

21 Article 103 of the Patent Act and Duty of Care under Liability Law

— Review of Provisions on Presumption of Negligence under Industrial Property Right Law —^(*)

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The purpose of this study is to discover problems included in Article 103 of the Patent Act in modern society and the ideal obligation of patent search through study of the legislative history, the meaning of legislation, and actual operation of the provisions on presumption of negligence in Article 103 of the Patent Act. This study is unique in the following three points. First, this study found that the source book on which Article 103 of the Patent Act is based is Section 59, subsection (1) of the Patents Act 1949 of the United Kingdom, and drew a conclusion that the content of negligence required under Article 103 of the Patent Act is the obligation to avoid damages as the objective duty of care, that is, "having exercised due care so as not to work another person's patented invention," and that Article 103 of the Patent Act also has the effect of playing a role as a code of conduct on avoidance of damages for persons who work an invention. Secondly, based on discussions at the Industrial Property Right System Reform Study Council and the opinions of persons who were involved in the legislation of Article 103 of the Patent Act, this study found that Article 103 of the Patent Act was intended to design a system in which expert opinions, bulletins, and Article 103 of the Patent Act operate as a trinity, and drew a conclusion that bulletins and expert opinions play an important role in the proof of negligence in actual lawsuits. Thirdly, this study saw the closeness of the role of experts' views (expert opinion) concerning negligence in the United States, Germany and Japan through comparison of court precedents and theories in the three countries, which have different systems for remedy for patent infringement, and found certain suggestions concerning the use of expert opinions in patent search practice.

I Introduction

1 Purpose of This Study

(1) Raising Problems with Presumption of Negligence under Industrial Property Right Law

Article 103 of the Patent Act provides that "An infringer of a patent right or exclusive license of another person is presumed negligent in the commission of said act of infringement." The purpose of this provision is explained as shifting the burden of proof from the right holder to a person who works the invention. However, it can be said that there are still no detailed studies on whether Article 103 of the Patent Act applies to almost all business operators, what the content of negligence provided for in Article 103 of the Patent Act means, and whether Article 103 of the Patent Act includes any problems.

(2) Tangle of the Civil Code and Industrial Property Right Law

The right to claim damages, which is designed as a system as a remedy for right holders in cases where an industrial property right has been infringed, is based on Article 709 of the Civil Code. Nonetheless, this has not always been so since the earliest days of patent law in Japan. The Patent Monopoly Ordinance of 1885 had the basis of the right to claim damages as an independent right to claim, and the Patent Ordinance of 1888 also independently had the basis of the right to claim damages.

On the other hand, the Civil Code was put in force as a system of private person's rights, and Article 709 of the Civil Code was designed. Along with that, Article 34 of the Patent Ordinance was deleted through the 1899 revision of the Patent Ordinance, which established a system in which a right holder claims damages through application of

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Article 709 of the Civil Code if his/her patent right is infringed. Thereby, a system was laid out in which the right to claim damages is generated based on Article 709 of the Civil Code through application of Article 709 of the Civil Code to all cases of infringement of a legally protected interest called industrial property right.¹ Furthermore, although the Patent Ordinance was revised in 1909, the right to claim damages was not specially taken into consideration within the framework of patent law. In addition, in the Taisho Era, the Old Patent Act was enacted in 1921; however, the right to claim damages was not specially taken into consideration within the framework of patent law, and the system remained one in which the legal requirements under Article 709 of the Civil Code apply. However, Article 102 of the Patent Act (Presumption of Amount of Damage) and Article 103 of the Patent Act (Presumption of Negligence) were created in 1959 as special provisions of Article 709 of the Civil Code.

(3) Attribution of Liability as a Requirement for the Occurrence of Liability for Damages

In terms of Japanese liability law, both Article 709 of the Civil Code and Article 415 of the Civil Code require intention or negligence as a requirement for the occurrence of the right to claim damages and adopt the fault liability principle. The fault liability principle is the principle that requires intention/negligence as a basis for the occurrence of civil liability in terms of attribution of liability. Discussions concerning the fault liability principle have changed along with social transition.

(4) Transition of the Theory of Negligence under Liability Law

In modern society, liberalism, which is the idea of recognizing the greatest value in human voluntary actions, was embodied as the fault liability principle within the framework of private law. This is because a formula whereby an actor does not have imposed any liability for damages in committing any free acts unless he/she has any accusable malicious intent could guarantee the freedom of activity of the actor, secure the predictability of damages, and realize prevention of unexpected compensation. This led to more active business activities and consequently contributed to promoting the development of capitalist society.

However, with rapid modernization and mass-production and mass-consumption, there have been many cases in which the infringed suffers damages despite the non-existence of the

actor's accusable malicious intent. Therefore, scholars and courts made efforts to formulate negligence again in order to correct the negative effect of the fault liability principle. Example theories include one suggesting that the obligation to avoid damages to another person arises because of the existence of predictability and there is the obligation to predict the occurrence of damages as long as there is predictability (according to this theory, the obligation to avoid a result causing damages does not arise if the party is unable to predict the occurrence of damages) and one asserting that the obligation to avoid damages arises without predictability. "Negligence," in question in both of these theories, is the result of heteronomous evaluation of the actor's autonomous actions, specifically, violation of the objective duty of care.

