

**Brief Overview of [Patent] Law
Revisions
during the last decade
(1998 – 2007)**

Japan Patent Office
Asia-Pacific Industrial Property Center, JIII

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1. Introduction

The Japanese Patent Law originated from the Patent Monopoly Act that was issued on April 18, 1885.

The patent law was revised in 1888, 1899, 1909, 1921, and 1959 according to changes in the social environment. The existing patent law was issued in 1959 and went into effect in 1960.

The following are the main characteristics of the existing patent law.

- Invention novelty criterion include descriptions from publications issued in foreign countries
- Provisions are made for invention progression
- Provisions are made for inventions in service
- A consolidated application system was adopted
- Patents are only effective “in the course of trade”
- The verification trial system for the scope of the patent right was changed to an advisory opinion system
- When necessary based on public benefit, parties outside of Japan may work a patented invention from another party
- The duration of patent rights does not exceed 20 years of the filing date of the patent application
- Provisions are made for infringement of rights
- The statute of limitation for invalidation trials was repealed
- No appeals are allowed for trials

After the existing patent law went into effect in 1960, it was revised in 1970, 1975, 1978, 1985, 1987, 1990, 1993, 1994, 1996, 1998, 1999, 2002, 2003, 2004, and 2006.

The following is an overview of the items that were revised from 1970 to 1996.

- 1970

- Implemented a laid-open publication system
- Implemented an examination request system
- Expanded the scope of prior application
- Implemented a reexamination system

- 1975

- Implemented a substance patent system
- Adopted a unity of invention system

- 1978

- Revisions for joining the Patent Cooperation Treaty

- 1985

- Implemented a domestic priority system
- Repealed the additional patent application system
- Repealed the new application system based on the decision of amendment dismissal

- 1987

- Improved the unity of invention system
- Made the procedure period more flexible
- Established an extension system for the duration of patent rights

- 1990

- Made revisions based on implementation of paperless application
- Implemented an abstract system

- 1993

- Adjusted the scope of amendments
- Simplified the trial system
- Revised the utility model system

- 1994

- Made revisions based on the establishment of the WTO's TRIPS agreement
(Expanded the effect of patent rights)
- Gave priority to WTO member nations
- Added patent objects
- Adjusted the duration of patent rights
- Implemented an application system for handling written applications in foreign languages
- Implemented an opposition system for after a patent is granted
- Revised the description requirements for a specification
- Revised provisions related to interpretation of the scope of claims
- Implemented a patent right restoration system
- Made revisions based on the repealing of the reservation according to PCT

- 1996

- Relaxed the rejection of procedure and description items for application
(Revision based on joining the Trademark Law Treaty)

2. Patent Law Revisions During the last decade

2.1 Patent Law revision of 1998 (Effective January 1, 1999)

(a) Revision of Law

Bail-out measures for patent infringements according to the Japanese Patent Law had not been revised for over 40 years since the existing patent law was established in 1959 despite major changes in the social and economical environment of Japan. Since that time, the Japanese economy went from a struggling economy to one of the largest economies in the world. Therefore, it was necessary to establish a system that could protect intellectual properties including patents in order to promote scientific and technological creativity.

On the other hand, various fields such as the industrial field have pointed out problems with intellectual property infringement lawsuits including patent infringement lawsuits in Japan. For example, it has been noted that lawsuits consume too much time, the permitted amount of compensation for damages is too low, and trial costs are too expensive. The Industrial Property Council (now the Industrial Structure Council) expressed the following observations.

- A large amount of money is invested in research and development, so intellectual property, which is the achievement of research and development, must be properly protected.
- It is necessary to establish a system that can guarantee sufficient compensation for infringement of rights so as not to discourage research and development.
- Locations where research investment is low and manpower costs are low have been increasing, so it is vital to strengthen protection against copying.
- Trials require much time and expense, but the amount permitted for damage compensation is low, so there are many cases where the cost of the trial is more than the compensation. Therefore, the infringer has the advantage in Japan.
- Compensation for damages determined by trials in Japan is low, so the judicial system in the United States is often used. As a result, patent lawsuits in Japan have lost meaning.
- During infringement proceedings, the attorneys for the plaintiffs have a greater burden than the attorneys for defendants, which is unfair.
- Compensation for damages for intentional infringements must be 1.5 to 3 times higher.

Past judicial decisions show that compensation for damages in Japan is much lower than in the United States, and the permitted amount is almost the same as for a patent license. Therefore, it is common to simply pay compensation for damages *if* infringement is found instead of concluding a license contract. This system favors the infringer.

It was determined at the 33rd Industrial Property Council General Meeting held on April 24, 1997 that a subcommittee for compensation of damages needed to be established. This subcommittee contributed to improvement of the previous situation by promoting an environment based on scientific and technological creativity, and also had discussions based on a wide viewpoint including civil and criminal law in order to quickly resolve issues related to intellectual property right lawsuits. The following are the major items that this subcommittee discussed.

(i) Civil Bail-Out Measures

- Increasing compensation for lost earnings (Simplification of proof for lost earnings by shifting the burden of proof and increasing the compensation amount for damages by tripling the compensation.)
- Increasing compensation which formerly was almost equivalent to licensing fees (Stipulations from the patent law that determine the minimum compensation amount equivalent to licensing fees must be revised to account for the actual situation by tripling the compensation amount.)
- Improving the judicial system including infringement proof and document submission related to calculation for damages (It must be easier for the right holder to collect proof by shifting the burden for submission of necessary documents to identify infringement and by creating appraisal reports based on the infringer's duty to cooperate.)
- Improving and strengthening the judicial system (The judicial system must be improved and strengthened so that action can be taken quickly and to ensure technical expertise. A patent court should be considered.)

(ii) Criminal Penalties

- Strengthening penalties for infringement (Criminal penalties for infringement are lighter than other property crimes according to criminal law. Therefore, criminal penalties must be increased in order to discourage infringement.)

- Reviewing stipulations for crimes requiring complaint from a victim for prosecution (Stipulations related to crimes that require complaints from a victim for prosecution should be changed to crimes that do not require complaint from a victim for prosecution similar to trademark law in order to discourage infringement.)
- Implementing severe penalties on legal entities for civil and criminal penalty stipulation (Severe penalties for legal entities, which give heavier penalties to corporate bodies than on individuals should be used for the patent law in order to increase sanctions on companies.)

(iii) Faster Invalidation Trials

- Invalidation trials are often used as countermeasures for infringement lawsuits. Therefore, trials should be completed within one year in order to determine the validity of patent rights quickly, which is a precondition for determining infringement.

The opinion of the subcommittee was submitted and approved at the 31st Industrial Property Council Law Subcommittee meeting and 34th Industrial Property Council General Meeting held on December 16, 1997.

An amendment bill was submitted at the 142nd regular Diet session and was established on April 24, 1998. This was then publicly announced as Law 51 on May 6, 1998, and went into effect on January 1, 1999.

(b) Practical points

(1) Review of Civil Bail-Out Measures

(i) Simplification for Proof of Lost Earnings

The patent right is the right to work the technology exclusively, and products that use that technology can only be sold by the patent holder. If priority is on the exclusive right, the extent of the right holder's ability to work the patent is considered "Assigned Quantity by the Infringer = Assigned Quantity Lost by the Patent Right Holder."

Therefore, the amount of profit per unit by the patent right holder multiplied by the number of products sold by the infringer is considered as the amount of damage based on the extent of the ability to work the patent (newly added main text of Article 102, Item 1).

