

PATENTS TRADEMARKS & DESIGNS

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Re: Patent and Design Act Revisions in 2019

Dear Sirs,

The Patent and Design Acts were revised in May 2019 and will come into force on April 1, 2020. The revision strengthens litigation systems and significantly advances international harmonization in the Design Act.

Herewith provided is information covering recent revisions.

We hope this letter will convey valuable information about the new laws and practice.

In case you have any questions, please do not hesitate to contact us.

Best regards,

Ohtsuka Patent Office

Yasunori Ohtsuka

Patent Act Revision

The Patent Act was revised for sufficient and higher compensation against patent infringement and also to assist in evidence collection in patent infringement litigation.

1. Patent Act, Article 102 (1) was revised as follows (for full damages claim)

- *A plaintiff patentee can make a lost profit damages claim within their production capacity, and can make a reasonable royalty damages claim “for what goes beyond their production capacity”*

An IP High Court decision on September 25, 2006 denied the claim for reasonable royalty damages for what goes the production beyond the patent holder’s production capacity even though Patent Act, Article 102 (3) provides that the patent holder is entitled to receive damages calculated at a reasonable royalty rate.

Since then, many courts have followed the IP High Court decision and denied damages that exceed the production capacity of the patent holder.

Therefore, patent holders were not able to claim full compensation for the infringement if their production capacity was limited.

Revised Article 102(1) empowers the patent holder to claim lost profits within its production capacity plus reasonable royalties for what would have exceeded their production capacity.

2. Article 102 (4) newly provides for higher royalties in damages

Article 102 (4) provides that *“the court may consider the amount of the royalty that would have been set if the patentee and the infringer had agreed to the premise that there was infringement of the patent”*.

- In real business, license negotiations are undertaken with uncertainty regarding validity and infringement issues, and royalty rates are set at a win-win level.
- However, in patent litigation, the damages session comes after the patent holder has cleared the infringement and validity sessions; therefore, a higher ex-post royalty rate should be applied.

- If ex-ante and ex-post royalty rate are the same rate, it encourages the infringer to think “it’s better to just pay small damages at the court rather than talk now”.

With these changes, the court will apply higher a royalty rate than the ex-ante royalty rate. As of today, there have been two decisions ahead the enactment of the revision.

- IP High Court decision on June 7, 2019 (H30(ne)10063)
 - ruled that the royalty rate in a litigation setting must be higher than a normal royalty rate, and applied a 10% royalty to the infringer’s profits (marginal profit: deducting direct costs for manufacturing and selling the infringing products from the sales)
- Osaka District Court decision on June 20, 2019 (H29(wa)9201)
 - ruled that the royalty rate in a litigation setting must be higher than the normal royalty, and applied 7% rate to the amount of sales.

3. Introduction of on-site inspection system

An on-site inspection system was introduced under Art. 105bis to facilitate the infringement evidence acquisition process for infringement lawsuits.

A party can request a production order in order to produce documents for proving infringement and/or damages (Art. 105). Under Japanese court system, the burden of proof is with the plaintiff, and the court rarely issues a document production order.

(1) Details on the on-site inspection system

A neutral court-appointed technical expert conducts an on-site inspection of a plant/other site of the alleged infringer in patent infringement litigation. The expert conducts research necessary for proving the infringement, and prepares and files a report on the search results with the court. The requirements and processes for the onsite inspection system are clearly provided by the law in order to avoid abuse of this system.

(2) Requirements and processes for on-site inspection system

Under the Japanese court system, the burden of proof is on the plaintiff. A litigation cannot be started with a request for an on-site inspection; a strong likelihood of infringement must first be proven in litigation. It must be the case that there are no other possible measures for collection of evidence, and also there must be no undue burden on the party subject to the inspection.

(3) Processes for on-site inspection

On-site inspection system is triggered by a request for on-site inspection by a party.

The court must hear the opinion of the other party, and then the court can order an on-site inspection

The court appointed neutral inspector conducts an inspection and submits a report to the court. A copy of the inspector report is sent to both parties, i.e., plaintiff and defendant.