(5) Proof of Negligence

As requirements for the occurrence of the right to claim damages, Japanese tort law requires that (i) an infringer was intentional or negligent, that (ii) another person's right or legally protected interest was infringed by an infringer's intentional or negligent act, and that (iii) infringement of a right or legally protected interest caused damages to the infringed. In addition, as facts that support a right are supposed to be submitted by a person who claims the right, if the plaintiff claims the right to claim damages against the defendant, the plaintiff him/herself needs to present facts that support his/her own right to claim damages as evidence. As a matter of course, the plaintiff must prove facts that support his/her claim of negligence.² Moreover, where the court is unable to be assured of supporting facts in either a positive or negative way in court proceedings, that is, where the existence of facts is unclear (non liquet), the party who bears the burden of proof will receive a legal determination disadvantageous to him/herself in terms of the existence of the facts. The issue of to which party the disadvantage caused by the unclear existence of facts is attributed is said to be the issue of the burden of proof. Matters that are closely related to this issue are legal presumption concerning proof of facts (this is a case where law provides that when fact B that is easier to prove has been proven in proving fact A that is subject to proof, it should be recognized that fact A has been proven without any disproof. As provisions that include legal presumption were designed to make it easy to prove facts that are subject to proof, fact B is ordinarily a fact that is easier to prove than fact A.

In the case of legal presumption, the defendant bears the burden of proof) and *de facto* presumption (*De facto* presumption means that where fact B has been proven, the judge draws an inference that a prima facie fact exists in conformity to the rule of thumb within the scope of his/her free conviction. In the case of *de facto* presumption, it is found that fact A exists unless the other party blocks *de facto* presumption by submitting a disproof. In this case, it is not as if the principle of the burden of proof has been changed by special law; therefore, the plaintiff bears the burden of proof in the case of *de facto* presumption). Legal presumption and *de facto* presumption are the same in the point that where there is a party who desires a certain legal effect to be exerted, it is the other party to said party who desires a certain legal effect to be exerted that submits facts proving the legal requirements for exerting said legal effect. However, they differ in cases where the existence of fact A has become unclear as a result of submission of a disproof. That is, a person who suffers a disadvantage in cases where the existence of fact A becomes unclear is a party against whom exertion of a legal effect has been asserted (defendant) in the case of legal presumption while such a person is a party who has asserted exertion of a legal effect (plaintiff) in the case of *de facto* presumption.

On second thought, considering Article 103 of the Patent Act mentioned at the beginning of this report, a person is presumed, pursuant to Article 103 of the Patent Act, to have been negligent in relation to an act of infringement where he/she has infringed another person's patent right. Therefore, if a patentee or exclusive licensee proves the fact of patent infringement when exercising the right to claim damages based on the patent infringement, it is legally presumed that a person who has worked the invention was negligent. That is, said provision is a provision on legal presumption. Therefore, where a disproof is submitted, if the existence of facts concerning said Article is unclear, the infringer of a patent right will suffer a disadvantage. In this regard, it is necessary to ascertain the negligence required under Article 103 of the Patent Act. This is because what duty of care an infringer has fulfilled becomes the element of disproof though presumption is reversed by submission of a disproof. Therefore, it can be said to be vital to ascertain whether the negligence mentioned in Article 103 of the Patent Act is an issue in terms of the psychology of a person who worked the invention (violation of subjective obligation), the obligation to avoid a result causing damages on the premise of predictability (violation of the objective

duty of care), or a mere violation of the obligation to avoid a result causing damages (violation of the objective duty of care). In addition, in order to understand the way the court comprehends due care that is necessary to reverse negligence in an actual lawsuit, it is necessary to seek out based on what legal policy background legally protected interests, called patent rights, have become subject to legal technical protection in the same manner as integrity interests such as life and body. Consequently, this study roughly covers the following two issues.

2 Issues Covered by This Study

(1) Relationships between Article 103 of the Patent Act and the Duty of Care under Substantive Law

Although it is said that Article 103 of the Patent Act presumes negligence, one of the issues of the study is to seek what the negligence presumed there is.

(2) Relationships between Article 103 of the Patent Act and the Burden of Proof under Litigation Law

Article 103 of the Patent Act is said to be a provision that shifts the burden of proof from a right holder to an infringer. One of the issues of the study is to seek what the legal policy perspective is that exists behind the provision.

3 Consideration Method Adopted in This Study

In order to solve the aforementioned two issues and realize the purpose of this study, we adopted a consideration method consists of the following in this study: (1) considering the background of legislation through examination of discussions at the Industrial Property Right System Reform Study Council, reports of the Industrial Property Right System Reform Study Council, and discussions at the Diet in this order, (2) analyzing the generation and development of theories and court precedents concerning negligence of infringement of an industrial property right before the 1959 Act in order to elicit the meaning of Article 103 of the Patent Act, (3) analyzing the actual operation of Article 103 of the Patent Act in court practice in relation to cases of patent infringement, considering the possibility of indemnity and the scope of indemnity in cases of patent infringement and also conducting comparative analysis of infringement cases in Japan,

Germany and the United States, examining what search obligation is required for indemnity or lightening liability, and considering difference between the handling of negligence and that of expert opinion, and (4) examining the patent search obligation in consideration of the actual conditions of articles of manufacture of current technology-oriented companies and increase in use of patented products in the service industry.

