

**Report of the Planning Subcommittee of the
Industrial Property Council
- To the better understanding of pro-patent policy -**

**The Planning Subcommittee of the Industrial Property Council,
November, 1998**

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Particulars of the Holding of the Planning Subcommittee of the Industrial Property Council

In order to promote greater incentive for research and development and the development of world-leading technology, together with providing wide-ranging, effective and prompt protection of intellectual property rights, it is essential to strive to speed up the process of right acquisition. In addition, there is also a growing demand for the establishment of legislation and the simplification of procedures and so forth accompanying the internationalization and growing use of information in society.

In order to study and survey these subjects from a broad viewpoint, it was decided to establish this committee in the form of a subcommittee at the legislation sectional meeting held during the 35th general meeting of the Industrial Property Council.

In response to this decision, committee members deliberated who were selected from various departments of society.

The following provides a summary of the particulars of meetings held thus far.

1st Subcommittee Meeting: July 23, 1998 (Thursday)

- Proceedings:
1. Designation of chairman
 2. Present state of industrial property right administration
 - (1) Establishment of the planning subcommittee
 - (2) Current matters for deliberation
 - (3) Laws calling for partial revision of the Patent Law, etc.
 - (4) Patent administrative vision for the year 2005
 3. Major subjects for examination relating to the patent system
 - (1) Accelerated acquisition of rights
 - (2) Realization of wide-ranging, strong and prompt protection
 - (3) Simplification of procedures
 - (4) Accommodation of the age of the Internet

2nd Subcommittee Meeting: September 2, 1998 (Wednesday)

- Proceedings:
1. Shortening of the period for requesting examination
 2. Enhancement of relief measures for patent infringement
 3. Cooperation between the Patent Office and courts
 4. System for extending patent term
 5. Enhancement and strengthening of examination and appeal/trial functions
 6. Optimum state of a system accommodating the age of the Internet
 7. Other revisions
 8. Introduction of a public comment system for the Industrial Property Council

3rd Subcommittee Meeting: September 21, 1998 (Monday)

- Proceedings:
1. Enhancement of relief measures for patent infringement

2. Introduction of system of early publication of unexamined applications
3. Optimum state of a system accommodating the age of the Internet

4th Subcommittee Meeting: October 19, 1998 (Monday)

- Proceedings
1. Shortening of the period for requesting examination
 2. Enhancement of relief measures for patent infringement
 3. System for extending patent term
 4. Optimum state of a system accommodating the age of the Internet
 5. Results of public comments

5th Subcommittee Meeting: October 29, 1998 (Thursday)

- Proceedings
- Report of the planning subcommittee of the Industrial Property Council (draft)

6th Subcommittee Meeting: November 26, 1998 (Thursday)

- Proceedings
- Summing-up of the report of the planning subcommittee of the Industrial Property Council

List of members of the Planning Subcommittee
of the Industrial Property Council

Name	Position
Chairman	
Nobuhiro Nakayama	Professor, University of Tokyo
Deputy chairman	
Kaoru Kamata	Professor, Waseda University
Committee member	
Makoto Ito	Professor, University of Tokyo
Kiyoshi Ibi	Councilor, Civil Affairs Bureau, Ministry of Justice
Hideo Ozaki	Lawyer
Ichiro Kasuga	Professor, Tsukuba University
Akira Goto	Professor, Innovation Research Center, Hitotsubashi University
Hiroshi Saito	Professor at Senshu University
Kazuhiro Sakai	Vice president, Japan Intellectual Property Association, Senior Managing Director, Ricoh Co., Ltd.
Yoshio Suzuki	Representative Director, Asahi Research Center
Tomoko Takii	Lawyer
Saburo Takeuchi	President, Japan Patent Attorneys Association
Minoru Takeda	Lawyer
Yasutsugu Takeda	Senior Managing Director, Hitachi, Ltd.
Yasuhisa Tanaka	Judge, Tokyo High Court
Bunyo Nagaoka	Editorial writer of Nihon Keizai Shimbun, Inc.
Hisashi Nonogami	Councilor, Criminal Affairs Bureau, Ministry of Justice
Rensei Baba	Editorial writer, The Yomiuri Shimbun-sha
Yoshihiro Harada	Vice President, Toray Industries, Inc.
Nobuo Hirai	Professor, Tsukuba University
Masahiko Fujino	Vice President, Takeda Chemical Industries, Ltd.
Yasuyuki Fujumura	President, Kankyo, Co., Ltd.
Masao Horiba	President, Horiba Seisakusho, Co., Ltd.
Giichi Marushima	Chairman, Intellectual Property Problem Subcommittee, the Industrial Technology Committee, Federation of Economic Organizations, Senior managing director, Canon, Inc.
Atsushi Yamaguchi	Professor, University of Tokyo
Daisuke Yoshida	Section Chief, Copyright Section, Director-General's Secretariat, Agency for Cultural Affairs

I. To the better understanding of pro-patent policy

Chapter 1 Pro-Patent Policies and Their Progress

1. Significance of Pro-Patent Policies

By strengthening and accelerating the "intellectual creation cycle" relating to intellectual property consisting of new "creation", "right establishment" and "right utilization", it will be possible to quickly and sufficiently collect investments required for technology development, and realize activation of intellectual property right transactions, promotion of creative technology development, creation of new industries, and eventually the establishment of a nation based on the creation of science and technology.

- 1) Realization of a nation based on scientific-technological creation
 - 2) System reformation
 - 3) Awareness raising
-
- (a) Establishment of right
 - (b) Utilization of right
 - (c) Creation

(1) Shift to Emphasis on the Development of Creative Technology in an Age of Intense Competition

Following the end of the structure of the cold war, markets around the world have grown and corporate international deployment has become increasingly active resulting in a genuine age of intense competition.

When considering the relative superiority of the countries of Asia in terms of labor costs and so forth, it is essential for Japan to shift from emphasis on the development of improvement technology to the development of highly creative technology having added value.

For example, the gap in technical capabilities with the U.S., the world's leading technology country in advanced fields, is becoming larger.

(2) Strengthening and Accelerating the Intellectual Creation Cycle

Since there are many cases in which the development of creative technology having high added value is achieved through trial and error after investing vast amounts of capital, time and labor, there is a large investment risk. Thus, by devising policies such as the prompt granting of rights for development results and the realization of prompt and effective relief measures for infringement, and accelerating the intellectual creation cycle, it will be possible to sufficiently recover investments, thereby improving the incentive for corporations and so forth to develop creative technology.

From this perspective, Japan should currently promote pro-patent policies including the rapid acquisition of rights and wide-ranging, strong and rapid relief

measures towards strengthening and acceleration of the intellectual creation cycle.

(3) Progress in the Establishment of a System Towards International Protection of Intellectual Property Rights

- Systems involving intellectual property are strengthened in the presence of pro-patent policies in advanced nations.
 - U.S.: No. of patent examiners: 650 hired in 1998 (2212 as of the end of 1997)
 - Europe: No. of patent examiners: Scheduled to be increased by 500 in 1999 (2027 as of the end of 1997)

- In the year 2000, which is the deadline for execution of the TRIPS Treaty (treaty relating to trade-related aspects of intellectual property) having significance in terms of clarifying the criterion of protection of intellectual property rights over a wide range of fields, a fixed degree of protection will be achieved for intellectual property rights in the majority of countries and regions throughout the world, including developing countries.

- In anticipation of the deadline for execution of the above treaty, Asian countries are also establishing systems for protection of intellectual property rights.
 - China: The Chinese Patent Office has been upgraded to the National Intellectual Property Rights Bureau (1998).
 - Philippines: Revision of the Intellectual Property Right Act (1998), Patent and Trademark Technical Transfer Agency → Intellectual Property Rights Agency (1998)
 - India: Membership in the Paris Convention and Patent Cooperation Treaty (1998)

(Fig) Comparison of Japan-US technological capabilities on the basis of the number of registered patents

If the trends in the technological research and development in Corporations Japan and the United States are analyzed on the basis of the number of patents registered in foreign countries, the United States is superior in many areas.

Reference: Annual Report on Patent Administration (1998)

Japan is superior

US is superior

1)

Information storage device

Printing

Engines

Electronic parts

Transportation

Electronic circuit and telecommunication

Casting

Metal processing

Optics

Computer

Plastic processing

Polymer

Textile

Machine parts

Light

Domestic appliances

Construction

Organic chemistry

Agriculture and fishery

Inorganic chemistry

Separation and mixing

Food

Petrochemistry

Packaging

Biotechnology

Nuclear power

Pharmaceuticals

Medical device

Paper

Mining

25. Electronic circuit and telecommunication

27. Electronic parts

28. Engines

2) Number in thousand

3) Japan

U.S.A.

Reference: WIPO statistics (1995) and Patolis Data

The Figure shows the number of Japanese and US businesses' patents registered in foreign countries in 1995 broken down by 30 different technological areas and so arranged that the number of Japanese and US patents can be compared.

(Fig.) In the technological trade balance, the US is remarkably in the black while Japan is in the red in the 1986-1995 period accumulation.

Reference: "Monthly Report on International Trade Balance" by Bank of Japan, "SURVEY OF CURRENT BUSINESS" by US Department of Commerce

(Fig.) While the US is becoming more favorable in the technological trade balance (nominal GDP comparison), Japan remains in the red although the deficit is diminishing.

1) U.S.A.

2) Japan

Remark: Yen-dollar exchange rate conforms to IMF exchange rate. Reference: (Japan) "Monthly Report on International Balance of Payments" (Technological Trade Balance) by Bank of Japan; "National Economy Computation" (Nominal GDP) by Economic Planning Agency

(US) "Survey of Current Business" by Department of Commerce

2. Progress of Pro-Patent Policies

There were eight proposals made consisting of, for example, "strong protection" and "wide-ranging protection" towards strengthening of the intellectual property right system in a report of the "Council for Consideration of Intellectual Property Rights in the 21st Century" (April 1997).

Since that time, pro-patent policies are gradually becoming increasingly firmly established in industry and other areas in Japan, and a foundation is being constructed towards the promotion of the development of creative technology of high added value.

(Present Attainment Status)

Strong Protection	<ul style="list-style-type: none"> • Strengthening of protection was studied in the damage compensation subcommittee of the Industrial Property Council in 1997, and realized in the "Law for Partial Revision of the Patent Law" (ratified in April 1998) based on a review of the method of calculating the amount of damage compensation. • From the viewpoint of strengthening the system in the courts as well, the specialized division of industrial property rights was increased from one division to two divisions in April 1998 in the Tokyo District Court. • A decision was made by the Tokyo District Court recognizing damages in the amount of approximately 3 billion yen, the highest amount ever, in a legal suit over infringement of patent rights concerning a drug (H₂ blocker) in October 1998.
Wide-Ranging Protection	<ul style="list-style-type: none"> • The concept of the "Doctrine of equivalent" that recognizes a broader range of rights in patented invention than in the past was adopted in a Supreme Court decision concerning the case of Ball Spline in February 1998. • Media on which software was recorded were recognized as being eligible for patent rights due to revision of the examination standards in February 1997.
Prompt Protection	<ul style="list-style-type: none"> • The targets for paperless project will be expanded to include designs and trademarks (scheduled for January 2000). • Implementation of examinations prior to Unexamined publication and applications filed by personal computer (1998). • Increased speed of examination processing to reduce the primary examination period to 12 months (FA12) by the year 2000.
Construction of a Software Infrastructure for the Above	<ul style="list-style-type: none"> • Scheduled construction of a "Electronic Library for Patents" to provide patent information on 40 million patents over the Internet to make active use of patent information that serves as a treasure chest of the most recent technical information (completion scheduled for March 1999). • Implementation of the establishment of an environment towards the creation of a patent distribution market.

(Reference) US Pro-patent Policy

Since the Young Report in 1985, the US has been pursuing pro-patent policy in order to enhance the value of intellectual property.

Main events relating to the US pro-patent policy

- 1980: Protection of computer programs under a revised copyright law
- 1982: Court of Appeals for Federal Circuit (CAFC) established
- 1985: Young Report issued (proposing strengthening of protection of intellectual property)
- 1986: Negotiations on GATT Uruguay Round TRIPS started
- 1988: Omnibus Trade Act enacted (Super-301 provision, Article 337 of Tariff Law, patent law revision)
- 1988: Department of Justice issues anti-trust execution guidelines regarding international business activities (anti-trust law relaxed)
- 1989: Japan-US Structural Issue Council (SII) set up
- 1994: GATT TRIPS agreed on

The following events were reported around the time of the implementation of the pro-patent policy:

- (1) Patent applications and registrations in the US by US nationals increased.

Number of patent applications by US nationals

1985 70,000 → 1994 140,000

Number of patent registrations by US nationals

1985 43,000 → 1994 64,000

- (2) Technological trade surplus increased

Technological trade surplus

1985 55 billion dollars → 1994 168 billion dollars

Chapter 2 Future Topics of System Reformation

In order to strengthen previous pro-patent policies, it is important to emphasize the establishment of rights and utilization of rights in the future (including relief measures in the case of infringement), as well as attempt to further strengthen and accelerate the overall process of the intellectual creation cycle.

(1) *Accelerated Acquisition of Rights*

Under the current system in Japan, the amount of time required from filing to request for examination is longer than in the U.S. and Europe (7 years).

As a result, there are numerous applications for which the issue of rights remains undecided for a long period of time. Consequently, corporations are forced to incur huge burdens in terms of monitoring burden and design changes to avoid conflict by their own technology in the case those rights are prosecuted. This results in an obstacle to the development of technology and starting up of new businesses by corporations.

Together with revising this system, it is necessary to speed up the establishment of rights through promotion of examination and trial processing.

(2) *Realization of Wide-Ranging, Strong and Prompt Relief Measures*

With respect to legal actions over infringement of intellectual property rights in Japan, due to the long trial examination period and the low authorized amount of allowed compensation for damages, it has been pointed out that holders of rights are not adequately protected. There are those who feel that when filing a suit for infringement of intellectual property rights, it is better to make use of overseas courts instead of those in Japan.

Consequently, it is necessary to enhance relief measures for infringement of intellectual property rights and strengthen functions for processing disputes.

(3) *Establishment of an Environment for Acceleration of Intellectual Creation*

- (1) The use of information can be seen throughout society as is witnessed by the explosive popularity of the Internet. It is essential that intellectual property system also adapt to this trend.
- (2) In addition, although the Patent Office has attempted to simplify procedures through such efforts as the "Patent Office's User Friendly Program", additional efforts will be required in the future.
- (3) It is also necessary to give appropriate consideration to the need for revision of various related systems in order to strengthen the intellectual property system in the future.

B. Establishment and Utilization of Rights (Process of Utilization of Prosecuted Intellectual Creations through Commercialization and their Protection from Infringement)

Past	<ul style="list-style-type: none"> • Review of the method for calculating the amount of damage compensation, and approval of amounts equivalent to license fees in consideration of specific circumstances (revision of the Patent Law of April 1998, etc.) • Strengthening of penal provisions for infringement offenses (revision of the Patent Law of April 1998, etc.)
Future	<ul style="list-style-type: none"> • Facilitation of proving acts of infringement (enhancement of document submission orders, etc.) • Facilitation of proving damages (introduction of a calculation expert system) • Facilitation of proving the amount of damages • Strengthening of collaboration between the Patent Office and courts • Strengthening and enhancement of the interpretation system • Strengthening of criminal penalties • Introduction of an early unexamined publication system by application
Related Policies	<ul style="list-style-type: none"> • Policies promoting collaboration between the industrial, academic and government sectors, support of TLO (technology loaning organizations) • Policies for promoting patent distribution

C. Right Establishment and Creation (Process Allowing Adequate Recovery of Investments through Right Utilization to Promote New Intellectual Creation)

Past	<ul style="list-style-type: none"> • Providing of patent publications and trademark application registration information on the Internet free of charge • Establishment of guidelines for licensing agreements characteristic to Japan (April 1998)
Future	<ul style="list-style-type: none"> • Construction of an electronic library for patents that provides information on 40 million patents on the Internet free of charge (scheduled for March 1999)

Chapter 3 Need for Reformed Awareness

In order to realize a nation based on the creation of science and technology, it is essential to change the awareness of the strategic utilization of intellectual property rights by various sectors including the industrial sector, universities, government administration and legal authorities.

