

## **Partial Revision of the Japanese Patent Law**

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A bill for partially revising the Japanese Patent Law submitted by the Cabinet passed the 198<sup>th</sup> ordinary session of the Japanese Diet on May 10, 2019 and officially published on May 17, 2019. The revised provision of the Japanese Patent Law will become effective within one year from May 17, 2019.

### 1. Purpose of the revision

The digital revolution has removed barriers between industries and has been promoting open innovation in Japan. This trend expands opportunities for companies to make a leap forward taking advantage of their own outstanding technologies. At the same time, having superiority in customer experiences with products/services becomes increasingly important for businesses to improve their competitiveness.

In light of such changes in business environments, the Japan Patent Office (JPO) decided to improve the litigation systems involving patent rights in order to better protect the important technologies under the patent rights in case of legal disputes.

### 2. Outline of the partial revision of the Patent Law

i) Creation of a new inspection system under which neutral technological experts conduct on-site inspections of suspected infringers

According to this new inspection system, if a third party is suspected of infringing a patent right, neutral technological experts designated by a court can conduct on-site inspections of plants and other sites of the suspected infringer, implement investigation necessary for proving the infringement, and file a report (inspection certificate) of the investigation results with the court.

#### ii) New method of calculating damages

Generally, a patentee can demand an infringer to pay the profit gained by the infringer through the infringement of the patent right.

If the patentee cannot prove the amount of profit by the infringer, the patentee can demand the infringer to pay damages calculated by the following equation:

Damages = (Total number of products sold by the infringer) × (Patentee's profit per product).

However, under the current provisions, if the total number of products sold by the infringer exceeds the patentee's production capacity, the portion of sales in excess of the patentee's production capacity cannot be included in the damages.

In contrast, the revised Patent Law will allow a patentee to demand damages for all products sold by the infringer, even of quantities that exceed the patentee's production capacity, using the following equation.

If the total number of the infringing products exceeds the patentee's production capacity, then

Damages = (Patentee's production capacity) × (Patentee's profit per product) + (Total number of products sold by the infringer - Patentee's production capacity) × (Potential license fee per product).

The revised Patent Law more explicitly stipulates that a patentee may demand an infringer of the patent right to pay potential licensing fees, which the patentee would have been entitled to receive, for the sales of the infringing products based on the premise that the patentee and the infringer would have concluded a license agreement.

This new method of calculating damages will also be applied under the Utility Model Law, the Design Law and the Trademark Law.