Issue2 (November 2015)

Japan Patent & Trademark Update

Contents

1. Five (5) Reasons for Obtaining Patents in Japan

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Introduction

"Which countries should we file patent applications for?" If you are a patent practitioner or strategist working in a corporation, law firm, or university, you will likely have discussed such question on more than one occasion. The answer to such question can change over the years and will even vary depending on the companies and industries involved. Here, we want to present five (5) major reasons "why we should file for and obtain patents in Japan."

(1) Large Business Market

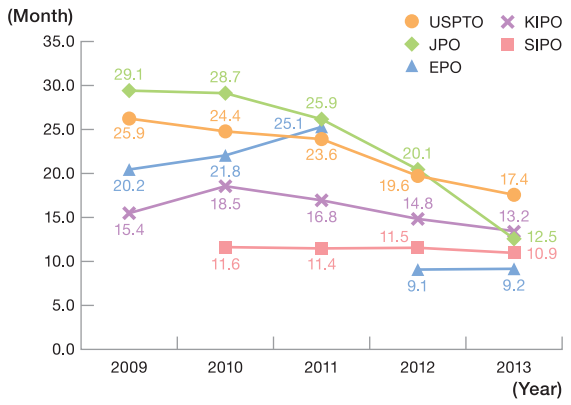
First, let's discuss the business market size of Japan. Let me begin by briefly introducing Japan's economy. The economy of Japan is the third largest in the world by GDP, and a wide array of businesses are operated and developed throughout the country. Japan's GDP was approximately $US 4,600 billion in 2014, a figure which is said to make up more than 7 % of the world's total economy.

When it comes to the reasons for obtaining patents in a particular country, we naturally think of the sales revenue for the products of your company or your competitors in that country. In this regard, the rate of counterfeit products in Japan is relatively low, so the sales revenue of products in Japan may form a far higher ratio in your company's worldwide revenue than you would think merely by looking at the population of Japan (about 127 million). Thus, by protecting your products and services with patents in Japan, you can establish a strong market position against your competitors. Protecting a company's business and securing opportunities for product sales should be important roles for IP departments.

(2) Fast Examination at the JPO

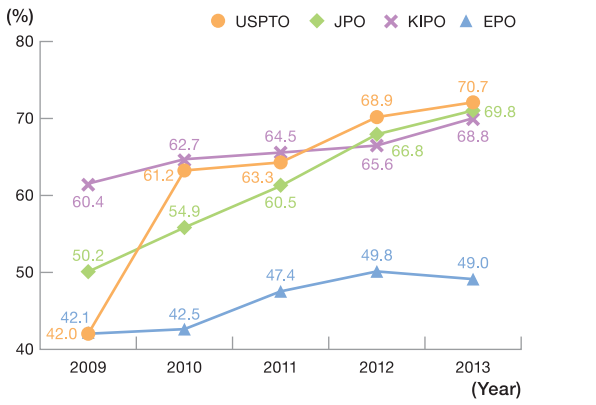
Secondly, let's discuss the speed of the examinations conducted by the Japan Patent Office (JPO). You may have heard that examinations at the JPO have greatly increased in speed compared to several years ago. In this light, please see the graph set forth below for a clear explanation of such change. The graph compares "first action pendency" (basically, the number of months from a request-for-examination until the issuance of a first office action) at the IP5 Offices (i.e. the EPO, JPO, KIPO, SIPO, and USPTO).

First Action Pendency



[from JPO annual report 2015]

Patent Grant Rates of the IP5 Offices



[from JPO annual report 2015]

Back in 2009, the first action pendency at the JPO was a lengthy 29.1 months, but it had been dramatically shortened to a far more efficient 12.5 months by 2013 (although it's not shown in the graph, it was reportedly reduced to 11 months by the end of 2013). Now, the JPO's new goal is to issue patents within 14 months and to issue a first action in 10 months on average by the year 2023. It should be noted that, even now, when we utilize the expedited examination system, patents can be obtained much more rapidly (in this case, first actions are often issued within about two months).

