ball spline case where no such defense was made by the defendant. The Supreme Court may not have gone so far as to openly recognize the defense of a publicly known technology, but can be considered to have recognized the idea of such defense itself.

present an issue in many cases that involve application of the doctrine of equivalents.

#### **4. Positioning of the Doctrine of Equivalents in the Patent System**

The above-mentioned Supreme Court decision more or less fixed the requirements for the doctrine of equivalents, and international practices also developed in such a manner that denial of the doctrine of equivalents has become quite unrealistic. However, underlying the doctrine of equivalents are problems related to the fundamentals of the Patent Law. Thus, the problems of the doctrine of equivalents relating to the system of patent shall be examined briefly.

Two types of concepts can be assumed as the basic way of thinking about the doctrine of equivalents.

The first type is based on the following concept. A patent right has an effect similar to a real right, so its technical scope must be definite, and the scope is fixed by the claim. However, since the claim is a technical idea expressed in text, its borderline is, unlike in the case of land, inapparent. Therefore, the court has to determine the borderline. In other words, the court clarifies the borderline that is supposed to be already objectively decided by the claim. Thus, application of the doctrine of equivalents would mean such a process taken by the court. As a matter of course, even if this idea were adopted, a reasonable conclusion would be derived in the end by also taking into account the various circumstances of the right holder besides the doctrine of equivalents; for instance, by applying estoppel<sup>1</sup>, by recognizing intentional exclusion, or by recognizing a defense of a publicly known technology or a defense of invalidity, although these are not established concepts in case law.

The second type is based on the following concept. Because the scope of a patent right is decided by the literal meaning of the claim, the borderline cannot be changed *ex post facto*, and the scope must be interpreted according to the literal meaning of the claim in principle. However, application of the doctrine of equivalents should be recognized when it is judged to be particularly necessary, by comprehensively considering the various circumstances including the bad faith of the infringer<sup>2</sup> and the

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<sup>1</sup> A U.S. Supreme Court decision (the Warner-Jenkinson case) also remanded the case by stating that no hearing had been held regarding the prosecution history estoppel.

<sup>2</sup> For instance, Toshiaki Makino, "*Tokkyo Hatsumei No Gijutsuteki Han'i No Kakutei Ni Tsuite No Kihonteki Na Kangaekata* (Basic Ideas on Determination of the Technical Scope of a Patented Invention)," Makino, *Kougyou Shoyuiken Soshou Hou* (Industrial Property Litigation Law): p. 106 basically denies application of the doctrine of equivalents, but states that "in order to evaluate use of an equivalent technical means as an infringement, it would be necessary to indicate that the opponent has been socially accused of something that exceeds the deficiency on the right holder's side to an extent of the example of a treasonous person in bad faith who is treated as in the case of a third party

cause attributable to the right holder. According to this concept, the doctrine of equivalents is not a process of determining the essential physical scope of the patent right, but in a sense, a process of incorporating an element having the aspect of unfair competition law into the issue of the scope of right. Even in the case of adopting this concept, the conclusion would not always be fixed, but matters such as whether the invention had been independently made by the infringer<sup>3</sup> and whether the right holder

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who can be countered without registration under the public notice system for the transfer of rights on real property.” Such an idea places importance on the framework of the public announcement function of the claim, but attempts to process the case in an exceptional manner when the opponent is particularly malignant.

<sup>3</sup> Ryuuichi Shitara, “*Beikoku No Tokkyoken Shingai Soshou No Jitsujou To Nihon No Kintouron Ni Tsuiteno Ikkousatsu -- Hiruton De-bisu Hanketsu No Youyaku To Sono Bunseki* (Study of the Actual Conditions of U.S. Patent Infringement Litigation and the Doctrine of Equivalents in Japan -- Summary and Analyses of the Decision in the Hilton Davis case), (1) (2),” *Housou Jihou* (Bar Journal), Vol. 48, No. 8: p. 72. It is also possible to deny application of the doctrine of equivalents for a person who developed the technology independently; that is, to not regard such a case as an infringement. Companies are often competing in similar research and development, and while the first company that completed the development can enjoy the monopolistic status, the second company may have to drop out of the market even if the timing of completion was extremely close. The purpose of the above idea can be considered to at least provide a remedy for the second company (the infringer) if it was working an equivalent invention in such a case. However, multiple companies are often engaged in competitive research and development in the field of advanced technology, and while a case where the second party made the same invention as the patented invention or a dependent invention by chance would be considered as an infringement even if it was independently developed, it would not be an infringement if it was an equivalent invention. It was only by chance that the independently developed invention was either identical or equivalent, so it is questionable whether there is a practical reason to provide a special measure for the second company only when the invention was equivalent. If the unfortunate second company were to be remedied, it seems more reasonable to provide a remedy also for an identical invention (for instance, there could be a system to always recognize a defense of independent development for a person who developed the technology independently, but there is no such remedial system, and such a system, which views the Patent Law as a law prohibiting imitation, would not be reasonable since it considerably reduces the effect of the patent right). The Patent Law adopts a system of granting a patent right having material effects to the person who filed the application first, and it is based on the idea that a result of always granting an absolute exclusive right to the first applicant contributes to industrial development. This has already taken into account the fact that a later applicant, even if the technology was developed independently, would be in an unfortunate position, so it would be difficult to explain why the applicant is remedied only when the independently developed technology was an equivalent invention. This depends on the fundamental concept of the ground for recognizing the doctrine of equivalents. From the viewpoint that recognition of the doctrine of equivalents would not harm the foreseeability for the parties concerned and that equivalents are justifiably included in the scope of the patent right, there would be no need to remedy the second applicant only when the invention was an equivalent. On the other hand, from the viewpoint that the effect of a patent right should essentially be recognized only for the identical part and that the doctrine of equivalents is an exceptional measure that should only be recognized when the malignance is particularly strong, it would seem reasonable to remedy the second applicant at least when the independently developed technology is an equivalent invention. In that case, however, it seems more appropriate to explain that an infringement is found when the right holder proves the malignance of the infringer, rather than to recognize a defense of independent development (the theoretical structure would be quite difficult in that case). From a practical standpoint, if

had conducted an act subject to estoppel or had intended an intentional exclusion, are mentioned as elements that should be taken into consideration<sup>4</sup>.

This concept is distinctive in that the circumstances of the infringer (e.g. whether his/her invention or product was developed independently and whether special malignancy was involved) are taken into consideration. In essence, this is the only point that is different between the two types of ideas. This matter is also related to an ultimate issue of the patent system. If a patent right were considered to be one kind of real right whose scope is fixed, there would be no room to consider the subjective circumstances of the infringer. On the other hand, if the Patent Law were considered to be part of the system of competition law for maintaining economic order, it would not be irrational to consider the circumstances of the infringer<sup>5</sup>.

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application of the doctrine of equivalents were not recognized for a person who independently developed the technology, patent rights would only have a function close to a law prohibiting imitation for the companies competing in research and development in advanced fields, at least with respect to the equivalent part. This would undeniably reduce the original function of the Patent Law to establish an exclusive right for the first applicant. Meanwhile, Toshiaki Makino, "*Tokkyo Hatsumei No Gijutsuteki Han'i Kakutei No Mondai* (Issue of Determining the Technical Scope of a Patented Invention)," Makino/Saitou, *Chiteki Zaisan Kankei Soshou* (Intellectual Property-related Litigation): p. 448 states that "protection by equivalence should be extended within such a limited scope that the technology is recognized to be dependent on another person's creation that has been realized as a patented invention and to be using its substance." It further states that this fact would "rather comply with the basic concept of intellectual property law," emphasizing the point that application of the doctrine of equivalents should not be recognized in the case of a person who independently-developed the technology or not (that is, the act should not be considered as an infringement).