II Legislative History of Article 103 of the Patent Act

1 Deliberations at the Industrial Property Right System Reform Study Council

In 1949, the Cabinet decided to establish a council designed to examine the industrial property right system. It was decided to inaugurate the Industrial Property Right System Reform Study Council at a meeting of the Ministry of International Trade and Industry in 1950, and the First General Meeting of the Industrial Property Right System Reform Study Council was held. The key points of civil liability-related issues in the reform were the issue of whether to include a provision concerning patent infringement independently in the Patent Act or as special law of Article 709 of the Civil Code³ and the issue concerning correction of the fault liability principle.⁴

In 1955, a draft revision bill of the Patent Act was prepared under the heading of developing substantive provisions on patent infringement.⁵ The draft stated, regarding shift of the burden of proof of subjective requirements, that, "if a person, who runs a business in the field to which another person's patented invention pertains, infringed the patent right in running the business, he/she shall be liable for restoration to the original state pursuant to (a); provided, however, that this shall not apply when the person exercised due care so as not to work the other person's patented invention." Regarding said draft, the purpose of the draft was explained at the 19th meeting of the Industrial Property Right Law General Issue Reform Agency. Specifically, it was explained that the draft was prepared like this because "the infringer bears the burden of proof in any case in the United Kingdom."⁶ This reveals that the source book on which the drafters relied when preparing the draft was the text of Section 59, subsection (1) of the Patents Act 1949 of the United Kingdom, specifically, "In proceedings for the infringement of a patent damages shall not be awarded against a

defendant who proves that at the date of the infringement he was not aware, and had no reasonable ground for supposing, that the patent existed."

Then, the draft modeled after the Patents Act 1949 of the United Kingdom was slightly modified in terms of wording through deliberations, and became subject to discussion at the Third Meeting of the General Committee of the Industrial Property Right System Reform Study Council⁷ as the (draft) outline of the reform of general issues concerning industrial property right law.⁸ The discussion revealed the following three points.

First, the wording, "presumed negligent," was created to make it possible to clearly understand the shift of the burden of proof set forth in Section 59, subsection (1) of the Patents Act 1949 of the United Kingdom, which is the source book on which the draft relied, from the wording of the provisions of the revised Japanese law.⁹ Secondly, it is possible to infer that, at the drafting stage, the drafters had the idea that prima facie presumption which is the result of accumulation of court precedents before the 1959 Act and legal presumption which is intended to be enacted into law by the 1959 Act can be accepted without awkwardness in practice as they are provisions intended for the "same purpose," though they recognized that those presumptions were not entirely the "same."¹⁰ Thirdly, it appears that, from the drafting stage, the drafters questioned requiring not manufacturers but users to exercise the same degree of care pursuant to the relevant provisions.¹¹

Based on this discussion, the first draft of the outline was modified. The (second draft) outline of the reform of general issues concerning industrial property right law was prepared in 1956,¹² and it was established as the draft outline of the reform of general issues concerning industrial property right law (1).¹³ The outline became subject to discussion at the Fifteenth Meeting of the General Committee of the Industrial Property Right System Reform Study Council.¹⁴ The minutes of the meeting revealed the following four points.

First, the drafters understood intention/negligence of patent infringement as the obligation to avoid the occurrence of damages from patent infringement.¹⁵ Secondly, the drafters raised a problem concerning making prima facie presumption, which had been made in practice in court precedents before 1959, be "legal presumption."¹⁶

Thirdly, the content of the negligence set forth in Article 103 of the Patent Act was maintained to

be "due care," which is the wording adopted at the initial stage of the drafting.¹⁷ In the first place, in the draft modeled after the Patents Act 1949 of the United Kingdom, the wording "presumed negligent in the commission of the said act of infringement" was adopted for clarity because Japan adopts the fault liability principle and a legal system design whereby the right to claim damages that is a legal effect cannot occur unless the requirement of intention/negligence that is the legal requirement set forth in Article 709 of the Civil Code is fulfilled. There were no other discussions concerning the content of negligence. Taking these facts into account, a formula, "having not exercised due care to avoid patent infringement = negligence," is established with regard to patent infringement.

Fourthly, since a person who works an invention in patent infringement is liable for damages unless he/she is able to prove that he/she has exercised due care, it is obvious that a certain standard was considered necessary to secure predictability for persons who work inventions.¹⁸ In this deliberation, the point at issue was what should be used as this standard; however, the discussion reached an agreement to use bulletins as the standard.

After the aforementioned deliberations, a draft report was submitted at the Second General Meeting of the Industrial Property Right System Reform Study Council. An explanatory leaflet on the draft report stated that the revision of the Patent Act in relation to liability law was prepared as provisions designed to strengthen patent rights.¹⁹ This draft report was subsequently submitted to the Japan Patent Office as a report.²⁰

2 Deliberations at the Reading at the Japan Patent Office and at the Reading at the Legal Affairs Bureau

The first provisional draft on the Patent Act, which had been made in 1956 by secretary Sueaki Oda²¹, was brought to deliberations at the First Reading at the Japan Patent Office in 1957.²² At the First Reading at the Japan Patent Office, no special change was made to the provisions on presumption of negligence, and the issue was brought to deliberations at the Second Reading.²³ Then, the original draft that was modified and revised at the Second Reading went through the Third Reading at the Japan Patent Office (First Reading at the Legal Affairs Bureau),²⁴ the Fourth Reading at the Japan Patent Office (Second Reading at the Legal Affairs Bureau)²⁵ in 1958, the Fifth Reading at the Japan Patent Office (Third Reading at the Legal Affairs

Bureau),²⁶ the Fourth Reading at the Legal Affairs Bureau,²⁷ and the Fifth Reading at the Legal Affairs Bureau in 1959.²⁸ Consequently, the original draft came to be a bill of the Patent Act to be submitted to the Diet.