Now, what benefits will the JPO's newly rapid examination bring to applicants? For one, it may be useful for your licensing negotiations or strategies as it will enable you to add to your patent portfolio, regardless of whether the licensing is for worldwide patents, Japan-only patents, or cross-licensing based on a large portfolio. The patents obtained may bring more revenue, and sooner, from your patent pool. The fact of obtaining a patent in Japan may also positively affect your prosecutions in counterpart cases in other countries.

(3) High Grant Rate at JPO

Thirdly, let's pay attention to the grant rate at the JPO. If you have more than five years' experience in international patent prosecutions, you will probably remember the JPO's strict standards, particularly for inventive step. However, this strict stance has been loosened over recent years (please see the graph below), and the patent grant rate has been gradually increased up to approximately 70% in 2013, which has largely put an end to the situation where applicants cannot obtain a patent only in Japan among the countries where they have filed for patents.

What does a high grant rate bring to applicants? Each patent will add to your licensing negotiation tool or help you reconsider your global patent strategies. The more patents you obtain, the more revenue you will be able to obtain from your patent pool, and the more shareholders or business partners of your company will be satisfied. You can also avoid the need for Appeal processes by obtaining patents at the examination stage, which will save you a lot in total costs for prosecutions. In this way, there are great advantages to having a higher grant rate, but of course, we should not always forget to make efforts to obtain patents of high quality.

(4) Effective tool for IP transactions

Fourth, the number of Japanese companies which consider patents to be "IP assets" has been increasing in recent years. Information on IP transactions (patent sales/acquisitions, licensing) is not necessarily announced publicly, but it's been said that more and more companies in Japan are conducting IP transactions with other companies or entities than they did before, and thus, the Japanese patents you obtain can be effectively utilized in IP transactions with Japanese companies in order to create a win-win solution. Of course, it is also possible to use Japanese patents in transactions with non-Japanese corporations which sell products or provide services in Japan.

(5) Automatic Injunctions at Court

Finally, the fifth reason to obtain patents in Japan is related to the characteristics of patent litigation. The patents you have obtained should be used in an effective way. In this regard, it should be noted that owners of Japanese patents are entitled to a so-called "automatic

injunction" at court, meaning that once a court determines that there has been an infringement, it's supposed to automatically issue an injunction. This can be contrasted with the eBay decision in the US. Please note that there is one exception to this rule under the abuse of rights theory in a FRAND case.

An automatic injunction is a powerful tool which can be used to enhance your negotiation power over your competitors during patent litigation or even before a lawsuit is initiated. If the sale of products is stopped, the defendant will suffer substantial damage and/or impact, and this will be far greater than the compensatory or monetary damages it would generally need to pay. On top of that, the court in Japan issues its final decision relatively quickly in recent times, meaning that Japanese patents can be enforced effectively.

Conclusion

As discussed above, there are five (5) material reasons for filing and obtaining patents in Japan in view of market size, examination tendencies at the JPO (high speed and high grant rate), IP transactions, and strong injunctive relief at court. We hope these facts help you to determine the countries where you wish to file patent applications under your worldwide IP strategy.

2. Japanese Supreme Court Ruling on Product by Process (PBP) Claims

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Introduction

The Supreme Court of Japan handed down its ruling on Product-by-Process (PBP) claims on June 5th, 2015. This Supreme Court decision was big news in this field and came as a major surprise to IP experts across Japan as this is the first case in which the Supreme Court has reversed a decision by the special division (Grand Panel system) of the Intellectual Property High Court (IPHC) during the ten years since the establishment of the IPHC. The Grand Panel system of the IPHC, in which a five-judge panel hears cases and makes decisions, was introduced in April 2004 in order to meet requests to form reliable rules and ensure consistency of judicial decisions at a high court level in the area of IP law.

Factual background of the case

The appellant, who has a patent right for an invention entitled "Pravastatin sodium substantially free of pravastatin lactone and epi-pravastatin, and compositions containing the same", filed this case against the appellee, asserting that the appellee's products infringed upon the appellant's patent rights.