On the other hand, the degree of reformed awareness in each sector is not considered to be adequate at the present stage in consideration of the small number of fundamental patents and the lack of collaboration among the industrial, academic and government sectors.

In the future, it will be essential to change not only the system, but also the awareness of persons in various fields to one that considers intellectual property rights to be a source of national wealth.

(1) *Direction of Awareness Reformation*

A shift towards emphasis on the following points is considered to be important for the direction of a general reformation of awareness towards strategic utilization of intellectual property rights and the development of creative technology in Japan.

(1) Transition from Catch-Up Style to Frontier-Style Development

Transition from a development style in which superior technology is introduced from the U.S. and Europe followed by volume production of products incorporating improvements on that technology, to a development style in which technology having high added value is developed originally in Japan.

(2) Transition from Full Set Development to Pinpoint Development

Transition from a development style in which a wide variety of products are developed in various fields after which profits are generated by selling large volumes of products with small profit margins, to a development style in which emphasis is placed on only specialized fields to generate greater profits through development of products having high added value.

(3) Transition from Defensive Development to Offensive Development

Transition from a development style in which general adjustments are made such that problems are handled on a hit-or-miss basis, to a development style in which originality is demonstrated to deploy market strategies that utilize intellectual property rights, etc.

In the utilization of the intellectual property right system, it will be necessary to reform the awareness of all concerned parties corresponding to changes in the directions indicated above.

(2) Concrete directions of consciousness raising in various areas

A. Industrial circles

In utilizing the patent system, Japan's industrial circles, which shoulder about 80% of the financial cost of research and development in Japan tend to introduce good-quality western technologies and improve them.

- (1) Japan's patents are those of improvement, and there are few basic patents.
- (2) Many patents are applied for defensive purposes, and very few patents are actually utilized. For instance, out of the registered patents totaling about 900,000 as many as 600,000 are dormant.
Also, only one half of all the applications seek after examination request. The number of registered patents account for some 60% of the applications for examination request.
- (3) Because the general public's interest in intellectual property is low on the global market, only a few rights are used for market strategy, and as a result, applications overseas are fewer than those at home. The figure is about half the US figure.

It is becoming more necessary for Japan's industrial circles to tackle the issue in the direction of strategic utilization of intellectual property from a wider viewpoint as mentioned above.

(Fig.) Japan has few basic patents.

minor improvements on conventional technologies

drastic improvements

high creativity

high originality

patents of improvement basic patents

technological levels

low

high

Reference: Nippon Technomart "Truth report on unused patent information" (1996)

(Fig.) In Japan, percentage of registered patents is smaller vis-a-vis applications.

- 1) Number of patent application ('86-'95)
- 2) Number of registered patent (end of '95)
- 3) Number in ten thousand
- 4) Japan
- 5) U.S
- 6) Reference: WIPO statistics (Number of applications for patents)
Trilateral Statistical Report (Number of existing patents)

(Fig.) In Japan, there are many domestic applications and there are few overseas applications.

Data are for 1991 - 1995, from left to right

- 7) Domestic application
- 8) Overseas application
- 9) Number in ten thousand
- 10) Japan
- 11) U.S.A.
- 12) Germany
- 13) U.K.
- 14) South Korea
- 15) France

B. Universities

In Japanese universities and other educational institutions, the center of research resources, it is necessary to engage in research activities in high technology areas, but at the same time, it is also necessary to conduct constant technical assessments of achievements and to heighten the interest in using useful technologies for the benefit of society by opening and transferring technologies through patents.

From this viewpoint, efforts should be made to utilize the legal framework established this April which calls for acceleration of transfer of technological research achievements to private businesses.

(Fig.) Number of patent applications by Japanese and US universities (1995)

1) Number of applications

137 cases

5100 cases

C. Government

In order to make it possible for industrial circles and universities to use intellectual property strategically, the government is urged to shorten the examination and trial period and implement "user-friendly" administrative policies, thereby realizing a flexible management of systems, encouraging high technological research and development, and consolidating the technological foundation.

[Reference] Example of a Typical Model of Awareness Reformation

<p>Catch-up Style Profit through large-volume production and price competitiveness: Little utilization of rights</p>	<p>⇒</p>	<p>Frontier Style Profit through production of products with high added value or licensing fees and technical transfers: Extensive utilization of rights</p>
<p>Full Set Style Emphasis on quantity: Focused primarily on large numbers of applications and patents of improvement Shallow, broad-based development: Inadequate utilization of rights Targeted at applications for broad-based technologies</p>	<p>⇒</p>	<p>Pinpoint Style Emphasis on quality: Focused primarily on strategic applications and basic patents Increased emphasis on focusing on selected patents: Right-utilizing applications Emphasis on superior technology</p>
<p>Defensive Style Use of rights for defensive purposes (defensive applications) ⇒ Dormant patents Delays in decision-making: Slow examination requests Horizontal awareness: Large quantities of applications Role of corporate intellectual property right divisions is acquisition of rights Following type: Defensive patents</p>	<p>⇒</p>	<p>Offensive Style Utilization of rights for market strategies (securing of pioneer profits through exclusive possession of technology and exploitation of business transactions mediated by technology) Prompt and strategic decision-making: Rapid prosecution through accelerated examination requests Development in creative and specialized fields: Pinpoint applications Role of corporate intellectual property right divisions is providing advice for market strategies Strategic type: Basic patents</p>

SECTION 2 DESCRIPTION OF SYSTEM REFORMATION

Chapter 1 Accelerated Acquisition of Rights

[1] Shortening of Examination Request Period

The current examination request period of 7 years will be shortened to 3 years in order to improve the current situation in which there are numerous applications for which the issue of rights remains undecided for a long period of time.

1. Background and Need

(1) Overview of Examination Request System

The examination request system (introduced in 1971) states that only applications for which examination is requested within 7 years from filing will be examined by the Patent Office. If request for examination is not made within this period, that application is deemed to be withdrawn.

- 1) Within 7 years after the filing date
- 2) Application for patent
- 3) Request for examination
- 4) Examination
- 5) Grant a patent
- 6) Publication of unexamined application
(18 months after the filing date)

(2) Utilization Status of Examination Request System

Requests for examination are only made for about 50% of patent applications. Moreover, the time at which examinations are requested is mostly 6 to 7 years from filing.

- 8) The percentage of filing request for examination (concerning applications in 1990, number in ten thousand)
- 9) Request for examination was filed
48% (17.7 cases)
- 10) No request for examination was filed
52% (19.0 cases)

(Reference) Examination Request Patterns in Japan and Germany

Similar to Japan, Germany has an examination request period of 7 years. The pattern of requests for examination in Germany, however, is such that requests for examination in the first year account for roughly two-thirds of the total number of examination requests.

- 1) Comparison of patterns of request for examination between Japan and Germany (the percentage of request for examination during the 7 year period which was made for the applications in 1990)
- 2) Percentage of filing request for examination
- 3) Year of filing
- 4) Year of request for examination
- 5) 1st year
- 2nd year
- 3rd year
- 4th year
- 5th year
- 6th year
- 7th year
- 6) Japan
- Germany

(3) Need for Shortening the Examination Request Period

(1) Promotion of the Development of New Technology and New Businesses through Early Definition of Rights

Under the present examination request system, there are numerous applications for which the issue of rights remains undecided for a long period of time extending up to a maximum of 7 years. The number of patent applications for which examination has not yet been requested at the present time, but which have the possibility of requesting examination in the future totals 2.14 million (as of the end of 1997).

- 1) Status of request for examination of patent applications
- 2) Number of applications (in ten thousand)
- 3) Filing year
- 4) Applications of which examination request have not been filed
- 5) Applications of which examination request have been filed

Due to this situation, third parties are subjected to disadvantages like those described below, which in turn become factors that inhibit development of technology and deployment of new businesses.

- Product design changes and preparations for alternative measures are forced to be made in order to avoid patent infringement.
- There is the heavy burden of having to monitor examination requests and amendment status over a long period of time.

(2) Reduction of the Possibility of a Third Party being Unexpectedly Suspected of Infringement

Since applicants are able to change claims as desired within the scope of the specification by amendment until a request for examination is made, the scope of technology that can be used by a third party is not defined, thereby resulting in the risk of unexpectedly infringing on patent rights.

(3) Establishment of an International Market in Reflection of Examination Results in Japan

If the establishment of rights in Japan continues to lag behind that in the U.S. and Europe, patent rights will be established on an international market in reflection of examination requests in the U.S. and Europe alone, and examination results that adequately reflect the level of technology in Japan will not be respected. In addition, license agreements and patent infringement civil actions will be conducted based on U.S. and European patents, resulting in the possibility of the hollowing-out of the patent system of Japan.

(4) Promotion of Examination Cooperation among Developing Countries

Japan is providing examination results to foreign countries that are not adequately equipped with examination capabilities. However, since it is possible to leave issue of rights undecided for a long period of time extending to a maximum of seven years, there are numerous cooperative matters for which examination results do not exist, thereby preventing examination cooperation from being deployed when it is necessary. As a result, there is the risk of applications from Japan not being properly protected, such as examination results being rendered that differ from those in Japan.

- 1) Applicant
- 2) Filing in Japan
- 3) Request for examination
- 4) Examination results
- 5) Cooperation with examination (sending the decision in Japan)
- 6) Filing in developing countries
- 7) Start of examination

- 8) Results of cooperation with Kingdom of Thailand requested in the year of 1996 (as of June 1998)
- 9) Total of 44 reports on cooperation with examination were prepared.
- 10) Registration
- 11) Decision of rejection
- 12) Others
- 13) Pending in examination
- 14) No request for examination was filed

2. Direction of Revision

- (1) From the viewpoint of improving the current situation in which there are numerous applications for which the issue of rights remains undecided for a long period of time, it is necessary to shorten the examination request period. Relatively long periods of time are established for examination request periods in some countries of Europe. When looking at the U.S. and Europe that occupy a significant position internationally, however, the U.S. does not have an examination request system, while the examination request period of the European Patent Office is two years.

- (2) When considering based on the premise of the first-to-file rule, although it will continue to be necessary to have an examination request system that reevaluates the contents of applications by surveying the prior art of another party that has been laid open after applying for patent, it is necessary that the examination request period for that purpose be established based firmly on (1).

(3) In determining the concrete examination request period, a period of three years is reasonable in consideration of the factors indicated below.

(1) Since it will be possible for the electronic library for patents scheduled to be constructed by March 1999 to support surveys of prior art by corporations, this is expected to accommodate voluntary shortening of the examination request period by corporations.

* The electronic library for patents will disclose approximately 40 million items of patent information along with search functions such as F-term on the Internet free of charge.

(2) Japan does not have a search report system like that of the European Patent Office.

(4) In looking at the utilization status of the examination request system in Japan, differing from Germany which also has an examination request period of 7 years, requests for examination are concentrated in the 6th or 7th years. Shortening of the examination request period will have to be accompanied by a considerable change in these current practices of applicants, and will require the establishment of a system for evaluating application and examination requests by applicants. Consequently, it will be necessary to give adequate consideration to the time of implementation so that transition to a shortened examination request period can be realized smoothly.

(Ref.) System of request for examination in various countries

Period of request for examination	Country
No system exists	U.S.A.
2 years	European Patent Office, U.K., Poland
3 years	China, Czech, Russia, Argentine, Indonesia, etc.
5 years	South Korea, Australia, Canada (shortened from 7 years to 5 years in 1996)
7 years	Japan, Germany

* Countries or government agencies adopting a search report system

A search report system refers to a system in which the results of prior art surveys conducted by the Patent Office with respect to inventions claimed in patent applications are publicly disclosed to the applicant and/or a third party simultaneous to unexamined publication of the application.

<Section for Reference>

Section 48^{ter} (Requests for examination)

1. When a patent application has been filed, any person may, within seven years from the date thereof, make a request for examination to the Commissioner of the Patent Office.

[2] Review of Demands for Correction in Oppositions and Trials for Invalidation

In an effort to speed up trial examinations of patent oppositions, in the case of correcting claims for which patent opposition has been filed, instead of judging whether or not an invention specified by matters described in claims after revision can be independently granted to obtain patent at the time of filing, those corrections will be allowed, and only in later trial examinations of reasons for cancellation will a judgment be made as to whether or not patent can be granted independently. In addition, a similar revision will be made for demands for correction in trials for invalidation of patent.

1. Background and Need

(1) Present State in Trials

At the Patent Office, although various policies have been contrived, including the aggressive use of oral trial examinations, in order to rapidly conduct trial examinations of trial matters in response to the wishes of patentees and persons requesting trials, the number of patent oppositions reached approximately 8,000 during the 1997 fiscal year, accounting for approximately one-third of the total number of trial examination requests. Consequently, policies for speeding up patent oppositions are required in order to facilitate more rapid processing of trial examinations.

- 1) Change in numbers of Appeals/trials of patents and utility models
- 2) Case numbers
- 3) Year of Appeal/trial requests
- 4) Appeal + Inter-partes trial (Trial for invalidation)
- 5) Opposition

(2) Demands for Correction in the Patent Opposition System

In the case of reason for cancellation in a patent opposition, the trial examiner-in-chief makes a notice to that effect. In addition to submitting an argument, the patentee then can demand correction. If that correction is legal, a trial examination is conducted as to whether or not reasons for cancellation have been resolved based on the specification and drawings after correction. For making the corrections to be legal, the invention specified by matters described in the scope of claim for patent after correction must be granted to obtain patent independently at the time of its filing (referred to as independent patent requirements).

However, a considerable amount of time is required to make this judgment, and this may lead to delays in trial examinations. In addition, a trial examination of reasons for cancellation is also conducted to determine whether or not a patent

specified by matters described in the scope of claim for patent after correction satisfies independent patent requirements at the time of filing, resulting in duplicate procedures. Moreover, since a patentee is always ensured two opportunities for revision consisting of "demand for correction" and "amendment of demand for correction", this system is more advantageous for patentees than other examination and trial procedures.

2. Direction of Revision

In the case of correcting claims for which a patent opposition has been filed, instead of judging whether or not an invention specified by matters described in claims after revision can be independently granted to obtain patent at the time of filing, those corrections will be allowed, and only in later trial examinations of reasons for cancellation will a judgment be made as to whether or not patent can be granted independently. In addition, a similar revision will be made for demands for correction in trials for invalidation of patent.

- 1) Present
- 2) Opposition
- 3) Written opposition
 - Sending a copy
- 4) Examination of grounds for opposition
- 5) Notice of reasons for revocation
- 6) Argument/demand for correction
- 7) Examination of correction requirement
- 8) Notice of reasons for rejecting a demand for correction
- 9) Argument/amendment of demand for correction
- 10) Examination of correction requirement
- 11) Allowed
- 12) Not allowed
- 13) Examination of reasons for revocation
- 14) Decision to revoke
- 15) Decision to maintain
- 16) Revised
- 17) Opposition
- 18) Written opposition
 - Sending a copy
- 19) Examination of grounds for opposition
- 20) Notice of reasons for revocation
- 21) Argument/demand for correction
- 22) Examination of reasons for revocation
- 23) Decision to revoke
- 24) Decision to maintain

25) Note) In case where a new matter is added to the specification, a notice of reasons for rejecting a demand for correction is made.