3 Deliberations at the Diet

The bill of the Patent Act was deliberated in 1959 at the 31st session of the Diet. In the deliberations, it was confirmed that the provisions on presumption of negligence exist as auxiliary provisions of Article 709 of the Civil Code²⁹ and are designed for remedy for the difficulty of proof in patent infringement lawsuits.³⁰ At the Diet, only the purpose of legislation was confirmed, and no other special modification was made. The bill came to be promulgated on April 13, 1959.

4 Summary of This Chapter

Article 103 of the current Patent Act was not drafted through accumulation of court precedents with the intention of prescribing *de facto* presumption that had been recognized in court precedents at the time of the old Act as legal presumption but was drafted modeling after the provisions on restriction on damages in the case of patent infringement, which were set in Section 59, subsection (1) of the Patents Act 1949 of the United Kingdom. However, the wording of Article 103 was modified to some degree through deliberations at the General Committee, and the wording unique to Japan, "presumed negligent," was adopted. It is inferred that the background behind adopting this wording was the idea that as Article 709 of the Japanese Civil Code provides that "A person who has intentionally or negligently infringed any right of others shall be liable to compensate any damages resulting in consequence," it is possible to make it easier for people to clearly understand, under the Japanese legal system whereby the basis of the right to claim damages in the case of infringement of a right is placed in Article 709 of the Civil Code, that Article 103 of the Patent Act is positioned as an auxiliary law of Article 709 of the Civil Code, by adopting the wording, "presumed negligent in the commission of the said act of infringement," rather than the wording, "not supposed to be liable for damages if he/she proves that he/she has exercised due care," when intending to reduce the burden of proof of such intention/negligence.

Taking into account that the draft of Article 103 of the Patent Act was admitted in terms of the

content of negligence which the defendant should prove on the condition that bulletins are further disseminated, it is clear that the due care included in the wording "negligence" in Article 103 of the Patent Act is one based on bulletins. That is, the content of negligence set forth in Article 103 of the Patent Act is violation of the patent search obligation on the premise of bulletins.

III Meaning of Article 103 of the Patent Act

1 Status of the Theory of Negligence in Court Precedents and Theories before the 1959 Act

Court precedents before the 1959 Act shared the view that negligence of an infringer was non-exercise of care to matters publicly notified in patent bulletins and the infringer is treated as having been negligent until he/she makes a disproof concerning the negligence³¹ and that an infringer should prove the non-existence of negligence (the same view was adopted among scholars³²) as it was clearly indicated that negligence of an infringer is *prima facie* presumption.³³

In court precedents, the content of the duty of care was understood as search of bulletins.³⁴ In addition, as the court also required voluntarily questioning orderers and conducting other voluntary searches in the case of manufacturing of products upon commission from other persons,³⁵ it seems that the court imposed the obligation to voluntarily conduct patent search on persons who work inventions. Scholars were also consistent with the court from the era of the old Act in that negligence means non-fulfillment of the patent search obligation.³⁶

In court precedents, the following cases have been regarded as reasons for proving the non-existence of negligence of a person who works an invention: where the invention turned out to be publicly known as a result of fulfillment of the patent search obligation,³⁷ where it turned out to be difficult even for a trial examiner to determine validity/invalidity as a result of fulfillment of the patent search obligation,³⁸ where the right holder has not worked the invention after the right was registered,³⁹ and where it turned out to be difficult to determine whether working of the invention falls within the scope of the right as a result of fulfillment of the search obligation.⁴⁰ Scholars were consistent with the court in that negligence means non-fulfillment of the patent search

obligation based on bulletins.⁴¹

2 Understanding of Negligence Set Forth in Article 103 at the Time of Legislating the 1959 Act

Taking into account that Mr. Aratama, who was the manager of the time of the Legislative Affairs Office (Office for deliberation of reform of industrial property right system) at the Japan Patent Office, does not consider it impossible to impose the patent search obligation on companies which work inventions, it can be said that Article 103 of the Patent Act does not merely provide for shift of the burden of proof but also includes creation of the patent search obligation under substantive law behind the provision of the burden of proof under litigation law with the wording, "presumption of negligence."⁴² In addition, taking into account that Mr. Aratama states that it is possible to annihilate presumption of negligence based on confidence in expert opinion,⁴³ it is possible to infer that it was intended to design a system in which bulletins, presumption of negligence, and expert opinions work as a trinity as of the time of legislation of the 1959 Act.

3 Summary of This Chapter

The substantive meaning of Article 103 of the Patent Act is to have created the objective duty of care by including the objective duty of care in the wording, "presumption of negligence." The content of Article 103 is the patent search obligation based on bulletins. That is, it can be said that the bases of attribution of liability to a person who works an invention are the fact that the person has come to infringe another person's right due to no conduct of patent search despite the existence of information on the right of the right holder that can be read from a bulletin and the fact that the person has not committed any act to avoid damages though he/she has read information on the right of a right holder from a bulletin through fulfillment of the patent search obligation. From this, it is possible to see the role of Article 103 of the Patent Act as a code of conduct on avoidance of damages to prevent acts of infringing patentees' patent rights.