Claim 1 of the patent (Invention 1) states a process for manufacturing an invention of a product (this type of claim is generally referred to as a "PBP claim"). The major issues of this case were: (i) whether the appellee's products fell within the technical scope of the invention in question; and (ii) whether the patent should be invalidated by a trial for patent invalidation. In particular, the interpretation of PBP claims became an issue.

Decision of IPHC for PBP Claim

The IPHC divided PBP claims into two types, specifically: (i) claims "in which a product is specified by means of a process to manufacture the product because there are circumstances where it is impossible or difficult to directly

specify the product by means of the structure or feature of the product at the time of filing an application ("Authentic PBP Claims")"; and (ii) claims "in which a process to manufacture the product is stated in addition to a product, though it cannot be said that there are circumstances where it is impossible or difficult to directly specify the product subject to the invention by means of the structure or feature of the product at the time of filing an application ("Unauthentic PBP Claims")." For Unauthentic PBP Claims the technical scope of the invention is interpreted as being limited to "products manufactured through the manufacturing process stated in the scope of the claims."

The court examined the PBP claims based on this distinction and ruled that the case did not have "circumstances where it is impossible or difficult to directly specify the product by means of the structure or feature of the product at the time of filing an application." Therefore, it was held that Invention 1 should be understood as having been stated in an Unauthentic PBP Claim as described above. The IPHC ruled that the appellee's products did not fall within the technical scope of Invention 1.

Decision of Supreme Court for PBP Claim

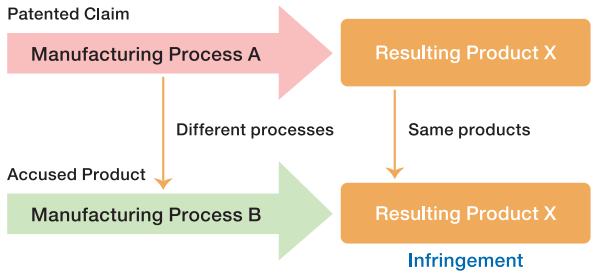
Photo: The Supreme Court of Japan

The Supreme Court did not support the decision of the IPHC, and instead stated that, "Even if the scope of the claims with regard to the patented "invention of a product" recites a manufacturing process of the product, the technical scope of the patented invention should be determined as a product having the same structure and features, etc. as those of the product made in accordance with the manufacturing process". "When the scope of claims with regard to the patented "invention of a product" recites a manufacturing process of the product, the claims satisfy the requirement of "the invention … is clear" according to Article 36(6)(ii) of the Patent Act, only if circumstances exist whereby it is impossible or utterly impractical to directly specify the structure or feature of the product at the time of filing an application". The Supreme Court thus reversed the original judgment and sent the case back to the IPHC.

Impact on Japanese patent practice

The Supreme Court decision differs from the Japan Patent Office (JPO)'s prior patent practice for PBP claims. Based on the present Supreme Court decision, the JPO changed their practice for PBP claims as an interim handling procedure, as officially announced by the JPO on July 6th, 2015. We need to keep a careful eye on examinations and trials at the JPO and court cases related to PBP claims under the new practice.

Supreme Court of Japan's approach to PBP claim construction



About TMI - Awards

The firm and our attorneys/patent attorneys have been the proud recipients of awards every year in recent times. Here is a selected list of just some of the awards TMI has recently received.