<Sections for Reference>

(1) Section 126 (Trial for correction)

4. In the case of Paragraphs (i) and (ii) of the proviso to Subsection (1), an invention constituted by the features described in the corrected claim must be one which could have been patented independently at the time of filing of the patent application.

(2) Section 120^{quarter} (Submission of arguments, etc.)

3. Sections 126(2) to (4), 127, 128, 131, 132(3) and (4) and 165 shall apply mutatis mutandis to the case of the proceeding subsection.

(3) Section 134 (Submission of written reply, etc.)

5. Sections 126(2) to (5), 127, 128, 131, 132(3) and (4) and Section 165 shall apply mutatis mutandis to the case of Subsection (2).

[3] Enhancement of Authentication Functions in Trial Procedures

Oral trial examinations will be aggressively employed to promote examination of trials. In order to accomplish this, a trial secretary-general will be newly established as an authenticating organ to perform preparation of records in oral trial examinations under independent authority for the purpose of enhancing the function of vouching for the authenticity of trial procedures.

1. Background and Need

(1) Aggressive Use of Oral Trial Examinations

Oral trial examinations are being attempted to be used aggressively towards promotion of examination of trials for invalidation. This oral trial examination allows substantial arguments, organization of disputed points and description of disputed points to be performed orally in place of written procedures following submission of a rebuttal, and eliminates the repeated exchange of documents, thereby enabling the trial examination period to be shortened.

1) Change in the number of oral trial examinations

2) Number of oral trial examinations

3) 1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

* Estimated from actual figures for the months of April to July, 1998. Figures for other years are actual results.

In oral trial examinations, the trial examiner-in-chief will aggressively conduct trial examinations so that the concerned parties are able to sufficiently assert their claims and prove evidence.

(2) Significance of Record Preparation

With respect the records in oral examinations of trials, Section 147(2) of the Patent

Law complies with Article 160, paragraphs 2 and 3 of the Code of Civil Procedure, similar to the records in trials, these records serve as the only means of proof as to whether or not the form of oral trial examination has been conducted legally. In addition, preserving the course of oral trial examinations by preparing records is necessary for ensuring the stability of the proceedings and to allow investigations of the court when a civil action is filed pertaining to the trial decision.

Accordingly, in the case of conducting an oral trial examination, the preparation of records for each date is to be conducted by an employee designated by the Commissioner of the Patent Office based on the order of the trial examiner-in-chief (Section 147 of the Patent Law).

(3) Need for Trial Secretary-General

(1) Record Preparation

Since the preparation of records of the oral trial examination of a patent trial is to be performed by an employee designated by the Commissioner of the Patent Office based on the order of the trial examiner-in-chief, the authority for record preparation lies with the person making the judgment, namely the trial examiner-in-chief. The system is not such that the preparation of records is performed by an authenticating organ (court secretary) having independent authority as in the case of courts.

(2) Guaranteeing Authenticity

Although the trial examiner-in-chief directs the trial examination in oral trial examinations, in that case, the trial examiner-in-chief verifies his own actions. This is not considered to be a system that vouches for authenticity.

The effects of a trial decision in the Patent Office not only affects the concerned parties, but also the continuation or termination of patent rights valid throughout the world. It is necessary that the recording of that trial examination process be made with strict authenticity. Since there are an increasing number of instances in which the trial examiner-in-chief aggressively conducts the trial examination in oral trial examinations more than in the past, and since a large increase is expected in the number of oral trial examinations due to policies that make aggressive use of oral trial examinations, there will be an even greater need to establish a system that guarantees that oral trial examinations are conducted both clearly and legally.

(3) Strengthening Authentication Functions

By making the person that prepares records be a trial secretary-general who is positioned as an authenticating organ independent from the person making the judgment, it will be necessary to strengthen functions which guarantee authenticity and objectivity even more than at present, and which guarantee the legality of proceedings with respect to the increase in oral trial examinations.

2. Direction of Revision

(1) The trial secretary-general will be separate from the Commissioner of the Patent

Office and the collegial body of trial examiners, and will fulfill the function of performing authentication duties, such as record preparation, independently.

(2) The Commissioner of the Patent Office will designate the trial secretary-general for each trial case.

(3) Since the trial examiner-in-chief oversees all duties relating to the trial case, the trial secretary-general will be under the direction of the trial examiner-in-chief with respect to duties.

<Section and Article for Reference>

(1) Section 147 (Records)

1. With respect to a trial by oral examination under Section 145(1) or the proviso to Section 145(2), the official designated by the Commissioner of the Patent Office shall, under the direction of the trial examiner-in-chief, prepare the record setting forth the gist of the trial examination and other necessary matters whenever a trial takes place.
2. Article 160(2) and (3) (Protocol for oral proceedings) of the Code of Civil Procedure shall apply mutatis mutandis to the record of the preceding subsection.

(2) The Code of Civil Procedure, Article 160

1. A court clerk shall, with respect to oral proceedings, draw up a protocol for every date for oral proceedings.
2. If a party or other person concerned has stated an objection as to entries in the protocol, a statement to that effect shall be entered in the protocol.
3. Observance of the provisions relating to the formalities of oral argument may be proved only by the protocol. Provided that, this shall not apply if the protocol is lost or destroyed.

Chapter 2 Realization of Wide-Ranging, Strong and Rapid Relief Measures

[1] Enhancement of Relief Measures for Patent Infringement

(1) Facilitation of Proving Acts of Infringement

In order to facilitate proof of acts of infringement in civil actions involving infringement of industrial property rights, regulations of special provisions of aggressive denial which state that the other party must explain their own acts when he denies the claim of a rights holder, and regulations such as enhancement of document submission orders required to prove acts of the other party will be established. At that time, efforts will be made to avoid disclosure of business secrets in those documents beyond that which is necessary.

1. Background and Need

- (1) In the case of filing a civil action over infringement of industrial property rights, the rights holder must specify the act carried out by the other party (so-called allegedly infringing product/process) and must prove to the effect that an act of infringement has been committed. In particular, when filing a civil action that demands compensation for damages, it is necessary to perform the above prior to proof of the amount of damages.
- (2) However, in the case, for example, allegedly infringing product/process is a technology being worked in the factory of the other party, it is difficult for the rights holder to specify allegedly infringing product/process in the civil action. Moreover, since there are many cases in which such technology is intimately related to business secrets, it is difficult to demand submission of related evidence in accordance with the provisions of the Code of Civil Procedure as well.
- (3) In order to solve this type of problem, it will be necessary not only for rights holders, but also for the other party to aggressively be involved in the specification of allegedly infringing product/process and speed up the specification of allegedly infringing product/process. In addition, it will also be necessary to guarantee a system such that evidence required in a civil action is submitted while giving adequate consideration to protection of business secrets.

2. Description of Revision

A review will be made based on the framework described below.

- (1) When an act of another party that has been concretely asserted by a rights holder is denied, the other party must make a concrete assertion regarding his own acts. However, in the case, for example, when business secrets are contained in the contents to be asserted, the other party is able to refuse that assertion (special provision for aggressive denial).
- (2) It will be made possible to order the submission of documents (such as enhancing document submission orders) necessary for proving the act of the other party (or present the objective of verification). However, when there is "just reason"⁽¹⁾, the other party is able to refuse submission (or presentation)⁽²⁾.
- (3) Judgment of whether or not there is "just reason" for refusing submission is to be made according to an in camera trial examination by the trial examiner-in-chief only⁽³⁾.

*1: In the case business secrets are contained in documents for which submission has been requested, the court will render a judgment as to whether or not there is "just reason" for refusing submission in terms of comparing and weighing the need in terms of proceeding with the civil action and the need for protection of those business secrets.

*2: This provision is positioned as a special provision of Article 220 of the Code of Civil Procedure that stipulates the obligation to submit documents. Requests for other document submission orders, proceedings for specifying documents, submission while omitting those portions not necessary as evidence and effects in the case of not following document submission orders and so forth are to be in accordance with the provisions of the Code of Civil Procedure.

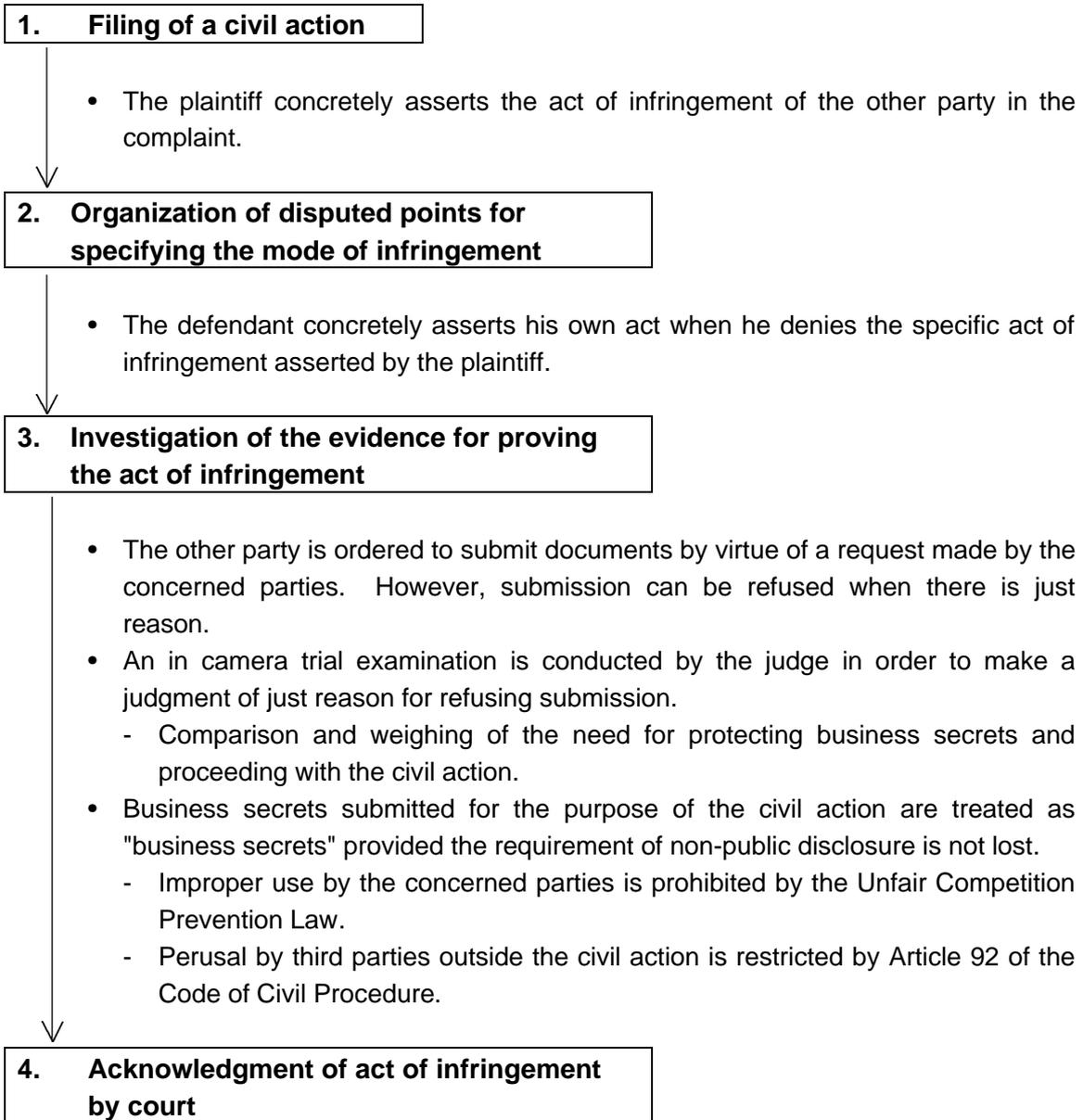
*3: A judgment as to whether or not there is "just reason" for refusal of submission (namely, the presence or absence of the obligation to submit documents) is made according to an in camera trial examination by the trial examiner-in-chief only in the same manner as the proceedings of Article 223, paragraph 3 of the Code of Civil Procedure. In addition, in cases when an agreement has been reached regarding the receiving of disclosure of documents between the concerned parties, it is practically possible for the concerned parties or their representatives to allow access to those documents.

*4: In the case documents containing business secrets are submitted as evidence, it is practically possible for unnecessary disclosure to be avoided under the direction of the civil action by the court.

*5: In "debate preparation procedures" in which organization of disputed points and organization of evidence are performed as the preparatory stage of oral debate, it is also possible to investigate documents outside a publicly disclosed court of law.

*6: In the case concerned parties do not follow document submission orders, even if the contents of the acts performed by the other party as asserted by the rights holder are suspect, in the case it differs from the contents of actual acts performed by the other party, it has been pointed out that injunction and so forth cannot be executed. However, this problem is a problem that occurs generally, and is not limited to patents.

(Reference 1) Conducting of Civil Actions for Acknowledgment of Acts of Infringement and Business Secrets



**(Reference 2) Organization regarding Protection of Business Secrets
Accompanying Enhancement of Document Submission
Orders**

The framework of this revision attempts to enhance document submission orders, and the handling of business secrets accompanying this can be organized in the manner described below.

- "Just reason" for refusing submission is comprehensively evaluated in consideration of whether the documents actually contain business secrets and whether they are necessary in terms of proceeding with the civil action.

Whether or not there is "just reason" for refusing submission with respect to documents containing business secrets is judged by comparing and weighing the disadvantages incurred by the possessor of the documents due to public disclosure of business secrets, and the disadvantages incurred by the concerned parties of the civil action as a result of those documents not being submitted. This judgment of "just reason" is performed by in camera proceedings by the judge to prevent the situation in which business secrets are unnecessarily disclosed (see Reference Provisions 1-3 regarding general civil actions).

It should be noted that although differing from demonstration of infringement, with respect to "just reason" for refusing submission of documents for calculating damages (Section 105 of the Patent Law), the same way of thinking is employed (see Reference Provision 4).

- In the case the other party has improperly used business secrets which he has come to know, the obligation to compensate for damages occurs in terms of the Unfair Competition Prevention Law.

The purpose of submitting business secrets contained in documents that have gone through the above-mentioned in camera judgment is limited to proceeding with the civil action, and the concerned parties receiving disclosure are understood to be legally obligated not to use those business secrets without proper authorization. In addition, acts of conducting an enterprise in a competitive relationship with the submitting party by using those business secrets are understood to constitute violation of the Unfair Competition Prevention Law provided the non-public nature of the submitted business secrets is maintained, and are to bear liability for compensation for damages (see Reference Provisions 5 and 6).

- With respect to third persons outside the civil action, those persons that can request perusal of documents are limited to concerned persons (Article 92, paragraph 1, item 2 of the Code of Civil Procedure) to prevent leakage of business secrets.

Business secrets contained in documents submitted in civil actions are to be disclosed only to persons concerned with the civil action for the purpose of proceeding with the civil action, and their confidentiality is assured by restricting perusal, duplication and so forth of civil action records by third parties outside the civil action (see Reference Provision 7).

<Articles and Section for Reference>

(1) The Code of Civil Procedure, Article 197, Paragraph 1

In the following cases, a witness may refuse to testify:

3. Where a witness is questioned with regard to the matters on technological or professional secret.

(2) The Code of Civil Procedure, Article 220

A holder of a document may not refuse the production thereof in the following cases:

4. In addition to the cases mentioned in the preceding three paragraphs, when the document (.....) does not come under any of the following;
 - b. A document stating therein the fact provided for in Article 197 paragraph 1 item (2) or the matter provided for in item (3) of the said paragraph which is not exempted from the duty to keep secret;

(3) The Code of Civil Procedure, Article 223

1. The court shall, if it deems the application for an order for production of documents well-founded, order the holder of a document to produce it by ruling. In this case, if the document contains part deemed to be unnecessary to be examined or part not to be deemed to be under obligation for production, the court may order the production of the document except such part.
3. The court may, if it deems it necessary to decide whether the document under an application for an order for production of a document comes under any of the documents mentioned in a. through c. of item (4) of Article 220, have the holder of the document to present the said document. In this case, no one may request the disclosure of the presented document.