However, if an actual infringement case occurs, there are other factors that exist such as marketing efforts by the infringer, so it cannot simply be stated that “Assigned Quantity by the Infringer = Assigned Quantity Lost by the Patent Right Holder.” If the infringer can prove that such factors exist, it is possible for the infringer to subtract this amount (newly added conditional clause of Article 102, Item 1).

This stipulation makes it possible to establish calculation rules for the amount of damages that can be properly compensated for lost earnings even when there are factors such as the infringer’s marketing efforts, the existence of replacement goods, and when the total number of items sold by the infringer could not have been sold by the patent right holder.

For example, if the patent right holder can prove the “Assigned Quantity by the Infringer,” “Profit per Unit” for items that could have been sold by the patent right hold if there had been no infringement, and prove the patent right holder’s “Ability to Work,” then the amount of loss can be calculated. The patent right holder’s “Ability to Work” should be interpreted accurately based on actual cases.

(ii) Determination of Equivalence to Licensing Fees Considering Detailed Conditions

Formerly, according to patent law, special provisions were included as part of the Civil Law Article 709 (Tort Law) in order to request compensation for the amount of lost using an amount equivalent to the licensing fee because it was deemed difficult for the patent right holder to prove damages by infringement (Article 102, Item 3).

So, provisions in the former patent law specified that it was possible to request compensation equivalent to the amount that would “normally” be paid for licensing. This indicated that the compensation amount for loss that can be requested from infringement is the same amount that would have been paid from licensing negotiations, which gave the advantage to the infringer. Therefore, the expression “normally” was removed from the article (Article 102, Item 3).

Because of such provisions, it was possible to determine the amount equivalent to the licensing fee based on various factors that occur between the lawsuit parties such as the value of the patent invention, the business relationship between the parties, and the profit that was received by the infringer.

(2) Review of Criminal Penalties

(i) Infringement became a Crime that does not Require a Complaint by a Victim for Prosecution

According to the former patent law, infringement of patent rights was considered a crime that required a complaint from the victim for prosecution (Former Article 196, Item 2). The reason for this was because patent rights are private rights, and patent rights contained elements related to human rights. However, the situation has been changed since the existing law was established. Infringement of patent rights became a crime that does not require a complaint from a victim for prosecution due to the following reasons (Removed Article 196, Item 2).

- Although a patent right is a private right, it is considered an important property right based on an increase in investment for research and development.
- Applications from companies increased by over 90%, so there are few elements related to human rights.
- There are restrictions for the period of complaint.

(ii) Implementing Severer Penalties on Legal Entities for Infringement

Actual cases indicate that infringement of patent rights have often been committed by company employees.

Therefore, a provision was established to penalize both the person who committed the infringement and their company in order to discourage infringement (Article 201).

At a Legislative Council of the Ministry of Justice Law Subcommittee meeting in 1991, it was expressed that it is theoretically possible to divide corporate penalties into two categories; penalties for the business proprietors such as corporations, and penalties for the actual doer. Provisions for severer penalties for legal entities (monetary penalties heavier for companies than for a natural person) were implemented into the Industrial Property Law in 1996, and were also implemented for the infringement of trademarks due to high public benefit.

The following are some factors to consider in relation to infringement of patent rights.

- Infringement committed as part of a company's business operation
- Working the patent invention normally requires a certain ability for manufacturing
- The main body of the infringement is a legal person

Profit from infringement based on the above cases is usually higher than when only an individual is involved in the infringement.

Therefore, severer penalties for legal entities have been implemented to the patent law in order to

discourage infringement of patent rights, and the maximum penalty for a legal person has been increased (Article 201: Increased from 5 Million Yen to 150 Million Yen).

(3) Review of the Filing System for Determining Decisions of Rejection when Determining which Application was First to File

According to the former patent law, if a patent application was withdrawn or dismissed, it was considered that the patent application was never received (Article 39, Item 5).

However, no provisions were made in the former patent law for patent applications that received a decision of rejection, so patent applications that received a decision of rejection were still considered the first to file.

The patent system is supposed to give the party that published an invention with new technology the right to work the invention exclusively under a certain conditions for a certain period of time, and also to give a third party the opportunity to use published inventions.

According to the former patent system, when an application receives a decision of rejection before being published, receives a termination of appeal, or when an application is abandoned, such applications could still have prevented a third party from receiving exclusive rights if the third party applied for and published an invention, even though the rejected or abandoned applications did not contribute to the third party. In addition, if another party does not achieve the same invention, rejected or abandoned inventions could be used exclusively indefinitely, and the technology is kept confidential.

Now, when a patent receives a decision of rejection, receives a termination of appeal, or is abandoned, it is as if patent application was never made. If a patent application receives a decision of rejection because of failure to consult when multiple applications for the same invention are filed on the same date (Article 39, Item 4), those applications are considered first to file in relation to future patent applications (Article 39, Item 5).

(4) Faster Invalidation Trials

Invalidation trials are often related to infringement lawsuits. When an infringement lawsuit is filed, it is necessary reach an invalidation trial decision before the decision from the infringement lawsuit.

However, according to the former patent law, amendments to requests for invalidation trials (claims and evidence) were permitted indefinitely. Therefore, in many cases, the one requesting the

invalidation trial changed the summary of their reason after the trial began, which extended the invalidation trial.

In order for invalidation trials to proceed smoothly, amendments that change the summary of the reason for the request for trial are no longer permitted (Article 131, Item 2).

If one desires to change the summary of the reason for the trial request, it may be possible to request a separate invalidation trial.

(5) Other Revision Items

The following items were also revised in the patent law in 1998.

(i) Removed the Expression “Title of the Invention” from the Application Description Items

In order to simplify the procedure, the expression “Title of the Invention” was removed from applications stipulated in Patent Law Article 36, Item 1. In addition, the expression “Title of the Invention” and the expression “International Filing Date” were removed from documents (domestic documents) stipulated in Article 184-5.

(ii) Exchanging Priority Documents Information

Based on the agreement for exchanging priority document information between Japan and agreeing countries, when a declaration of priority is made in one of these countries, there is no obligation to supply priority documents (newly added Article 43, Item 5).

(iii) Reduction of Patent Fees, and the Handling of Patent Fees and Commissions Shared by the Government and Private Sectors

Patent fees were reduced by using a fee structure that equalized patent fees after 10 years (Article 107).

When patent fees and commission is shared between the government and the private sector, the amount calculated based on the percentage shared by the private sector should be paid (Article 107, Items 3 and 4, Article 195, Items 5 and 6).

(iv) Review of Provisions Requesting Certificate

The following are revisions for implementing examination before publication (Article 186 and Article

66).

- Added restrictions for viewing notifications of reason for rejection that contain the same contents of the invention as the application document, reports, and examination documents related to the decision of rejection

- Added restrictions for viewing documents that are not directly related to the contents of an invention but that may affect the profit of the submitter if it is disclosed when the document has been submitted for patent law procedures and the commissioner of the patents approves the necessity to keep them confidential

- Added restrictions for viewing documents that are related to patent law procedures but that infringe on personal profit by disclosing private information such as “Copies of Family Registers” and “Written Wills” when the commissioner of patents approves the necessity to keep them confidential

2.2 Patent Law revision of 1999 (Effective January 1, 2000)

(a) Revision of Law

The “Intellectual Creation Cycle” of the “Intellectual Property Right” that consists of a new “Creation,” “Right Establishment,” and “Use of Right” should be strengthened and accelerated so that it will be possible to quickly collect sufficient investments, which are required for development of technology. It has also been suggested that it is important to activate intellectual property right transactions, promote the development of creative technologies, create new industries, and to promote an atmosphere of scientific and technological creativity.