- ✓ International Legal Alliance Summit & Law Awards (2014): "Best Japanese IP Firm 2014"
- ✓ ALB Japan Law Awards (2010, 2011 and 2014): "IP Law Firm of the Year"
- ✓ Selected as a Recommended firm for patent prosecutions by IAM Patent 1000 (2015)
- ✓ Ranked Gold for Trademark Practice by World Trademark Review (WTR) 2013, 2014 and 2015

3. Five (5) Practical Tips when Designating Japan via the Madrid Protocol

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Introduction

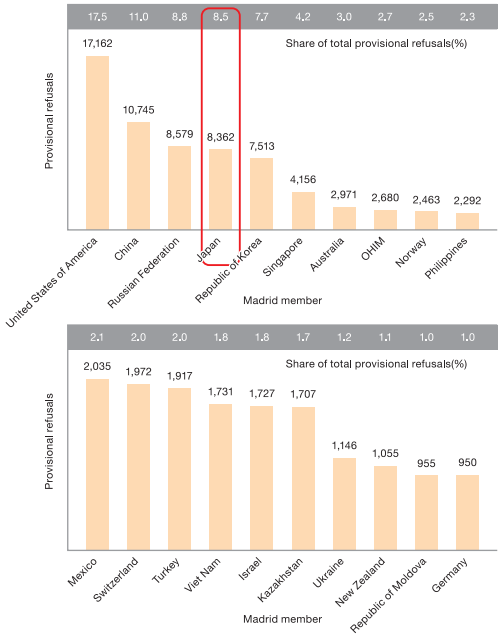
Japan has been one of the top 10 designated Madrid Members since joining the Madrid Protocol in 2000. According to the Madrid Yearly Review as shown below, Japan ranked 5th for the number of designations and subsequent designations (12,814) in 2014, following China (20,309), the EU (17,270), the U.S. (17,268) and Russia (16,573).

Table A.2.4.2
Designations in international registrations for the top 20 origins and top 10 designated Madrid members, 2014

Origin	Designated Madrid member (number of designations and subsequent designations)									
	CN	EU	US	RU	JP	CH	AU	KR	TR	MX
Australia	611	624	852	166	373	100	5	236	61	130
Austria	312	359	333	340	166	558	153	130	215	88
Belgium	348	332	318	254	162	287	132	132	169	123
China	41	582	951	1,014	750	455	720	753	545	438
Denmark	294	217	296	161	177	169	165	132	112	64
France	1,959	1,309	1,688	1,448	1,179	1,599	821	858	722	722
Germany	3,046	2,167	2,660	2,732	1,675	3,637	1,475	1,428	1,813	1,010
Hungary	55	40	30	161	14	31	15	12	117	8
Italy	1,751	930	1,615	1,563	1,020	999	618	741	768	499
Japan	1,147	891	1,102	515	18	310	555	914	313	345
Luxembourg	170	133	146	155	95	152	85	76	104	85
Netherlands	596	621	623	490	331	460	272	231	327	183
Republic of Korea	368	257	375	151	319	60	120	2	107	100
Russian Federation	424	177	262	14	104	113	93	120	184	114
Spain	563	194	622	497	298	247	232	207	264	498
Sweden	326	95	347	248	210	196	183	167	135	131
Switzerland	1,359	1,855	1,321	1,163	1,157	98	812	780	959	613
Turkey	298	187	290	638	137	141	115	92	2	67
United Kingdom	1,445	1,062	1,401	808	1,091	796	1,310	593	515	642
United States of America	2,965	3,396	54	1,510	2,499	1,210	2,539	1,913	981	2,083
Others	2,231	1,842	1,982	2,545	1,039	1,141	1,113	885	1,100	590
Total	**20,309**	**17,270**	**17,268**	**16,573**	**12,814**	**12,759**	**11,533**	**10,402**	**9,513**	**8,533**

[from Madrid Yearly Review: International Registration of Marks (WIPO, April 2015), page29]

Figure A.4.2
Provisional refusals of designations by selected designated Madrid members, 2014



[from Madrid Yearly Review: International Registration of Marks (WIPO, April 2015), page39]
http://www.wipo.int/edocs/pubdocs/en/wipo_pub_940_2015.pdf

As shown above, in 2014, the Japan Patent Office ("JPO") issued 8,362 provisional refusals, accounting for 8.5% of all international registrations refused in such year. Since Japan is the fourth biggest issuer of provisional refusals among the designated Madrid Members, we will take this opportunity to provide some practical tips for foreign trademark applicants receiving provisional refusals from the JPO via the Madrid Protocol.