In addition, Article 103 of the Patent Act is a legal provision that defines fulfillment of the patent search obligation based on bulletins as payment of the duty of due care and requires a person who works an invention (the infringer) to prove that he/she has exercised said duty of due care, with the aim of strengthening industrial

property rights. For sure, Article 103 of the Patent Act lightened patentees' burden of proof in order to strengthen industrial property rights, and in that sense, it leads to a consequence of protecting right holders without fail. However, taking into account that the scope of patentees' rights is published to the public in the form of a bulletin, Article 103 of the Patent Act can be understood as legislation that does not lead to a consequence of giving advantage unilaterally to right holders.⁴⁴ In addition, taking into account that the patent system is to grant an exclusive right, that is, patent right, to a person who has published new technology for a certain period under certain conditions in return for the publication, to give third parties an opportunity to use the published invention, and to contribute to the development of industry by promoting advance in technology while seeking harmony between those who have been granted rights and use by third parties subject to restrictions by those rights, the shift of the burden of proof under Article 103 of the Patent Act not only contributes to strengthening patentees' rights but also can be said to function to realize mutual respect of the rights of right holders and those of persons who work inventions. In other words, a person who works an invention with a license granted by a patentee is subject to restriction on freedom of action that prevents infringement of another person's right by an agreement in the form of granting of a non-exclusive license under Article 78 of the Patent Act, and a person who works an invention without a license granted by a patentee is subject to restriction on freedom of action that prevents infringement of another person's right by tort in the form of the shift of the burden of proof under Article 103.

IV Possibility of Indemnity in Patent Infringement Cases

1 Possibility of Indemnity in Patent Infringement Cases in Japan

(1) Issue of Starting Point of Reckoning

As Article 103 of the Japanese Patent Act provides that negligence shall be presumed, the starting point of reckoning of this presumption of negligence becomes an issue. According to court precedents, the time of issuance of a publication of an examined patent application is regarded as the starting point of reckoning.⁴⁵ Therefore, the time of occurrence of the right to claim damages is also after the issuance of such a publication. In that case, right holders likely need to take measures to

protect their own rights by themselves because negligence is not presumed for infringement of rights during the period from the registration of establishment of rights to the issuance of such a publication. For example, right holders take such measures as active notification of the existence of rights to persons who work inventions. Where any person continues to work an invention even after receiving a notification from a right holder, the person's negligence is found; therefore, compensation for damages to the right holder is reckoned from the time of registration of establishment of the patent right.⁴⁶

(2) Issue of Due Care

It is possible to analyze court precedents in Japan separately from the perspective of (i) experts' opinions and due care, (ii) not having conducted search and due care, (iii) cases where search has been completed before another person obtains a right and due care, (iv) cases where the description originally attached to the application was corrected and due care, (v) indication of a patent and due care, (vi) conflict and due care, (vii) succession of business and due care, (viii) specialized skills and due care, and (ix) types of business other than manufacturing business and due care. The idea common to these court precedents is "whether a person who works an invention has fulfilled the search obligation through bulletins." Nonetheless, if duty of care equivalent to that imposed on manufacturers is imposed on persons who work inventions, irrespective of whether the persons have specialized skills or are retail stores, they have no other choice but to rely on expert opinion, and requesting expert opinion becomes an essential patent search practice. However, regarding whether such persons are deemed to have fully exercised due care in Japan by following such experts' opinions, court precedents indicate that merely following experts' opinions is not regarded as having fulfilled the duty of care.⁴⁷ In addition, even where there are two or more expert opinions, presumption is not reversed through mere confidence in the expert opinions.⁴⁸ Moreover, presumption is also not reversed through mere confidence in an expert opinion of a person other than a patent attorney who filed the relevant application.⁴⁹ In this regard, carefully reading the holdings of the court, it is important that the court held that "mere" hearing and following experts' opinions is not sufficient to reverse presumption of negligence. That is, it can be said that the court states that persons who work inventions are not exempted from the duty of care

by entrusting experts with search and requires such persons to determine whether their own acts constitute infringement of a right by themselves by conducting search by themselves.

2 Possibility of Indemnity in Patent Infringement Cases in Other Countries

(1) Germany

In Germany, a right holder can, when his/her patent is infringed, claim compensation for damages to him/herself against the infringer in the same manner as in Japan. Then, intention/negligence of a person who works an invention is necessary for the occurrence of the right to claim damages, and the fault liability principle is adopted in Germany just like Japan.

Negligence in patent infringement in Germany is perceived to be (1) the state where a person does not exercise the reasonable care that is required in transactions (negligence mentioned in Section 276 of the German Civil Code (*Fahrlässig handelt, wer die im Verkehr erforderliche Sorgfalt außer Acht lässt.* (A person acts negligently if he fails to exercise reasonable care))), (2) error (*Irrtum*), and (3) good faith (*Unkenntnis*).⁵⁰ Exercising the care that is required in transactions when handling patent rights means conducting search of other persons' patents, and not having conducted search of other persons' patents thus naturally means negligence. In addition, cases where a person conducted search of other persons' patents but thought that the working is outside the scope of those other persons' patent rights and cases where a person conducted search of other persons' patents but did not become aware of the existence of other persons' rights also fall under negligence in Germany. In this point, Germany has a tendency similar to Japan.

The next issue is the issue of proof of legal requirements, intention/negligence. In Germany, there are no legal provisions to the effect that negligence is presumed, like those in Japan. However, if a right holder proves the fact of patent infringement, negligence of the person who works the invention is *prima facie* presumed.⁵¹

In Germany, where a person who works an invention has obtained an expert opinion advantageous to him/herself, if he/she infringes another person's patent right as a result of his/her confidence in the expert opinion, he/she is unable to be exempted from the liability for damages for the reason of obtainment of the expert opinion.⁵² This reveals that Germany has a tendency similar to Japan in this regard.

(2) United States

In the United States, a right holder can, when his/her patent is infringed, claim compensation for damages to him/herself against the infringer in the same manner as in Japan and Germany. However, court precedents concerning patent infringements in the United States regard patent infringement as being subject to strict liability.⁵³ Therefore, it is not necessary for right holders to prove intention/negligence of an actor. The United States differs from Japan and Germany in this regard.