4. Similar revisions in other acts

Similar revisions to the above sections "1." to "3." have also been made to:

- The Utility Model Act

- The Design Act

- The Trademark Act

Guidance to Amendment of the Design Act and Strategy

The Design Act was revised in May of 2019, and images, buildings, and interiors were added as design registrable subject matter.

In addition, the related design system has been strengthened, and the filing window for a variation of a granted design has been widened from one year to ten years.

The Amendment Act will come into force on April 1, 2020, and applications for design registrations for images, buildings, and interiors will be permitted from this effective date. We have provided this guidance to the revised law and to strategic use of the new Design Act.

Part 1 About the revision

1-1 Image Design

Images used in the operation of a device (GUIs) and images displayed as a result of the function of a device have become design registrable subject matter (Article 2-2 of the Design Act). In addition to such designs claiming the image itself, it will continue to be possible to register image designs as partial designs of an article.

1-2 Examples of Image Designs (from Design Examination Guidelines)

Examples of Images to be used for operation of article

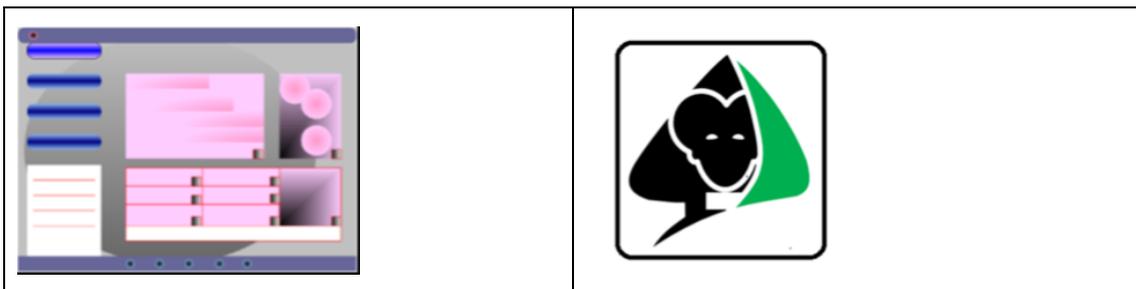
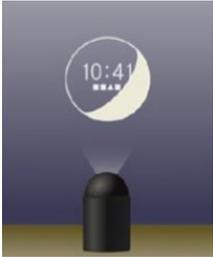


Image for Product Purchasing (image of website)	Icon image (also used as a GUI button)
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Examples of images to be displayed

 <p>Image for displaying measurements for medical use</p>	 <p>Time display image (image projected on the wall)</p>
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1-3 Images that are not subject to registration

Images that are not related to the operation or function of an article (a wallpaper for a PC, a movie frame, and an image in a game, etc.) are still not eligible subject matter. (Article 2-2 of the Design Act), Examination Guidelines (Chapter 1, 4.1.2, Designs Including Images).

1-4 Applying for an image design

In the application, an "image diagram" which clearly specifies the image is to be filed. An explanation of the purpose of the image, what operation the image is used for, and how the image is used is to be recited. Examination Guidelines (Chapter 1, 4.1.2, Designs Including Images).

An example of such an image diagram and an example from the Examination Guidelines is given below. (Image 4.1.4).

(Image 4.1.4)

<Examples of Image Design Application>

[Article according to the design]

Image for displaying measurements for medical use

[Explanation of the article according to the design]

This image is an image for displaying data of a medical measuring instrument attached to a subject, and displays data of an electrocardiogram, a heart rate, a blood pressure, and the like. By changing the color of the surrounding frame in accordance with the conditions set in each measurement value, the state of the measurement results can be intuitively known even when viewed from a distance.