(1) PoAs can be filed later

First, a foreign trademark applicant who receives a provisional refusal from the JPO via the WIPO and wants to respond to such provisional refusal is required to submit an original Power of Attorney to the JPO. On the other hand, a Power of Attorney is not necessary when a foreign trademark applicant requests its Japanese agent to file a trademark application directly in Japan (National Route), not through the WIPO (Madrid Route). When a foreign trademark applicant receives a provisional refusal, the due date for responding to the JPO is three (3) months from the date of pronouncement of the Notification of Provisional Refusal. We are sometimes requested to become a local agent in Japan just before the above three (3) month period passes. In practice, it is possible for such foreign applicant to submit its original Power of Attorney after such deadline, as long as the

foreign applicant designates a Japanese agent and the Japanese agent has already informed the JPO before the deadline. However, in such case, it is advisable to submit the original Power of Attorney to the JPO as soon as possible.

(2) Avoid limiting the designated goods/ services too narrowly

The JPO issues a provisional refusal if the designations of goods/services covered in a class are too broad. In such case, the JPO examiner requests the applicant to submit proof of use or a statement of bona fide intention to use, or to limit the designation of goods/services, so as not to exceed eight similar group codes in each class. In such a provisional refusal, the JPO examiner usually proposes amendments to the designated goods/services to overcome the provisional refusal; however, such proposals are sometimes too narrow. It is often the case in trademark filings designating Japan that non-Japanese trademark applicants accept such examiner's proposal, and thereby limit the designated goods/services too narrowly by submitting an MM6, although such applicants might have been able to obtain a broader scope of designated goods/services. In order to avoid unnecessarily narrow limitations brought about by acceding to the examiner's proposal in the provisional refusal, we recommend consulting with us before submitting an MM6 to the WIPO.

(3) Pay the second part of the individual fees

Japan is one of only a few Madrid Members (Japan, Ghana and Cuba) that adopts a system where there is a second part to the payment of the individual fees. We see a large number of trademark filings designating Japan being dismissed by the JPO because the non-Japanese trademark applicants simply forget to pay the second part of the individual fees to the WIPO. Therefore, please take careful note of the "Note" on the Certified Copy of the Decision regarding the second part of the individual fee to the WIPO and ensure that you do not forget to pay this second part of the individual fees to the WIPO before the deadline indicated in the Notification from the WIPO.

*Note
The holder is required to pay the second part of the individual fee to protect the mark concerning the international registration in Japan [, as notified in a separate communication under Rule 34(3)(C) issued at the same time as the present statement]. Where the second part of the individual fee is not paid within the applicable period, the International Registration shall be cancelled with respect to Japan [Rule 34(3)(d)].

(4) Record the change of address with the WIPO

If an International Registration designating Japan is challenged by a third party by way of a Cancellation Action or Invalidation Action, the JPO directly serves the written demand for trial by mail to the address of the holder of the International Registration recorded at the WIPO. Thus, if the holder of the International Registration has failed to record a change of its address with the WIPO, such written demand for trial may not reach the holder by mail, and this may cause serious problems such as cancellation of the International Registration designating Japan.

(5) Letters of Consent are not accepted

Since Letters of Consent are not accepted by the JPO to overcome a conflict with a prior trademark, in Japan, an "assign-back arrangement" which will result in co-existence between the marks is quite common in Japanese trademark practice. In an assign-back arrangement, based an agreement negotiated between the owner of the prior trademark and the later trademark applicant, the later trademark applicant temporarily assigns its pending application to the prior trademark owner. Once the pending application is under the same ownership, the ground for refusal is resolved and the Examiner will grant a decision of registration. After the pending application has been registered at the JPO, the trademark will then be assigned back to the original applicant (the requesting party) based on the terms of the agreement between the parties. Usually, the prior trademark owner requests monetary consideration and the requesting party bears the costs for the recordal of assignment. Non-Japanese trademark applicants should understand that a so-called "worldwide co-existence agreement" will be insufficient in itself to overcome a conflict with a prior trademark in Japan.

