

## **Outline of the Act for Partial Revision of the Patent Act etc. (Part 2) (Promulgated on May 21, 2021)**

This is a sequel to our Circular of September last year providing an overview of the 2021 Act for Partial Revision of the Patent Act etc. focusing on those revisions that already had enforcement dates.

In the present Circular, we provide a summary on the other revisions as their enforcement dates have been recently decided. The provisions for "strengthening regulations on the influx of counterfeit goods from overseas [Design/Trademark]" will come into effect on October 1, 2022, and those for "relaxation of requirements for remedy for missed deadlines on IP prosecution and rights [Patent/Utility/Design/Trademark]" and "abolition of two-step payment of fees for international trademark registration applications [Trademark]" are slated to take effect on April 1, 2023.

We hope you find the following summary of the revisions useful.

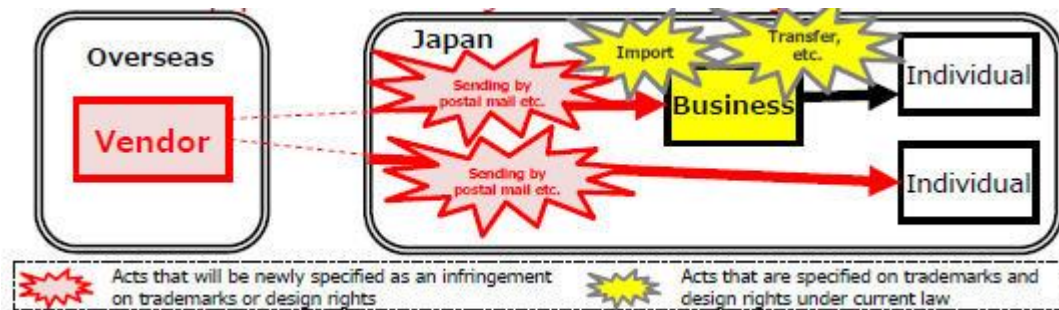
### **1. Strengthening regulations on the influx of counterfeit goods from overseas [Design/Trademark]**

Until now, activities that fall within personal use have not been considered to be infringement of industrial property rights. By contrast, customs consider goods that constitute an infringement of industrial property rights as those that must not be imported and they have covered such goods to confiscate. However, if the goods do not constitute the said infringement (e.g., counterfeit goods imported for personal use), they have not done so.

In recent years, against the backdrop of the development of e-commerce and the decline in delivery fees for international cargo, etc. there has been a sharp increase in the number of cases in which counterfeit goods sold and sent directly to individuals in Japan by businesses overseas were not confiscated by customs on the grounds that they were intended for personal use.

For this reason, revisions were made regarding the activities of overseas business operators that were not clarified as to whether they constituted infringement, to clarify that bringing counterfeit goods into Japan by means of postal mail, etc. is an infringement of rights under the Trademark Act and the Design Act and to strengthen regulations against the influx of counterfeit goods.

As a result, in response to the increasing number of counterfeit imports for personal use, the act of overseas business operators bringing counterfeit goods into Japan by mail or other means is regarded as an infringement of trademark rights.



## 2. Relaxation of requirements for restoration of rights such as patent rights [patent/utility/design/trademark]

As there are statutory time limits for most of the Patent Office procedures, one of our important duties as patent attorneys is deadline management. Very few remedies were granted in the past in cases where deadlines were missed. However, due to requests from applicants both in and outside Japan that Japan should make remedies available that match other countries, such remedies have gradually been expanded.

### 2.1. Current procedures of remedy for missed deadlines

The current IP laws now provide remedies for missing the deadlines for the following:

< Procedures under the Patent Act >

- (1) Submission of a translation for an application filed in a foreign language
- (2) Claiming priority based on a (domestic) patent application etc.
- (3) Claiming priority under the Paris Convention etc.
- (4) Filing a request for examination of an application
- (5) Late payment of a patent fee and a patent surcharge
- (6) Submission of a translation of an international patent application filed in a foreign language
- (7) Notification of the appointment of a patent /utility model administrator by a foreign resident who filed an international patent application

< Procedures under the Utility Model Act >

- (8) Claiming priority based on a (domestic) utility model application etc.
- (9) Claiming priority under the Paris Convention etc.
- (10) Late payment of a utility model registration fee and a registration surcharge
- (11) Submission of a translation for an international utility model application filed in a foreign language
- (12) Notification of the appointment of a utility model administrator by a foreign resident who filed an international utility model application.