A report in the “Council for Intellectual Property Rights in the 21st Century” made in April of 1997 made eight proposals including “Strong Protection” and “Wide Protection” in order to strengthen the intellectual property rights system. In Japan, a pro-patent policy was firmly established in various fields including industry, and a foundation for promoting the development of high-value creative technologies was established. In order to strengthen the existing pro-patent policy, it was suggested that it is important to focus on establishment of rights and the usage of rights for infringement bail-out measures, and also important to strengthen and accelerate the whole intellectual creation cycle process.

When the 35th Industrial Property Council General Meeting was held on June 2, 1998, it was decided to implement a plan subcommittee. A report was made by this plan subcommittee on November 26th of the same year. At the 32nd Law Subcommittee meeting and the 36th Industrial Property Council General Meeting held on December 14, 1998, the “Report on Patent Law Amendments” was made. The following is an overview of that report.

(i) Speeding Up of the Acquisition of Right

- Reducing the Examination Request Period

There were many applications for patent rights that had gone undetermined for a long period of time. Therefore, the period for examination requests was reduced from seven years to three years.

- Review of Patent Opposition Appeals and Amendment Requests for Invalidation Trials

In order to speed up trials related patent opposition, when a claim related to an appeal for patent opposition is amended, that amendment is approved without determining whether or not the invention, which is specified by the description in the claim after the amendment, receives a patent independently when the patent application is filed. Whether or not a patent is granted independently is determined

only while the reason for cancellation is being examined. The same amendment was made for patent invalidation trial amendment requests.

- Improving the Authentication Function for Trial Procedures

Oral hearings should be used more in order to speed up trials. Trial clerks should be established and used as authentication agents that can create a record of pre-trial investigation for oral hearings as an independent authority in order to ensure the authentication function for the trial procedure.

(ii) Achieving Wider, Stronger, and Faster Bail-Out Measure

In Japan, the trial period for intellectual property right infringement lawsuits is long, and the tolerated amount for legal damages is low. Therefore, it has been noted that there is insufficient protection for right holders. It is often felt that it is better to use overseas judicial systems for intellectual property right infringement lawsuits instead of the domestic judicial system.

The following counter measures needed to be implemented in order to improve bail-out measures for intellectual property right infringement and to strengthen dispute settlement functions.

- Improving Bail-Out Measure for Patent Infringement

* Simplification of Proof of Infringement

In order to simplify the process for proving infringement for patent right infringement lawsuits, a special provision was made for positive denial, which means that the other party that denies the claim of the right holder must explain their actions, and a provision for improving the order of necessary document submission for proving the actions of the other party. In such cases, it is necessary to avoid the unnecessarily disclosure of confidential business material in the documents.

* Simplification of Proof of Damages (Implementing an Expert Witness Calculation System)

An expert witness calculation system was implemented in order to calculate damages based on the cooperation obligation of the infringer so that the burden of proof for the right holder can be reduced.

* Simplification of Proof of Loss

Not only firmly proven facts, but also probable facts allowed by the judge are reasonably considered so that the actual compensation for loss can be achieved.

* Simplification of Proof for Infringer's Profit

The responsibility of proving the costs of infringement actions was shifted to the infringer when proving the infringer's profits so that it can be easier for the right holder to prove the profit made by the

infringer.

- Strengthened Criminal Penalties

Severer penalties on legal entities were implemented for companies that acquired rights by fraud and received profit by selling the product with fraudulent labeling.

- Strengthened Administrative Response for Industrial property Right Infringement Lawsuits

In order to resolve issues related to industrial property rights and to improve measures for issue settlement, the judicial system was strengthened by implementing adversarial procedures. It also became possible for judicial courts to request technical expert decisions made by the patent office.

- Reviewed the Extension Registration System for Patent Duration

In order to collect investments that are made for research and development and encourage reinvestment for development of new technologies, the extension conditions were revised. As a result, the conditions for a “Two-Year Reduction” were repealed based on review. In addition, extension became possible even when a reprimand by a government ordinance is given within six months prior to the expiration of the patent duration.

- Implemented an Early Unexamined Publication System Based on Application

An early unexamined publication system was implemented in order to publish applications based on the applicant’s application, even when it is within 18 months from the filing of the application so that rights for claims can be created quickly for monetary compensation when desired by the applicant. According to the prior provisions, when an international patent application based on the Patent Cooperation Treaty was published internationally within 18 month of the application filing, the right to claim for monetary compensation was after 18 months from the application filing because the early unexamined publication system based on application was not implemented in Japan. This provision was revised to allow for the right to claim for monetary compensation within 18 months of filing.

- Exchanging Information Related to Infringement Cases between Judicial Courts and the Patent Office

In order for the patent office to understand trials related to infringement lawsuits and to complete trials quickly, judicial courts notify the patent office when a lawsuit related to a patent right infringement case is raised and notifies the patent office when the case is finished.

In order for judicial courts to understand whether or not there are any claims related to a trial, and to help understand the status of the trial, the patent office notifies the court of whether there are appeals related to an ongoing infringement lawsuit and notifies the court of the trial decision when the patent

office receives notification from the court of a lawsuit being raised.

(iii) Establishing an Environment for Accelerating Intellectual Creativity

Society is gradually moving towards computerization as evidenced by the explosive growth of the internet. Therefore, the intellectual property rights system must adapt to such trends. The patent office has been promoting a “Kinder Patent Office” as part of its procedure simplification. However, the following additional efforts are needed.

- Responding to Computerization

* Implementation of International Official Notices and Official Business

Transmission of information has been improved through technical innovations such as the internet, so regional standards should be expanded for official notices and official business.

* Expansion of Reasons for Prevention of Novelty

Transmission of information has been improved through technical innovations such as the internet, and technical information that is disclosed using only the internet has increased. Therefore, information on the internet should be allowed as reasons for prevention of novelty.

* Expansion of Applicable Exceptions for Loss of Novelty

The scope of applicable exceptions for loss of novelty was limited only to when an invention related to the patent application is the same as a published invention. However, in addition to when the inventions are the same, now the scope of applicable exceptions has been expanded to include when an invention can be easily accomplished (even when the invention related to the patent application and the published invention have differences).

- Simplification of Procedures for Divisional and Converted Application

In order to establish a user friendly system, when divisional and converted applications are filed based on applications claiming priority under the Paris Convention or claiming domestic priority, or based on applications requesting application for exception for loss of novelty, it is now possible to claim priority under the Paris Convention or domestic priority and to request application of exception for loss of novelty without having to restart the procedure.

At the 32nd Industrial Property Council Law Subcommittee meeting and the 36th Property Council General Meeting held on December 14, 1998, a report was submitted by the subcommittee and was

approved.

An amendment bill was submitted during the 145th regular Diet session. The bill was established on May 7, 1999, was issued as Law 41 on May 14th, and went into effect on January 1, 2000 (the amendment related to the reduction of application examination claims went into effect on October 1, 2000).

(b) Practical points

(1) Reducing the Examination Request Period

There were many applications for patent rights that had gone undetermined for a long period of time. Therefore, the period for examination requests was reduced from seven years to three years (Article 48-3).