Conclusion

During the 15 years since the JPO joined the Madrid Protocol, we have been dealt with numerous provisional refusals by the JPO for applicants from all around the world. It is important for foreign applicants to obtain appropriate trademark protection in Japan and we will strive to provide our clients with the best solutions possible, in a cost-effective manner.

4. Lowest Level of Official Fees for Patents

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Introduction

You may be concerned about the ballooning level of costs involved in conducting foreign patent prosecution on a routine basis. No small part of such costs is taken up in attorney fees and translations from the original language into the local language. However, have you ever paid attention to the difference in official fees between the countries where you often seek patent protection? A comparison among the five main IP offices (IP5): i.e. the United States Patent and Trademark Office (USPTO), the European Patent Office (EPO), the State Intellectual Property Office of the People's Republic of China (SIPO), the Korean Intellectual Property Office (KIPO), and the Japan Patent Office (JPO), reveals there is a big difference in the official fees necessary for the prosecution of a patent application among the IP5 offices.

Comparison among IP5 offices

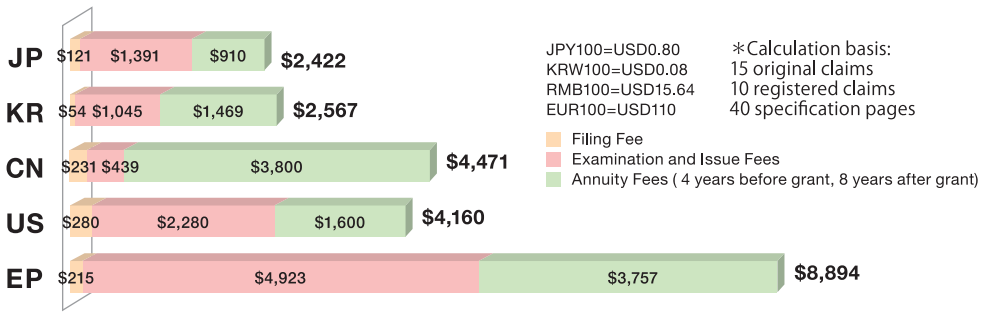
The bar chart set forth below shows a comparison of the amounts of official fees required for obtaining a patent right and for maintaining such right for a certain number of years in each of the IP5 offices. The fees in the chart are calculated based on the official fees that were indicated in the official fee list by the JPO which was made available on the website (https://www.iprsupport-jpo.go.jp/syutsugan/pdf/Major.pdf). The fee calculation here is premised on the assumption that a local patent application is filed in each of the IP5 offices through the international phase under the PCT, claiming a single Conventional priority. For the subject of the calculation, we set a hypothetical patent application having 15 original claims with 40 pages of specification, and 10 registered claims, which we think is a typical volume for an inbound patent application from a foreign country. The currency exchange rates for the calculation are as of August this year, and these are also indicated in the chart. It has been assumed that it will take four years until a patent is granted from the time of filing and that the maintenance fees are paid for eight years. No small entity status is claimed in the patent application.

The comparison bar chart reveals that the total official fees necessary in Japan for obtaining a patent and maintaining the rights therein for a number of years appear to be the lowest among the IP5 offices. Further, the recent weakness of the yen (¥) has provided a further boost in lowering the total amount of money required relative to other countries.

In addition, the JPO provides a special fee reduction for small and medium-sized companies, which reduces the examination fees, issue fees, and annuity fees to a third of the normal amounts. In order to apply for this reduction, it is required that the applicant company has total amount of capital funds or total investment of 300 million yen or less, and that the business have been established for less than 10 years. A certain form of evidence showing the size of the company is also required.