<sup>4</sup> No consensus has been reached on what should be regarded as such elements. Assumable circumstances for the right holder would be estoppel and intentional exclusion. Assumable circumstances for the infringer would include whether it is an independently developed technology and other special malignancies (e.g. illegal acquisition of know-how).

<sup>5</sup> Yutaka Koike, "*Tokkyo Seikyuu No Han'i (Kureemu) To Tokkyo Hatsumei No Gijutsuteki Han'i Ni Tsuite* (Scope of the Claim and Technical Scope of a Patented Invention)," Articles in Memory of Professor Kaneaki Katayama, *Hou To Hougaku No Asu Wo Motomete* (Seeking a Bright Future for Law and Jurisprudence) (Keiso Shobo, 1989): p. 332 states that it is difficult to adopt the doctrine of equivalents based on the provisions in Sections 70 and 36 of the Patent Law (before the 1994 amendment), but the purpose of the Unfair Competition Prevention Law should be analogized instead. Setting aside the reasonableness of the conclusion of this theory, there is a problem in the theoretical structure to make an act that cannot be considered as an infringement under the Patent Law an infringement by analogically directly applying the purpose of the Unfair Competition Prevention Law. Since Japanese Unfair Competition Prevention Law adopts a restrictive citation principle, one must be careful to take in matters that are not cited. Every time the Unfair Competition Prevention Law has been amended, there has been a discussion over whether or not to establish general provisions, but that has been postponed each time due to the reason that it was too early for such a measure. Supposing that the ground for the doctrine of equivalents could be sought in the Unfair Competition Prevention Law, it would be equal to establishing general provisions in interpretation, so the impact on other fields would be too large. It may be possible to say that the competition law aspect should also be taken into account to address the matter as an issue of the entire Patent Law, but it would not be possible to refer to the Unfair Competition Prevention Law to

This problem is not merely an issue of the doctrine of equivalents, but an issue involving the entire Patent Law with respect to how much consideration of the competition law aspect can be brought into the Patent Law, which had originally been established as a system similar to that of real right. More broadly speaking, it is an issue of how much emphasis should be placed on the function of the Patent Law to maintain the competitive order. Considering the matter conversely, it is also an issue of how much emphasis should be placed on the public announcement function of the claim and how that function is connected to technological development. Conventionally, the patent right was often viewed as a right resembling the ownership right for land, but the competition law aspect seems to have gradually grown stronger, and that aspect probably will become even stronger in the future. In that sense, it is considered reasonable to bring the competition law aspect also into the doctrine of equivalents, but as this is an issue that needs to be studied more carefully, it is regarded as one of the future issues to be discussed in the world of intellectual property law.

### **Item 3 Defenses**

Even when an act formally seems to be a patent infringement, some kind of defense can sometimes be recognized for the infringer. The types of defenses include those that are justifiably recognized under general private law (e.g. abuse of right and the lapse principle), but only those that should be addressed in relation to the Patent Law shall be mentioned here.

#### **1. Defense of a Publicly Known Technology**

Although a patent right is granted to a technology that exceeds publicly known technologies (more precisely, publicly known technologies at the time of filing), it is impossible to search documents around the entire world in the process of substantive examination by the JPO, so there could be cases where the claim includes a publicly known technology. In such a case, it is possible to invalidate the patent by demanding a trial for invalidation, but there would be a problem of how such a publicly known technology should be dealt with by the court in an infringement case.

In Japan, such a patent is treated as valid until the trial decision of invalidation becomes final and conclusive, and even the court cannot deny its validity. As will be mentioned later, the consistent attitude taken by the courts and the prevalent theory is

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address a specific issue.

that one can neither claim invalidation of the patent nor appeal for confirmation of invalidity in an infringement lawsuit. Therefore, a patent including a publicly known technology, which should be invalidated, must first undergo a trial for invalidation, but the trouble of going through both the lawsuit and the JPO's trial procedure is often too much for the infringer. It is desirable for a dispute to be settled by a single procedure in as short a time as possible.

Under such circumstances, theories and court decisions emerged that tried to allow some kind of defense for the infringer when the claim included a publicly known technology<sup>1</sup>.

Older court decisions had held that a court can make no determination at all concerning the validity of a patent in an infringement lawsuit<sup>2</sup>. However, courts had not treated a defective patent and a patent without a defect in the same manner. Even if invalidation of a patent was under the exclusive authority of the JPO, determination of the scope of a patent was under the authority of courts, so in determining the scope of rights, they derived reasonable conclusions by taking publicly known technologies into account.

First of all, the Supreme Court held that publicly known technologies must

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<sup>1</sup> Nobuhiro Nakayama, "Tokkyo Shingai Soshou To Kouchi Gijutsu (Patent Infringement Litigation and Publicly Known Technologies)," Journal of the Jurisprudence Association, The University of Tokyo, Vol. 98, No. 9: p. 1115; Takashi Hashiba, "Kouchi Gijutsu To Tokkyo Touzen Mukou (Publicly Known Technologies and Justifiable Invalidation of a Patent)," *Kigyoo Hou Kenkyuu* (Study of Business Law), No. 148: p. 12; Ryouichi Murabayashi, "Zenbu Kouchi No Hatsumeii To Tokkyo (Invention Entirely Constituted by a Publicly Known Technology and Patent Rights)," *Kigyoo Hou Kenkyuu*, No. 257: p. 20; Akio Noguchi, "Saibanjo Ha Tokkyoken No Mukou Ni Tsuite Shinri Wo Surukotoga Dekiruka (Whether a Court is Eligible to Examine Invalidity of a Patent Right)," Patent, Vol. 23, No. 4: p. 45. Meanwhile, practitioners have divided views concerning whether filing a trial for invalidation separately from an infringement lawsuit is too time-consuming for a reasonable remedy of rights. Views stating that it would not cause an excessive delay include: Katsumi Takabayashi, "Zenbu Kouchi No Tokkyo/Jitsuyoo Shin'an To Shingai Soshou (Patent/Utility Model Entirely Composed of a Publicly Known Technology and an Infringement Lawsuit)," Book Commemorating the Seventieth Birthday of Professor Miyake: p. 720. Views stating that it causes an excessive delay include: Toshihiro Akiyoshi, "Gijutsuteki Han'i No Kakutei, Shoukou -- Saikin No Saibanrei Kara (Consideration of Determination of the Technical Scope -- Based on Recent Court Decisions)," *Tokkyo Kenkyuu* (Study of Patents), No. 15: p. 6; Masashige Ooba, "Tokkyo Hatsumeii No Jisshitsuteki Hogo Han'i -- Tokuni Kagaku Tokkyo Wo Chuushin Ni (Actual Scope of Protection of a Patented Invention -- Centering on Chemical Patents)," Articles in Memory of Professor Toyosaki: p. 17; *Saikousai Gaikan* (Supreme Court (Overview)): p. 81. The following court decision, though it was a case about a design, recognized the defense of a publicly known technology: the Tokyo District Court decision on April 25, 1997, Patent News, Nos. 9618/9621.