< Procedures under the Design Act >

- (13) Claiming priority under the Paris Convention etc.
- (14) Late payment of a design registration fee and a registration surcharge

< Procedures under the Trademark Act >

- (15) Application for registration of renewal of a trademark right
- (16) Late payment of a second-installment registration fee and a registration surcharge
- (17) Application for registration of a renewal of the effective period of a right based on a defensive mark registration

(18) Application for registration of reclassification

Article 12 of the Patent Law Treaty (hereinafter referred to as the "PLT") prescribes:

"A Contracting Party shall provide that, where an applicant or owner has failed to comply with a time limit for an action in a procedure before the Office, and that failure has the direct consequence of causing a loss of rights with respect to an application or patent, the Office shall reinstate the rights of the applicant or owner with respect to the application or patent concerned if,

- (i) ...
- (ii) ...
- (iii) ..., and
- (iv) a) the Office finds that the failure to comply with the time limit occurred in spite of due care required by the circumstances having been taken (i.e., "standard of reasonable care") or  
b) at the option of the Contracting Party, that any delay was unintentional (i.e., "standard of unintentional inaction")."

In preparation for joining the PLT, Japan selected the "standard of reasonable care" in a) to extend remedy for missed time limits. Accordingly, under the current IP laws, if an applicant etc. is unable to complete a procedure within the prescribed time limit and there is a "due reason" for not being able to do so, the procedure after the time limit is allowed within two months from the date when such reason ceased to exist but not later than 12 months (6 months for trademark procedures) after the expiration of the time limit. In such cases, a statement of reasons for restoration stating the due reasons must be submitted together with evidence for the due reasons.

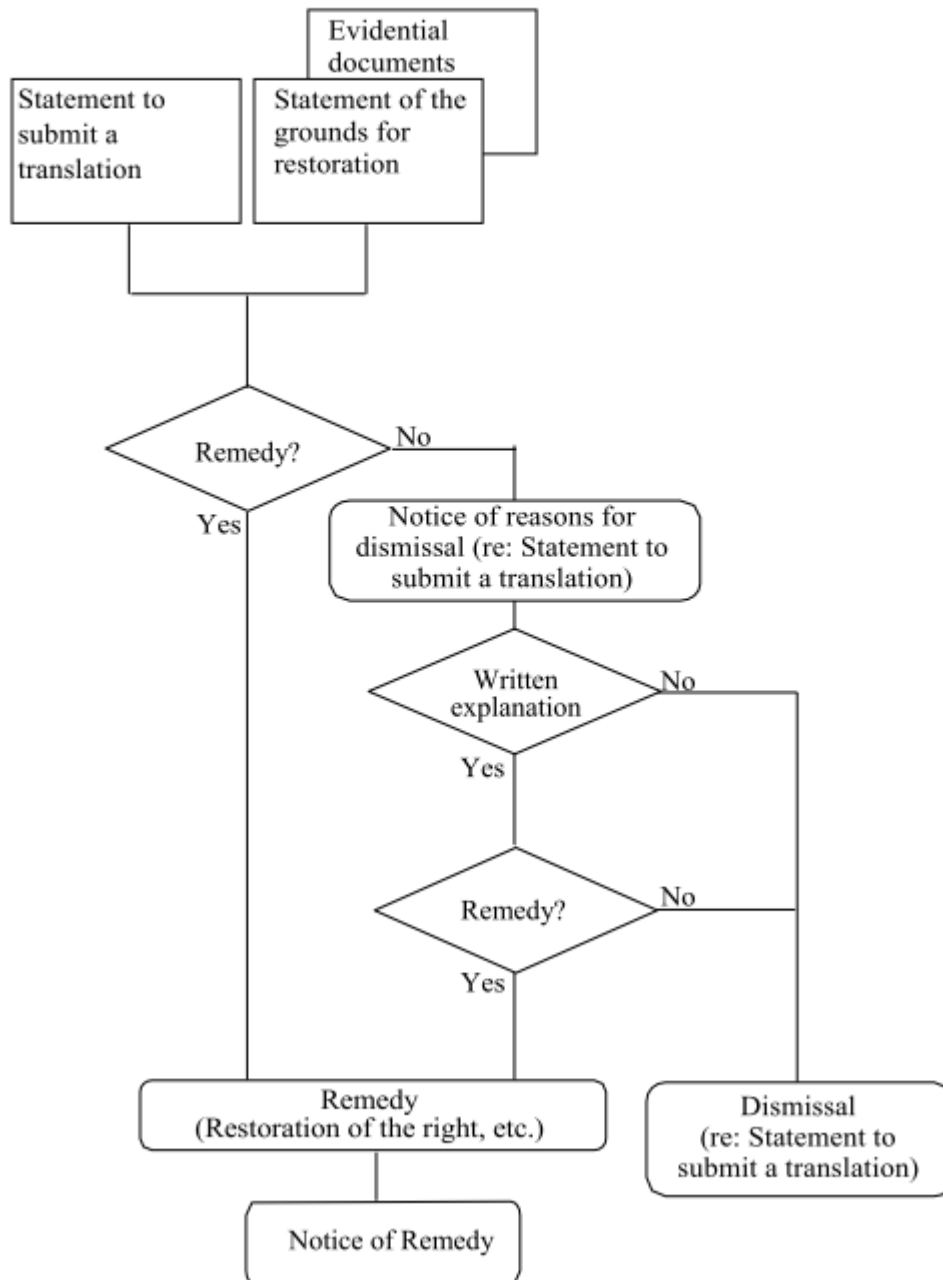
The JPO will determine whether a remedy should be granted based on the information presented in the Statement and the evidential documents.

