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## Partial Revisions in the Japanese Patent and Utility Model Law

A bill related to revising the Japanese Patent and Utility Model Law was passed in the Diet and published last year. The most relevant revisions which are to be enforced as of April 1, 2005 are as follows:

### 1. Utility Model Registration System

- a. The term of the Utility Model right calculated from the application date will be extended from 6 years to 10 years.
- b. Registration fees will be reduced as follows:

	Current Fees	After Revision
1 <sup>st</sup> to 3 <sup>rd</sup> year (annually)*	¥7,600 + ¥700 x number of claims	¥2,100 + ¥100 x number of claims
4 <sup>th</sup> to 6 <sup>th</sup> year (annually)	¥15,100 + ¥1,400 x number of claims	¥6,100 + ¥300 x number of claims
7 <sup>th</sup> to 10 <sup>th</sup> year (annually)	-	¥18,100 + ¥900 x number of claims

\* *Registration fees for the 1<sup>st</sup> to 3<sup>rd</sup> years are to be paid in a lump sum, when filing the application.*

- c. A Utility Model, even after having been registered, can be converted to a Patent application within 3 years after application, unless the applicant or owner has already demanded a "Technical Evaluation document" (= JPO Search Report) and the term for replying to any Invalidation Trials has expired. A Utility Model, for which any third party demanded a "Technical Evaluation document", can be converted to a Patent application within 30 days (for residents abroad, 90 days), after the applicant or owner has received a Notice in this regard from the Patent Office. A converted Patent application is deemed as having been filed at the time of the Utility Model application, as long as the specification, claims and drawings are within the range of the Utility Model application. For the conversion, the Utility Model must be abandoned. An Examination Request for the converted Patent application can be filed within 3 years after the Utility Model application

date, or 30 days after the actual filing date of the conversion, even after the expiry of the three-year term. The Patent application is not to be rejected because of the Utility Model on which it is based. (However, if the specification, claims, and drawings of the converted Patent application exceed the range of the Utility Model application originally filed, the Patent application is to be generally rejected by the Gazette of said Utility Model, because the application date of the converted Patent application is, in such case, not retroactive to the Utility Model application date.) After the conversion, no "Technical Evaluation document" for the Utility Model can be demanded, so a Power of Attorney for the conversion, and consent of the exclusive licensee to the conversion are required. Once converted to a Patent application, it can no longer be restored to a Utility Model application.

- d. Utility Model Claims, Specification and Drawings can be amended once and for all, if limitation of the range of claims, correction of errors in writing, and/or explanation of unclear expressions are concerned, by the earlier date of two months (for residents abroad, 2 months plus 60 days) after the receipt of a "Technical Evaluation document", or the deadline for replying to any Invalidation Trials demanded. In principle, deletion of claims can be done at any time, as it stands.
- e. The above revisions cannot be applied to registered Utility Models whose application dates (incl. PCT application dates) were before April 1, 2005.

The changes during this time would promote that Utility Model Applications be used instead of Patent applications, e.g., for early protection against imitations, or for possibilities to convert them into Patent applications when said conversion is actually needed, making good use of prompt registration in the Utility Model system.

*Please note that objects of Utility Models are limited to devices relating to the shape or construction of articles, or a combination of articles, as is the case before the revisions take effect.*

## 2 Employees' Invention System

Under Japanese Patent Law, the right to obtain a patent primarily belongs to the employees who have made the invention. However, in the case of an employees' invention, an employer shall have a non-exclusive license on the patent right concerned. Further, the employer may be assigned the right to get a patent, or the patent right from the employee-inventors, in congruence with an agreement, employment regulation, or the like, making the employee-inventors eligible to receive appropriate remuneration. Under the current system, employers have unilaterally determined the remuneration amount, which has been a disincentive for employee-inventors. Recently, many cases regarding the reasonable remuneration for employee-inventions have appeared before the courts, and this has made employers uneasy, because

the courts sometimes ordered them to pay a large amount of remuneration to the employee-inventors, regardless of the agreement and other issues. Namely, employers cannot estimate the legally admissible amount of remuneration in advance. Accordingly, the following revisions have been made in order to avoid problematic issues, by clarifying the factors for the agreement, or the employment regulations to be considered:

- a. Remuneration criteria for inventions must be agreed between employers and employees to whom the agreement, employment regulations, and the like, are to be applied, sufficiently reflecting the employees' opinions.
- b. The agreement, employment regulations, etc., should be clear (i.e., they must be shown to said employees\*) and rational, considering profits to be gained by employers through succeeding to rights to obtain any patents and monopolizing the enforcement of the inventions, as well as the degree of their contribution to the inventions.