The examination request period in countries that have adopted the examination request system is between two to seven years. The examination request period in advanced European nations (European Patent Convention) is two years (six months after the investigation report is issued.)

The Japanese Patent Law does not incorporate the investigation report system, so the examination request period is three years after filing.

(2) Review of Patent Opposition Appeals and Amendment Requests for Invalidation Trials

When a claim related to an appeal for patent opposition is amended, that amendment is approved without determining whether or not the invention, which is specified by the description in the claim after the amendment, receives a patent independently when the patent application is filed. Whether or not a patent is granted independently is determined only while the reason for cancellation is being examined (Article 120-4, Item 3, conditional clause). When a claim is not related to an appeal for patent opposition is amended, that amendment is approved by determining whether or not the invention, which is specified by the description in the claim after the amendment, receives a patent independently when the patent application is filed, which is the same as before (Article 120, Section 4, Item 3). The opposition appeal system has been integrated with the patent invalidation trial according to patent law amendments in 2003.

Amendment requests for patent invalidation trials have been given the same revisions (Article 134, Item 5).

(3) Improving the Authentication Function for Trial Procedures

Oral hearings should be used more in order to speed up trials. Trial clerks should be established and used as authentication agents that can create a record of pre-trial investigation for oral hearings as an independent authority (Article 144-2).

Trial clerks are used as authentication agents that handle authentication work independently from the patent office commissioner and trial collegiate court (Article 144, Item 4). Authentication work includes the creation of investigation papers, authorization, and transfers. Trial clerks also handle other duties not related to actual trials according to the command of the chief judge. The patent office commissioner appoints a trial clerk for each case. Exclusions and refusal provisions for the chief examiner also apply to the trial clerk (Article 144, Item 5).

Establishing a trial clerk system makes it possible to establish a system that can handle oral hearings correctly and in compliance with laws. Authentication and objectivity of investigation reports can now be guaranteed, and functions that guarantee lawful procedures can be strengthened.

(4) Improving Bail-Out Measure for Patent Infringement

(i) Simplification of Proof of Infringement (Explicit Obligation of the Embodiment)

A special provision was made for positive denial, which means that the other party that denies the claim of the right holder must explain the embodiment of their actions (newly added Article 104-2).

Submission documents for infringement lawsuits now included “Necessary Documents for Proving Infringement” in addition to the “Necessary Documents for Calculating Damage.” A new provision for proving infringement has been added which makes it possible for the judicial court to order the submission of necessary documents (Article 105, Item 1).

A new provision has also been made that requests unnecessarily disclosure of confidential business material in the documents to be avoided (newly added Article 105, Item 2).

When a patent right infringement lawsuit is raised, it is usually difficult to prove the infringement action because the right holder cannot identify the detailed actions of the other party such as when the infringement takes place inside of a factory. Therefore, there are often unique situations that do not exist in other civil lawsuits. The provision for positive denial does not work well while a situation is being investigated. Also, necessary proof is often not submitted during the search for proof. Newly

established provisions should release burden of proof of the right holder, and should also help necessary proof be submitted during the search for proof. These provisions are expected to contribute toward the proper execution of rights.

(ii) Simplification of Proof of Damages (Implementing an Expert Witness Calculation System)

A new provision was made for a financial accounting expert to be appointed as an expert witness for calculating necessary items for damages, and the infringer has the obligation to explain necessary items related to calculation to the expert witness (Article 105-2).

The following are issues related to patent right infringement lawsuits.

- A large number of documents need to be submitted as proof, so it is difficult for the judge and for lawyers that are not experts on accounting to understand the documents correctly or quickly.
- When the submitted documents contain descriptions using abbreviations, and when the submitted documents are output data from account sheets that are managed by computers, it is necessary for outsiders to receive an explanation of the contents so that they can fully understand.
- If the infringer does not explain documents when requested according to the party reference (Civil Procedure Code, Article 163) and questions from the expert (Civil Procedure Code, Article 133), it may not be possible to understand the contents of the submitted documents.

In order to resolve these issues and to prove damages faster and more efficiently, experts with knowledge of accounting should be used, and the infringer should be made to cooperate when calculating damages. Therefore, a new system was implemented that allows for a neutral third party (expert witness for calculation) to view the necessary documents for calculating damages, who then report necessary items for calculating damages to the court according the cooperation obligation of the infringer.

(iii) Simplification of Proof of Loss

When it has been proved in an patent right infringement lawsuit that damages have occurred and it is difficult to prove necessary facts that establish the amount of loss due to the nature of the facts, the judge has the ability to reduce the amount of necessary proof and to certify a reasonable amount of loss based on the overall point from the oral arguments and the result of the investigation of evidence (Article

105-3).

According to the Civil Procedure Court provision that “when it has been proved in an patent right infringement lawsuit that damages have occurred and it is difficult to prove necessary facts that establish the amount of loss due to the nature of the damage, the court has the ability to reduce the amount of necessary proof and to certify a reasonable amount of loss based on the overall point from the oral arguments and the result of the investigation of evidence” (Civil Procedure Code, Article 248), the degree of proof for the amount of loss can be reduced as a bail-out measure if it is difficult to prove the amount of loss.

However, it is usually not possible to say that loss is difficult to establish due to the "nature of the damage" in a patent right infringement lawsuit. In some cases though, the price of a product may have been forced to be reduced due to infringement actions, it may be difficult to estimate how much the patented invention contributed toward the product, or although the number of sales of the infringing product could be proven for a certain region, proving the number of sales for other regions requires much expense, so it is difficult to prove the total sales even when much effort is made. Therefore, it has become possible to certify a reasonable amount of loss for cases where it is difficult to prove loss due to the “nature of the facts” in addition to cases where it is difficult to prove due to the “nature of the damage.”

(iv) Strengthening the Determination System

In order to establish a determination system that can guarantee fair and quick trials and decisions based on proper trial procedures, provisions for necessary procedures (applied correspondingly to the provision for trial determination procedures) were established (Article 71, Item 3). Also, when the court requests the technical scope of a patented invention to be appraised by the patent office, three chief examiners are used (Article 71- 2, Article 199, and Article 202).

According to the former determination procedure, overall procedures were determined by governmental ordinance (Patent Law Enforcement Ordinance). The procedure determined by the governmental ordinance was much simpler than other normal trial procedures, and the procedures also contain many unclear points. Therefore, provisions for trials apply correspondingly to basic procedures that are essential for determination procedures, and to necessary procedures for proper determination result presentations based on fair procedures (ensuring reliability) and prompt trial closing

(promptness and efficiency).

Additionally, according to the Civil Procedure Code provision, it is already possible for the court to request the patent office to appraise the technical scope of the patented invention. However, the main body for appraisal was not clear. Therefore, three chief examiners are now used.

(v) Strengthening Criminal Penalties

Severer penalties (Article 201: from 3 Million Yen 100 Million Yen) are now implemented on legal entities for fraud (Article 197) and fraudulent labeling (Article 198).

(5) Review of the Extension Registration System for Patent Duration

In order to collect investments that are made for research and development and encourage reinvestment for development of new technologies, the “Patented Invention has Not been Worked for Over Two Years” condition of the extension registration requirements was removed (Article 67, Item 2). As a result, the patent duration can now be extended even if the period that the patented invention has not been worked is less than two years. According to the patent duration extension system in Europe and the United States, extensions of less than two years are possible. Therefore, the system in Japan is now in harmony with international systems.

