

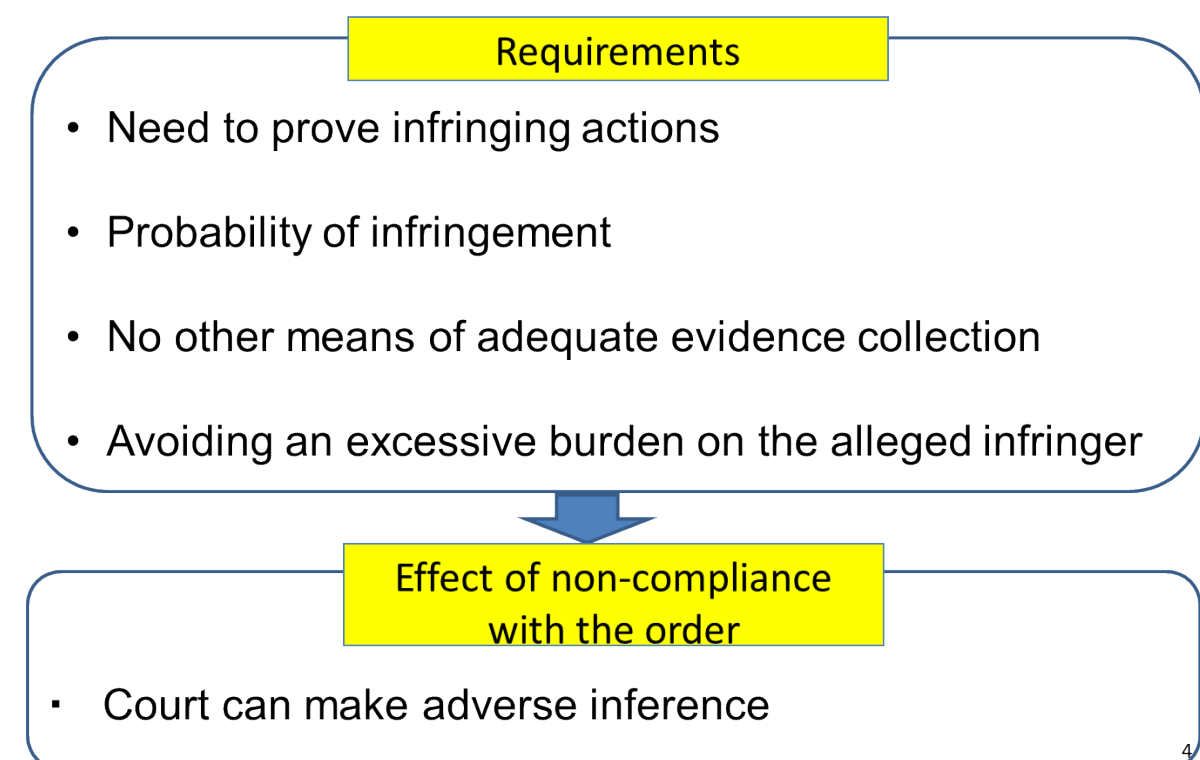
Changes in Japanese Patent Act in 2019 and Pro Patent Trends

The Japanese Patent Act was amended in 2019, and is awaiting enforcement. The main points of the amendments are covered in the following sections, specifically: (1) Change in Evidence Collection System and (2) Change in Damage Calculation System. We also introduce recent remarkable pro patent trends in Japan.