*\* Preferably, an agreement, employment regulations, etc. should be made available to every employee, in order that the information can be provided at any time.*

- c. If no stipulations regarding remuneration exist, or it is deemed irrational to pay remuneration in accordance with the agreement, employment regulations, etc., the courts will decide the amount of remuneration, taking into account profits gained by the employers through the inventions, employers' efforts and burden with respect to the invention, as well as treatment of the employee-inventors, and other factors.

In principle, remuneration for an invention should be decided among employers and employees based on their free will, as long as it is decided with rationality. Namely, the amount of remuneration stipulated in the agreement, employment regulation, etc., is regarded as an appropriate remuneration, unless it is deemed irrational to pay remuneration in accordance with the agreement, employment regulation, etc., i.e., unless the process of determining remuneration is regarded as being irrational.

*The revision concerning the Employees' Invention System seems too elusive as a guideline for preparing adequate agreement, employment regulations, etc.*

*In fact, many Japanese companies are bewildered by said revision, so they feel that they now necessarily have to carefully avoid "irrationality" as much as possible, and wait for some actual judgments hereafter.*

The above new rule is applied to remuneration for obtaining an exclusive license on the patent right, or for succeeding to the right to obtain a patent or the patent right from the employee-inventors settled on or after April 1, 2005.

3. Court System

a. Establishment of an Intellectual Property High Court:

In order to make trials for Intellectual Property matters more satisfactory and expeditious, an Intellectual Property High Court will be established within the Tokyo High Court to deal with the following:

- i. Appeals of cases relating to Patents, Utility Models, Designs, Trademarks, utilization rights for circuit layouts, copyrights, publishing rights, neighboring rights, plant breeder's rights, infringement due to unfair competition etc., which were judged in the district court, and whose judgments require expertise;
- ii. Suits against a ruling of revocation, a trial decision, or a ruling to dismiss a written opposition or a demand for a trial or retrial decided by the Patent Office with respect to a Patent, Utility Model, Design and Trademark;
- iii. Legal cases, judgment of whose principally disputed points requires expert knowledge of Intellectual Property; and
- iv. Suits for which the oral arguments should be merged with the above cases

b. Reviewing and Enhancing the Relationship Between Infringement Lawsuits and Invalidation Procedures:

An attack based on an obviously invalid patent is an abuse of right; therefore, the court can make a patent unenforceable to the opposite party in an infringement lawsuit if said patent is deemed to be invalidated by an invalidation procedure.

c. Introduction of "Protective Order"

In an infringement lawsuit for patent rights or exclusive licenses, the court can order, at the request of either party, the other party concerned (or its agent or employee), its attorneys-at-law or counsels, not to disclose any trade secrets of a party for any purpose other than use within the litigation, to any person other than the party who has received a protective order from the court, if they are written in preliminary documents or evidence, and concern matters which may impede the parties' business activities.

d. Improvement of the In-camera Procedure

If "legitimate reason" for refusing the court's order to submit a document necessary to prove an infringement and/or to calculate damages in a trial is at dispute, the court may necessarily disclose a document which allegedly contains a trade secret, and which is to be examined within the in-camera proceedings, to the party that filed the request for the court's order, in order to ask the filing party for an opinion formed using the disclosed documents.

4. Other Changes

Issuing Official Gazettes Via the Internet:

By using the Internet, Official Gazettes are to be issued more rapidly (i.e., in approximately 4 weeks), in order to promote circulation of information for Patent rights, etc.

Issuing Official Gazettes via the Internet is planned to be put into practice by the end of 2005, beginning with Gazettes for Utility Model Registrations which are mostly expected to be issued earlier.