<sup>2</sup> The Supreme Court decision on September 15, 1904, Criminal Court Decisions by the Supreme Court (Prewar Japan), No. 10: p. 1679 (the Fuse Manufacturing Appliance case), and many other decisions thereafter. This had been established case law.

naturally be taken into account when determining the scope of right<sup>3</sup>, and many lower court decisions followed this stance. Later, the Supreme Court further stated that when a publicly known portion is included in part of the claim, the scope of right should be confirmed by excluding that portion<sup>4</sup>. This measure would provide a remedy to most

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<sup>3</sup> The Supreme Court decision on December 7, 1963, Civil Court Decisions by the Supreme Court, Vol. 16, No. 12: p. 2321 (the Coal Tub Push Car Derailment Prevention Device case) ([Annotation] Nobuo Monya, *Journal of the Jurisprudence Association*, The University of Tokyo, Vol. 81, No. 6: p. 715; Yoshinobu Someno, *Journal on Civil and Commercial Law*, Vol. 49, No. 3: p. 313; Shinji Tanaka, *Housou Jihou* (Bar Journal), Vol. 15, No. 2: p. 248; Minoru Iriyama, *Kigyohou Kenkyuu* (Study of Business Law), No. 105: p. 14). In this case, the court stated as follows: “When taking into account the kind of invention to which the patent right had been granted, one must inevitably think about the technological level at the time. This is because the portion that had been publicly known at that time cannot be regarded as a novel invention, as long as a patent right is granted to a novel industrial invention.” Although this was a suit for confirmation of the scope of right under the old Law, it is worthy as a precedent even under the current Law.

<sup>4</sup> The Supreme Court decision on August 4, 1964, Civil Court Decisions by the Supreme Court, Vol. 18, No. 7: p. 1319 (the Rotary Fuel Oil Firing Equipment case) ([Annotation] Shouen Ono, *Journal on Civil and Commercial Law*, Vol. 52, No. 4: p. 562; Yoshitaka Watanabe, *Housou Jihou* (Bar Journal), Vol. 16, No. 10: p. 1575; Masuji Hara, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 69; Kazufumi Dohi, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 67). In this case, which was a suit for confirmation of the scope of right under the old Utility Model Law, the court stated as follows: “According to the empirical rule, the applicant often describes in the claim matters that are not the gist of the device, but merely relate to the device, or conversely, fails to describe matters that are judged to be the gist of the device, so when determining the scope of right of a utility model, the gist of the device should always be practically determined by also taking into account the nature and the purpose of the device, as well as the overall descriptions in the detailed explanation and the attached drawings, without being bound solely to the literal meaning of the statements of the claim. Also, when determining the scope of right of a utility model that includes a device that was already publicly known or publicly used at the time of filing, those publicly known or publicly used portions should be excluded and the tenor of that new device should be clarified.” This decision is famous for expounding the theory of excluding the publicly known portion, and many later lower court decisions followed suit. The following decision also takes a similar view: the Supreme Court decision on June 28, 1974, *Kinyuu Shouji* (Financial and Commercial Affairs), No. 420: p. 2 (the Single Lens Reflex Camera case). However, one must note that the theory of excluding the publicly known portion is not an idea of determining the scope by excluding the publicly known element when part of the constituent elements of the invention were publicly known. (Some theories and court decisions understand the theory this way, and criticize it. One such court decision is the Tokyo District Court decision on June 8, 1973, *Court Decisions Relating to Intangible Property*, Vol. 5, No. 1: p. 206 (the Automatic Bar Supplying Device case).) Otherwise, the publicly known portion would reduce the number of elements that limit the claim, and would rather expand the scope of right, which would be unfair. The theory of excluding the publicly known portion has to be an idea to exclude the publicly known portion when a subordinate concept comprised in the claim that has been described as a superordinate concept was publicly known. In other words, if any of the technical ideas comprised in a patented invention were publicly known, the relevant portion should be excluded. Reasoning conversely, it is almost equivalent to considering that when the technology worked by the infringer is publicly known, it does not constitute an infringement. Incidentally, many theories are critical of the theory of excluding the publicly known portion (most of the above-mentioned annotations take a critical stance). The critical view is that adoption of the theory of excluding the publicly known portion would not only make the scope of right always unstable, but also may result in a totally empty right in extreme cases, so it would run counter to the principle of power sharing between the

of the infringers who were merely working a publicly known technology, but as far as the measure is based on the theory of excluding the publicly known portion, there remains a problem of researching the remainder after the exclusion; that is, determining the extent of the remaining scope of right. In particular, it would be difficult to provide an explanation when the claim is entirely composed of a publicly known technology<sup>5</sup>.

In cases where the claim was entirely constituted by a publicly known technology, many court decisions have denied the existence of an infringement by interpreting the scope of right most narrowly as having the literal content of the statements of the claim or by interpreting the scope to be limited to the working example, based on the idea that as long as the patent is established as a right, it cannot be treated as having no content<sup>6</sup>. In contrast, there are very few court decisions that

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JPO and courts.

<sup>5</sup> In the Supreme Court decision in note 4, which is considered to be a case in which the claim was virtually publicly known in its entirety, the court interpreted the scope of right extremely flexibly, and by determining the part that was not concretely described in the claim to be the gist of the device, held that the act was not an infringement because the alleged infringer was not working the gist of the device. The court seemed to have inevitably applied a forced theoretical structure as a result of following the attitude of the conventional court decisions in handling the issue of publicly known technology only as an issue of determining the scope of right, and pursuing a practical and reasonable way to remedy those who merely worked a publicly known technology.

<sup>6</sup> The Tokyo District Court decision on September 29, 1972, Court Decisions Relating to Intangible Property, Vol. 4, No. 2: p. 517 (the Work Gloves case); the Matsuyama District Court decision on February 25, 1974, Court Decisions Relating to Intangible Property, Vol. 6, No. 1: p. 46 (the Metal Shelf case); the Osaka District Court decision on March 28, 1975, Court Decisions Relating to Intangible Property, Vol. 7, No. 1: p. 64 (the Wire Rod Rust Removing Device case), the Osaka High Court decision on February 10, 1976, Court Decisions Relating to Intangible Property, Vol. 8, No. 1: p. 85 (the Metal Wire Woven Basket case); the Osaka District Court decision on December 14, 1979, *Tokkyo To Kigyō* (Patent and Enterprise), No. 134: p. 53 (the Folding Bed Supporting Device case); the Tokyo District Court decision on November 26, 1980, *Tokkyo To Kigyō*, No. 145: p. 70 (the Potable Water Pot case); the Nagoya District Court decision on September 3, 1982, Court Decision in Suits Against Appeal/Trial Decisions, 1982: p. 273 (the Sealed Jar case); the Osaka High Court decision on April 27, 1983, *Tokkyo To Kigyō*, No. 174: p. 45 (the **Morley Motor Master case**); the Osaka District Court decision on June 17, 1986, Court Decision Journal, No. 1206: p. 106/The Law Times Report, No. 632: p. 218 (the Double Door Supporting Device case); the Osaka District Court decision on July 19, 1990, Court Decision Journal, No. 1390: p. 113 (the Game Hall Thin Lending Machine case) ([Annotation] Kazufumi Dohi, Court Decision Journal, No. 1409: p. 173). These court decisions all denied constitution of an infringement, and in reality, the present common practice is to treat the technology as not being an infringement if the entire claim is made up of a publicly known technology. In addition, since there is a possibility of the working example being a publicly known technology, it is difficult to find a theoretical ground for the idea that the interpretation must be limited to the working example (Minoru Takeda, *Shingai Youron* (Summary of Infringements): p. 56; Ryuichi Shitara, “*Tokkyō Hatsumeī Ga Zenbu Kouchi No Baai No Gijutsuteki Han’i No Kaishaku* (Interpretation of the Technical Scope When the Patented Invention is Entirely a Publicly Known Technology),” Makion, Kōgyō Shōyūken Soshō (Industrial Property Litigation): p. 148 states that it is not rational to limit the interpretation to the working example when the working example is publicly known, but the interpretation should rather be

did not grant the petition by judging that such a case corresponded to an abuse of right<sup>7</sup> or did not grant the petition for the reason that publicly known technologies are property that are commonly owned by all people<sup>8</sup>. However, most of the court decisions take the former stance, and try to adjust the reasonability by claim interpretation.