(4) Patent Law, Section 105

In a litigation relating to the infringement of a patent right or exclusive license, the court may, upon the request of a party, order the other party to produce documents necessary for the assessment of the damage caused by the infringement. However, this provision shall not apply when the person possessing the documents has a legitimate reason for refusing to produce them.

(5) Unfair Competition Prevention Law, Article 2

1. The term "unfair competition" as used in this Law means any one of the following:
 - (7) The act of using or disclosing trade secrets which have been disclosed by an enterpriser holding them (hereinafter referred to as the "holder"), for the purpose of unfair business competition or of acquiring wrongful profits or for the purpose of inflicting injury on such holder;
4. The term "trade secrets" as used in this Law means the technical or business information useful for commercial activity, such as a production method or a sales method, which is preserved as a secret and unknown publicly.

(6) Unfair Competition Prevention Law, Article 4

A person who intentionally or negligently infringes the business interests of another person by unfair competition shall be liable to compensate for damages caused thereby.

(7) The Code of Civil Procedure, Article 92

1. If a prima facie proof has been given for the following grounds, the court may, upon motion of the party, limit by ruling a person who may demand perusal or copying of a part of secrets stated or recorded in the record of proceedings, delivery or reproduction of an exemplification, transcript, or abstract thereof (hereinafter referred to as "perusal etc. of a part of stating secret") to a party.

(2) Business secret (meaning "business secret" provided for in Article 2 paragraph 4 of the Unfair Competition Prevention Law (Law No. 47 of 1993)) retained by a party is stated or recorded in the record of proceedings.

(2) Facilitation of Proving Damages (Introduction of a Calculation Expert System)

A calculation expert system to allow calculation of damages will be established under the obligation of cooperation by the infringing party to alleviate the burden of proving evidence of rights holders.

1. Background and Need

- (1) Since infringement resulting from infringement of industrial property rights occurs through economic activities by the infringing party, there are cases in which it is difficult to prove the scope of infringement and the amount of damages. Moreover, matters necessary for proving the amount of damages suffered by the rights holder cannot be proved unless it is in accordance with evidence possessed by the infringing party, such as the sales volume of the infringing article.

- (2) In view of these special circumstances, Section 105 of the Patent Law guarantees a system that makes it possible to demand submission of documents required for calculation of damages as a special provision of the document submission orders in the Code of Civil Procedure.
 - (1) There is a huge amount of submitted documents, and it is difficult for judges and lawyers who are not experts in the areas of accounting and bookkeeping to accurately and rapidly understand the documents.
 - (2) In cases when submitted documents contain expressions using abbreviations, or in the case of data printed out from computer-managed accounting books, they cannot be understood by an outside party without an explanation of their contents. Section 105 of the Patent Law does not require that the party submitting the documents provides such an explanation, however.
 - (3) Even if a system such as inquiries by concerned parties of the Code of Civil Procedure (Article 163) or questioning by an expert (Article 133 of the Regulations of Civil Procedure) is employed for submitted documents, there are cases when the contents of the documents cannot be understood when the other party does not comply with providing an explanation.

- (3) In order to resolve these problems and allow demonstration of damages to be performed more quickly and efficiently, together with employing an expert having knowledge in the areas of accounting and bookkeeping, it is considered to be effective to have the infringing party cooperate in calculation of damages. Namely, it would be the most realistic to introduce a system whereby documents required for calculation of damages are shown to a neutral third party (calculation expert) based on an obligation of cooperation by the infringing party, and then have that expert report those matters necessary for calculating damages to the court.

2. Description of Revision

A review will be made based on the framework described below.

- (1) A certified public accountant adopting a neutral standpoint and having expert knowledge in the areas of accounting and bookkeeping will be appointed by the court as a "calculation expert".
- (2) The concerned parties will either be obligated to provide explanations necessary for the survey of expert matters to the calculation expert (Proposal 1), or

the expert will be able to demand explanations necessary for the survey of expert matters to the concerned parties (Proposal 2).

- 1) Right holder
- 2) Motion
- 3) Court
- 4) Request for expert testimony
- 5) Expert report
- 6) Expert witness
- 7) Request for explanation
- 8) Obligation of explanation
- 9) Infringing party

Notes:

- (1) Since it is necessary to provide an expert opinion based on documents accessible by the court and concerned parties in order to evaluate the results of the expert opinion, there are no provisions regarding obligations to submit documents. However, it is possible that concerned parties may voluntarily disclose documents, or that the expert may seek out an explanation from the concerned parties on his own.
- (2) Although there are those of the opinion that disciplinary measures for deception and so forth in the case of concerned parties not cooperating with the calculation expert are necessary in order to provide an incentive for cooperating with the calculation expert or voluntarily disclosing evidence, it is difficult for the court to judge acts in which it is not directly involved and are therefore not stipulated. Be noted that it may also be possible to accommodate cases in which the concerned parties do not cooperate by reflecting that fact in the overall purport of the argument.
- (3) The preservation of evidence and so forth as stated in the Code of Civil Procedure can be used as a means for storing documents required for calculation of damages.
- (4) In the case of an ordinary expert, express obligation to maintain confidentiality and criminal sanctions with respect to its violation are not provided.

(Reference) Expert Opinion in the Code of Civil Procedure

An expert testimony refers to the taking of evidence which uses the opinion of an expert as a method of presenting evidence. An expert reports conclusions and judgments in the form an opinion obtained by applying his own expert knowledge to a specific case, and serves as a third person who supplements the judgmental capabilities of the judge. The court authorizes and judges the facts based on the opinion reported by the expert, and it is left to the discretion of the court whether or not to use the opinion of the expert. Furthermore, neither concerned parties nor third parties are obligated to accept or cooperate with the expert opinion survey of the expert.

(3) Facilitation of Proving Amount of Damages

Efforts will be made to realize a substantial amount of compensation for damages by considering not only facts sufficiently proved to allow certainty, but also facts for which there is a certain degree of ambiguity according to the judgment of the judge.

1. Background and Need

(1) Since damages caused by infringement of industrial property rights occur through economic activities of the infringing party, there are cases in which it is difficult to prove the range of infringement and amount of damages. Consequently, the Patent Law specifically stipulates the calculation method for the amount of damages (Section 102 of the Patent Law, etc.) in an effort to alleviate the difficulty of proving the amount of damages by the rights holder.

In addition, a stipulation is provided in Article 248 of the Code of Civil Procedure which states that, "In the case where damage is deemed to arise, and if it is extremely difficult to prove the amount of damages from the nature of such damages, the court may recognize a reasonable amount of damages based on the entire tenor of the oral proceedings and the results of the examination of evidence." This stipulation is provided in an attempt to provide relief in cases when proof of the amount of damages is difficult.

(2) Although Article 248 of the Civil Proceedings Act contains the requirement of "nature of such damages" (namely, limited to cases in which proof of the amount of damages is impossible unless a fixed hypothesis is made as in the case of consolation money or the future earnings of a dead child), with respect to the amount of damages resulting from infringement of industrial property rights, since it cannot be unconditionally stated that demonstration in terms of the nature of the damages is extremely difficult, there is difference of opinion as to whether or not Article 248 of the Code of Civil Procedure can be applied.

For example, there are cases in infringement of patent rights in which application of the calculation method according to Section 102 of the Patent Law is difficult (see (1) and (2) below). In addition, even in cases in which that calculation method is applied, in the calculating of the amount of damages, it is difficult to sufficiently prove the amount of damages in cases when attaining the required amount of proof (sales volume, etc.) is difficult (see (3) below).

(1) Case in which the price of product has to be lowered due to act of infringement
Although factors other than an act of infringement can be considered as reasons for lowering the price of a product, it is possible to correctly calculate the amount of damages based on this factor, and this is the reason for the opinion that it cannot be said that it is extremely difficult to calculate damages from the nature of such damages.

(2) Case in which it is difficult to calculate the degree of contribution and profitability of

a patented invention for a product

Since the correct amount ought to be able to be calculated if the degree of contribution and profitability are calculated based on a correct understanding of those factors, and calculation of damages cannot be said to be impossible, this is also a reason for the opinion that it cannot be said that it is extremely difficult to calculate damages from the nature of such damages.

- (3) In cases when the fact of sales in an entire region is recognized, although the amount sold of the infringing product in a portion of that region can be proved, since it requires considerable cost to attempt to prove the amount sold in other portions of that region, in this case it is extremely difficult to prove every aspect of the amount sold if a certain degree of cooperation is obtained.
- (3) Since the amount of compensation for damages can no longer be determined if a rigorous proof is required, it is believed to be necessary to allow a substantial amount of compensation for damages at the discretion of the judge.

2. Description of Revision

Based on existence of the restriction on the provision of Article 248 of the Code of Civil Procedure which states that "it is extremely difficult to prove the amount of damages from the nature of such damages", a review will be made based on the framework described below to enable said provision to be able to be applied to civil actions over infringement of industrial property rights as well.

In a litigation of infringement of industrial property rights, when the occurrence of damages has been recognized, and when it is extremely difficult to prove the facts required for proving the amount of damages due to the nature of said facts, the court is able to authorize a comparable amount of damages based on the entire purport of the oral argument and the results of examination of evidence.

Notes:

- In the case of infringement of industrial property rights, the distinction between damages and the amount of damages may be difficult. Although it has also been pointed out that it is difficult to prove the occurrence of damages itself, the occurrence of damages is generally recognized to be an issue of facts, and there are various arguments regarding alleviating the degree of proof with respect to the occurrence of damages only in the case of infringement of industrial property rights. Consequently, it would be appropriate to conduct more detailed studies of the need for this in the future.
- The manner of thinking of this article is also applied to requirements in the provisions of Section 102 of the Patent Law.
- The manner of thinking of this article is applied not only to major facts but to indirect facts as well.

(Reference) Article 287 of the German Civil Procedure Act

1. When there is a dispute among concerned parties as to whether or not damages have occurred, or the amount of damages or earnings to be compensated, the court considers all matters and renders a decision regarding that point with free conviction. Whether or not examination of evidence should be done, what degree that examination of evidence should be done, and whether or not authority should be exercised to order an expert opinion are left to the discretion of the court.
2. When there is a dispute regarding the amount of an obligation between concerned parties in a dispute over assets, and an attempt is made to completely clarify all circumstances that serve as a basis for that amount, in cases when this is accompanied by undue difficulty relative to the portion of the obligation being disputed, the provisions of the previous section can be applied to other cases *mutatis mutandis*.

(4) Facilitation of Proof of Profit by the Infringing Party

In the proving of profit by the infringing party, the responsibility to prove expenses required for the act of infringement shifts to the infringing party, thereby making it easier for the rights holder to prove profit by the infringing party.

1. Background and Need

(1) In litigations over infringement of industrial property rights, in cases in which compensation for lost profits is demanded based on the provisions of Article 709 of the Civil Code, the rights holder must prove losses in a cause-and-effect relationship with the act of infringement along with the amount of those losses (namely, the amount of profit that would have been obtained by the rights holder if there had been no act of infringement).

In consideration of the difficulty of proof in the case of demanding such lost profits, Section 102(2) of the Patent Law was provided in the revision of the Patent Law of 1959 in order to facilitate that proof. This assumes that the amount of profits obtained by an act of infringement by an infringing party is the amount of losses that are in a cause-and-effect relationship with the act of infringement. As a result, it is not necessary for the rights holder to prove the cause-and-effect relationship, which is considered to be the most difficult in the case of demanding compensation for damages according to Article 709 of the Civil Code, thereby serving to alleviate the burden of proof.

- 1) Profit
- 2) Right holder
- 3) Infringing party
- 4) Estimation

(2) However, the following types of problems have been pointed out even in the case of making a demand in accordance with the provisions of Section 102(2) of the Patent Law.

- (1) While the rights holder is responsible for proving profits by the infringing party, the information required for that proof, namely the amount of infringing products sold, the selling price, the various expenses required for sales and so forth, are available only on the side of the infringing party.
- (2) Even if documents required for calculating the amount of damages are submitted by the infringing party according to the provisions of Section 105 of the Patent Law, it is difficult for the rights holder to determine which items correspond to costs actually incurred for infringement, or what portion of what item is a cost directly incurred for infringement simply from the contents of those documents.
- (3) Since cost items to be omitted when calculating profit by the infringing party are judged according to individual cases, the range is not always constant.

Consequently, since the rights holder must prove expenses of the infringing party, even if the demand is permitted, the amount of compensation ends up being lower than the actual amount of damages.

2. Direction of Revision

(1) A review will be made based on the framework described below in an attempt to facilitate proof of profit by the infringing party.

When demanding compensation for damages according to an estimate of profit by the infringing party in litigations over infringement of industrial property rights, the amount of profit by the infringing party is that resulting from deducting the amount of expenses incurred for the act of infringement proved by the infringing party from the total amount of income proved by the rights holder.

(2) However, since arguments as indicated in the considerations shown below have been pointed out with respect to the above manner of thinking, it will be necessary to conduct further studies as necessary in the future.

(Considerations)

- As a result of the new establishment of Section 102(1) of the Patent Law in accordance with the revision of last year, since easier proof methods than cases in accordance with (2) of that section will be recognized, it has been pointed out that there is a question as to whether or not it is necessary to further shift the responsibility of proof with respect to (2) of this section, and whether or not shifting the responsibility of proof itself while striving to facilitate proof through the introduction of a calculation expert system and so forth lacks compatibility with current policies.
- The existence of the responsibility of proof is viewed with respect to major facts that are the constituent features in terms of the provisions of the law. It has been pointed out that apportioning the responsibility of proof with respect to indirect facts like "expenses required for an act of infringement" may have a significant effect on the Civil Law system of Japan.
- In the case of shifting a portion of the responsibility of proof, when the infringing party has failed in proof or has not proved, the total amount of income gained by the infringing party is recognized to be the profit of the infringing party, and this has been pointed out as presenting a problem in terms of empirical provisions.
- Even though a strict calculation of costs required for infringement is inherently difficult, it has been pointed out that if the infringing party to which the responsibility of proof has shifted attempts to accurately prove costs, this may, on the contrary, lead to delays in litigations.

- 1) Proof made by right holder
- 2) Total amount of income
- 3) Deductible amount
- 4) Proof made by infringing party
- 5) Profit of infringing party

<Section for Reference>

Section 102 (Presumption, etc. of amount of damage)

1. Where a patentee or exclusive licensee claims, from a person who has intentionally or negligently infringed the patent right or exclusive license, compensation for damage caused to him by the infringement, when the infringer transfers the article constituting the act of infringement, the amount of the money, which is obtained by multiplying the amount of transferred articles (hereinafter referred to as "transferred amount") with the amount of profit per unit of the article which could have been sold by a patentee or exclusive licensee if the act of infringement had not existed, unless the amount of money exceeds the performance ability of a patentee or exclusive licensee, shall be presumed to be the amount of damage suffered by the patentee or exclusive licensee. When the circumstance, however, does not permit the patentee or exclusive licensee to sell whole or part of the amount corresponding to the transferred amount, the amount of money relating to the circumstance shall be deducted.
2. Where a patentee or exclusive licensee claims, from a person who has intentionally or negligently infringed the patent right or exclusive license, compensation for damage caused to him by the infringement, the profits gained by the infringer through the infringement shall be presumed to be the amount of damage suffered by the patentee or exclusive licensee.