The “Decision Based on Government Ordinance must be Received Six Months Prior to the Expiration of the Patent” requirement for extension registration application was relaxed. The extension registration application is now accepted even when the decision based on the governmental ordinance is received within six months of the patent expiration (Article 67-2). Based on this revision, the obligation that requires the submission of documents containing sufficient information for disclosure to a third party was added in order to prevent unexpected damages to a third party (Article 67-2, (2)).

(6) Implementation of an Early Unexamined Publication System Based on Application

An early unexamined publication system was implemented in order to publish applications based on the applicant’s application, even when it is within 18 months from the filing of the application so that rights for claims can be created quickly for monetary compensation when desired by the applicant (Article 64-2 and Article 64-3).

When an international patent application based on the Patent Cooperation Treaty is published

internationally within 18 month of the application filing, the right to claim for monetary compensation was after 18 months from the application filing because the early unexamined publication system based on application was not implemented in Japan. This provision was revised to allow for the right to claim for monetary compensation within 18 months of filing (Article 184-9 and 184-10)

(7) Exchanging Information Related to Infringement Cases between Judicial Courts and the Patent Office

In order for the patent office to understand trials related to infringement lawsuits and to complete trials quickly, judicial courts notify the patent office when a lawsuit related to a patent right infringement case is raised and notifies the patent office when the case is finished (Article 168, Item 3). In order for judicial courts to understand whether or not there are any claims related to a trial, and to help understand the status of the trial, the patent office notifies the court of whether there are appeals related to an ongoing infringement lawsuit and notifies the court of the trial decision when the patent office receives notification from the court of a lawsuit being raised (Article 168, Item 4).

(8) Expansion of Reasons for Prevention of Novelty

When the patent law was established in Japan (1959), it was difficult to research official notices and government business in foreign countries. Therefore, the standards for official notices and government business were set as domestic. However, if a patent is given in Japan to an invention (public domain) that is in an official notice or government business overseas, a technology that can be used freely overseas cannot be used domestically. As a result, technological development is delayed. Also, this situation gives the impression that Japan promotes the copying of technology. Therefore, the system was opposite from the movement of Japan, which was aspiring to shift from being a follower to a leader of research and development. Also, transportation has greatly advanced, the economy has become borderless, and access to information has improved such as via the internet. As a result, it has become relatively easy to investigate facts related to official notices and government business overseas for understanding the actual status of overseas sales and understanding the contents of conference presentations. This makes it unnecessary to have regional standards for official notices and government business set as domestic. Therefore, regional standards for official notices and government business have been extended internationally (Article 29, Item 1).

Technical information that is disclosed over the internet basically contains the same information as technical information that is published in magazines or books. The internet allows for fast transmission and has the added benefit of search functions. Patent rights should not be given to inventions that are disclosed only over the internet without having been published in a publication. However, based on decisions from past cases, technical information that was only disclosed digitally was not considered a “publicly known invention” or as an “officially noticed publication.” Therefore, applications could not be refused simply because the invention related to that patent application was disclosed over the internet before the application was filed. On the other hand, the patent offices in the United States and in Europe can legislatively handle technical information that has been disclosed only over the internet as a reason for rejection of novelty. Guidelines for technical standards have been established in order to handle technical information that is disclosed over the internet. This created situations where a patent was forced to be given in Japan to an invention that was rejected by examination of the United States or Europe patent offices because the technical information was disclosed on the internet. Therefore, now information that has been disclosed over the internet can be considered a cause for rejection of novelty in Japan (Article 29, Item 1, (3)).

(9) Expansion of Applicable Exceptions for Loss of Novelty

According to the old patent law in Japan, the scope of applicable exceptions for loss of novelty was limited only to when an invention related to the patent application is the same as a published invention. However, when an invention that applies to Article 29, Item 1 by its own action is not the same as an invention related to the patent application, the provision for the exception for loss of novelty cannot be applied. As a result, an invention that is related to a patent application was sometimes rejected because that invention was easily achieved based on an invention that applied to Article 29, Item 1 by its own action.

It often occurred that an invention, which applied to Article 29, Item 1 by conducted tests, announcements in publications, documented presentations at workshops, and exhibitions at conventions, was not really the same as an invention related to a patent application. Academic significance and actual achievements are especially important for documented presentations at workshops. The contents of the presentation documents are mostly different from the contents of patent applications where the scope of the right and description requirements are considered important. Therefore, the old

provision prevented academic individuals who focused on the importance of presentations at workshops and publishing papers from acquire rights. The old patent law also limited the application of the exception for loss of novelty only to the same invention. This was a restriction for making claims based on the unity of invention.

In order to resolve these problems, own actions for published inventions needed to not be considered when determining novelty and progressivity of the patent application. Therefore, this was revised so that exception for loss of novelty can apply to cases where an invention can be achieved easily in addition to when it is the same (when differences exist between the invention related to the patent application and a published invention) (revised Article 30, Items 1 to 4).

(10) Simplification of Procedures for Divisional and Converted Applications

In order to establish a user friendly system, when divisional and converted applications are filed based on applications claiming priority under the Paris Convention or claiming domestic priority, or based on applications requesting application for exception for loss of novelty, it is now possible to claim priority under the Paris Convention or domestic priority, and to request application of exception for loss of novelty without having to restart the procedure (resubmission of written sheets or documents) (newly added Article 44, Item 4).

2.3 Patent Law revision of 2002 (Effective September 1, 2000)

(a) Revision of Law

The intellectual property system in Japan has changed to an optimized style based on changes in the economy and global environment. Laws have been revised sequentially in order to make intellectual property right protection “Wider, Stronger, and Faster.” As a result, an internationally high standard intellectual property right protection system has been achieved.

Use of Information Technology (IT) has resulted in rapid progress of social and economic activities throughout the world. Business activities over networks such as electric commercial transactions have especially increased as use of the internet has increased. Therefore, in order to develop a new economic society that has knowledge and information as a source of added value, it was necessary to quickly establish an appropriate legal system according to the changes in the economy.

Based on this recognition, the Industrial Structure Council Intellectual Property Policy Subcommittee meeting was held for the first time on May 11, 2001. At this meeting, it was determined necessary to establish a legal subcommittee that belongs to this policy subcommittee in order to review the scope of the validity of patent rights and trademark rights based on developments in the IT field, and in order to discuss the application procedure for promoting quick and appropriate examinations, improving convenience for applicants, and establishing international harmonization. Legal subcommittee meetings were held seven times from May to October of 2001. Drafts were created based on reports of discussion results, and public opinion was researched for about one month. Revisions were made based on the collected opinions, and “The Nature of the Patent Law and Trademark Law Response to Networking” report was approved at the Industrial Structure Council 2nd Intellectual Property Right Policy Subcommittee meeting held on December 3, 2001. The following items were mentioned in the report as needing to be revised.

(i) Strengthening Patent Protection for Information Properties such as Software, and Promoting Network Transactions

The old patent law assumed that an invention would be used as based on the concept that a “Thing = Tangible Entity.” Therefore, the patent law did not clearly identify the scope of protection for intangible entities such as computer programs.

However, as broadband communication have become more common, program sales and distribution over the internet without using physical media such as CD-ROMs have increased.

Therefore, patent right infringement should include actions where patented programs are transmitted over a network without authorization.

(ii) Improving Provisions for Indirect Infringement

According to the former patent law, infringement included the contributory actions of supplying parts and materials to the infringer for the infringed patent right.

