

Filing or Not Filing Patent Application

- Japan & USA -

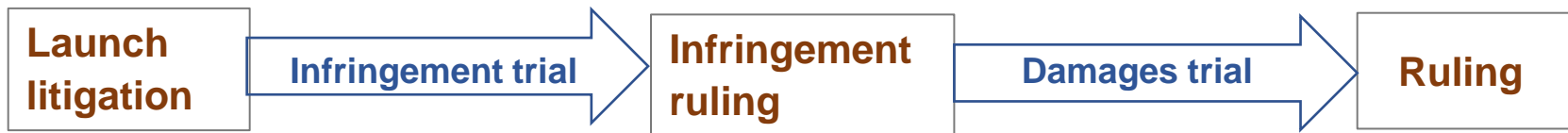
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TOPICS

1. Patent Litigation System in Japan
2. Recent Revision of Japan Patent Law
3. Strategic IP Management
4. Prior Use Right in Japan
5. Defense Based on Prior Commercial Use in the U.S.

1. Patent Litigation System in Japan (Source: JPO)



- With the Digital Revolution dissolving walls between industries to make way for open innovation, now is the moment for SMEs and ventures to wield their outstanding technologies as a tool for major growth.
- Japan's litigation system will be upgraded so that the patents that companies have strived to acquire can play their proper role in protecting prized technologies

1. Patent Litigation System in Japan (Source: JPO)

Patent infringement characteristics

- ✓ **Patents easily infringed** (publicly disclosed; no need for physical theft)
- ✓ **Difficult to prove**(evidence tends to reside with the infringer)
- ✓ **Difficult to deter**(no criminal case)

⇒ **Need to prevent an “infringer wins” situation**

⇒⇒⇒ **Enhancement of the patent litigation system**

2. Recent Revision of Japan Patent Law

- **Related to Evidence Collection** - (Patent Act Article 105-2)

(Source: JPO)

On-site examination by an expert [Inspection]

Court appoints a fair and neutral expert to enter the premises of the alleged infringer

2. Recent Revision of Japan Patent Law - Related to Evidence Collection - **On-site examination by an expert [Inspection]**

(Source: JPO)

✓ **Effective in cases where product is not available, or where infringement cannot be determined even by taking the product apart**

- Production methods
- B2B products
- Programs, etc.

✓ **Set rigorous requirements**

- Need to prove infringing actions
- Probability of infringement
- No other means of adequate evidence collection
- Avoiding an excessive burden on the alleged infringer

✓ **Introduce measures to protect confidentiality**

- Motion for challenge in relation to appointment of an expert
- Inking out of confidential information in reports
- Criminal penalties for experts leaking confidential information

2. Recent Revision of Japan Patent Law

- Related to Damages - (Patent Act Article 102)

(effective as of April 1, 2020) (Source: JPO)

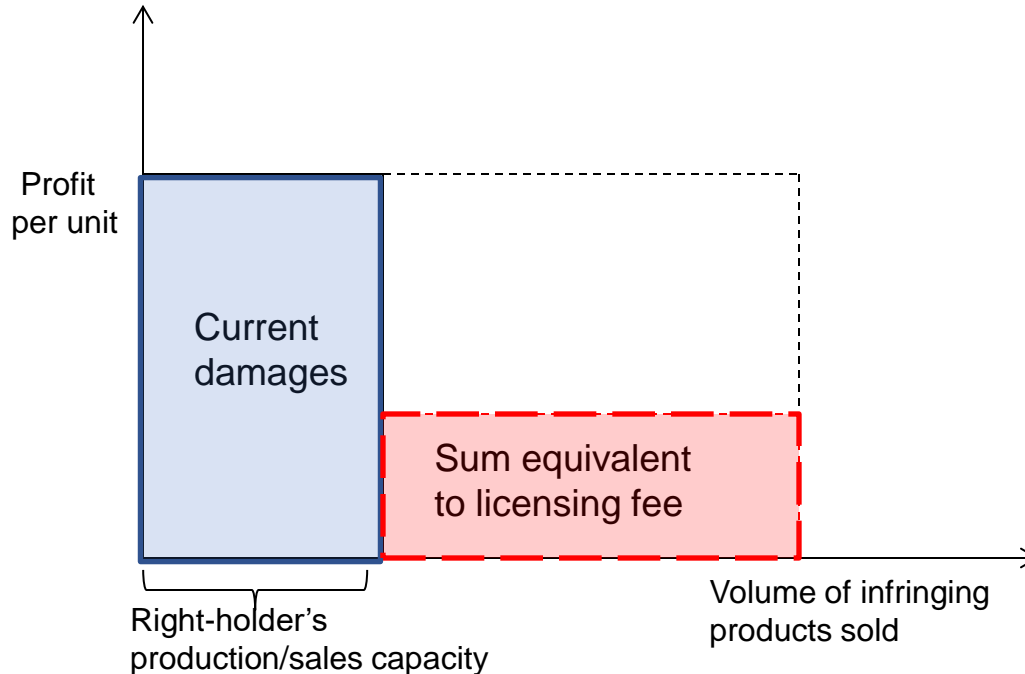
(1) Determination of damages for portion beyond rights-holder's production/sales capacity