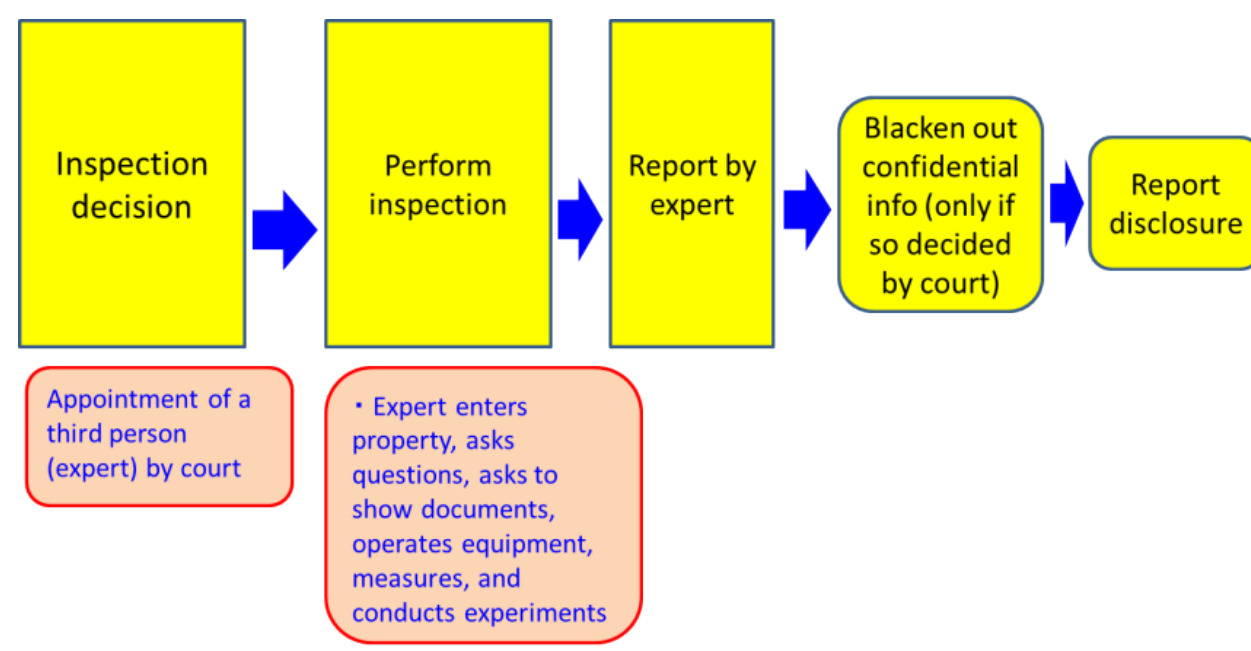
I. Changes in Japanese Patent Act

(1) Change in Evidence Collection System [Inspection]

Currently, under the Act, there is no evidence collection means as strong as the discovery system under the U.S. litigation system. The new Act introduced new means of evidence collection called "Inspection". Upon issuance of an order by the court, a court designated expert will conduct on-site examination of an alleged infringer's documents, apparatuses, and so on which are in alleged infringer's possession and will make a report thereof. If an addressee of the order does not comply with such order, then the court can make adverse inference.