However, at the same time, the object of infringement was limited to exclusive parts (items that are used exclusively for that product). Therefore, few cases could be certified as infringement based on court precedent.

As a result, this should be revised so that the scope of indirect infringement can be extended to include the intentional supplying of parts (recognized that use of the parts would result in infringement) in order to strengthen patent right protection.

(iii) Reducing the Burden on Applicants, and Promoting Quick and Appropriate Examinations

*** Separating the Scope of Patent Claims from Patent Specifications**

The patent application method should be harmonized with the application systems in advanced countries and with international applications so that the burden of preparing patent applications can be reduced for the user.

*** Extension of the Submission Period for Domestic Documents**

Based on the resolution of the Patent Cooperation Treaty general meeting, the submission period for all domestic documents that are used for international applications should be extended to 30 months. Also, the submission of translations should be extended by two months in order to help improve translation quality, and to promote user convenience and improve examinations.

*** Implementation of an Information Disclosure System for Prior Art Documents**

A system for requesting applications to disclose prior art documentation to the examiners when an application is filed should be implemented in order to achieve fast and appropriate examinations.

At the Industrial Structure Council 2nd Intellectual Property Right Policy Subcommittee meeting held

on December 3, 2001, a report on the above items made by the subcommittee was approved. The amendment bill was submitted at the 154th regular Diet session. It was then established on April 11, 2002, was issued publically as Law 24 on April 17th, and went into effect on September 1, 2002 (amendments related to indirect infringement went into effect on January 1, 2003).

(b) Practical points

(1) Clarification of Working an Invention

As information technology has rapidly developed, new distribution systems such as network transactions for intangible information properties like computer programs have appeared. The scope of protection for software inventions have been expanded by amendments to the examination standards. However, according to the Civil Law, a “thing” was regulated as a tangible entity (Civil Law Article 85). Therefore, there was concern whether “thing” in the patent law includes information properties such as programs based solely on the interpretation of the old law.

When a computer program is transmitted or when an ASP type service is used via a network, the original program is kept by the transferor or service provider. According to the old patent law, the terms “assignment” and “lease,” which are based on the assumption of right and property transfer, are regarded as “working,” so there was concern as to whether these terms include the aforementioned computer programs and ASP services.

In order to resolve this issue, the provisions for the working of an invention were revised based on the viewpoints of the protection object category and the objective working action. Legislative proceedings were able to clarify that information properties such as computer programs are included as “things” under the Patent Law, and that providing of programs over a network is considered working of an invention (Article 2, Item 3, (1)). As a result, it was possible to achieve proper right protection for intangible information properties such as computer programs, and to respond flexibly to new working styles.

(2) Improvement of Provisions for Indirect Infringement

It was assumed that the number of cases for software invention right protection, which are not clarified by the provision for indirect infringement that consists of only objective requirements according to the original patent law, would increase.

In addition, provisions for indirect infringement in the Patent Law, which used only objective requirements, had not been revised since it was implemented in 1959. Therefore, in addition to problems related to networks, there was concern that these old provisions were not effective enough.

In Europe and the United States, the subject of the doer is considered as a requirement, and the object of the objective requirement is not limited to “exclusive goods.” Provisions were made from the viewpoint of the major element of the invention or the main part of the invention.

In order to resolve these issues, the requirements for proving indirect infringement were revised. Subjective requirements were added, and the objective requirements was relaxed so that the scope of bail-out for indirect infringement could be expanded (newly added Article 101, (2) and (4); (4) is now (5)).

(3) Other Amendment Items

The following are other patent law amendments from 2002.

(i) Separation of the Scope of Patent Claims from Patent Specifications

In order to be able to start accepting electronic applications by the WIPO, the patent office made drastic changes to the electronic application system, and plans were made to begin accepting international electronic application in January of 2004. Therefore, the application format for domestic applications was also adjusted to be consistent with the application format specified by the PCT by that date. The “scope of claims” now uses documents that are independent from patent “specifications” (Article 36, Item 2, etc.).

(ii) Extension of the Domestic Transition Period

Based on the results of the 30th PCT general meeting, amendments were made in Japan regarding the domestic transition period for international patent applications, which was changed to a period of two years and six months from the priority date regardless of the demand for international preliminary examinations (Article 184-4).

In Europe and the United States, an extension period is sometimes given for the submission of a translation. When a translation of a foreign language patent application is submitted with Japan as the designated nation and or selected nation based on the PCT, an extension period is given requiring submission to be made with a certain period after the applicant decides on domestic transition (Article

184-4).

(iii) Implementation of an Information Disclosure System for Prior Art Documents

Intellectual properties have become increasingly important in business activities, and the number of patent applications and requests for examinations have increased. In this situation, if the result of a prior art search is disclosed by an applicant and if this information is used for examination of a patent application, this would make the examination better and faster.

Although the environment for conducting efficient prior art searches was already developed, there were many applications that did not describe prior art documents in the specifications. Therefore, it could not be said that the disclosure and usage of the prior art search system was being used efficiently.

In Europe and the United States, information related to prior art is positively disclosed during filing or during the examination procedure by applicants based on the doctrine of good faith for the patent examination procedure.

Therefore, in order to give strong patents based on sufficient prior art research, an effective prior art disclosure system was implemented based on the system in Europe and the United States (Article 36, Item 4, (2) and Article 48-7 etc.).

2.4 Patent Law revision of 2003 (Effective January 1, 2004)

(a) Revision of Law

The Prime Minister of Japan delivered a speech on administrative policies in February of 2002, which emphasized the need for the intellectual property strategy to be part of the national strategy. In March of the same year, the “Strategic Council on Intellectual Properties” presided over by the Prime Minister was established, and the “Outline of the Intellectual Property Strategy” was established that July. The outline of the intellectual property strategy included a detailed action plan, which the government focused on implementing by the 2005 fiscal year, for each intellectual property field including “Creation,” “Protection,” “Application,” and “Enrichment of the Human Foundation” in order to establish Japan as a nation of intellectual property. In November, 2002, fundamental intellectual property laws were established, the headquarters of intellectual property strategies was established in March, 2003, and the “Promotion Program for Intellectual Property Creation, Protection, and Application” was formed in July of 2003.

Under this situation, the need to strengthen international industrial competition has increased in Japan, and fast and appropriate protection of intellectual properties was demanded. Therefore, at the Patent Issues Subcommittee meeting and the Dispute Settlement Subcommittee meeting of the Industrial Structure Council Intellectual Property Policy Subcommittee, adjustments to the cost burden for acquiring patent rights, realization of a fast and appropriate settlement system, and the promotion of international harmonization of the patent system were discussed. The following is a summary of the mid-term discussion.

- Application fees and patent fees should be reduced, and the examination request fee needs to be increased in order to correct the unbalanced cost burden of applicants and to promote proper examination requests while considering the cost for patent examinations so that it will be possible to adjust the burden of cost for acquiring patent rights. When requested, it should also be possible to return part of the examination request fee when an application is dropped after examination is requested.

- In order to achieve a fast and appropriate settlement system, the opposition system and invalidation trial system, which were established separately for determining patent validity, were merged. As a result, the whole settlement period was shortened and the burden was reduced. It is necessary to eliminate cases where the invalidation trial is passed back and forth between the patent office and the

Tokyo High Court so that it will be possible to resolve disputes quickly.