The remedy will be granted if the following two requirements are satisfied:

Requirement 1: There is a due reason for missing a time limit; and

Requirement 2: The procedure that was not completed within the prescribed time limit must be completed within the remedial period. For the restoration of rights of priority, an application must be filed and priority must be claimed within the priority restoration period.

[Flow chart of the procedure]  
 (Example: Statement to submit a translation (Article 36-2 of the Patent Act))



## 2.2. The problem of "due reason" under the current laws

The JPO will determine whether there is a "due reason" for missing a time limit based on the Statement and evidential documents from the following two view points;

- (1) whether the event that caused the delay is predictable or not; and
- (2) whether the measures put in place by the applicant etc. to comply with the time limit are appropriate or not.

At present, however, the acceptance rate for "due reasons" is extremely low compared to other PLT member states, hovering around 10 to 20%. In our view, this is because the view still persists that a patent right should be managed at the patentee's own responsibility, and

even if requirement (1) is fulfilled, the JPO tends to conclude that other appropriate measures should have been in place in view of requirement (2). As a result, it is difficult to prove with evidential documents that the patentee could not have put in place other appropriate measures.

For example, there was a court decision in 2018. In this case, the plaintiff entrusted a payment of patent fees to a major firm but it failed to make a payment by the due date. The plaintiff argued that entrusting the payment to the major firm should constitute "exercising due care" but it was not accepted by the court. In another 2018 court decision, a foreign firm sent an e-mail to a Japanese firm, instructing it to file a Request for Examination, but the email was not received due to a ransomware infection. The plaintiff claimed that the failure due to the ransomware infection should be a "due reason," but the court held that if there was a ransomware infection, the Japanese firm should have checked to see if the email had arrived, and that it lacked "reasonable care."

Foreign applicants may draw a conclusion from these precedents that they have no choice but to act on the assumption of a worst case scenario involving unforeseen circumstances encountered by their Japanese representatives. We believe that the current remedy regime for missed deadlines is extremely severe to foreign applicants who rarely meet their Japanese representatives directly (especially during the COVID-19 pandemic).

### 2.3. Revision in 2022, from “reasonable care” to “unintentional inaction”; Effective on April 1, 2023

In light of these circumstances, the standard for remedies for missed due dates will drastically change from "reasonable care" to “unintentional inaction” as prescribed in Article 12 of the PLT.

We believe that remedies for missed deadlines will be granted easily unless the applicant gives what can be construed as instructions to miss a deadline, such as giving the Japanese representative instructions to abandon an application. Instead, such remedies will require an additional official fee that is equivalent to the total official fees (i.e., the average official fees required from filing to grant). We expect that submission of the evidential documents will not be essential.

According to the JPO, it plans to compile specific examples of unintentional inaction and publish them by the end of the year. We will keep you informed of any developments in connection with the revision.

#### Remedy of Overdue

Country/Region	Recovery Period	Criteria of Recovery	Submission of Evidence	Acceptance rate	Fees	Fees exemptions
Europe	1 year	Reasonable care	if necessary	60~70%	665 €	Yes
France	1 year	Reasonable care	if necessary	About 80%	156 €	Yes
US	indefinite	Unintentional	generally unrequired	90~95%	\$2100	Yes
Japan (current law)	1 year	Reasonable care	Required	10~20%	Free	No
Japan (revised)	1 year	Unintentional	?		Charged	YES

## 2.4. Summary

We have a system in place at our firm to manage statutory deadlines with double or triple checks, without relying on the remedies afforded by this revision. We also keep updating our security system for e-mails from time to time. Furthermore, for those clients who send us general instructions to "keep an application alive at all times, unless otherwise indicated to the contrary," we make sure to take the best course of action for maintaining the application in the absence of further instructions.

## 3. Abolition of two-step payment of fees for international trademark registration applications [Trademark]

The mainstream method worldwide for paying fees related to international trademark registration applications based on the Madrid Protocol is the "lump-sum payment method," in which the full amount is paid at the time of filing.

By contrast, the Japan Patent Office adopts a "two-step payment method" in which payments are made at the time of filing an application (first step) and at the time of registering a trademark right (second step).

This system has, however, caused confusion among some foreign applicants, resulting in missed opportunities to register their trademarks due to failure to pay the fee in the second stage.

For this reason, the revision was made to improve convenience for foreign applicants by changing the payment of fees to the "lump-sum payment method."

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### References:

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- 2) Outline of the Law for Partial Revision of the Patent Act, etc. (Japan Patent Office website)  
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