What should be noted is that, at least under the current Law, there have been no court cases that recognized constitution of an infringement for a person who was working a publicly known technology, and hardly any theories have stated that such a case constitutes an infringement. It is too unfair for a person who was merely working a publicly known technology to be held as an infringer, prohibited from working the technology, made subject to a claim of liability for the damages, and in some cases,

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limited to the part other than the working example, which is not publicly known). Court decisions that denied the theory of limiting the interpretation to the working example include the Nagoya District Court decision on July 31, 1991, Court Decision Journal, No. 1423: p. 116/The Law Times Report, No. 771: p. 240 (the Game Hall Thin Lending Machine case) ([Annotation] Seinosuke Matsuoka, Jurist, No. 1072: p. 186). In this case, the court indicated the possibility of applying the theory of abuse of right, but in the end, dismissed the petition by recognizing a defense of prior use. Fumio Umase, “*Kouchi Jikou Wo Taishou To Suru Tokkyo No Kouryoku* (Effect of a Patent of Which the Subject Matter is a Publicly Known Matter),” Book Commemorating the Sixtieth Birthdays of Professor Ishiguro and Professor Umase: p. 66; Ryuuichi Murabayashi, “*Zenbu Kouchi No Tokkyo Hatsumei To Gijutsuteki Han’i* (Patent Invention of Which the Entirety is a Publicly Known Technology, and Its Technical Scope),” *Gakkai Nenpou* (Annual of Industrial Property Law), No. 2: p. 87. Such an interpretation can be highly evaluated as a reasonable method to settle a case, but the presence of theoretical faults cannot be denied. The limited interpretation and the interpretation limited to the working example seem to differ in theory, but in the actual court decisions, they often overlap.

<sup>7</sup> The Osaka District Court decision on November 30, 1970, Court Decisions Relating to Intangible Property, Vol. 2, No. 2: p. 612 (the Gauge Box Synthetic Resin Cover case) ([Annotation] Jun Nakagawa, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 92; the court recognized room for interpreting the case as abuse of right, but in actuality, judged that it did not correspond to an abuse of right); the Nagoya District Court decision on November 26, 1976, Court Decision Journal, No. 852: p. 95 (the Glass Container Manufacturing Method case) ([Annotation] Nobuhiro Nakayama, Jurist, No. 712: p. 171; Hiroshi Endou, *Tokkyo Hanrei Hyakusen* (Second Edition), Case 89); the Urawa District Court decision on May 2, 1984, The Law Times Report, No. 536: p. 324 (the Honeycomb Core Manufacturing Method case; while the court recognized application of the principle of abuse of right as a generality, it held that the case was not abuse of right by recognizing the involvement of an inventive step); the Nagoya District Court decision on July 31, 1991 (note 6) (the court suggested the possibility of the case being abuse of right); the Osaka District Court decision on October 31, 1995, Court Decisions Relating to Intellectual Property, Vol. 27, No. 4: p. 736 (the Etching Metal Plate Design case) (the court held that the case was an abuse of right, considering the circumstance that the applicant had filed the application knowing that the invention included a ground for invalidation due to it being publicly known). The court held that a patent cannot be determined to be invalid unless a trial decision of invalidation becomes final and conclusive, so exercise of such right cannot be considered as an abuse of right in the following case: the Osaka District Court decision on February 28, 1984, The Law Times Report, No. 536: p. 385 (the Clothes Basket Design case).

<sup>8</sup> The Osaka District Court decision on April 17, 1970, Court Decisions Relating to Intangible Property, Vol. 2, No. 1: p. 151 (the Metal Wire Woven Basket case) ([Annotation] Takashi Hashiba, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 87).

given a criminal penalty only for the reason that the patent right had not undergone a trial for invalidation<sup>9</sup>. This can be considered as the natural limitation inherent in a private right, rather than an issue of the Patent Law<sup>10</sup>. Therefore, the conclusion is already decided for a case where the claim is entirely constituted by a publicly known technology, and what remains to be solved is only the matter of theoretical structure. From this standpoint, if the issue were to be solved by claim interpretation, it would be difficult to give an explanation when the subject article coincides with a publicly known technology even though the claim was literally interpreted or when the working example coincides with a publicly known technology; some forced interpretation would have to be made in such cases. These problematic points can be cleared if the theory of abuse of right is applied.

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<sup>9</sup> In Osaka District Court decision on November 30, 1970 in note 7, the court stated as follows: “Considering the major principle of the Civil Code that a private right shall comply with the welfare of the public, just as the idea that a technology that was publicly known or used at the time of filing should be common property of all people, there is no reason to easily permit property that had been commonly owned by all people until then to be prohibited from use by the public and be made subject to exclusive use by a specific applicant alone under the name of a utility model.” What is stated in this decision is virtually the ground for the defense of a publicly known technology. Meanwhile, Yoshii, *Shingai Soshou* (Infringement Litigation): p. 39 states that, since a publicly known technology (free technology) is property commonly shared by all people, which has been released to the public, irrespective of existence of a patent right, “the view that restriction of its working cannot be helped until the a trial decision of invalidation of the patent becomes final and conclusive is equal to giving a disposition to a kind of expropriation by the administrative disposition of granting a patent, which is irrational.” The subject matter that can be monopolized based on a patent right is a technology that had not existed in the past, so monopolization of a technology that has already been in existence (publicly known technology) is, as mentioned in the Yoshii theory, equal to a kind of disposition of expropriation, and that is unreasonable.

<sup>10</sup> Since grant of a patent is an administrative act, many of the theories in Japan tend to cite the general rules about administrative acts, and distinguish the authority of the JPO from that of courts in order to establish a sanctuary that cannot be interfered with by the courts. These theories suggest that if the defense of “a publicly known technology” is recognized, the existence of an empty right without any content must also be recognized when an invention is entirely made up of a publicly known technology, and that this would be against the principle of power sharing. However, even though an act of granting a patent right is undoubtedly an administrative act, there is no need to consider it as the same as other administrative acts in general, such as permission for a demonstration march. A granted patent right is a private right, and a private right naturally has intrinsic limits. Therefore, the theory of administrative acts should not be applied to this area imprecisely without a sufficient ground. What should rather be discussed is the question of what kinds of inconveniences occur in actuality if an empty right emerges. For reference, (although it did not involve technology that was entirely publicly known) the following is a case where the court stated that one cannot seek an injunction and damages concerning an unworkable patented invention based on the reason that the right is actually established as a right, and dismissed the claim without even determining the subject method: (the Tokyo High Court decision on July 17, 1984, Court Decisions Relating to Intangible Property, Vol. 16, No. 2: p. 495 (the Vinyl Aromatic Series Polymer Composition Manufacturing Method case). This case was a unique case, and its detailed facts can be referred to in its original instance, the Tokyo District Court decision on November 16, 1979, *Tokkyo To Kigyou* (Patent and Enterprise), No. 133: p. 51).

Thus, it is considered reasonable to recognize a defense of a publicly known technology (the defense of “free technology”) even as an interpretation of the current law<sup>11</sup>. The defense of a publicly known technology saves a person from being held liable for an infringement if the technology worked was a publicly known technology, irrespective of the patent claim; in other words, irrespective of whether or not the subject article is covered by the scope of the patent right<sup>12</sup>. Since defense of a publicly known technology is unrelated to the validity of the patent, it would be an issue that is not related to the argument over power sharing between the JPO and the courts.