- In order to promote an internationally harmonized system, to reduce the burden on the applicant, and to make the whole procedure smoother, it was necessary to implement a system where international applications are considered as filed automatically with all agreeing countries, and to harmonize international unity of invention requirements.

This mid-term summary was approved at the Industrial Structure Council 3rd Intellectual Property Policy Subcommittee meeting held on February 18, 2003. The amendment bill was submitted at the 156th regular Diet session, was established on May 16, 2003, was issued publically as Law 47 on May 23rd, and went into effect on January 1, 2004 (the amendment for patent fees went into effect on April 1, 2004).

(b) Practical points

(1) Merging of the Opposition System and Invalidation Trial System

There were problems in the past when determining patent validation because the opposition system and invalidation trial system existed separately but at the same time. In order to prevent such problems and to improve the opposition system and invalidation trial system, the opposition system was eliminated and was integrated into the invalidation trial system (removed Articles 113 to 120).

The invalidation trial system became the administrative trial system for achieving two purposes; “settling disputes including potential issues between parties” and “reviewing administrative penalties made by the patent office.” As a result, the multiple needs of the old opposition system and the current invalidation trial system could be achieved.

For example, anyone may file a request for an invalidation trial except when the reason is related to right attribution (joint application violations and usurpation) (Article 123, Item 2).

The fundamental structure of the invalidation trial system is the conflict between party that requests the trial and the patent holder, and a supplemental system was established based on the authority of the chief examiner.

It was also determined that the request period for invalidation trials does not need to be limited the same as with old invalidation trials.

(2) Faster Examination of Invalidation Trials

- Description Requirements for the Invalidation Trial Request Reason

In order to speed up the examination process for invalidation trials, description requirements for invalidation trial request reasons were clarified. Now, the facts on which the invalidation of the patent is based must be specified in concrete terms, and the relationship of each fact that is required to be proved with the relevant evidence must be stated in the grounds for the request (Article 131, Item 2).

- Unusual Permission for Amendment of the Request for Changing the Gist of Invalidation Trial Request Reason

Usually, it was not possible to amend a request that changes the gist of the invalidation trial request reason. However, when the amendment is requested, additional proof and the reason for invalidation may be required. In such cases, if the gist of the reason for the request is not allowed to be change, this is unfair for the party who requested the invalidation trial. Therefore, in order to speed up examinations for invalidation trials, the chief examiner has the right to use his authority to permit amendments that add invalidation reasons and proof when an amendment is requested. Statements of dissatisfaction for the amendment permission decision are not permitted (newly added Article 131-2).

When an amendment is permitted, the opportunity for submitting a response (Article 134, Item2) and the opportunity for an amendment request (Article 134-2) are given to the patent holder who is the defendant.

(3) Organization of the Relationship between Invalidation Trials and Suits against Appeal Decisions

- Period Limitation for Correction Trials after a Suit against an Appeal Decision is Raised

In order to eliminate cases where invalidation trials are passed back and forth between the patent office and the Tokyo High Court, requests for correction trials are permitted within 90 days of the raising of the suit against an appeal decision (Article 126, Item 2).

- Cancellation and Remanding of Original Decisions Based on the Authority of the Court

When a correction trial is requested or will be requested after the invalidation trial decision is made, the court can cancel the decision in order to return the case back to the patent office if the court determines that the correction trial is appropriate for the invalidation trial procedure (Article 181, Item 2).

- Implementation of Requests for Correction after Remanding

After a court returns a case back to the patent office, the opportunity for a request of correction is given (Article 134-3).

- Implementation of an Opinion Request System and Opinion Statement System for Suits against Appeal Decisions of Invalidation Trials

When a suit against an appeal decision of an invalidation trial is raised, the patent office can get involved in the suit based on the opinion request system and opinion statement system (Article 180-2).

(4) Revision of Provisions Related to Unity of Invention

Requirements for unity of invention according to the old patent law were from the requirements of the PCT. Therefore, applicants sometimes needed to change the configuration of their claim when filing overseas. Also, in addition to the increased burden of international filing, the priority right might be lost overseas depending on the conditions. These factors interfere with acquisition of international rights.

The definition for unity of invention was unclear, so the procedures that needed to be taken by the applicant and by the examiners were also unclear or not uniform. It was also necessary to determine whether or not each claim met the requirements for unity. These factors slowed down the examination process, and increased the burden for examination and search for prior art.

Therefore, the provision for unity of invention requirements was revised in order to be consistent with the provisions of the PCT (Article 37).

(5) Other Amended Items

The following are other patent 2003 law amendment items.

(i) Modification of Patent Fees

Application fees and patent fees needed be reduced, and the examination request fees needed to be increased in order to correct the unbalanced cost burden for applicants and to promote proper examination requests while considering the cost for patent examinations so that it will be possible to adjust the burden of cost for acquiring patent rights (Article 107 and Article 195 appendix).

(ii) Implementation of a System that Return Examination Request Fees

When an application is withdrawn after requesting an examination, a new provision was made for part of the examination request fee to be returned when certain requirements are met (Article 195, Item 2).

(iii) Simplification of the International Filing Procedure

In order to promote an internationally harmonized system, to reduce the burden on the applicant, and to make the whole procedure smoother, a system was implemented where international applications are considered as filed automatically with all agreeing countries, and to harmonize international unity of invention requirements (Law Concerning the International Application of the Patent Cooperation Treaty and Related Matters).

2.5 Patent Law revision of 2004 (Effective April 1, 2005)

(a) Revision of Law

In Japan, the examination period for patent applications was over two years in 2004, and there was a backlog of about 500,000 applications, which was only expected to increase. The budget was increased in order to increase the number of examiners so that the examination period could be reduced. The 2004 patent law amendments were made as a legislative response to speed up patent examinations and achieve an intellectual property nation.

The Industrial Structure Council Intellectual Property Policy Subcommittee decided to establish a utility model working group and a patent strategy plan working group for related issues under the patent system subcommittee in order to have discussions on various issues in addition to the discussions at patent system subcommittee meetings.

The results of the above discussions were reported at the Industrial Structure Council 4th Intellectual Property Policy Subcommittee meeting held on January 29, 2004. Patent law amendments for 2004 were referred to as the “Patent Laws Amendments for Speeding Up Patent Examinations.” These amendments were established on May 28, 2004, issued as Law 79 on June 4th, 2004 (enforced on the same date), went into effect partially on October 1, 2004, and fully went into effect on January 1, 2005.

Intellectual property infringement lawsuits including patent rights were discussed as part of the judicial system reformations at the Intellectual Property Lawsuit Investigative Commission of the Judicial System Reformation Promotion Headquarters. In order to improve and speed up intellectual property lawsuits, the Intellectual Property High Court was established, and the patent law was amended by the “Law Amendments Related to the Court” (Law 120)

The following is an overview of the amended items related to the patent law.

- “Patent Laws Amendments for Speeding Up Patent Examinations”
- * Implementation of a patent application system based on utility model registration (Article 46-2)
- * Review of the invention in service system (Article 35)
- * Review of the designated investigative bureau system (Special Law Article 9 etc.)
- * Implementation of a special registration investigative bureau system (Special Law Article 39-2 etc.)
- * Issuing of an official newsletter using the internet (Special Law Article 13 etc.)
- * Implementation of a prepayment system for returning patent fees (Special Law Article 15 etc.)