(Reference 2) Calculation Method of Profit by the Infringing Party in U.S. Trademark and Copyright Laws

Although the return of profits by an infringing party is recognized in U.S. Trademark and Copyright Laws, in consideration of the difficulty in proving profits by the infringing party and so forth, in calculating the profits of the infringing party, it is sufficient for the rights holder to prove the sales of the infringing party, while the burden of proving costs to be deducted from those profits is placed on the infringing party.

(1) Article 1117(a) of U.S. Trademark Law

". . . . In assessing profits, the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."

- Although precedents are not fixed with respect to what can be deducted from the defendant's sales, the court is said to be passive in going so far as to deduct fixed costs such as general administrative costs. ("Fixed costs are not deducted in calculation of profit." *Roulo v. Russ Berrie & Co.*, 886 F.2d 931 (7th Cir. 1989), "Although there is the possibility that general administrative costs can be deducted, this is limited to cases in which it has been proved that general administrative costs actually increased due to sales of the infringing articles." *Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582 (5th Cir. 1980))

(2) Article 504(b) of U.S. Copyright Law

". . . . In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work."

- (1) In cases in which the infringing party is unable to bear responsibility for proving deductible expenses, total sales are considered to be the profits of the infringing party. (National Broadcasting Co., Inc. v. Sonneborn, 231 USPQ 513, 524 (D. Conn. 1985), etc.)
- (2) In the calculation of profits of the infringing party, general administrative costs are not deducted provided they have not been shown to be related to production costs of the infringing article. (Sygma Photo News, Inc. v. High Society Magazine, 228 USPQ 580, 582 (2d Cir. 1985), etc.)
- (3) "Although the law shifts the responsibility of proof to the side of the infringing party with respect to the 'portion of profits attributable to that other than infringement', as in this case, when it is clear that all profits are not the result of infringement, the copyright owner shall not be able to obtain compensation with respect to all profits simply because the infringing party is unable to clearly indicate profits attributable to non-infringement." (Cream Records, Inc. v. Jos. Schlitz Brewing Co., 754 F.2d 826 (9th Cir. 1985))

(5) Strengthening of Criminal Punishment

Heavy penalties on corporate bodies will be introduced for corporations that have obtained profits by acquiring rights through acts of fraud or by attaching false indications to products.

1. Background and Need

(1) In consideration of the fact that, in acts of infringement of patent rights and other industrial property rights, there are many cases in which an employee of a certain corporate body performs such act in relation to the operations of that corporate body, dual punishment provisions were newly established in 1959 with the purport of contributing to the prevention of these types of violations. These dual punishment provisions are to be applied to the respective punishments for offenses of infringement of industrial property rights, acts of fraud and false indication.

With respect to dual punishment provisions, the opinion has been indicated that it is theoretically possible to separate the linking of the amount of fines for corporations and other commercial entities from the amount of fines for persons committing such acts (introduction of heavy penalties on corporate bodies) as approved by the criminal law subcommittee of the Legislation Council in 1991.

(2) In dual punishment provisions in the four industrial property right laws, heavy penalties on corporate bodies were introduced for offenses of infringement of trademark rights in the revision of 1996, and for offenses of infringement of the other three laws in the revision of 1998. At present, among the three offenses stipulated in the dual punishment provisions (infringement, fraud and false indication), heavy penalties on corporate bodies have only been introduced for offenses of infringement. However, when considering that the crimes and other illegal acts committed in relation to the business activities of the corporations and other organizations of today are becoming increasingly diverse and are expected to increase, it is necessary to examine the possibility of introducing heavy penalties on corporate bodies with respect to the other two crimes (fraud and false indication) as well in addition to offenses of infringement.

(3) The need to introduce heavy penalties on corporate bodies for crimes of fraud and false indication can be considered in the manner described below.

(1) Acts of Fraud (Section 197 of the Patent Law, etc.)

The principal of written documents is employed by examinations and trials conducted by the Patent Office. Although checking the authenticity of each and every matter contained in documents submitted by applicants is one possible choice for preventing acts of fraud in advance, when considering that a huge amount of documents are submitted to the Patent Office, the majority of those documents are considered to be truthful, and that users require prompt processing, the adoption of this type of preliminary regulation type of choice is unrealistic.

On the contrary, since there are no problems with the majority of documents, with the exception of those that are clearly false, it would be more realistic to proceed

with processing at the Patent Office on the premise that claims and descriptions of applicants are true, and the later establishing stiff penalties in cases in which it later becomes clear that an act of fraud has been committed.

In order to accomplish this, it is necessary that penal provisions for acts of fraud have sufficient deterrent potential. However,

- (a) At large corporations having a high percentage of applications for patents, utility models, designs and trademarks, there is a strong possibility that acts of fraud are conducted as a part of the operations of those large corporations; and
- (b) Once rights have been acquired by an act of fraud, the profits acquired from using those rights by a corporation are considered to be much larger than in the case of an individual.

Based on these factors, it is believed to be necessary to introduce heavy penalties corporate bodies into the penal provisions for fraud involving the four laws of industrial property rights.

(2) Acts of False Indication (Section 198 of the Patent Law, etc.)

- (a) Although acts that induce misconception of quality of the Unfair Competition Prevention Law (Article 2, paragraph 1, item 10) are an example of a provision for a portion where the offense of false indication overlaps with the benefit of protection by the four laws of industrial property rights, provisions for heavy penalties on corporate bodies have been introduced for the penal provisions for violation of this law (Article 14), and when considering from the viewpoint of legal compatibility, it cannot be said to be reasonable not to stipulate heavy penalties on corporate bodies for offenses of false indication.
- (b) Since acts of false indication are acts that misuse the advantages of transactions, impair the security of social transactions and cause misconceptions among the general public, their effect on society is becoming increasingly significant.

In consideration of these factors, it is considered to be necessary to introduce heavy penalties on corporate bodies into the penal provisions for offenses of false indication of the four laws of industrial property rights.

2. Description of Revision

A review will be made based on the framework described below.

Heavy penalties on corporate bodies will be introduced for crimes of fraud and false indication.
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Dual Punishment

Provisions

Offense of infringement

Introduction of heavy penalties on corporate bodies in the revision of 1998

(fine: ¥5 million → ¥150 million)

Offense of fraud

Introduction of heavy penalties on corporate bodies is necessary

Offense of false indication

(Considerations)

- Questions have been raised regarding the actual state of accusation thus far for offense of fraud, and the need to introduce heavy penalties on corporate bodies only for crimes involving industrial property rights among overall administrative problems accompanying a permission system in the form of "ex post facto relief".
- Questions have also been raised as to whether the targets of punishment for fraud are large corporations like those which can be compared with, for example, the targets of punishment (Bank) according to the Bank Law.
- In addition, it has also been pointed out as to whether the false indication in the Patent Law is different from that which causes a misconception over the quality guarantee itself as in acts which induce misconception of product quality of the Unfair Competition Prevention Law.

**(Reference 1) Approval of the Criminal Law Subcommittee of the
Legislation Council (December 2, 1991)**

The Legislation Council expressed in 1991 the basic way of thinking which stated that, "It is theoretically possible in the dual punishment provisions to separate the linking of the amount of fines for corporations and other commercial entities from the amount of fines for persons committing acts, and that the amounts of the fines that respectively provide effective deterrence can be decided."

(Reference 2) Trends in the Revisions of Other Laws and Ordinances

- Unfair Competition Prevention Law (1998) : No more than 300 million yen [3 million yen] (acts that induce confusion of well-known indications, acts that induce a misconception about the contents of goods, etc.)
- Law Relating to Prohibition of Private monopoly (1992) : No more than 100 million yen [5 million yen] (private monopolies, unfair trade restrictions)
- Waste Treatment Law (1997) : No more than 100 million yen [10 million yen] (dumping of industrial waste)
- Securities and Exchange Law (1997) : No more than 500 million yen [5 million yen] (market manipulation, etc.)
No more than 300 million yen [3 million yen] (loss supplementation, etc.)
- Bank Law (1997) : No more than 200 million yen [3 million yen] (avoidance of inspection, false reporting)
No more than 300 million yen [3 million yen] (violation of business suspension orders, etc.)

Note: Figures in brackets [] indicate the amount of fines levied against natural persons.

(Reference 3) Comparison of the Unfair Competition Prevention Law and Bank Law

	Act subject to criminal penalty	Benefit of protection by the law	Criminal penalty
Fraud (Patent Law)	Persons who have obtained patent, etc. by submitting forged experiment certificates and so forth to the Commissioner of the Patent Office under the name of clarifying the action and effects of an invention.	National benefit of protection by the law (for expecting a lack of error in the actions of the country in the form of examinations and trials)	Imprisonment of no more than 3 years or fine of no more than 3 million yen (no heavy penalties on corporate bodies) (§ 197)
False reporting (Bank Law)	Persons having made false reports or submitted false reference materials relating to the status of bank operations or assets (§ 24(1)(2))	National benefit of protection by the law (for ensuring the sound and appropriate administration of bank operations)	Imprisonment of no more than 1 year and fine of no more than 3 million yen (§ 63 No. 2, No. 3),
False reply (Bank Law)	Persons who do not reply or reply falsely to questions of concerned personnel at the time of on-the-spot inspections, or who refuse, obstruct or avoid inspection in accordance with these regulations (§ 25(1), (2))		<u>Fine of no more than 200 million yen for corporations (§ 64(1) No. 2)</u>
False Indication (Patent Law)	Persons who indicate a patent on articles having not been patented, or causing a misconception among the general public by transferring that article and so forth (§ 188)	Public trust in patents, etc.	Imprisonment of no more than 3 years and fine of no more than 3 million yen (no heavy penalties on corporate bodies) (§ 198)
False Indication (Unfair Competition Prevention Law)	Persons committing acts such as making an indication that causes a misunderstanding with respect to the origin, quality and so forth of a product (§ 2(1) No. 10)	Public benefit (maintenance of fair competitive order)	Imprisonment of no more than 3 years and fine of no more than 3 million yen (§ 13) Fine of no more than 300 million for corporations (§ 14)

<Articles for Reference>

(1) Unfair Competition Prevention Law, Article 2 (Definitions)

1. The term "unfair competition" as used in this Law means any one of the following:

(10) The act of making an indication, on goods or for services, in their advertisement or in a document or correspondence used for a transaction, which is misleading with respect to the place of origin, quality, contents, manufacturing method, use, or quantity of such goods, or the quality, contents, use, or quantity of such services, or the act of transferring, delivering, displaying for transfer or delivery, exporting, or importing goods with such an indication or offering services with such an indication;

(2) Unfair Competition Prevention Law, Article 13 (Penal provisions)

Any person who falls under any of the following items shall be liable to penal servitude for a term of not more than 3 years or to a fine of not more than ¥3,000,000:

(1) A person who has committed an act of unfair competition mentioned in item (1) or (10) of Article 2 paragraph 1 for a dishonest purpose;

(2) a person (excluding a person mentioned in the preceding item) who has made a false indication, on goods or for services, in their advertisement, or in a document or correspondence used for a transaction, which is misleading with respect to the place of origin, quality, contents, manufacturing method, use, or quantity of such goods, or the quality, contents, use, or quantity of such services;

(3) Unfair Competition Prevention Law, Article 14 (Heavy penalties on corporate bodies)

When a representative of a juridical person, or an agent, employee, or other worker of a juridical or natural person has committed any violation under the preceding Article in connection with the business of the juridical or natural person, in addition to the violator being punished, the juridical person shall be fined not more than ¥300,000,000 and the natural person shall be fined as mentioned in the said Article.

(3)

(6) Strengthening of Administrative Accommodations in Industrial Property Right Infringement Disputes

(1) Strengthening of the Interpretation System

In an effort to achieve prompt resolution of disputes relating to industrial property rights, in addition to strengthening the interpretation system by incorporating procedures focused on the concerned parties, the court will be able to request a specialized technical judgment from the Patent Office in order to realize enhancement and strengthening of dispute resolution measures.

1. Background and Need

(1) The interpretation system involves a judgment as to whether or not a certain target article falls within the scope of rights, namely whether or not there is infringement of patent rights or other industrial property rights, made by the Patent Office.

The results of the interpretation are said to be positioned as a type of expert testimony made by an administrative office. Even in cases in which there is dissatisfaction with those results, the result of the interpretation itself is not allowed to be appealed in court. Although they are also not legally restricting, they are in fact highly respected in society, and are expected to be used as valuable references for rendering judgment by the court as well.

(2) Although (1) the introduction of the judgment technique of the doctrine of equivalent in interpretations, and (2) and implementation in accordance with a new interpretation scheme having for its framework a significant shortening of the interpretation period and so forth, have been started so as to contribute to improvement of convenience of the interpretation system in July of this year, further enhancement of the interpretation system is desired coupled with the viewpoint of speeding up litigations over infringement of industrial property rights.

In addition, it has also been pointed out that basic provisions of procedures for the taking of evidence and so forth are not legally well-defined in the current interpretation system.

(3) In order to solve such problems, it is considered necessary to provide a systematic guarantee that assists in speeding up litigations while ensuring appropriate interpretation procedures.

2. Description of Revision

A review will be made based on the framework described below.

- (1) Procedures for examining evidence and so forth will be established for the interpretation system that are in accordance with the Code of Civil Procedure.
- (2) Courts will be able to request interpretations from the Patent Office as necessary.

Note: With respect to cases in which a court requests an interpretation from the Patent Office, it will be necessary to give consideration to preventing the concerned parties from bearing duplicate procedural burdens with respect to the examination of evidence and so forth.

<Section and Articles for Reference>

(1) Section 71

1. A request for interpretation may be made to the Patent Office with respect to the technical scope of a patented invention.
2. Where such a request is made, the Commissioner of the Patent Office shall designate three trial examiners to give the requested interpretation.
3. Proceedings concerning an interpretation other than those provided for in the preceding subsection shall be prescribed by Cabinet Order.

Note) In Chapter 2 of the Patent Law Enforcement Order (proceedings concerning an interpretation, Sections 2 to 11) corresponding to Cabinet Order of the item 3, examination of evidence is not stipulated.

(2) Law Relating to Prohibition of Private Monopoly, Article 25

1. Any entrepreneur who has effected private monopolization or unreasonable restraint of trade or who has employed unfair business practices, shall be liable for indemnification of damages to the person or party injured.
2. No entrepreneur may be exempted from the liability as prescribed in the preceding paragraph by showing the non-existence of wilfulness or negligence on his part.

(3) Law Relating to Prohibition of Private Monopoly, Article 84

1. When a suit for indemnification of damages as prescribed in Article 25 has been instituted, the court shall, without delay, seek the opinion of the Fair Trade Commission with respect to the amount of damages caused by such violation as mentioned in said Article.
2. In case a claim for indemnification of damages as prescribed in Article 25 is made in the court for the purpose of offsetting, the provisions of the preceding paragraph shall apply *mutatis mutandis* thereto.

(4) The Code of Civil Procedure, Article 218

1. The court may, if it deems it necessary, entrust a government agency or public office, a foreign government agency or public office, or a juridical person having an appropriate facilities with an expert testimony. In this case the provisions of this Section, except for those relating to taking an oath, shall apply *mutatis mutandis*.
2. In the case mentioned in the preceding paragraph, the court may cause the person designated by the government agency, the public office, or the juridical person to explain the written expert opinion if it deems it necessary to do so.

(2) Introduction of a Surcharge System

1. Background and Need

- (1) Although surcharge systems can be found in the Law relating to Prohibition of Private Monopoly and National Livelihood Stabilization Emergency Measures Law, their legal nature is said to consist of (1) forfeiture of undue profit, and (2) economic sanctions.