In the United States, intention/negligence does not matter in the theory of infringement but it matters only at the stage of the theory of damages. Treble damages are awarded in cases where the plaintiff is intentional.⁵⁴ Determination of "intention," which is definitive information for making a decision to award treble damages, is closely related to experts' opinions (expert opinion) in the United States.⁵⁵ Then, in order to avoid treble damages in cases where a person asked a lawyer for legal advice and followed the advice but resulted in infringing another person's patent right, that is, where a person infringed a right as a result of following the opinions of a certain expert, it is necessary to fulfill the following three requirements, (i) appropriate time, (ii) appropriate qualification, and (iii) appropriate opinion. If a person followed the opinions of a lawyer that fulfill these requirements, the infringement is deemed to be negligent infringement and he/she only needs to compensate actual damages.⁵⁶

3 Summary of This Chapter

Comparing systems relating to negligence in patent infringement in Japan, Germany and the United States, Japan and Germany adopt negligence liability while the United States adopts strict liability. This reveals that Japan/Germany and the United States adopt systems that totally differ in terms of whether the attribution of liability is required as the basis of compensation for damages.

Furthermore, comparing Japan and Germany, both of which are countries that adopt negligence liability, Japan adopts legal presumption under Article 103 of the Patent Act while Germany adopts *prima facie* presumption. These countries adopt different systems in terms of proof of negligence. However, in actual proof, both Germany and Japan appear to result in drawing similar conclusions with regard to the method of adopting experts' opinions.

In Japan, Germany and the United States, hearing opinions from experts in patent search is a very important patent search practice. In Japan and Germany, even where a person has worked a patented invention as a result of following an expert's opinion, it does not prove the non-existence of negligence. Therefore, liability for damages arises as negligence liability. On the other hand, in the United States, where a person has worked a patented invention as a result of following an expert's opinion, if the opinion is of an expert who fulfills certain requirements, the person does not bear liability for intentional damages. That is, liability for negligent damages arises. In this regard, it can be said that all three countries lead to similar conclusions.

In carrying forward global development utilizing intellectual property rights, an actor's ability to utilize experts' opinions well appears to contribute to avoiding and reducing compensation for damages concerning intellectual property infringement.

V Patent Search Practice and Contemporary Meaning of Article 103

It is said that, in recent years, many patents have been involved in the process of research and development, manufacturing, and sale of one product and thereby, "patent thickets" have been formed. In that case, persons who work inventions have to conduct search of all patents in patent thickets so as to confirm whether they do not infringe any other person's right. Moreover, under Article 103 of the current Patent Act, both large companies and small and medium-sized companies are imposed with the same search obligation, irrespective of business scale, and the same degree of search obligation is imposed irrespective of whether companies have expert knowledge. Therefore, small and medium-sized companies also have to conduct detailed patent search of the same degree as large companies. It is necessary to reconsider whether small and medium-sized companies are actually able to fully conduct search of hundreds and thousands of patents at all stages of planning, development, manufacturing, and sale.

Article 103 of the current Patent Act requires both manufacturers and retailers to fulfill the patent search obligation to the same degree. In that sense, in patent search, more importance will be attached to entrustment of patent search to experts in the future without fail. However, as overviewed above, where a person entrusted an

expert with patent search and infringed another person's right as a result of working an invention on the faith of the results of the search, the fact that the person entrusted the search does not become a reason for indemnity from liability for damages. At the time of legislation, Article 103 of the Patent Act was designed based on the idea that having given confidence to an expert opinion becomes a reason for indemnity; however, in reality, it does not become a reason for indemnity. It is probably necessary to reconsider whether a system design in which fulfillment of the patent search obligation concerning intention/negligence becomes a reason for indemnity is correct under such actual conditions.

VI Conclusion

The following issues can be extracted from the gap between Article 103 of the Patent Act and the actual conditions of patent search practice.

The first issue is whether it is appropriate to maintain the composition of the provision, "presumed negligent," which was assumed based on the technical level of the time of the 1959 Act, taking into account the actual conditions of products manufactured by current technology-oriented companies and changes in the production manufacturing process caused by the transition of manufacturing business.

The second issue is whether there is much point in continuing to maintain wording that is rare in terms of comparative law in the text of the Patent Act in the situation where the wording of Article 103 of the Patent Act substantially includes the "patent search obligation" on companies while the court determines the existence of negligence with respect to each case in practice.

The third issue is whether to impose the search obligation to the same degree as that imposed on manufacturing businesses on retail/distribution businesses, taking into account the current situation of patented products, that is, multiple patents are used for one product, as well as the current situation of prosperity of service businesses under technical innovation.

As the fourth issue, though the basis of *de facto* presumption of negligence and the theory of absolute liability that has been formed in civil law study under the fault liability principle in Japan was the respect of legally protected interests, that is, life and body, which should be protected even by modifying the fault liability principle, it is necessary to reconsider whether industrial property rights are legally protected interests that

can be on par with said legally protected interests. Is it necessary to artificially establish national policy legislation under the necessity of strengthening rights for the development of industry because industrial property rights are not legally protected interests that can be on par with said legally protected interests? There is an issue of whether it is necessary to reconsider the idea that underlies presumption of negligence.