If the defense of a publicly known technology is adopted, this issue would be

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<sup>11</sup> Regarding the defense of a publicly known technology, see: Nobuhiro Nakayama, “*Tokkyo Shingai Soshou To Kouchi Gijutsu* (Patent Infringement Litigation and Publicly Known Technologies),” *Journal of the Jurisprudence Association, The University of Tokyo*, Vol. 98, No. 9: p. 1115; Nobuhiro Nakayama, “*Kouchi Gijutsu No Kouben No Kyohi* (Whether Defense of a Publicly Known Invention is Admissible),” *Book Commemorating the Seventieth Birthday of Professor Umase*: p. 305; Ryouichi Shitara, “*Tokkyo Hatsumei Ga Zenbu Kouchi De Aru Baai No Gijutsuteki Han’i No Kaishaku* (Interpretation of the Technical Scope When the Patented Invention is Entirely a Publicly Known Technology),” Makino, *Kougyou Shoyuukenshohou* (Industrial Property Litigation Law): p. 149; Shigetoshi Matsumoto, *Tokkyo Hatsumei No Hogo Han’i* (Scope of Protection of a Patented Invention): p. 290; Yoshii, *Shingai Soshou* (Infringement Litigation): p. 40; Takashi Hashiba, “*Kenri Hogo Han’i Kakutei Ni Kansuru Kousatsu Houhou* (Approach to Determination of the Scope of Protection of the Right) II,” *Tokkyo Kanri* (Patent Management), Vol. 19, No. 2: p. 47. Minoru Takeda, *Shingai Youron* (Summary of Infringements): p. 57, which presents a theory that denies the defense of a publicly known technology, and states that, since the prior user’s right is already stipulated in law, there is some question as to recognizing the defense of “free technology” (the defense of a publicly known technology) as well without any statutory ground and acknowledging its result of expanding the provision of the prior user’s right. Other theories that deny the defense of a publicly known technology include: Katsumi Takabayashi, “*Zenbu Kouchi No Tokkyo/Jitsuyou Shin’an To Shingai Soshou* (Entirely Publicly Known Patent/Utility Model and Infringement Litigation),” *Book Commemorating the Seventieth Birthday of Professor Miyake*: p. 719; Masuji Hara, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions), Case 69; Yoshinobu Someno, *Journal on Civil and Commercial Law*, Vol. 49, No. 3: p. 313; Toshio Sonoda, “*Tokkyo Hatsumei No Gijustuteki Han’i No Kaishaku Ni Tsuite -- Jiyuu Gijutsu No Kouben Aruiha Kouchi Gijutsu No Kouben Wo Chuushin Ni Shite* (Interpretation of the Technical Scope of a Patented Invention -- Centering on the Defense of a Free Technology or Defense of a Publicly Known Technology) (1) (2),” *Tokkyo Kanri* (Patent Management), Vol. 33, No. 6: p. 715/No. 7: p. 881. The following court decisions clearly denied the defense of a publicly known technology: the Tokyo District Court decision on June 7, 1974, *The Law Times Report*, No. 315: p. 310 (the Pachinko Ball Counter case) (defense of an entirely publicly known technology was not recognized); the Osaka High Court decision on February 10, 1976, *Court Decisions Relating to Intangible Property*, Vol. 8, No. 1: p. 85 (the Metal Wire Woven Basket case); the Tokyo District Court decision on November 28, 1990, *Court Decisions Relating to Intangible Property*, Vol. 22, No. 3: p. 760 (the Ion Tooth Brush case) ([Annotation] Shirou Shinoda, *Court Decision Journal*, No. 1412: p. 177; Ryouko Iseki, *Tokkyo Kanri* (Patent Management), Vol. 42, No. 5: p. 651).

<sup>12</sup> As an extreme case, when the defendant had been working a technology that did not correspond to the claim, the defendant can naturally defend that the technology worked was outside the scope of the right of the patent, but if it happened to be a publicly known technology, the defendant would also be able to make a defense of “a publicly known technology” irrespective of the claim. Which to choose would depend on the ease of proof.

handled not only by district courts, but also by their branches or even by summary courts in some cases. There would not be much problem if the technology worked by the alleged infringer completely coincided with a publicly known technology, but a problem occurs when it closely resembles a publicly known technology. As the defense of a publicly known technology does not have its ground in stipulated provisions but, instead, is recognized by interpretation, its scope would also be decided by interpretation. The greatest purpose of the defense of a publicly known technology is that a single dispute should be settled as quickly as possible in a single lawsuit if possible. From this perspective, an interpretation that would make the dispute more complicated should not be adopted. As a result, court decisions and JPO trial decisions should differ as little as possible, court decisions should be as consistent as possible, and standards should be created to facilitate even courts without an exclusive division for intellectual property affairs in making judgments. That being the case, judgment by a court on a publicly known technology and a technology involving no inventive step would be equivalent to re-examination of the JPO's substantive examination, which would be an excess burden on the court, and time-consuming as a result. Therefore, the defense of a publicly known technology should only be allowed when the technology worked was apparently identical to or closely resembling a publicly known technology<sup>13</sup>. In other words, the recognition should be limited to cases where the conclusion is apparent for the court and, by this measure, the court should be prevented from giving a judgment different from the JPO's trial decision.

Another advocated stance is the theory of inability to determine the technical scope. This theory takes a view that the question of what requirements should be additionally met to correct the claim can only be determined by the patentee in a trial for correction, so the court, not being able to determine that the subject article is

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<sup>13</sup> Ryuuichi Shitara, “Tokkyo Hatsumei Ga Zenbu Kouchi De Aru Baai No Gijutsuteki Han’i No Kaishaku (Interpretation of the Technical Scope When a Patented Invention is Entirely a Publicly Known Technology),” Makino, *Kougyou Shoyuukun Soshou Hou* (Industrial Property Litigation Law): p. 145; Yoshikatsu Kamata, “Simposei No Ketsujo To Gijutsuteki Han’i No Kaishaku (Lack of an Inventive Step and Interpretation of the Technical Scope),” Makino, *Kougyou Shoyuukun Hou*: p. 167; Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 689 [Matsumoto] also states that “the principle for achieving balance between the JPO, which is a specialized government office, and the courts, which examine infringement litigation, would be to admit the defense of an inventive step as a general rule, but from the viewpoint of the burden of proof, to limit the defense only to apparent cases,” which is basically assumed to suggest the same thing. An opposing theory is in Ryuuichi Murabayashi, “Sengan/Shinkisei/Shinposei To Gijutsuteki Han’i (Senior Application/Novelty/Inventive Step and the Technical Scope),” Patent, Vol. 35, No. 7: p. 11. In the following case, the court held that a court is not authorized to determine involvement of an inventive step: the Osaka High Court decision on May 28, 1985, The Law Times Report, No. 590: p. 71 (the Single Morley Rice Mill case).

covered within the scope of the patent right without a trial for correction, should dismiss the petition<sup>14</sup>.

Recently, a noteworthy decision<sup>15</sup> has been handed down by the Supreme Court concerning the doctrine of equivalents. In this decision, the court ruled that the technology worked “was not identical to a publicly known technology at the time of filing the patent application or could not be easily conceived from such publicly known technology by a person skilled in the art upon the procedure of filing the patent application,” and stated that this was one of the requirements for the doctrine of equivalents. Although this was mentioned as a requirement for the doctrine of equivalents, the view that the effect of a patent right should not be extended to a publicly known technology or a technology close to it is not only applicable to the case of equivalence. It is also explained in the judgment that “as no person could have obtained a patent on a technology that was publicly known at the time of the filing or a technology that could be easily conceived from such publicly known technology by a person skilled in the art at the time of filing (see Section 29 of the Patent Law), that technology cannot be considered to be covered within the technical scope of the patented invention.” This summing-up is equivalent to establishing the foundation for the defense of “a publicly known technology,” and it increases the possibility for recognition of such defense in future court decisions. In its summation, the court used an expression suggesting that courts are also able to determine whether or not the technology “could be easily conceived.” However, future moves should be watched regarding the question of whether or not the defense of a publicly known technology will be allowed, as discussed earlier.