In addition to this way of thinking, in consideration of the need from the viewpoint of establishing an environment accompanying promotion of recent patent distribution, there are opinions suggesting the introduction of a surcharge system as an administrative measure for suppressing patent infringement and maintaining competitive order on the market.

- (2) In addition to the above, it will be necessary to give consideration to the following matters in the case of introducing a surcharge system for industrial property rights.

- (1) Specific Differences in Concrete Victims in a Comparison with the Law relating to Prohibition of Private Monopoly

Since the mode of victims differs as indicated below, there is the problem of the manner in which conformity should be given.

- In the case of the Law relating to Prohibition of Private Monopoly, since victims cover a large, unspecified number of persons, it is difficult to provide complete compensation for damages resulting from an act in violation of this act.
- In the case of patents, the victim is specified (patentee = victim), and the victim is able to recover losses on his or her own. (although damage to a large, unspecified number of general consumers is assumed due to misconception or confusion with respect to trademarks).

- (2) Organization of the Relationship with the Right to Demand Compensation for Damages by Rights Holders

Rather than attempting to restore legal order through surcharges having punitive connotations, allowing the recovery of damages of concerned parties to be performed smoothly would probably be more reasonable in consideration of resources.

There is also the question as to whether or not the introduction of such a system would obstruct relief for the rights of victims.

- (3) Problem of Double Punishment

There is an argument over whether or not concurrent levying of surcharges and criminal punishment conflicts with the provision that prohibits double punishment in terms of Article 39 of the Constitution of Japan.

(Be noted that although it was ruled by the High Court that concurrent levying of surcharge and criminal punishment in the Law relating to Prohibition of Private Monopoly is not unconstitutional (May 21, 1993, Tokyo High Court, Decision Collection Vol. 40, p. 741, Decision Record No. 1474, p. 31), since there are

constitutional differences between the Patent Law and Law relating to Prohibition of Private Monopoly, it is unclear as to whether this matter is reasonable in the Patent Law.)

2. Future Direction

It is believed to be necessary to proceed with further studies regarding the introduction of a surcharge system based on the circumstances as described above.

(7) Problem of Lawyer Costs

1. Background and Need

- (1) In lawsuits over patent infringement that requires a high degree of specialized knowledge of the prior art and other matters, it is difficult to pursue litigation without a lawyer, and in comparison with other fields of civil proceedings, the rate at which an attorney is appointed is extremely high. However, since the loser of the action is recognized to bear lawyer costs according to the Code of Civil Procedure, the amount of compensation ends up be decreased by the amount of lawyer costs, and it has been pointed out that adequate relief is not provided because of this.

Note: Under the present circumstances, in cases demanding compensation for damages, lawyer costs in an amount equivalent to approximately one-tenth the amount of damages is recognized to be included in the damages as damages based on a corresponding relation of cause and effect.

- (2) Therefore, there are those of the opinion that a portion of lawyer costs of the party that wins the action should be borne by the part that loses the action, or that the infringing party be made to bear a portion of lawyer costs in the case the rights holder wins the action.

- (3) On the other hand, it has also been pointed out that, in the case that lawyer costs are positioned as legal costs and made to be borne by the loser of the action, the rights holder must bear the lawyer costs of the other party if he or she loses the action, thus resulting in the risk of leading to suppression of litigation particularly with respect to corporations having a weak financial standing.

2. Future Direction

It is believed to be necessary to proceed with future studies of the problem of lawyer costs as necessary based on the circumstances described above. In addition, it will also be necessary that those studies be based on the opinion that discussions should also be held with respect to not only lawyer costs, but also to include legal assistant costs at for a patent attorney that time.

It should be noted that studies pertaining to the bearing of lawyer costs by the losers of suits have recently been conducted by the Civil Action Legal Cost System Research Group, and proposals have been made calling for full-scale studies in the future, the results of which will also require further consideration.

(Reference) Positive and Negative Opinions Surrounding Introducing a System whereby Lawyer Costs are Borne by the Losers of Litigations

- (1) Positive Arguments:

- If lawyer costs are not recovered from the loser of a litigation, the contents of

rights given by the substantive law will be destroyed as a result of litigation, thereby making this unfair and unjust.

- It would be irrational to have a party be burdened with lawyer costs which are equivalent to necessary expenses in civil actions, while having the loser of the action bear those expenses is in line with national sentiment.

(2) Negative Arguments:

- In consideration of the risk involved in a litigation, there is the risk of parties refraining from filing civil actions or appeals with particular respect to cases in which it is difficult to predict the outcome. *Since legal costs are shared expenses for the purpose of resolving disputes, it is rational to think that they should be borne by both concerned parties. Having the loser of a civil action unilaterally bear the lawyer costs of the other party, which are decided in a free agreement between the lawyer and client, based on liability for a type of result in the form of a lost action is considered to be an excessive sanction.

[2] Radical Strengthening of Functions of Patent Courts

As the number of litigations over intellectual property rights continues to increase, it is becoming necessary to strengthen the system for processing disputes relating to these intellectual property rights. Although an attempt was made to enhance and strengthen divisions specializing in intellectual property rights of the Tokyo District Court in April of this year, there are many who advocate further enhancement and strengthening of intellectual property divisions of courts, securing of technical specialty, and a study of the establishment of patent courts.

1. Background and Need

(1) Background

- (1) In consideration of the growing awareness of the importance of intellectual property rights in recent years, a growing awareness of rights, and expansion of the range of protection of intellectual property rights, the number of litigations over intellectual property rights is demonstrating an increasing trend. According to a questionnaire survey conducted by the Nikkei Sangyo Shimbun (in August 1997), there were no corporations who predicted that the number of intellectual property rights disputes would decrease in the future, while more than 90% of the surveyed corporations predicted that such disputes would increase.
- (2) Amidst this increasing trend in the number of litigations over intellectual property rights, the Tokyo District Court expanded a portion of its specialized intellectual property right divisions in April of this year in an effort to strengthen its organization.
- (3) In addition, a decision was rendered (Tokyo District Court) in October of this year ordering compensation of approximately 3 billion yen, the highest amount ever, surrounding a patent for the production process of a gastrointestinal drug, and attracting considerable attention.

(2) Need

- (1) Intellectual property rights are rights that are recognized based on a fixed policy objective, and differ from basic human rights and ownership. Fixed restrictions are established for the period during which those rights can be enjoyed. Consequently, in addition to rapidly establishing those rights so that they can be fully enjoyed within the limited period, it is also necessary to promptly resolve disputes in the case of infringement of those rights.
- (2) Further, since the patent system protects technical ideas in the form of inventions,

technical and specialized knowledge are required to evaluate the value of an invention for the purpose of judging validity and infringement of rights. At present, with the rapid progress being made in the advancement of technology and development of software, this trend is likely to become more prominent. In actuality, numerous cases are reported concerning litigations over infringement or suit against appeal/trial decision relating to advanced technology as represented by biotechnology and computer-related technology. Based on the fact that this type of litigation is expected to increase in the future, the securing of a technical expertise in the courts is considered to be an important topic for the future.

- (3) The Federation of Economic Organizations has requested training of specialized judges and their concentrated assignment to courts in major cities from the viewpoint of ensuring rapid processing and technical expertise.

2. Future Direction

On the basis of the above, it is important to continue to examine strengthening the system for processing disputes relating to intellectual property rights in the future as well so that rapid and effective protection will be provided for intellectual property rights and the suitable exercising of rights will be realized.

There are those who advocate the establishment of patent courts like those found in various foreign countries (References 2 through 4), and it is desirable that medium and long-term, wide-ranging studies, that include these matters as well, be conducted continuously.

(Reference 1) Previous Efforts

- Addition of a specialized intellectual property rights division at the Tokyo District Court in April of this year
(addition of Division No. 46 to the existing Division No. 29).
- The Japan Lawyers Federation and Japan Patent Attorneys Association began operation of the "Industrial Property Right Arbitration Center" in April of this year.
- Early processing of trials for invalidation starting in January of this year
(with the goal of processing trials for invalidation within 12 months for patents and within 6 months for trademarks and designs).

- 1) Enhancement of special intellectual property right division in the Tokyo District Court
- 2) Past
- 3) Special intellectual property right division No. 29
- 4) from April, 1998
- 5) Special intellectual property right division No. 46

(Reference 2) Overview of U.S. Court of Appeals for the Federal Circuit (CAFC)

- (1) Court of appeals for the federal circuit (CAFC) was established in October 1982 for the purpose of unifying interpretations relating to cases of patent infringement and providing legal stability. The cases over which CAFC have jurisdiction are indicated below. With respect to litigations over intellectual property rights, CAFC have exclusive jurisdiction over appeals of cases relating to patent infringement actions of federal district courts, applications for dissatisfaction with trial decisions of Judgement of Appeals and the Patent and Trademark Office and so forth.
 - (1) Judgments of appeals relating to patent infringement actions of federal district courts: About 100 cases/year
 - (2) Judgments of appeals for trial (patent or trademark) decisions of the Patent and Trademark Office: 85 cases (1994)
 - (3) Others: 1847 cases (1994)
- (2) The total number of personnel engaged by CAFC is 113. There are 12 judges. Each court is assigned three law clerks. In addition, there are also several assistants involved in legal and technical matters. The budget is 1.88 billion yen (1998: \$1 = 120 yen).

- 1) Scheme of court action for patent in U.S.A.
- 2) Federal Supreme Court
- 3) Court of Appeals for the Federal Circuit (CAFC)
- 4) Federal District Court
- 5) Protest
- 6) U.S. Patent and Trademark Office, Department of Appeal
- 7) Infringement litigation

(Reference 3) Overview of German Federal Patent Courts

- (1) Federal patent courts were established in July 1961. These courts conduct trials for dissatisfaction against rejections of the examination division of the Patent Office, demands for invalidation of patents and so forth. Civil actions over patent infringement fall under the jurisdiction of district courts and the high court, and are not handed by federal patent courts.

The number of cases handled at federal patent courts was 4195 (1995).

- (2) The judges of federal patent courts are comprised of legal members and technical members. In the case of patent cases, trial examinations are conducted by a collegial body consisting of 3 technical members and 1 legal member. A total of 290 persons are engaged by federal patent courts (legal members: 63, technical members: 80).

- 8) Scheme of court action for patent in Germany
- 9) Federal Ordinary Court (Supreme Court)
- 10) Federal Patent Court
- 11) Protest
- 12) German Patent Office, Examination division
- 13) High Court
- 14) District Court
- 15) Infringement litigation

(Reference 4) Overview of U.K. Patent Courts

- (1) Patent courts were established within the equity law division of the high court in 1977. In addition, separate from these patent courts, the patents county courts were established in 1990 for the purpose of providing inexpensive, simple and prompt court trials. The patent courts handle cases of patent infringement and actions over dissatisfaction against disposition by the examination division of the Patent Office. The patent county courts for patents only have jurisdiction over cases of infringement.

* Patent courts: Infringement cases: 112 (1993)

* Patent county courts: Infringement cases: 81 (1993)

(2) The judges of the patent courts are comprised of two full-time judges selected from the Patents Bar (an organization composed of trial attorneys specializing in patent-related cases), and several other judges from other departments also serving as patent judges.

- 1) Scheme of court action for patent in U.K.
- 2) House of Lords
- 3) Court of Appeal
- 4) Patent Court
- 5) Protest
- 6) Patent Office, Examination division.
- 7) Patent County Courts
- 8) Infringement litigation

[3] Review of Extension Registration System for Patent Terms

The conditions for extension will be reviewed as indicated below to enable investments in research and development to be adequately recovered, and to promote reinvestment in the development of new technology.

- (1) A review will be made that includes abrogation with respect to the conditions for termination within two years.
- (2) Extension will be allowed even in the case of receiving disposition as stipulated in cabinet order starting six months before expiration of the patent term until expiration of the patent term.

1. Background and Need

(1) Summary of the Current System

Since it is necessary to receive disposition in accordance with legal provisions, in the case a patented invention was unable to be worked for two years or more, the patent term can be extended by no more than 5 years. Be noted that application for registration of extension cannot be made starting six months before expiration of the patent term (namely, starting 19 years and 6 months after filing).

Disposition according to legal provisions is stipulated in cabinet order, and at present, approval is based on the Pharmaceutical Affairs Law, and registration is based on the Agricultural Chemicals Regulation Law.

- 1) period in which patented invention cannot be worked according to the Pharmaceutical Affairs Law
- 2) Extension of term
- 3) Application
- 4) Patent
- 5) Expiration of term
- 6) 20 years
- 7) Search for new drug
- 8) Pre-clinical study
- 9) Clinical study
- 10) Request for approval
- 11) Approval for manufacture

(2) Particulars of System Introduction

- (1) In some fields, since a considerably long time is required for gathering experimental

data and its examination that is necessary for obtaining approval based on government legal provisions for the purpose of ensuring safety and so forth, benefits resulting from exclusive ownership of rights are unable to be enjoyed during that time even if, for example, patent rights are in effect. Thus, the problem results in which the patent term is encroached upon by the amount of time corresponding to this period. This system was introduced through a partial revision in 1987 in order to resolve this problem.

- (2) Normally, roughly two years are considered to be required to satisfy government regulations. Since encroachment of the patent term to this extent is not considered to constitute a severe lack of protection of the rights holder, extension was only recognized in the case a patented invention was unable to be worked for two years or more.
 - (3) In addition, since the granting of exclusive rights to inventions that were no longer worth protecting in comparison with the level of technology at the time violates the purport of the patent law which is aimed at the growth of industry, in the establishing of an extension system, the upper limit of extension was set at 5 years so that the expiration date of a patent term would not be extended indefinitely (and in consideration of the upper limit of patent terms in the U.S. also being 5 years).
 - (4) Moreover, in the case an application for registration of extension was filed immediately before expiration of a patent term, since there is the risk of causing unforeseen damages to a third party who had been proceeding with working of the patent invention in anticipation of expiration of the patent term as a result of publication of an examined publication not being able to be performed by the time of expiration of the patent term, and warnings not being adequately made to third parties, application for registration of extension cannot be made starting six months before termination of the patent term.
- (3) Review of Extension Conditions
- (1) Termination at Two Years
Since a huge amount of research and development costs are required to establish new technologies, in the case an invention is unable to be worked, even for a short period of time, there is the risk of being unable to adequately recover those research and development costs.
 - (2) Upper Limit of 5 Years
The harmony between invention protection (lengthening of the patent term) and the harmful influence of monopolization of technologies is important. From the viewpoint of economic globalization as well, it is necessary to achieve compatibility with the legal systems of other countries. The upper limit on extension of the patent term is five years in the U.S. and Europe, and there have been no opinions

suggesting that this be extended.

(3) Application for Extension Registration Starting Six Months Before Expiration of Patent Term

Since an applicant is unable to control the time of approval based on legal regulations, it is unduly harsh not to allow application for registration of extension when the time of approval is beyond six months before expiration of the patent term. In addition, third persons would be able to avoid unforeseen situations if it were possible to at least confirm an intent of extension.

2. Direction of Revision

The conditions for extension of the patent term will be reviewed in the manner below.

- (1) The conditions for termination within two years, including abrogation, will be reviewed.
- (2) Extension will be allowed even in cases in which disposition stipulated in cabinet order is received starting six months before expiration of the patent term to expiration of the patent term (application for registration of extension will be allowed before disposition).