¹ With regard to placing the basis of the right to claim damages in the case of a patent infringement on Article 709 of the Civil Code, Professor Nakayama states that, "In terms of the theory of legislation, it is also a possible method to establish a provision permitting a claim for damages in the Patent Act. However, in practice, it seems unlikely that patent infringement does not fall under tort. Therefore, whether to establish a provision on compensation for damages in the Patent Act does not cause any difference in the result, and it is nothing more than an issue of technique of legislation." Thereby, he bases patent infringement on infringement of a right set forth in Article 709 of the Civil Code and does not deny recognizing the Civil Code as the basis of the occurrence of the right to claim damages (Nobuhiro Nakayama, *Tokkyoho* (Patent Act) (Koubundou, 2010), 335).

² Judgment of the Supreme Court of Judicature of Japanese Empire, March 24, 1915 (Minroku, 21st series, at 412); the following are court precedents to the same effect: judgment of the Supreme Court of Judicature of Japanese Empire, September 22, 1903 (Minroku, 9th series, at 989), judgment of the Supreme Court of Judicature of Japanese Empire, May 8, 1905 (Minroku, 11th series, at 629), judgment of the Supreme Court of Judicature of Japanese Empire, June 19, 1903 (Minroku, 11th series, at 992), judgment of the Supreme Court of Judicature of Japanese Empire, April 27, 1909 (Minroku, 15th series, at 396), judgment of the Supreme Court of Judicature of Japanese Empire, November 15, 1913 (Minroku, 19th series, at 956), judgment of the Supreme Court of Judicature of Japanese Empire, March 13, 1919 (Minroku, 25th series, at 428), judgment of the Supreme Court of Judicature of Japanese Empire, April 8, 1920 (Minroku, 26th series, at 482), judgment of the Supreme Court of Judicature of Japanese Empire, April 12, 1920 (Minroku, 26th series, at 527), and judgment of the Supreme Court of Judicature of Japanese Empire, September 12, 1930 (Shimbun, No. 3177, at 14).

³ Contained in Industrial Property Right System Reform Study Council, General Affairs Department, Japan Patent Office, "Kogyoshoyukenseidokaisei ni kansuru sochijiko (Measures concerning the reform of the industrial property right system)."

⁴ *Id.*

⁵ Industrial Property Right Reference Material Center, "Tokkyobukai ippanbukai kankei genan sakusei siryo (Materials for preparing original plans used by the Patent Committee and the General Committee)" (Aratama Bunko 28).

⁶ Industrial Property Right Reference Material Center, "Kogyoshoyukenshingai ni kansuru kaisei siryo

(Materials for reform concerning infringement of industrial property rights)" (Aratama Bunko 29).

⁷ Industrial Property Right Reference Material Center, "Kogyoshoyukenseidokaiseishingikai ippanbukai gijiyoroku (Minutes of the General Committee of the Industrial Property Right System Reform Study Council)" (Aratama Bunko 27).

⁸ "A person who runs a business in the field to which another person's patented invention pertains bears the liability set forth in (a) for infringement of the patent right he/she has committed in running the business; however, if he/she proves that he/she has exercised due care so as not to work the other person's patented invention, he/she shall not be liable for the infringement" (*Id.*).

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² Industrial Property Right Reference Material Center, "Kogyoshoyukenshingai ni kansuru kaisei siryo (Materials for reform concerning infringement of industrial property rights)" (Aratama Bunko 29).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Industrial Property Right Reference Material Center, "Toshin kaisei kogyoshoyuken hoshu (Report: collection of revised industrial property right laws)" (Aratama Bunko 15).

²⁰ *Id.*

²¹ First provisional draft of August 4, 1956: Article 170 (Presumption of Negligence), "If a business operator infringes another person's patent right or exclusive license in production, use, sale, putting into distribution, or import within the scope of his/her own business, he/she is presumed to have been negligent in relation to the infringement" (Industrial Property Right Reference Material Center, "Tokkyohoan (tokkyocho nai shingi yo) (Bill of the Patent Act (for deliberations within the Japan Patent Office))," Aratama Bunko 14).

²² *Id.*

²³ *Id.*

²⁴ Industrial Property Right Reference Material Center, "Tokkyohoan (hoseikyoku daichidokkai yo) showa 32 nen 8 gatsu 16 nichi – showa 33 nen 1 gatsu 8 nichi (Bill of the Patent Act (for the First Reading at the Legal Affairs Bureau) for the period from August 16, 1957, to January 8, 1958)" (Aratama Bunko 16).

²⁵ Industrial Property Right Reference Material Center, "Tokkyohoan (hoseikyoku dainidokkai iko no bun) showa 33 nen 1 gatsu 13 nichi – showa 34 nen 1 gatsu 12 nichi (Bill of the Patent Act (for the Second and subsequent Readings at the Legal Affairs Bureau) for the period from January 13, 1958, to January 12, 1959)" (Aratama Bunko 17).

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ Minutes of the meeting of the Committee on Commerce and Industry of the House of Councillors at the 31st session of the Diet, No. 7, at 2.