Sum equivalent to licensing fee

✓ Sufficient compensation also for SMEs and ventures

*Same amendments in Utility Model Act Art. 29,
Design Act Art. 39, and Trademark Act Art. 38

2. Recent Revision of Japan Patent Law - Related to Damages -

(1) **Determination of damages for portion beyond rights-holder's production/sales capacity** (Source: JPO)

2. Recent Revision of Japan Patent Law

- Related to Damages - (Patent Act Article 102)

(effective as of April 1, 2020) (Source: JPO)

(2) Increase in “sum equivalent to licensing fee”

✓ Clearly state that the court’s determination that the patent is valid and that an infringement has occurred can be taken into consideration

*Same amendments in Utility Model Act Art. 29,
Design Act Art. 39, and Trademark Act Art. 38

3. Strategic IP Management for Technologies

- ✓ Close
 - ⇒ Trade Secret
 - ⇒ Prior Use Right

- ✓ Patenting
 - ⇒ Patent

- ✓ Disclose
 - ⇒ Publication, News release, Posting, etc.

4. Prior Use Right in Japan

<Non-exclusive license by virtue of prior use>

Article 79 – Where, without knowledge of the contents of an invention claimed in a patent application, a person has made the invention by himself or, without knowledge of the contents of an invention in a patent application, has learnt the invention from another person who has made the invention, and has been working the invention, in the course of business, or has been making preparations therefor in Japan actually at the time of filing of the patent application, such person shall have a non-exclusive license on the patent right limited to the extent of the patent which is being worked or for which preparations for working are being made and to the purpose of such working or the preparations therefor.

4. Prior Use Right in Japan

<Requirements>

- ①- without knowledge of the contents of an invention claimed in a patent application, has made the invention by himself, or has learnt the invention from another person who has made the invention without knowledge of the contents of an invention claimed in a patent application
- ②- actually at the time of filing of the patent application,
- ③- has been working the invention, in the course of business, or has been making preparations therefor,
- ④- in Japan

4. Prior Use Right in Japan

<Effect>

- ⑤- to the extent of the patent which is being worked or for which preparations for working are being made and to the purpose of such working or the preparations therefor,
- ⑥- has a non-exclusive license on the patent right

4. Prior Use Right in Japan

Case Decisions Regarding Prior Use Right in Japan

29 Cases Selected from the Database of the Courts in Japan (Jan/1/2008 – May/14/2018)
(http://www.courts.go.jp/app/hanrei_jp/search)

Judgment granting defendant's claim (Prior Use Right)

	Ratio
Granted	53%
Denied	47%

Number of patent infringement
litigation cases in Japan:
150-200 per year

(Source: Intellectual Property Management, Vol. 69, No. 11, 1529-1539 (2019))

Reasons for denying prior use right

Reason	Number of cases
(i) Route to have known	7
(ii) Complete invention	10
(iii) Working the invention /business	13
(iv) Making preparations for working the invention /business	12
(v) Substance of the working of the invention /business	15
(vi) Change of the working form	8

(Source: Intellectual Property Management, Vol. 69, No. 11, 1529-1539 (2019))

4. Prior Use Right in Japan

Important points for claiming prior use right

- ✓ Credibility of evidences
- ✓ Identity (Invention vs. Working substance)
- ✓ Complete invention

⇒ Routine establishment of evidence to defend infringement assertions in the future
e.g. Notary public system, Time-stamp

5. Defense Based on Prior Commercial Use in the U.S.

35 U.S.C. § 273 Defense to infringement based on prior commercial use

- (a) In General.—A person shall be entitled to a defense under [section 282\(b\)](#) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person
- if— (1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm’s length sale or other arm’s length commercial transfer of a useful end result of such commercial use; and
- (2) such commercial use occurred at least 1 year before the earlier of either— (A) the effective filing date of the claimed invention; or (B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).
- (b) Burden of Proof.— A person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

5. Defense Based on Prior Commercial Use in the U.S.

35 U.S.C. § 273 Defense to infringement based on prior commercial use (continued)

(c) Additional Commercial Uses.—

(1) Premarketing regulatory review.— Subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, including any period specified in section 156(g), shall be deemed to be commercially used for purposes of subsection (a)(1) during such regulatory review period.