[Image Diagram]



2-1 Building designs

Designs of buildings (e.g., the external appearance of a building) and interior designs (e.g., the interior of a store) are now eligible subject matter. (Article 2 of the Design Act, Design Registrable Subject Matter)

2-2 Applying for a building design (necessary documents)

■ Drawing specifying the design of the building

To register a design for the external appearance of a building: a drawing of the external appearance; and

To register a design for an interior portion of a building: drawings and explanation as to the use and function of the portion are required (Examination Guidelines, Buildings, 5.4.1).

■ Explanation for buildings

A specific use of the building must be described.

Examples: a home, a school building, a gymnasium, a hotel

3. Strengthening of Related Designs

In the design world, base designs are often redesigned. Therefore, there is a need for a design-specific system to protect redesign and strengthen design

rights. This need is solved by the related design system. With a related design, a similar design can be registered, even after the main design has been registered and published, and after an implementing product has been sold.

Since the related design application is registered after examination, it has the effect of confirming the scope of similarity of the design and expanding the scope of design rights.

3-1 Amendment to Related Designs (Article 10 of the Design Act)

■ Expansion of the filing window

The period (window) in which a related design can be filed shall be within 10 years from the filing of the base application. This is a considerable expansion from the previous filing window of 1 year.

Related designs benefit from exceptions with respect to first-to-file, novelty, and creativity over the 10-year period, and have the major advantage that designs similar to the present design can be registered.

Since the 10-year filing window shall also apply to design applications made under the old law, related design applications may be filed on the basis of past design applications.

■ Expansion of scope

Designs which are not similar to a base design but which are similar to a related designs can also be registered as related designs.

Thus, an unlimited chain of similar designs can be protected.

4. Term of Design Rights (Article 21 of the Design Act)

The term of validity of a design right was revised to 25 years from the date of filing of the application (Article 21).

Note, however, that the term for design rights based on an application filed up to the end of March 2020 shall be 20 years from the date of registration.

The duration of a related design shall be 25 years from the filing date of the base design regardless of the filing date of the application.

Part 2 Strategy for the new law

Image Design Strategy

Consideration should be given as to whether to apply for an image design alone, an article design, or an image design and an article design.

1-2 Recommendations

In view of the explanations in the Examination Guidelines, the following image design registration strategy can be considered:

- Filing an image design for general purpose images
- Filing a partial design of an article if the use of the image is specific to the article
- Filing a partial design of an article in addition to an image design if the image is the dominant image of the article, although an application for image design alone may suffice.

1-3 Strategy for the use of related designs

The scope of design rights is determined in relation to other designs that exist. If there are few designs for a particular thing, those designs are afforded a broader scope of protection; in contrast, when the field is crowded and there are many designs, the scope of protection is narrower. The related design system enables applicants to expand their design rights without crowding out their own designs. However, care must be taken because the incorrect use of related designs could have adverse consequences.

We make the best use of related designs in the following manner:

1. Designs that are similar, of course, should be registered as similar designs, confirming their similarity and expanding the rights. Note that the creator of the related design and the creator of the base design need not be the same.

2. Design applications are published only when granted (published). Rejected design applications are not published. Our recommendation is to utilize this merit given by the law. Try to register similar designs in order to confirm the scope of a design that you believe to be a variation of the base design. If the Examiner grants the application, the similarity of the design will thereby be officially confirmed and published on the gazette. Even if not successful, such endeavor will not impair your design rights.

3. Grounds for rejections of design applications within the past ten years in the case where the design is similar to the applicant's own registered design will no longer constitute ground for rejection under the new law. Thus, you can review rejections received over the last 10 years and re-file relevant applications to enjoy the merits of related designs.

4. If an application that should have been for a related design is mistakenly filed as a normal independent design application, an unnecessary OA will be received. Also, it is important to examine whether an application should be filed as a related design at the time of filing of the application, because if such an application is mistakenly registered, there will be irreparable grounds for invalidity. Accordingly, we will confirm the relationship between the designs in simultaneous applications and the designs filed by your company in the past, examine the necessity of similar design applications, and file applications in the correct form to ensure that the applications and rights are reliable.

(end)