- * Expansion of the operations of the Independent Administrative Institution for Industrial Property Information (Information Organization Law Article 2 etc.)
- “Law Amendments Related to the Court”
- * Restriction of execution of patent holder rights (Article 104-3)
- * Improvement of the in camera examination procedures for determining whether documents need to be submitted (Article 105, Item 3)
- * Issuing of a confidentiality order (Article 105-4)
- * Cancellation of a confidentiality order (Article 105-5)
- * Notification of request for viewing trial records (Article 105-6)
- * Stoppage of publication of party interrogations (Article 105-7)

(b) Practical points

(1) Implementation of a Patent Application System Based on Utility Model Registration

According to the amendments to the Utility Model Law in 1994, the utility model system became a system for registering by only conducting a formal examination and examination for basic requirements without having a substance examination. As a result, it became possible to complete registration within about six months of application for utility model registration, which means there was almost no time to make changes between the application for utility model registration to the patent application.

According to the 2004 patent law amendments, it became possible to file patent applications based on utility model registration if it is within three years of the application for utility model application (Article 46-2).

The patent application system based on utility model registration was implemented to make it possible to file patent applications based on the utility model application after utility model registration.

(2) Review of the Invention in Service System

There were some problems related to the invention in service system in the old patent law. First, it was difficult for users and employees to estimate compensation voluntarily. It also discouraged users from investing in research and development because it was difficult to estimate compensation, and there was the potential of discouraging employees from making inventions. Finally, there were unclear factors for calculating compensation for lawsuits.

The above problems were resolved according to the 2004 patent law amendments. First, compensation for inventions in service was determined voluntarily by the user and employees. Also, it was approved for employees to request compensation when compensation was not determined or it was determined that the compensation was unreasonable, and unreasonableness of compensation was determined based on evaluation of the overall compensation determination process. Finally, the overall situation is taken into consideration when estimating compensation for a lawsuit (Article 35).

(3) Restrictions on Execution of Rights by Patent Holders

According to the decision by the Supreme Court (April 11, 2000), it was determined that patent rights cannot be executed due to abuse of rights when the patent right is determined to be invalid by an infringement lawsuit. After this decision was made, patent right validity became an issue in infringement lawsuits.

According to the 2004 patent law amendments, execution of patent rights was restricted when it was determined to be invalid by an invalidation trial in order to effectively resolve patent lawsuits (Article 104-3).

(4) Improvement of the In Camera Examination Procedure for Determining whether Documents need to be Submitted

It was beneficial in some situations to disclose submitted documents to applicants who request a document submission order during the in camera examination procedure of patent infringement lawsuits.

Therefore, it became possible to disclose submitted documents to applicants for document submission orders, and to present an opinion based on the discretion of the court during the in camera examination procedure of patent infringement lawsuits (Article 105, Item 3).

(5) Confidentiality Order

According to the Japanese Constitution, trials are public in order to ensure the fairness of the trial and appropriateness of the procedures (Article 82 of the Constitution).

In many cases involving patent infringement lawsuits, it is beneficial to request for submission of confidential business matters in order to prove patent right infringement.

Therefore, according to the 2004 patent amendments, confidential orders can be issued to each individual party that have an obligation of confidentiality based on the discretion of the court in order to strike a balance between simplification of proof of patent right infringement and protection of confidential business matters (Article 105-4). A confidentiality order can be canceled at the discretion of the court (Article 105-5), and notification of requests for viewing trial records is execution at the discretion of the court (Article 105-6).

(6) Stoppage of Publication

According to the Japanese Constitution, trials are generally open to the public. However, if certain requirements are met, the trial can be closed to the public (Article 82, Item 2 of the Constitution). But, it was not clear whether these requirements can be applied to patent right infringement lawsuits.

Therefore, according to the 2004 patent law amendments, the requirements for closing trials to the public and the procedures were clearly determined (Article 105-7).

2.6 Patent Law revision of 2006 (Effective January 1, and April 1, 2007)

(a) Revision of Law

In order to strengthen Japan's ability to compete in international industry through innovative inventions, and in order to be in harmony with international systems, it was necessary to strengthen protection of patent rights and to simplify the procedure for acquiring rights. It was also necessary to strengthen measures to prevent distribution and import/export of counterfeit goods to stop the spread of damage caused by counterfeit goods throughout the world.

This issue was discussed at the Patent System Subcommittee meeting of the Industrial Structure Council Intellectual Property Policy Subcommittee. The "Nature of the Patent System" report was approved at the Industrial Structure Council 7th Intellectual Property Policy Subcommittee meeting held on February 15, 2006. The "Amendments of the Design Law" that included amendments to the patent law was established on June 1, 2006, was issued as Law 55 on June 7, 2006, and went into effect on April 1, 2007 (some portions went into effect on January 1, 2007).

The following is an overview of the 2006 amendments to the patent law.

- Strengthening Protection of Patent Rights and Simplification of Right Acquisition
- * Restriction of changes after notification of the reason for the first rejection
- * Prevention of misuse of divisions and relaxation of division period restrictions
- * Extension of the translation submission period for foreign language document application
- Prevention of distribution and import/export of counterfeit goods
- * Addition of "Export" to the work action
- * Addition of "Possession of Infringement Goods for Assignment" to the deemed infringement actions
- * Increase of the maximum prison term and monetary penalty for infringement

(b) Practical points

(1) Restriction of Changes after Notification of the Reason for First Rejection

According to the old patent law, it was possible to make changes to other inventions that had different technical attributes after receiving the first notification of the reason for rejection. However, the patent law in Europe and the United States does not allow for such changes to be made, so it was necessary to prohibit such changes in order to be in harmony with international systems.

According to the 2006 amendments to the patent law, it is no longer possible to make changes to other inventions that had different technical attributes after receiving the first notification of the reason for rejection (Article 17-2, Item 4).

(2) Prevention of Misuse of the Division System

According to the old patent law, the reason for rejection of divisional application was notified twice (the reason for the first rejection and the reason for final rejection), the same as for normal patent applications, even if the reason for rejection was the same as for the original patent application. There was concern that divisional applications were being abused in order to divide the same invention without carefully examining the reason for rejection that was notified during the examination of the original patent application.

Therefore, according to the 2006 amendments to the patent law, when the reason for the rejection for divisional application is the same as the original reason, notification is given that the reasons are the same, and the reason for the first rejection can also be handled as the reason for final rejection (Article 50-2).

(3) Relaxation of the Division Period Restrictions

According to the old patent law, the period for divisional application was the same as the period for making changes. Therefore, it was not possible to divide applications after the transcript of the patent decision was sent. It was also not possible to divide an application without requesting an appeal against the examiner's decision for rejection after the transcript for the decision for final rejection was sent.

Therefore, according to the 2006 amendments to the patent law, restrictions for the divisional application period were relaxed. It also became possible to file divisional applications within 30 days after the transcript of the patent decision was sent, and within 30 after the transcript for the decision for final rejection was sent (Article 44, Item 1).

(4) Extension of the Translation Submission Period for Foreign Language Document Application

According to the old patent law, the translation submission period for foreign language document application was within two months of filing. This provision was made based on the assumption that

applications with priority right claims were going to be published within 18 months of the priority date. However, the old patent law also specified two months as the translation submission period for the foreign language document applications without priority right claims. There was concern that this was unfair when compared to applications with priority rights.

Therefore, according to the 2006 amendments to the patent law, the translation submission period for foreign language document applications was specified as “14 months from the priority date,” and the translation submission period for foreign language document applications without priority right claims was extended to 14 months after filing (Article 36-2 and Article 17-3).

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