- ³⁰ Minutes of the meeting of the Committee on Commerce and Industry of the House of Councillors at the 31st session of the Diet, No. 12, at 6.
- ³¹ Judgment of the Supreme Court of Judicature of Japanese Empire, May 9, 1905 (Keiroku, 11th series, at 490).
- ³² Ichiro Kiyose, *Tokkyoho genri* (Principle of the Patent Act) (Ganshodo, 1936), 158; Kakuji Takeuchi, *Tokkyoho* (Patent Act) (Ganshodo, 1938), 337; Hane Izuka, *Mutaizaisanho* (Intangible property law) (Gansho do, 1940), 173; Izutaro Suehiro, *Kogyoshoyukenho* (Industrial property right law) (Nippon Hyoron Sha, 1942), 60; Kikushiro Nagata, *Kogyoshoyukenron* (Industrial property right theory) (Fuzambo, 1959), 301.
- ³³ Judgment of the Supreme Court of Judicature of Japanese Empire, June 16, 1915 (Keiroku, 21st series, at 822).
- ³⁴ Judgment of the Supreme Court of Judicature of Japanese Empire, March 11, 1904 (Minroku, 10th series, at 255); judgment of the Supreme Court of Judicature of Japanese Empire, October 25, 1907 (Keiroku, 13th series, at 1194); judgment of the Supreme Court of Judicature of Japanese Empire, October 4, 1910 (Keiroku, 16th series, at 1599); and judgment of the Supreme Court of Judicature of Japanese Empire, June 16, 1915 (Keiroku, 21st series, at 822).
- ³⁵ Judgment of the Osaka Court of Appeal, September 25, 1936 (Horitsushimbun No. 4050, at 15).
- ³⁶ Kiyose, *supra* note 34 and Nagata, *supra* note 34.
- ³⁷ Judgment of the Supreme Court of Judicature of Japanese Empire, October 4, 1910 (Keiroku, 16th series, at 1599).
- ³⁸ Judgment of the Tokyo Court of Appeal, October 25, 1912 (Horitsushimbun, No. 828, at 21).
- ³⁹ Judgment of the Tokyo District Court, March 30, 1940 (Horitsushimbun, No. 4561, at 3).
- ⁴⁰ Judgment of the Tokyo Court of Appeal, July 13, 1942 (Horitsushimbun, No. 4810, at 15).
- ⁴¹ Kiyose, *supra* note 34 and Nagata, *supra* note 34.
- ⁴² Yoshito Aratama, "Kogyoshoyukenseidokaiseishingikai toshin ni tsuite (san)" (Regarding the report of the Industrial Property Right System Reform Study Council (3)), *Zaikeishoho*, vol. 94: 573.
- ⁴³ *Id.*
- ⁴⁴ In this regard, Professor Doi states that, "Presumption of negligence under Article 103 cannot be said to be attaching too much importance to protection of right holders, taking into account public notice and the registration system," thereby suggesting that Article 103 of the Patent Act does not merely exert effect attaching too much importance to protection of right holders. On this point, he has a similar view to the author. (Teruo Doi, *Chitekishoyukenho* (Intellectual property right law) (Seirin Shoin, 1982), 123).
- ⁴⁵ Judgment of the Osaka District Court, March 29, 1972 (Road safety bar case) (Hanta, No. 278, at 263); judgment of the Osaka District Court, November 28, 1973 (Duster shaft case) (Hanta, No. 308, at 278); judgment of the Osaka High Court, May 27, 1994 (Clamp case); judgment of the Osaka District Court, July 26, 2001 (Wallpaper paste machine case); and judgment of the Tokyo District Court, July 16, 2010 (Silber Villa case).
- ⁴⁶ Judgment of the Osaka District Court, July 26, 2004 (Shelf case).
- ⁴⁷ Judgment of the Tokyo District Court, September 21, 1963 (Vinyl can case) (Hanta, No. 152, at 177); and judgment of the Tokyo District Court, June 26, 1972 (Desk lamp case) (Hanta, No. 282, at 267).
- ⁴⁸ Judgment of the Tokyo District Court, April 25, 2002 (Foreign matter separating and removing apparatus for raw laver case).
- ⁴⁹ Judgment of the Osaka District Court, October 30, 1984 (Carrier bag handle case) (Hanta, No. 543, at 263); judgment of the Osaka District Court, August 30, 1989 (Dry mount press case) (Tokkyo to Kigyo, No. 250, at 66); and judgment of the Tokyo District Court, August 30, 1993 (Aderans case) (Tokkyocho Koho, No. 38, at 328).
- ⁵⁰ Georg Benkard, Patentgesetz Gebrauchsmustergetz, 9.,neubearbeitete Auflage, 1993, S.1269(Rüdiger Rogge).
- ⁵¹ Urteil des Bundesgerichtshofs von 3. Juni 1976,Aktz: X ZR 57/73,(GRUR 1976 579)). Another court precedent to the same effect is Urteil des Bundesgerichtshofs vom 19. Dezember 1958, Aktz: X ZR 138/57 (GRUR 1959 478).
- ⁵² Urteil des Bundesgerichtshofs vom 19. Dezember 1958,Aktz: X ZR 138/57,(GRUR 1959 478). Other court precedents to the same effect are Urteil des Bundesgerichtshofs vom 19. Dezember 1950 Aktz: I ZR 62/50(GRUR1951 159) and Urteil des Bundesgerichtshofs vom 30 Oktober 1956 Aktz: I ZR 199/ 55(GRUR 1957 342).
- ⁵³ Thurber Corp. v. Fairchild Motor Corp.269 F. 2d 841; Hilton Davis Chemical Co. v. Warner-Jenkinson Co.,Inc.62 F.3d 1512; Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.117 S. Ct. 1040; In re Seagate Tech., 497 F. 3d 1360.
- ⁵⁴ Beatrice Foods Co. v. New England Printing & Lithographing Co.,923 F.2d 1576.
- ⁵⁵ Donald S. Chisum, *Amerika tokkyoho to sono tetuzuki* (Elements of United States Patent Law) (Yushodo Press, 2000), 629.
- ⁵⁶ *Id.* at 637.