## 2. Defense of Invalidity

The above-mentioned defense of a publicly known technology is a theory

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<sup>14</sup> Ryuichi Shitara, “*Tokkyo Hatsumei Ga Zenbu Kouchi De Aru Baai No Gijutsuteki Han’i No Kaishaku* (Interpretation of the Technical Scope When the Patented Invention is Entirely a Publicly Known Technology), Makino, *Kougyou Shoyuiken Soshou Hou* (Industrial Property Litigation Law): pp. 146/151.

<sup>15</sup> The Supreme Court decision on February 24, 1998, Court Decision Journal, No. 1630: p. 32 (the Ball Spline case).

under which the constitution of an infringement is denied as long as the technology worked by the alleged infringer is proved to be publicly known, irrespective of the claim. In other words, in the defense of a publicly known technology, the question of whether or not a technology constitutes an infringement is determined unrelated to the claim, so there is no need to discuss the validity of the patent or the technical scope of the patent right in theory. However, in most actual cases, the technology worked by the alleged infringer has some relation to the claim of the patent right, so in cases where a defense of a publicly known technology is allowed, the claim often comprises a publicly known technology and involves a ground for invalidation. Accordingly, the defense of a publicly known technology virtually serves the function of reducing the effect of the patent right.

Nevertheless, not all problems are solved by a mere defense of a publicly known technology. There are cases where the technology worked by the alleged infringer is not publicly known, but it is apparent that there is a ground for invalidating the patent right. Examples of such a ground include insufficient disclosure, misappropriated application, existence of a senior application, and violation of a treaty. When it is apparent that such a ground for invalidation exists, it is not reasonable for the patentee to win in an infringement lawsuit. The situation is similar to when a defense of a publicly known technology is allowed. Also, even if the technology worked by the alleged infringer were publicly known, it may be easier to prove the ground for invalidation in some cases. Thus, there is an issue of whether or not a defense of “invalidity” can be claimed in an infringement lawsuit against the exercise of a patent right that includes a ground for invalidation. As mentioned earlier, Japanese court decisions and prevalent theories in the past used to consider that the JPO had the exclusive right to deal with the validity of a patent right, and denied a defense of invalidity or a petition to confirm invalidity<sup>1</sup>.

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<sup>1</sup> The following decision recognized the general rule that an administrative disposition can be considered invalid if the defect is serious and apparent to anybody, and held that there was no apparent defect in the disposition in question: the Tokyo District Court decision on May 24, 1976, *The Law Times Report*, No. 344: p. 295 (the Benzamide Derivative case). There are also theories which state that cases such as where the right was registered without undergoing substantive examination have a serious and apparent defect, but there are hardly any such cases in reality. An actual problem is whether or not defense of invalidity can be made in court when the claim contains a publicly known technology. In the Osaka District Court decision on October 30, 1991, *Court Decision Journal*, No. 1407: p. 34 (the t-PA case), the court first stated a generality that when there is a serious and apparent ground for invalidation, such as when the claim is entirely composed of a publicly known technology, the court can judge it to the extent required to resolve the case, and then held that such ground for invalidation was not found in the case in question. In the Tokyo High Court decision on September 10, 1997, *Court Decision Journal*, No. 1615: p. 10 (the Kilby Semiconductor Device case), which was a lawsuit to confirm that a technology did not infringe a

However, in contrast to these court decisions and theories, new theories that attempt to recognize a defense of invalidity have emerged recently<sup>2</sup>. Underlying these theories is the idea that, similarly to the defense of a publicly known technology, it is improper to require two procedures, merely due to the principle of the power sharing between the JPO and courts, when the issue can be settled by one procedure and unless it does not run against the purpose of the law that set up an invalidation trial system, the defense of invalidity in the court adjudicating the infringement should be recognized. Since the practical reason for allowing a defense of invalidity is thus the same as that for the defense of a publicly known technology, basically, the defense of invalidity should also be recognized.

Supposing that the defense of invalidity were allowed, the problem is with its requirements. Some theories state that a defense of invalidity can be made for all grounds for invalidation<sup>3</sup>. However, that would ruin the meaning of establishing the trial for invalidation, and from a practical point of view, there would be more cases where the conclusion differs between the court and the trial for invalidation, and the issue would have to be settled by a retrial, etc. Then, that would also be against the original purpose of recognizing the defense of invalidity; that is, to finish a dispute in one procedure. In addition, as determination of invalidity often involves delicate technical aspects, it would be an excessive burden for the judges of district courts and their branches that have no specialized divisions to determine, for instance, involvement

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patent right (confirmation of non-existence of the right to claim compensation for damages), the court stated that because it was highly probable that division of the patent was judged to be illegal and invalid, exercise of the right against a third party based on it was an abuse of right. This does not openly recognize a defense of invalidity, but the idea is considered to be based on the same stance.

<sup>2</sup> Takashi Hashiba, “*Kouchi Gijutsu To Tokkyo Touzen Mukou* (Publicly Known Technology and Justifiable Invalidation of the Patent),” *Kigyuu Hou Kenkyuu* (Study of Business Law), No. 148: p. 12; Takashi Hashiba, “*Tokkyo Shingai Jiken Ni Okeru Saibansho No Tokkyo Mukou Ni Tsuite No Handan Kengen* (Authority of the Court to Adjudicate Invalidation of a Patent in a Patent Infringement Case) (1) (2),” *Tokkyo Kanri* (Patent Management), Vol. 44, No. 11: p. 1503/No. 12: p. 1689; Maohiko Tatsumi, “*Tokkyo Shingai Soshou Ni Okeru Tokkyo Hatsumei No Gijutsuteki Han’i To Saibansho No Kengen* (Technical Scope of the Patented Invention and the Authority of the Court in Patent Infringement Litigation),” *Gakkai Nenpou* (Annual of Industrial Property Law), No. 17: p. 41; Kazuo Nakajima, “*Shingai Soshou Ni Okeru Tokkyo Mukou No Kouben* (Defence of invalidity of a patent in infringement litigation),” Book Commemorating the Sixtieth Birthday of Professor Honma: p. 196; Yoshiyuki Tamura, “*Tokkyo Shingai Soshou Ni Okeru Kouchi Gijutsu No Kouben To Touzen Mukou No Kouben* (Defense of a Publicly Known Technology and Defense of Justifiable Invalidation in Patent Infringement Litigation) (1) (2),” *Tokkyo Kenkyuu* (Study on patent), No. 21: p. 4/No. 22: p. 4.

<sup>3</sup> Kazuo Nakajima, “*Shingai Soshou Ni Okeru Tokkyo Mukou No Kouben* (Defense of Invalidity of a Patent in Infringement Litigation),” Book Commemorating the Sixtieth Birthday of Professor Honma: p. 196.

of an inventive step<sup>4</sup>. As mentioned in the part about the defense of “a publicly known technology,” the defense of invalidity should also be recognized only when the invalidity is apparent to the court. Conversely, cases where the invalidity is apparent to the court means cases where the issue does not require any troublesome treatment through a retrial procedure later, and that is when a defense of invalidity should be allowed<sup>5</sup>.