- 1) Approval for manufacture
- 2) Application for Extension of Term 1
- 3) Application for Extension of Term 2
- 4) Approval for manufacture
- 5) June
- 6) Extension
- 7) 20 years

(Reference) Requests from the Pharmaceutical Industry

Requests for revision of the above system have been made by the Japan Pharmaceutical Industrial Association^{*1} and the Pharmaceutical Industry Council^{*2}. A request was submitted to the Patent Office containing the matters described below by the Japan Federation of Pharmaceutical Organizations, of which the above organizations are members, in a form that summarizes their requests.

- Abolition of termination of extension periods of less than two years (Section 67(2) of the Patent Law).
- Abolition of prohibition of application for registration of extension starting six months before expiration of the patent term (Section 67 bis(3) of the Patent Law).

*1: The Japan Pharmaceutical Industrial Association whose members consist of pharmaceutical companies oriented towards research and development. This association has 85 member companies as of September 1998.

*2: The Pharmaceutical Industry Council is an organization primarily composed of 52 medium and small-sized pharmaceutical manufacturers engaged in the production and sales of generic drugs for medical applications.

<Sections for Reference>

(1) Section 67 (Term of patent right)

2. The term of the patent right may be extended, upon application for registration of an extension, by a period not exceeding five years if, because of the necessity of obtaining an approval or other disposition which is governed by provisions in laws intended to ensure safety, etc. in the working of the patented invention, and which is provided for in Cabinet Order as being such that, in view of the object of the relevant disposition, proceedings, etc., a considerable period of time is required for the proper action for the disposition, it was not possible to work the patented invention for two years or more.

(2) Section 67^{bis} (Registration of extension of term of patent right)

3. The application for registration of an extension of the term of a patent right shall be made within the time limit prescribed by Cabinet Order counting from the date of obtaining the disposition provided for in Cabinet Order referred to in Section 67(2). However, the application shall not be made after six months prior to the date of expiration of the term of a patent right provided for in Section 67(1).

[4] Introduction of an Early Unexamined Publication System by Application

In order to allow of the early occurrence of the right to demand compensation when so desired by an applicant, an early unexamined publication system will be introduced that performs publication of an application before examination in accordance with an application for such when so desired by the applicant even before one year and six months have passed from the time of filing.

Accompanying this, in order to achieve balance with the previous absence of an early unexamined publication system by application in Japan with respect to international patent applications based on the Patent Cooperation Treaty, regulations that have stipulated the occurrence of the right to demand compensation to be after one year and six months from the time of filing, even if international publication was made before one year and six months have passed from the time of filing, will be revised to enable the occurrence of the right to demand compensation even before one year and six months have passed since the time of filing.

1. Background and Need

- (1) Early Occurrence of Right to Demand Compensation
 - (1) As a result of publication of an application, an amount equivalent to the license fee can be demanded after establishment of patent right with respect to the period after the issuing of a warning until registration of the establishment of patent right on the condition of issuing a warning to persons working an invention described in the scope of claim for patent of that patent application.
 - (2) However, there is no occurrence of any rights whatsoever during the period from filing until publication before examination (one year and six months).
 - (3) On the other hand, in the case an application is working that invention after filing, there is the risk of a third party imitating that invention as a result of its working.
 - (4) In recent years, that has been an increasing trend in requests for accelerated examination for reason of working an invention within one year after filing. It is therefore thought that the number of persons working their own inventions soon after filing is increasing. In this case, these persons have no power whatsoever to deter the occurrence of imitations by third parties as a result of working their own invention.
 - (5) It will be possible to protect against imitations soon after filing by allowing the early

occurrence of the right to demand compensation as a result of publishing an application earlier than one year and six months after filing by submitting an application for such early publication.

- 1) Working of an invention by an applicant
- 2) Working of an invention by third party (imitation)
- 3) Possible execution of right to demand compensation
- 4) Enforcement not allowed
- 5) Application
- 6) Publication of unexamined application (18 months)
- 7) Early publication of unexamined application

(2) Shortening of Examination Processing Period

- (1) Examinations will be performed prior to publication due to proliferation of accelerated examinations, and there are cases in which decision to grant a patent is made prior to laid-open publication of an application. In addition, decisions of rejection will be made prior to laid-open publication with respect to applications filed on and after January 1, 1999.
- (2) In cases when decision to grant a patent is made about one month after filing as a result of commencement of accelerated examination, an Official Gazette containing the patent will be published about 4 months after filing, and there is also the possibility of the opposition period ending about 10 months after filing.
- (3) In this case, since applications filed immediately before the present application (the application of B (the former) in the example below) are not published before examination, the basis of opposition to the effect that they do not satisfy the requirements of Section 29^{bis} of the Patent Law cannot be used.
- (4) The proportion of inspections performed prior to laid-open publication is expected to increase in the future, and although such circumstances are not desirable since it may lead to dismantling of the opposition system, it will be possible to file an opposition since a system will be introduced that allows laid-open publication prior to one year and six months after filing by requesting laid-open publication of an application.

1) A

2) Application

3) Registration

4) Official Gazette

5) Expiration of term for opposition (6 months after publication) of official gazette

6) Before revision

B

7) Opposition not allowed since the application has not yet been laid-open

8) Opposition allowed

9) Publication of unexamined application (18 months)

10) After revision

B

11) Early publication of unexamined application

- (5) In addition, in the case a decision of final rejection is made prior to laid-open publication, although this will prevent laid-open publication, there are cases in which some applicants may desire laid-open publication of said patent (in the case of

requesting effect of exclusion of a later filed application of Section 29 and Section 29^{bis} of the Patent Law). By introduction of an early publication system, an application can be published before examination at the request of the applicant.

(3) Status of Foreign Countries

An early publication system that allows applications to be published before examination prior to one year and six months after filing when requested by the applicant is employed by the European Patent Office and in Germany, U.K., Italy, Sweden, China, South Korea and other countries that are using an application laid-open publication system.

(4) Relationship with Early International Publication in the Patent Cooperation Treaty

(1) Although international patent applications based on the patent cooperation treaty are internationally published before examination after one year and six months have passed from the time of filing at the stage of international procedures, this treaty provides an early publication system whereby international publications are made prior to one year and six months according to a request by the applicant. However, since an early publication system by applicant is not employed in domestic law, the time of occurrence of the right to demand compensation with respect to international patent applications having Japan for their designated country for which international publication was made prior to one year and six months after filing is stipulated as occurring on or after one year and six months after filing in an attempt to maintain balance with applications published in Japan (Section 184(9) and (10) of the Patent Law).

1) Domestic application

2) 1 year and 6 months

3) Publication of unexamined application

4) International patent application

5) Execution of right to demand compensation not allowed

6) Early international publication before examination by demand

7) Period when a right to demand compensation occurs (after 1 year and 6 months passed)

(2) At the time of introduction of an early publication system before examination for domestic applications, provisions for maintaining balance between international patent applications and domestic applications will be revised, allowing the occurrence of right to demand compensation of international patent applications to be earlier than one year and six months from filing.

2. Description of Revision

- (1) An early publication system will be introduced whereby applications are published before examination by request even if prior to one year and six months from filing when so desired by the applicant.
- (2) Together with the introduction of an early publication system, restrictions on the time of occurrence of the right to demand compensation of international patent applications will be revised, allowing right to demand compensation to occur even before one year and six months from filing.

<Sections for Reference>

(1) Section 29^{bis} (Patentability of inventions)

Where an invention claimed in a patent application is identical with an invention or device (excluding an invention or device made by the same person as the inventor of the invention claimed in the patent application) disclosed in the specification or drawings originally attached to the request of another application for a patent (in the case of a foreign language file application referred to in Section 36^{bis}(2) of this Law, the foreign language file referred to in Section 36^{bis}(1) of the said Law) or of an application for a utility model registration which was filed earlier than the patent application and for which the Patent Gazette which states the matter referred to in each paragraph of Section 66(3) of the said Law (hereinafter referred to as "the Gazette containing the Patent") was published under the said subsection or the laying open for public inspection (*Kokai*) was effected or the Utility Model Gazette which states the matter referred to in each paragraph of Section 14(3) of Utility Model Law (No. 123 of 1959) (hereinafter referred to as "the Gazette containing the Utility Model") was published under the said subsection after the filing of the patent application, a patent shall not be granted for the invention notwithstanding Section 29(1). However, this provision shall not apply where, at the time of filing of the patent application, the applicant of the patent application and the applicant of the other application for a patent or the application for a utility model registration are the same person.

(2) Section 64 (Laying open of applications)

1. After one year and six months from the filing date of an application, the Commissioner of the Patent Office shall lay the patent application open for public inspection, unless the Gazette containing the Patent has already been published.

(3) Section 184^{novies} (National publication of translation, etc.)

1. In respect of a foreign language patent application for which a translation has been furnished under Section 184^{quater}(1), the Commissioner of the Patent Office shall, except where the Gazette containing the Patent has already been published, effect the national publication of the translation as soon as possible after the expiration of the time limit for the submission of the national form paper [or - where the application is an international patent application for which a request for examination by the applicant has been made within the time limit for the submission of the national form paper and for which the international publication referred to in Article 21 of the Treaty (hereinafter referred to as "international publication") has been effected - after the time of expiration of one year and six months from the priority date or from the time of making a request for examination, whichever is later].

(4) Section 184^{decies} (Effects, etc. of international publication and national publication)

1. The applicant of an international patent application may, after the international publication (or - if the international publication has been effected prior to the expiration of one year and six months from the priority date - after the expiration of one year and six months from the priority date) in the case of a Japanese language

patent application and after the national publication of the translation in the case of a foreign language patent application, and following a warning by the applicant in the form of a document describing the contents of the invention claimed in the international patent application, demand of a person who has commercially worked the invention, after the warning but before the registration of the establishment of the patent right, the payment of compensation in a sum of money equivalent to what he would normally be entitled to receive for the working of the invention if it were a patented invention. Even in the absence of the warning, in the case of a Japanese language patent application, the same shall apply to a person who commercially worked the invention before the registration of the establishment of the patent right (or - in the case of an international patent application for which the international publication has been effected prior to the expiration of one year and six months from the priority date - after the expiration of one year and six months from the priority date and before the registration of the establishment of the patent right), knowing that the invention was the one claimed in the international patent application for which the international publication has been effected, and in the case of a foreign language patent application, the same shall apply to a person who commercially worked the invention before the registration of the establishment of the patent right, knowing that the invention was the one claimed in the international patent application for which the national publication of the translation has been effected.

[5] Exchange of Information Relating to Infringement Cases Between the Courts and Patent Office

In the case civil actions relating to cases of infringement of patent rights and so forth, the court will notify the Patent Office to that effect at instituting of the suit, and similarly notify the Patent Office to that effect at completion of the trial in order to allow the Patent Office to be aware of trial cases relating to patent infringement and terminate their trial examinations promptly.

In addition, in the case a notice to the effect that a lawsuit has been filed is made from a court to the Patent Office, when a demand for trial or trial decision has been made corresponding to said infringement suit, the Patent Office will notify the court to that effect so that the court is aware of the presence or absence of a related demand for trial case and the status of its trial examination.

1. Background and Need

- (1) With respect to industrial property rights for which rights are set following examination on patents, etc. among intellectual property rights, the trial for invalidation system is established to resolve disputes surrounding the validity of rights between interested parties and the rights holder. This trial for invalidation is frequently requested as a means of opposing patent infringement suits. Moreover, since this system employs a trial examination of the validity of rights premised on a judgment of infringement, it is required to reach a conclusion faster than infringement suits.
- (2) However, with respect to the occurrence of cases in which a trial decision of invalidation of patent is rendered and the trial examination period of trials for invalidation after a judgment of infringement has been made in an infringement suit and a judgment has been made to the effect that a demand for compensation for damages is to be paid, various policies are being deployed to shorten that period, including revision of not allowing amendments that change the gist of the reasons for demanding invalidation of patent (revised matters of 1998), the aggressive use of oral trial examinations, and a review of internal procedures (parallel processing, shortening of the amount of time of processing required for mailing).
- (3) In addition, with respect to infringement suits, it is stipulated that the court can interrupt court proceedings until the trial decision of the Patent Office is finalized when so required by the court (Section 168(2) of the Patent Law). Early processing of trials for invalidation relating to infringement suits is therefore necessary to promptly resolve patent disputes.
- (4) In this manner, although rapid processing is particularly required for trial cases relating to infringement suits instituted at courts, the Patent Office is unable to determine

the fact of instituting an infringement suit. In addition, the court has no way of determining the facts, other than by inquiring individually, regarding whether or not a demand for trial has been made at the Patent Office.

- (5) If the Patent Office is able to be made aware of information regarding the instituting of infringement suits, it would be possible to achieve an early conclusion to trial examinations by, for example, making use of oral trial examinations in corresponding trials for invalidation and so forth. Similarly, if the court was able to determine whether a trial case corresponding to the instituted infringement suit had been demanded to the Patent Office, it would be possible to obtain valuable information in terms of making a judgment regarding interruption of the litigation.

2. Description of Revision

- (1) When an infringement suit has been instituted at a court, the court will notify the Commissioner of the Patent Office to that effect, and will also notify the Commissioner of the Patent Office when said suit is no longer pending.
- (2) When a notification of filing of an infringement suit has been received from a court, the Patent Office will notify the court of whether or not a corresponding demand for trial has been made, and also notify the court to that effect when a trial decision has been rendered.

<Section for Reference>

In the current Patent Law, the notification from the court to the patent office, when an action has been instituted, is stipulated in Section 180 of the Patent Law.

Section 180

When an action referred to in the proviso to Section 179 has been instituted, the court shall, without delay, notify the Commissioner of the Patent Office accordingly.

Note) An action referred to in the proviso to Section 179 means action for cancellation against decision for invalidation.

Chapter 3 Establishment of an Environment for Accelerating Intellectual Creation

[1] Accommodation of Information Utilization

(1) Utilization of Global Publicly Known and Worked Inventions

Regional standards for publicly known and worked inventions will be expanded accompanying the technical innovations in the field of information transmission as is exemplified by the Internet.

1. Background and Need

- (1) Under the current Patent Law, publicly known inventions or publicly worked inventions within Japan are not patentable as not being novel. However, with respect to the publicly known inventions or publicly worked inventions are judged based only on the facts within Japan. Therefore, if an invention is not one of the publicly known inventions or publicly worked inventions within Japan in spite of the fact that the invention had been publicly known or publicly worked in foreign countries, a patent will be granted.

Section 29(1) of the Patent Law

- (i) invention which were publicly known in Japan prior to the filing of the patent application; (publicly known)
 - (ii) inventions which were publicly worked in Japan prior to the filing of the patent application; (publicly worked)
 - ((iii) is omitted.)
- (2) Under the current law, domestic standards were established for known and worked inventions based on the assumption that surveys of overseas known and worked inventions was actually difficult at the time of its enactment (1959).

However, if patents are granted and monopolized in Japan for inventions known or worked overseas (public domain), the situation occurs in which technology able to be used freely overseas cannot be used in Japan, thereby causing a delay in the development of technology. In addition, this may also give the impression of encouraging the imitation of technology, thereby resulting in a system that can be said to run contrary to the direction in which Japan is heading of shifting from catch-up-type to frontier-type research and development.

In addition, since it has become relatively easy to conduct surveys about facts relating to known or worked inventions overseas, including determination of the facts

relating to overseas product sales, the contents of presentations at the meeting of academic societies, etc. due to the progress of transportation means in recent years, the formation of a border-less economy and the progress of means of providing information as is exemplified by the Internet, there is no longer any reason to establish regional standards for known or worked inventions in Japan.

2. Direction of Revision

Since it has become relatively easy to survey facts concerning known and worked inventions overseas due to the development of the Internet and so forth in recent years, regional standards for known or worked inventions will be expanded to include the entire world.