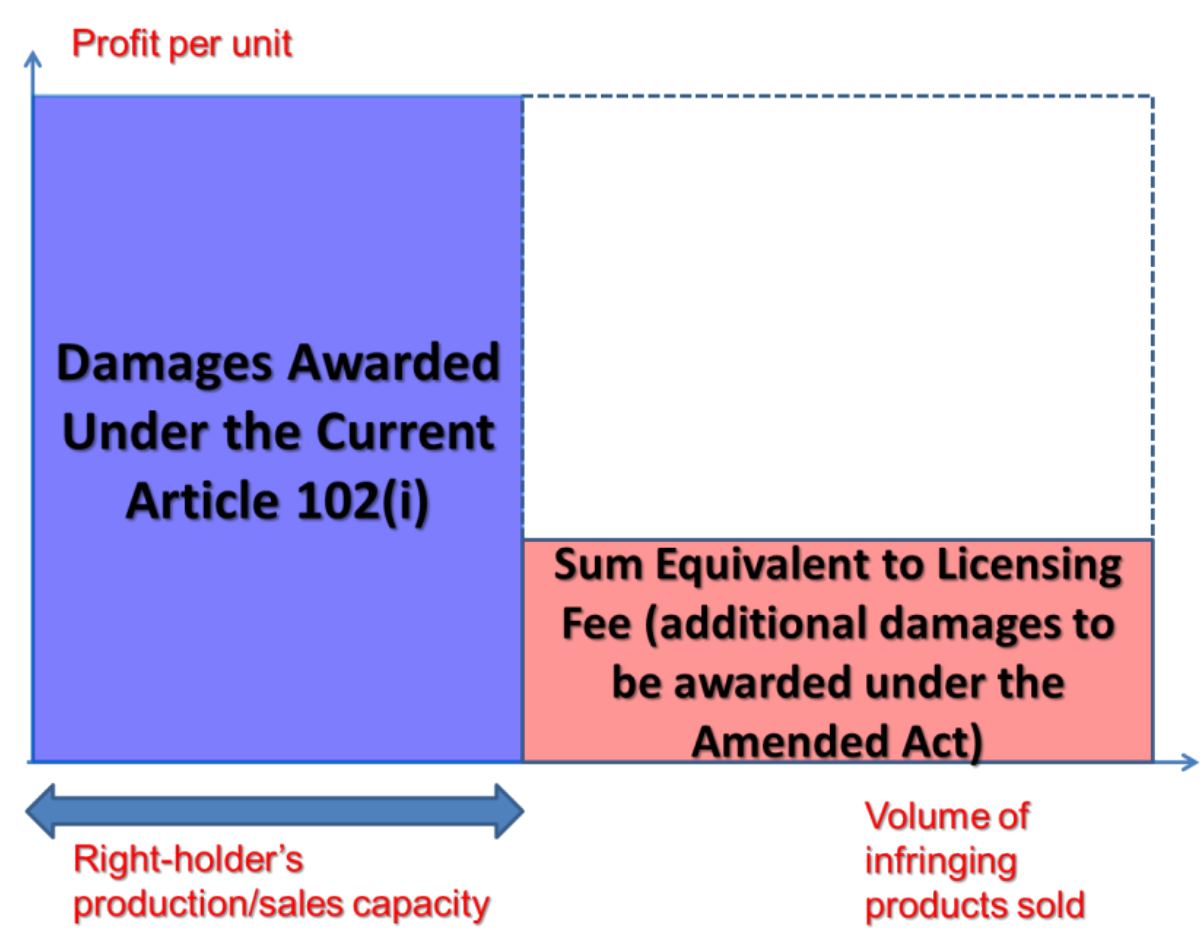
Flow of On-site Examination by Expert



(2) Changes in Damage Calculation System

i. Determination of damages for portion beyond right holder's production/sales capacity

Current Article 102 of the Act provides (a) infringer's profit (but only to the extent of the numbers within right holder's production/sales capacity) (Article 102(i)), and (b) hypothetical reasonable royalty (Article 102(iii)) as a basis of measuring damages caused by infringement. However, practically, the court does not allow application of (b) to portions of infringing goods beyond a right holder's production/sales capacity. The amended Act specifically permits award of damages to portions beyond such capacity in accordance with reasonable royalty basis.



ii. Change in Determination of "Reasonable Royalty" (or, Sum Equivalent to Licensing Fee)

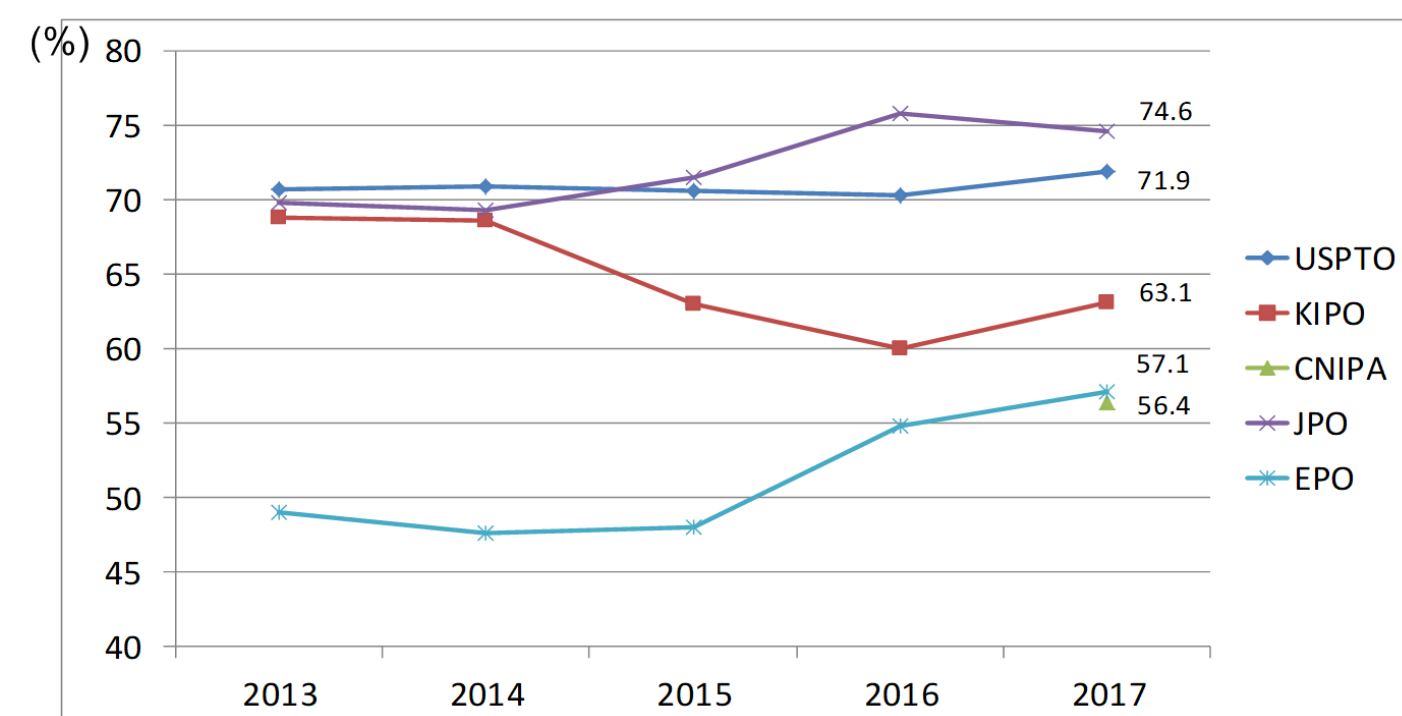
Under the Amended Act, when applying Article 102(iii) ("reasonable royalty" basis damages), the court can take into account the fact that the hypothetical negotiation between patentee and infringer happened on the