Determination of invalidity by the courts had been subject to much opposition. This is considered to be because there had been a strong idea that determination of the validity of patents should always be made consistently. Japan had not been familiar with a situation where a single patent is valid for one person and invalid for another person<sup>6</sup>. However, although consistent determination is required for invalidation that is effective against the public (invalidation in the sense of annulling a patent registration), it is common in civil litigation to have varied determinations depending on how the parties carried out the litigation. The defense of invalidity is only a defense, the determination of which does not bind anybody other than the parties concerned, so there should be no inconvenience in recognizing a defense of invalidity in court. This aspect is the same as the case of the defense of “a publicly known technology”<sup>7</sup>.

Although the defense of a publicly known technology and the defense of invalidity are different from a legal point of view, in actuality their application is considered to overlap in many cases. There is no theoretical problem in recognizing

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<sup>4</sup> Since the Tokyo District Court and the Osaka District Court have specialized divisions where search officials are dispatched from the JPO, they are more capable of dealing with technical problems, but it would be difficult to expect such a level of capability from the other courts at present.

<sup>5</sup> Details on the specific cases in which a defense of invalidity should be allowed can be found in Tamura, note 2. Tamura’s theory considers the invalidity that can be judged by a court to be part of the grounds of invalidation in Section 123 of the Patent Law, and calls it “justifiable invalidity.” It calls a party’s act to claim such invalidity as a defensive means a “defense of justifiable invalidity” (No. 21: p. 19; details on cases where a defense of invalidity can be made are mentioned in No. 22: pp. 10 ff.).

<sup>6</sup> For a long time in Japan, the invalidity of a patent used to be regarded as meaning an invalidity that is effective against the public, so Japanese people had found it difficult to familiarize themselves with the concept of invalidity of a patent between the parties concerned. However, in ordinary civil cases, the effect of a court decision only extends, in principle, to the parties concerned, so invalidity of a patent between the parties concerned is not a peculiar concept. On an international basis, it is common to claim invalidity in infringement litigation.

<sup>7</sup> Nevertheless, while the defense of a publicly known technology formally does not need to involve the issue of the validity of the patent, the defense of invalidity would require determination of the validity of the patent. In other words, the defense of invalidity is also related to the effect of an administrative act of granting a patent (it is discussed as an issue concerning the tentative validity of an administrative act), and involves complicated issues. Regarding this point, see Tamura, note 2, No. 21: pp. 17-.

both defenses, so they should be applicable in an overlapping manner. The question of which defense to make in a case where application of the two can overlap could be selected based on which one is easier to prove.

#### Item 4 Indirect Infringements

The technical scope of a patented invention is determined based on the patent claim (Section 70 (1) of the Patent Law), and an act of working the entire claim constitutes an infringement, in principle. However, certain acts are specially deemed as acts of infringements, as preliminary acts or contributory acts of infringement. These are called “acts deemed to be an infringement” in the text of the Law (Section 101 of the Patent Law), and are also referred to as indirect infringements, fictitious infringements or contributory infringements in academic studies. Specifically, in the case of a patent for a product invention, the acts deemed to constitute an infringement are acts of manufacturing<sup>1</sup>, assigning, leasing, importing or offering for assignment or lease of, in the course of trade, articles to be used exclusively for the manufacture of the product; and in the case of a patent for a process invention, acts of manufacturing, assigning, leasing, importing or offering for assignment or lease of, in the course of trade, articles to be used exclusively for the working of such invention (Section 101 of the Patent Law). This provision has been established because, although these acts do not directly infringe the claim, they are very likely to induce an infringement if they were allowed to stand, and it would be difficult to arrest the infringement once it is committed. Therefore, the system that sets up indirect infringements should be considered as one that is not meant to expand the scope of the effect of a patent right, but to practically secure the validity of the effect. In order to prevent the indirect infringement from unjustly expanding the effect of the patent right, the Law sets forth “exclusively” as a requirement, as mentioned later. Incidentally, there were no provisions on indirect infringement under the old Law, and such an act was handled as an issue under the subject of “joint act of tort.”

Opinions are divided regarding whether or not constitution of an indirect infringement is premised on the existence of a direct infringement. There is a “dependent” theory that states it is premised<sup>2</sup> and an “independent” theory that states it

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<sup>1</sup> “Manufacturing” here is a concept that includes the following acts besides the literal act of manufacturing: assembly, installation of parts (the case in note 3), and repair of an important portion of the product (the Osaka District Court decision on April 24, 1989, Court Decisions Relating to Intangible Property, Vol. 21, No. 1: p. 279 (the Sand Producing Machine Hammer case) ([Annotation] Kazuko Matsuo, Court Decision Journal, No. 1330: p. 219; Kazuko Matsuo, Jurist, No. 957: p. 248; Masayoshi Kakuta, *Hatsumeï* (Invention), Vol. 87, No. 9: p. 96; Hidefumi Kuroda, *Tokkyo Kanri* (Patent Management), Vol. 40, No. 6: p. 715).

<sup>2</sup> The dependent theory is advocated in Nakayama, *Chuukai Tokkyo* (Annotated Patent Law), Vol. 1: p. 850 [Matsumoto]; Takashi Hashiba, “*Kansetsu Shingai Ni Tsuite* (Indirect Infringement) (I) (II),” *Tokkyo Kanri* (Patent Management), Vol. 26, No. 11: p. 1115/Vol. 27, No. 5: p. 479. The Osaka District Court decision on April 24, 1989 (note 1) can also be read as supporting a dependent theory.

is not<sup>3</sup>. By strictly adhering to each theory, acts of providing parts that could be an indirect infringement against the person having title to working of the invention (e.g. a licensee), importing parts to be assembled at the place of destination, providing parts to a person who merely works the invention for the purpose of research, or providing parts to a person who does not conduct business would not be infringements under the dependent theory due to the lack of existence of a direct infringement, but they would be infringements under the independent theory. However, strict adherence to either theory causes inconvenience, so the actual academic theory of indirect infringement makes some adjustments to both of them to attain soundness<sup>4</sup>. This academic theory does not try to derive a conclusion directly from the independent theory or the dependent theory, but tries to derive a reasonable conclusion either from whether or not the working leads to the same profitable status as a direct infringement or from the purpose of the Patent Law, which seems to be an appropriate attitude for sound interpretation. Although some court decisions seem to discuss the issue from either of these standpoints, it merely means that such interpretation was appropriate in that specific case, and the court decisions seem, rather, to be solving the cases individually depending on the circumstances of each case.

In most of the actual cases, the point at issue is the interpretation of the term “exclusively” in the text of the Law. If articles that could also be used for other purposes were made subject to an indirect infringement, it would also cover acts other than preliminary or contributory acts; that is, acts unrelated to the patent right, and that would unjustly expand the patent right. Accordingly, the term “exclusively” must be interpreted carefully so as not to unjustly expand the patent right. However, ultimately, it would be an issue of adjustment of interests between the patentee and the alleged infringer. According to court decisions, such “other purposes” cannot merely be a possibility of abstract or experimental use, but must be purposes that can be recognized to be economic, commercial or practical in accordance with socially accepted ideas<sup>5</sup>.

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<sup>3</sup> The independent theory is advocated in Yoshifuji, *Tokkyo Hou* (Patent Law): p. 381; Kentarou Fukuda, “*Kansetsu Shingai Seiritsu Youken No Handan Kijun Ni Tsuite* (Criteria for the Elements for constitution of an Indirect Infringement),” Patent, Vol. 151, No. 5: p. 37. In the Tokyo District Court decision on February 25, 1981, Court Decisions Relating to Intangible Property, Vol. 13, No. 1: p. 139 (the Single Lens Reflex Camera case) ([Annotation] Nobuhiro Nakayama, Jurist, No. 820: p. 96), the court denied constitution of an indirect infringement as a conclusion, but stated that supply to a person not engaged in business can also constitute an indirect infringement.