(2) Expansion of a reason for lacking the novelty of an invention

In consideration of increases in the amount of technical information disclosed only on the Internet, accompanying the technical innovations in the field of information transmission typified by the Internet, information disclosed on the Internet shall be treated as a reason for lacking novelty.

1. Background and Need

- (1) Under Japan's patent law, the following inventions are not patentable as not being novel (hereafter, referred to as "a reason for lacking novelty").

Section 29(1) of the Patent Law

- (i) inventions which were publicly known in Japan prior to the filing of the patent application; (publicly known)
 - (ii) inventions which were publicly worked in Japan prior to the filing of the patent application; (publicly worked)
 - (iii) inventions which were described in a publication distributed in Japan or elsewhere prior to the filing of the patent application (disclosed in a publication)
- (2) Since technical information disclosed in databases and on the Internet has an amount of information equal to technical information published in the form of magazines, books and so forth, and is provided with convenience with respect to the speed of its transmission, search functions and so forth, it is already a matter of technical common sense of the industrial world.

Thus, even in the case of an invention disclosed only in a database or on the Internet without being contained in a publication, it should not be granted patent.

However, since it is difficult to treat technical information of electronic data only as a "publicly known invention" or "known invention of a publication" based on previous precedents, even if, for example, an invention as claimed in a patent application was disclosed in a database or on the Internet prior to its filing, said application cannot be rejected on the basis of this.

On the other hand, since technical information disclosed on by a database or the Internet can be treated as a reason for rejecting the novelty of an invention in terms of the law in the patent offices of the U.S. and Europe, guidelines and so forth were enacted in 1997 regarding the handling of technical information disclosed in databases or on the Internet as a technical standard.

Thus, under the present circumstances, even if technical information is disclosed only in a database or on the Internet, and an invention is rejected in an examination by the U.S. or European patent office, that invention must be granted patent in Japan.

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Numbers of host computers in the world
(number)

Source: Network Wizards Corporation

Increase in Web sites

Source: Matthew Gray of the Massachusetts Institute of Technology

Server

Information

Information transmission upon request

User's terminal

Chart showing concept on the Internet

2. Direction of Revision

(1) Handling of Information Disclosed on the Internet (Electronic Media)

In consideration of the fact that the Internet is beginning to be used as a site for making presentations by researchers, and examples of research findings that had previously been published in publications being published on electronic media only, it is essentially no longer possible to ignore information on the Internet when judging the novelty of an invention.

Thus, it is necessary to examine the handling of Internet information as reasons for rejecting the novelty of an invention.

It will be necessary to consider the following points at this time.

(1) Accessibility

There are opinions that the Internet and so forth have not necessarily proliferated among all persons, as well as opinions that, if information disclosed on the Internet and so forth can be accessed by persons desiring to access that information, then it should be treated as a reason for rejecting novelty in the same manner as circulated publications. (With respect to publications, even though they may not be circulated to all persons, since they are in a state that allows them to be viewed by the general public, they are treated as reasons for rejecting novelty.)

(2) Ability as Evidence

In comparison with printed matter which are paper media, information on the Internet and so forth, which is a kind of electronic medium, can be easily modified without leaving any signs, and there are also cases in which the publication date cannot be specified.

Therefore, when handling information on the Internet and so forth in the form of electronic data as the prior art, it is necessary that it have the ability as evidence that the information carried on the Internet existed prior to filing (ability as evidence).

For example, in commercial databases and at sites operated by scientific organizations which contain technical papers, the date on which information is carried is clearly indicated. Thus, that date has a level of reliability and is considered to satisfy the requirement of having ability as evidence.

(3) Time of Publication of Information by the Internet

In contrast to publications being published at the time they are circulated, Internet information is published as a result of the public being able to access that information after the information has been posted at a site. (Note: In addition to the on-demand type of information described above, a distributed type of information referred to as push-type information also exists on the Internet.)

Publication
Distribution
Public
Information on the Internet
Accessing
Public

Publications are used as reasons for rejecting novelty as a result of that technical information entering the public domain as a result of being circulated regardless of whether or not its contents were read.

It is considered to be suitable to allow Internet information to be used as reasons for rejecting novelty as a result of that technical information entering the public domain when it is in a state that enables it to be accessed by the public instead of being circulated.

In addition, push-type Internet information that is distributed to readers on a regular basis is also considered to be suitable as reasons for rejecting novelty at the time it is distributed in the same manner as the circulation date of publications.

(4) Positioning of Internet Information as Reasons for Rejecting Novelty

There is a theory which states that a known fact is required to refer to an invention as a "known invention" as in Section 29(1)(i) of the Patent Law, and there are precedents from the high court that discuss this matter.

On the other hand, since there is also a theory which states that there is no problem in treating an invention as "known" if there is no proof that the invention is in a state that allows it to be known and that there are actually no known facts, in handling information on the Internet, studies will be conducted regarding the need for enacting legislation for making the time at which that information rejects novelty to be the time at which it entered a state that can be known to the general public, namely the time at which it became possible to access that information, as well as the possibility of handling that information as a "known invention". A system will then be designed as necessary after first clarifying the positioning of Internet information as reasons for rejecting novelty.

(2) Application of Provisions for Exception to Loss of Novelty

According to the current provisions for exception to loss of novelty (Section 30 of the Patent Law), even if an invention falls under each item of Section 29(1) of the Patent Law as a result of a presentation and so forth made in a publication, in the case of that invention having been filed within 6 months after that time, that presentation is not classified as being a reason for rejection of novelty. However, from the viewpoint of early publication of an invention, since there are no reasons for treating "disclosure of information via the Internet" and "presentation in a publication" differently, it is believed to be necessary to apply exception to loss of novelty to presentations made via the Internet as well.

(3) Expansion of exceptions to lack of novelty of invention

Exceptions to lack of novelty are applicable restrictively to the case that an invention claimed in a patent application is identical with an invention of which presentation was made. However, the exceptions shall be expanded up to not only the identical case but the case where an invention could be easily have been made (the case that there exists any difference between these two inventions).

1. Background and Need

(1) In the case of an invention which has fallen under any of the paragraphs of Section 29(1) by the following acts of a person having the right to obtain a patent or against the will of the person having the right to obtain a patent (hereafter referred to as "one's own acts, etc."), the preceding subsection shall also apply, provided that such person has filed a patent application within six months from the date on which the invention first fell under those paragraphs. (Section 30: Exceptions to lack of novelty of invention)

- (1) Conducting an experiment
- (2) Making a presentation in a printed publication
- (3) Making a presentation in writing at a study meeting held by a scientific body designated by the Commissioner of the Patent Office
- (4) Exhibiting the invention at an exhibition

Under the current law, exceptions to lack of novelty can not be applied to the case that an invention which has fallen under any of the paragraphs of Section 29(1) by one's own acts, etc. is not identical with an invention claimed in a patent application. As a result, an invention claimed in a patent application may be rejected by a reason that the invention could be easily have been made on the basis of an invention or inventions referred to in any of the paragraphs of Section 29(1).

(2) Not a few cases may occur where an invention or inventions referred to in any of the paragraphs of Section 29(1) by conducting an experiment, making a presentation in a printed publication, making a presentation in writing at a study meeting, or exhibiting the invention at an exhibition are not identical with an invention claimed in a patent application.

(3) There are many cases that the content of a presentation in writing is not identical with the content of a patent application in which the scope of right or the description requirements are taken seriously, because a presentation in a study meeting is attached importance to its academic significance or results.

(4) The above matters may become a kind of obstacle for college staff members, who

attach importance to a presentation in a study meeting or presenting of a treatise, to obtain a right.

- (5) Also, under the current law in which exceptions to lack of the novelty are applied restrictively to identical inventions, restrictions will be placed on making a use of multiple claims or claiming an invention.
- (6) In order to take measures against such situations, it will become necessary not to take the acts into consideration in judging the novelty or an inventive step of a corresponding patent application in relation to the inventions presented by one's own acts, etc.

2. Direction of Revision

Exceptions to lack of novelty is applicable restrictively to the case where an invention claimed in a patent application is identical with an invention of which presentation was made. However, the exceptions shall be expanded up to not only the identical cases but cases where an invention could be easily have been made.

<Section for Reference>

Section 30 (Exceptions to lack of novelty of invention)

1. In the case of an invention which has fallen under any of the paragraphs of Section 29(1) by reason of the fact that the person having the right to obtain a patent has conducted an experiment, has made a presentation in a printed publication, or has made a presentation in writing at a study meeting held by a scientific body designated by the Commissioner of the Patent Office, such invention shall be deemed not to have fallen under any of the paragraphs referred to, provided that such person has filed a patent application within six months from the date on which the invention first fell under those paragraphs.

<Reference>

Image for applying of exceptions to lack of novelty
In conventional case

Invention A
One's own presentation
Filing of a patent application
Within six months

In this case, as a patent application has been filed within six months for an invention which has fallen under any of the paragraphs of Section 29(1), such an invention should be deemed not to have fallen under those paragraphs. As a result, the application should not be rejected based on the one's own presentation.

Invention A
Invention A + α
One's own presentation
Filing of a patent application
Within six months
 α : well-known art

Meanwhile, in this case, as the invention "A + α " is not identical with the presented invention "A" and an invention claimed in a patent application is not deemed to be an invention which has fallen under any of the paragraphs of Section 29(1), exceptions to lack of the novelty can not be applied. As a result, the invention "A + α " should be rejected by the reason of the fact that the invention could have easily been made on the basis of the invention "A" presented by one's own and well-known art " α " according to Section 29(2).

After revision

Invention A

Invention A + α

One's own presentation

Filing of a patent application

Within six months

α : well known-art

After revision, even in the same case, however, as a patent application has been filed within six months from the date of one's own act of presentation, exceptions to lack of the novelty can be applied. As a result, such a patent application should not be rejected based on one's own act of presentation.

[2] Simplification of Procedures

Simplification of Procedures for Divisional and Converted Applications

In the case of division or conversion based on applications claiming priority based on Paris Convention or domestic priority or applications applying for application of exception to lack of novelty, it will be possible to claim priority based on Paris Convention or domestic priority or apply for exception to lack of novelty without having to take new procedures in order to create a user-friendly system.

1. Background and Need

- (1) Attempting to simplify administrative procedures without limiting to the field of industrial property rights should definitely be implemented from the viewpoint of constructing a system that is user-friendly and easy to use. In the Patent Law as well, in cases in which there is a lack of need irrespective of the burden on the applicant, procedures have been abolished and requirements have been relaxed provided they do not result in unforeseen damages to a third party.
- (2) At present, even for documents that are required to be submitted for obtaining patent rights, in cases in which recorded matters of documents have already been acquired by the Patent Office, it is only necessary that previously acquired information be confirmed, and there is little need to resubmit those documents. In cases such as this, it would be preferable in terms of simplifying procedures to eliminate the obligation to submit such documents provided correspondence with previously acquired information is possible at all times, and it does not result in unforeseen damages for the applicant or a third party.
- (3) In the dividing or converting of the original application accompanying claiming of priority based on Paris Convention, according to the current system, the applicant is required to resubmit documents that claim priority based on Paris Convention.

US application

Original application

Division

Submission of documents

Divisional application

Submission of documents

However, since documents claiming priority based on Paris Convention that are resubmitted do not contain information that goes beyond the contents of the document

submitted in the original application, it is not possible to avoid the impression of duplicate procedures from the standpoint of the applicant. In addition, in cases when the submission of documents has been forgotten during divisional or converted applications, since following supplementation is not allowed, there are cases in which a divisional application is rejected due to the prior art published during the time until the original filing date from a previous overseas application. This problem can occur not only with respect to priority based on Paris Convention, but also in the case of dividing or converting applications claiming domestic priority as well as applications applying for application of exception to lack of novelty.

In addition, if documents claiming priority and so forth are not required to be submitted in divisional and converted applications, it will also be possible to eliminate the time required for formality examinations.

2. Direction of Revision

In the case of division or conversion based on applications claiming priority based on Paris Convention or domestic priority or applications applying for application of exception to lack of novelty, it will be possible to claim priority based on Paris Convention or domestic priority or apply for exception to lack of novelty without having to take new procedures.

<Sections for Reference>

(1) Section 30 (Exceptions to lack of novelty of invention)

4. Any person who desires the applicaiton of Subsection (1) or the preceding subsection with respect to an invention claimed in a patent application shall submit a written statement to that effect to the Commissioner of the Patent Office simultaneously with the patent application. Within 30 days of the filing of the patent application, he shall also submit to the Commissioner of the Patent Office a document proving that the invention claimed in the patent application is an invention falling under Subsection (1) or the preceding subsection.

(2) Section 41 (Priority claim based on patent application, etc.)

4. A person desiring to declare a priority claim under Subsection (1) shall, simultaneously with the patent application, submit to the Commissioner of the Patent Office a document setting forth a statement to that effect and an identification of the earlier application.

(3) Section 43 (Priority claim under the Paris Convention)

1. A person desiring to declare a priority claim in respect of a patent application under D(1) of Article 4 of the Paris Convention shall, simultaneously with the patent application, submit to the Commissioner of the Patent Office a document setting forth a statement to that effect and specifying the country party to the Paris convention in which the application was first filed, or considered under C(4) of the said Article to have been first filed, or recognized under A(2) of the said Article to have been first filed, as well as the filing date of such application.

2. A person who has declared a priority claim or priority claims by virtue of the preceding subsection shall submit a written statement to the Commissioner of the Patent Office setting forth the filing date or dates of the application or applications, certified by the country party to the Paris Convention in which the application or applications were first filed, or considered under C(4) of Article 4 of the Paris Convention to have been first filed, or recognized under A(2) of the said Article to have been first filed, as well as a certified copy of each of the specifications and drawings of the inventions or a copy of each of the official gazettes or certificates having the same contents which have been issued by the government of the member country concerned, within one year and four months from the earliest of the following filing dates:

((i), (ii) and (iii) are omitted.)

Closing remarks

With intellectual property recognized as the foundation of national wealth in this country, our government has hammered out a pro-patent policy, under which various measures including the shortening of the examination period have been taken. The Industrial Property Council established a Damages Compensation Etc. Subcommittee under the Legislation Committee in April 1997 and has been avidly discussing since then how to provide relief to the victims of infringements on their intellectual property. The said subcommittee calls for the establishment of an intellectual creation cycle consisting of creation, establishment of right, and utilization of right, and it has resulted in the law aimed at a partial revision of the Patent Law (enacted in April 1998)," which focuses on a review of the method of computing damages.

Moves of this kind are exerting great influences on patent infringement lawsuits. In February 1998, for instance, the Supreme Court handed down a ruling which adopted the "Doctrine of equivalent" that approved an extended scope of patented invention. (Refer to Ball Spline Case). Meanwhile, the Tokyo District Court added to itself the Intellectual Property Specializing Committee in April 1998 with a view to bolstering its structure and also came up with a ruling that approved the largest amount ever of damages (totaling some 3 billion yen) in October 1998.

In this trend of the times, the Subcommittee discussed the remaining issues for further acceleration and strengthening of the intellectual creation cycle on the basis of structural renewal and consciousness raising, and it has disclosed in this report how the intellectual property system should be in the coming 21st century. We are certain that this will further promote the pro-patent policy, activate transactions involving intellectual property, encourage creative technological development, and realize the birth of new industries. In the future, it will be necessary to study what various systems surrounding the intellectual property system should be like while paying attention to moves for harmony among various systems (harmonization) and development of information technologies.

This subcommittee conducted deliberation on the Industrial Property Laws, in particular the Patent Law, but it is believed basically possible to discuss some aspects of it together with other industrial property laws for the same goal.

Finally, it is hoped that the government will soon start studying a law revision and the improved enforcing of the law. At the same time, it should be stressed that this report was worked out in hope that all related circles will realize the importance of intellectual property.