premise that the patent at issue is infringed to determine damages. This is likely to increase the hypothetical royalty rate when determining damages.

II. Remarkable Pro Patent Trends

(1) Recent Allowance Rate on All Applications

In 2017, the allowance rate of Japanese patent application was the highest among the Five Patent Offices ("IP5") at 74.6%.



Source "Recent Trends in AI-related Inventions – Report"
https://www.jpo.go.jp/e/system/patent/gaiyo/ai/document/ai_shutsugan_chosa/report.pdf

(2) Recent Pro Patent Court Cases

i. Infringement of "Reach Through Claim" case

In a case rendered in this January, the Tokyo District Court found infringement of a broad and functional claim which reads "An isolated monoclonal antibody, wherein such isolated monoclonal antibody can neutralize combination of PCSK9 and LDLR protein; and, for combination with PCSK9, such isolated monoclonal antibody competes with the antibody which contains the heavy chain containing CDR 1, 2 and 3 consisting of an amino acid sequence of sequential number 368, 175 and 180, respectively, and the light chain containing CDR 1, 2 and 3 consisting of an amino acid sequence of sequential number 158, 162 and 395, respectively." The court issued an injunction order against the defendant's products.

ii. Infringement under DOE

In a case rendered in last December, the Tokyo District Court found infringement under the Doctrine of Equivalents. The claim recites "A catching part for osteotomy is provided with an engaging part which is engaged with the other rocking member when combined with the other rocking member on one of the 2 pair of rocking members". The court constructs that said "catching part" forms a part of one of the rocking members" and denied literal infringement. However, the court still found infringement under DOE. This case is surprising because the element found infringement in this case was a part of the claim amended during prosecution.

(3) Stats on Invalidation Trials before JPO

Statistics on invalidation trials before JPO also shows clear pro patent trends. In 2017, the number of invalidation trial decisions where the JPO found invalidity of one or more claims of the patent at issue was only 35 out of 161 cases filed before the JPO, while it had been 182 out of 292 cases in 2008. This simply shows it is becoming more and more difficult to invalidate patents once registered in Japan.

(year)	Patent			
	Number of Cases Requested	Number of Final Decision		
		Request Approved (including partial approval)	Request Denied (including dismissal without merit)	Waiver/Withdrawal
2008	292	182	92	36
2009	257	123	123	37
2010	237	102	129	23
2011	269	91	140	28
2012	217	73	145	32
2013	247	43	139	29
2014	215	37	106	41
2015	231	39	144	36
2016	140	56	125	42
2017	161	35	108	24

Source "Japan Patent Office Annual Report"
<https://www.jpo.go.jp/resources/report/nenji/2018/document/index/0107.pdf#page=3>