(2) Nonprofit laboratory use.— A use of subject matter by a nonprofit research laboratory or other nonprofit entity, such as a university or hospital, for which the public is the intended beneficiary, shall be deemed to be a commercial use for purposes of subsection (a)(1), except that a defense under this section may be asserted pursuant to this paragraph only for continued and noncommercial use by and in the laboratory or other nonprofit entity.

(d) Exhaustion of Rights.— Notwithstanding subsection (e)(1), the sale or other disposition of a useful end result by a person entitled to assert a defense under this section in connection with a patent with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent that such rights would have been exhausted had such sale or other disposition been made by the patent owner.

5. Defense Based on Prior Commercial Use in the U.S.

35 U.S.C. § 273 Defense to infringement based on prior commercial use (continued)

(e) Limitations and Exceptions.—

(1) Personal defense.—

(A) In general.— A defense under this section may be asserted only by the person who performed or directed the performance of the commercial use described in subsection (a), or by an entity that controls, is controlled by, or is under common control with such person.

(B) Transfer of right.— Except for any transfer to the patent owner, the right to assert a defense under this section shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good-faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates.

(C) Restriction on sites.— A defense under this section, when acquired by a person as part of an assignment or transfer described in subparagraph (B), may only be asserted for uses at sites where the subject matter that would otherwise infringe a claimed invention is in use before the later of the effective filing date of the claimed invention or the date of the assignment or transfer of such enterprise or line of business.

5. Defense Based on Prior Commercial Use in the U.S.

35 U.S.C. § 273 Defense to infringement based on prior commercial use (continued)

(2) Derivation.— A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

(3) Not a general license.— The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

(4) Abandonment of use.— A person who has abandoned commercial use (that qualifies under this section) of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under this section with respect to actions taken on or after the date of such abandonment.

5. Defense Based on Prior Commercial Use in the U.S.

35 U.S.C. § 273 Defense to infringement based on prior commercial use (continued)

(5) University exception.— (A) In general.— A person commercially using subject matter to which subsection (a) applies may not assert a defense under this section if the claimed invention with respect to which the defense is asserted was, at the time the invention was made, owned or subject to an obligation of assignment to either an institution of higher education (as defined in section 101(a) of the [Higher Education Act of 1965 \(20 U.S.C. 1001\(a\)\)](#),^[1] or a technology transfer organization whose primary purpose is to facilitate the commercialization of technologies developed by one or more such institutions of higher education.

(B) Exception.— Subparagraph (A) shall not apply if any of the activities required to reduce to practice the subject matter of the claimed invention could not have been undertaken using funds provided by the Federal Government.

(f) Unreasonable Assertion of Defense.— If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285.

(g) Invalidity.— A patent shall not be deemed to be invalid under section [102](#) or [103](#) solely because a defense is raised or established under this section.

5. Defense Based on Prior Commercial Use in the U.S.

For prior user rights defense in the U.S.

- ✓ Accused infringer must prove, by clear and convincing evidence;
 - patented subject matter was commercially used in the U.S. at least 1 year before (i) the effective filing date of the claimed invention, or (ii) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).
- ✓ Limitations;
 - who may assert the defense
 - when the rights to the defense may be transferred
- ✓ Exceptions;
 - patent owned by university
 - subject matter abandoned or derived from the patentee
- ✓ Unreasonable assertion of the defense makes the case exceptional for the purpose of awarding attorney fees under section 285

5. Prior Commercial Use Right in the U.S.

Prior user rights defense cases in the U.S.**✓ Very small number**

- 16 cases in total for 20 patents (during 4 years since Sept. 16, 2011)

(Source; Mr. Coby Nixon (LAW 360 Sept. 3, 2015))

- - - - - about 0.5% of the asserted patents to which the defense is applicable

✓ Why so unpopular ? - - - - - (Personal note by YH: “unpopular” ???)

- ◇ Infringement may have to be conceded
- ◇ The defense may not dispose of all asserted claims
- ◇ An invalidity defense may be preferable to asserting prior user rights
- ◇ Asserting the defense may risk an award of attorney’s fees

Summary (personal view)

✓ **Filing or not filing ?**

⇒⇒ **If not filing, importance of prior use right**

✓ **Bilateral prior use right agreement,
toward global prior use right system**

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Thank you for your attention

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