Further Reduction of Official Fees in Japan

It is planned that the newly revised Patent Law will see a further reduction in the level of the official fees. The bill for the new patent law was passed by the Diet on July 3 this year and it will come into force next year. Under the revised Patent Law, the annuity fees for each year after grant of a patent will be decreased by approximately 10%, and the filing fees will also be reduced from 15,000 yen to 14,000 yen. Table 1 shows the detailed official fee schedule for the annuity fees and filing fees stipulated in the new bill.



[Table 1]

Category	Present Fees	New Fees
Filing Fee	15,000	14,000
Annuity (1st -3rd year)	2,300yen +200/claim	2,100yen +200/claim
Annuity (4th -6th year)	7,100yen +500/claim	6,400yen +500/claim
Annuity (7th -9th year)	21,400yen +1,700/claim	19,300yen +1,700/claim
Annuity (10th year or later)	61,600yen +4,800/claim	55,400yen +4,800/claim

While you may feel that the amount of decrease from the present fees may be small, the accumulated amount for each of your patents will make a big difference if your patent has a number of claims and a number of years of registration. For example, Table 2 shows the accumulated amount of the annuity fees for each year from the first year where the number of claims is 5 or 15.

[Table 2]

Registered Year	Annuity (Accumulated Amount)	
	5 claims	15 claims
1st -5th year	27,100yen(▼2,000)	43,100yen(▼2,000)
1st -10th year	157,600yen(▼16,600)	246,600yen(▼25,900)
1st -15th year	542,100yen(▼60,400)	846,100yen(▼94,400)

As you see in the table, the more claims your patent has and the longer your patent is retained, the greater the cost reduction you can enjoy.

Conclusion

As explained above, not only are the current total official fees for obtaining a patent application in Japan the lowest compared to the other IP5 offices, but also they are going to be reduced to even lower amounts from next year. On top of that, the weaker yen makes filing for and maintaining patents in Japan an even cheaper proposition. As already discussed in Topic 1 of this newsletter, there are several good reasons for choosing Japan as the country in which to seek patents. Now, you have found another reason for seeking patent in Japan, haven't you?

5. About TMI

Since our establishment on October 1, 1990, TMI Associates has grown rapidly to become a full-service law firm that offers valuable and comprehensive legal services of the highest quality at all times. Among TMI's practice areas, intellectual property (IP) – including patents, designs and trademarks – has been a vital part of the firm from the beginning, and our firm boasts an unrivalled level of experience and achievement in this area.

Organizational Structure

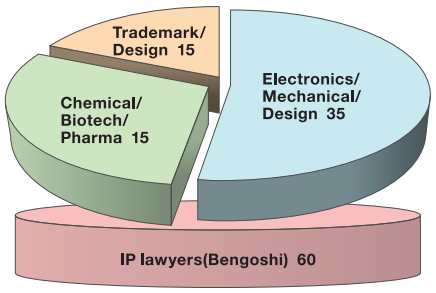
TMI, one of the "Big Five" law firms in Japan, has a total of more than 700 employees worldwide, including around 430 IP/Legal professionals, comprised of approximately 330 attorneys-at-law (Bengoshi), 70 patent/trademark attorneys (Benrishi), and 30 foreign law professionals.

Attorneys (Bengoshi)	328
Patent/Trademark Attorneys(Benrishi)	65
Foreign Law Counsels	5
Foreign Attorneys	24
Foreign Patent Attorney	1
Advisors	5
Management Officers	3
Staff	285
Total	716

(As of October 1,2015)

Attorneys/Patent Attorneys' Areas of Expertise

TMI's practice covers all aspects of IP, including patent/trademark prosecution, transactions (e.g., patent sales, acquisitions and licensing), litigation, invalidation trials, oppositions, due diligence activities and import suspension at the customs. TMI handles over 3,000 patent/trademark/design applications and over 20 IP lawsuits per year and TMI's patent team covers all technical fields, including electronics, computer software, telecommunications, semiconductors, chemicals, biotechnology, pharmaceuticals, and mechanical fields.



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If you have any questions or requests regarding our services, please contact our attorneys and patent attorneys who you regularly communicate with or use our representative address.

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