<sup>4</sup> Kazuko Matsuo, “*Kansetsu Shingai* (Indirect Infringement) (1),” Makino, *Kougyou Shoyuiken Soshou Hou* (Industrial Property Litigation Law): p. 271; Minoru Takeda, *Shingai Youron* (Summary of Infringements): p. 97; Yoshii, *Shingai Soshou* (Infringement Litigation): p. 88; Masui/Tamura, *Tokkyo Hanrei Gaido* (Guide to Patent-related Court Decisions): p. 174.

<sup>5</sup> There are slight differences in nuance, but the following court decisions take the same stance: the

Such a judgment is in the right, but its application to actual cases involves various problems. When discussing an indirect infringement, there usually seems to be a matter-of-course premise that the indirectly infringing article also fully serves other purposes as it is. However, as in the Interchangeable Lens case<sup>6</sup>, new issues arise with regard to a systematized product. In the case of such a product, when releasing a new model there are many cases where compatibility with the old model is preserved, and while the functions specific to the new model may be demonstrated when combined with another new model product, those functions may not be in use when combined with an old model product. Since the new model product can also be used with the old model product, which is unrelated to the patent in question, there would be a question of whether or not the requirement of “exclusivity” is met in such a case. Even if the act were recognized as being an indirect infringement in such a case, third parties would not be prohibited from manufacturing and selling the parts that can be exclusively used for the old model product, so the effect of the patent right would not extend to other uses that have no relation to the patent claim, so it would not unjustly expand the patent right.

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Tokyo District Court decision on November 10, 1975, Court Decisions Relating to Intangible Property, Vol. 7, No. 2: p. 426 (the Olefin Polymerization Catalyst case); the Osaka District Court decision on February 16, 1979, Court Decisions Relating to Intangible Property, Vol. 11, No. 1: p. 48 (the Decorative Laminate case) ([Annotation] Nobuhiro Nakayama, Jurist, No. 772: p. 220; Nobuhiro Nakayama, *Tokkyo Hanrei Hyakusen* (100 Selected Patent-related Court Decisions) (Second Edition), Case 78; Kouichi Fujiwara, *Tokkyo Kanri* (Patent Management), Vol. 30, No. 9: p. 989); the Tokyo District Court decision on February 25, 1981 (note 3); Tokyo High Court decision on March 29, 1990, Court Decisions Relating to Intangible Property, Vol. 22, No. 1: p. 245 (the Hoya Clean case); the Osaka District Court decision on September 30, 1991, Court Decisions Relating to Intellectual Property, Vol. 23, No. 3: p. 711 (the Water Tank case) ([Annotation] Hisao Shiomi, Jurist, No. 1083: p. 104); the Tokyo District Court decision on July 29, 1994, Court Decisions Journal, No. 1513: p. 155/The Law Times Report, No. 871: p. 281 (the Rice Miller case), and its appellate instance, the Tokyo High Court decision on May 23, 1996, Court Decision Journal, No. 1570: p. 103. In the Osaka District Court decision on January 31, 1972, Court Decisions Relating to Intangible Property, Vol. 4, no. 1: p. 9 (the Tube Mat case), the court strictly interpreted the requirement of “exclusively,” and stated that other uses must not be objectively known, but it was a case where the existence of other uses was apparent.

<sup>6</sup> The Tokyo District Court decision on February 25, 1981 (note 3). The point of dispute was whether or not an act of manufacturing and selling an interchangeable lens for a single lens reflex camera constituted an indirect infringement of a patent right. The interchangeable lens in question could both be installed in a TTL stop-down metering camera relating to the patented invention and an old model camera that was unrelated to the patent. However, the preset stop-down lever, which was the main portion of the patent, was not in use when used in the old model camera. Thus, the court held that the case did not satisfy the requirement “exclusively” because the lens could also be used in an old model camera that was unrelated to the patent. In its appellate instance, no determination was made regarding an indirect infringement, but the defendant lost the case merely based on claim interpretation (the Tokyo High Court decision on July 14, 1983, Court Decision Journal, No. 1095: p. 139).

The timing of determination of the indirect infringement requirement of “exclusivity”; that is, the fact that the article is not intended for other purposes, is determined not based on the time of infringement, but based on the time of conclusion of the oral procedure. If constitution of an indirect infringement is found despite the fact that the article has other intended purposes at the time of conclusion of the oral procedure, the effect of the patent right would even extend to other purposes that are unrelated to the patent claim, and it would unjustly expand the patent right. Nevertheless, determination of compensation for damages should be based on the time of infringement, because the point at issue is compensation for an act in the past.

Meanwhile, the council report for the amendment of the current Law mentioned the perpetrator subjectively “having the intent to infringe or knowing that it would be mainly used for patent infringement” as a requirement for constitution of an indirect infringement. In the end, however, it was changed to an objective requirement of “exclusivity.” In other words, subjective elements concerning the perpetrator are not taken into account in determining constitution of an indirect infringement under the current Law, and only the cases that satisfy the objective “exclusive” requirement are judged to be an infringement. However, it is a separate issue that other cases that for these reason do not constitute an infringement may still constitute a joint act of tort. Whether or not an act constitutes a joint act of tort depends on the specific circumstances, so even a case where a multi-purpose part was merely provided could constitute a joint act of tort, depending on the situation. However, as the demand for an injunction is not recognized for an act of tort in principle, there would be a great difference between an indirect infringement and an act of tort.

Until recently, indirect infringements were thought of as a great problem in relation to patents on software-related inventions. While patents on software-related inventions used to be only granted in the form of an apparatus claim or process claim, in reality software is often sold by being stored in a storage medium. Therefore, manufacture of the storage medium on which such software is stored is only a working of part of the claim, and the concept of an indirect infringement has to be applied in order to recognize the act as an infringement. Unless the manufacture of such a storage medium were considered to be an indirect infringement, a software patent would hardly have any effectiveness<sup>7</sup>. Thus, the question of whether or not the act met the

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<sup>7</sup> It does not cause much problem if the patented software-related invention is manufactured and sold together with specific equipment, such as a washing machine or a refrigerator. However, when a medium storing the software is manufactured and sold separately from specific equipment, the medium alone cannot constitute a direct infringement, so the issue of an indirect infringement arises. In cases of financial and inventory control devices (e.g. Patent Publication No. 1989-23814;

requirement of “exclusively” had been argued in actual cases. However, the Implementing Guidelines for Inventions in Specific Fields was revised on April 1, 1997 to recognize the description of a storage medium having a program recorded on it as a “product” invention in the claim<sup>8</sup>. This eliminated the need to take the ambiguous approach of applying the concept of an indirect infringement regarding manufacture of a storage medium, and it became easier to seek an injunction and claim compensation for damages, since the act could now be considered as a direct infringement.

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famous for the YES case), the most popular mode of use would be to purchase the commercially available software and use it on a multi-purpose computer. Nevertheless, since the software alone would only constitute part of the claim, there is the problem of whether or not manufacture and sale of this commercially available software constitutes an indirect infringement.

<sup>8</sup> Conventionally, a claim described in the form of a storage medium had been rejected as not utilizing a law of nature. However, the new guidelines recognized this to be legal. The revision itself is considered to be appropriate, but there remains the problem of whether or not it is appropriate to make such a change by mere revision of guidelines instead of by amendment of the Law.