

Japan Patent & Trademark Update



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1. Three Common Misconceptions about the Japanese Patent System



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Introduction

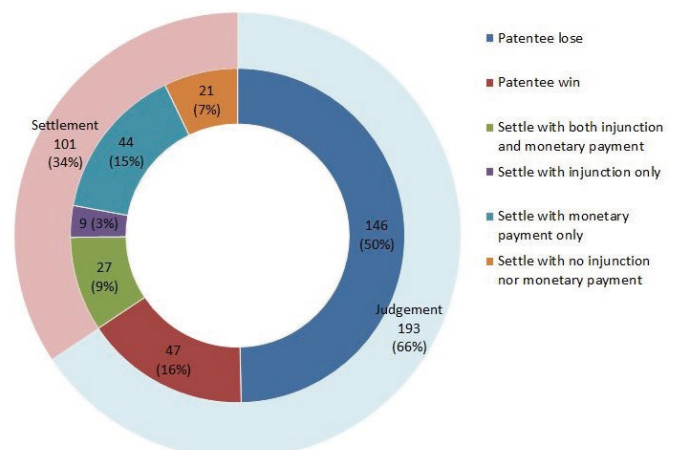
Ever since the Japan Patent Office (“JPO”) and the Intellectual Property High Court (“IP High Court”) began to issue statistics on patent applications and disputes in Japan, there have

been numerous articles making inappropriate references thereto and, as a result, deriving conclusions that could cause people to misunderstand the Japanese patent system. In this article, we hope to correct some common misconceptions so that you will be able to appropriately determine whether or not you should obtain and enforce patents in Japan.

First misconception: Low plaintiff success rate in patent infringement litigation

According to the statistics issued by the IP High Court in May 2017, the actual success rate of plaintiffs in patent infringement lawsuits is 43%, a similar rate to that seen in Delaware in 2016. This rate is calculated based on the number of lawsuits concluded from 2014 to 2016. The graph below shows the details of the judgments and settlements at the district court level.

Details of judgments and settlements



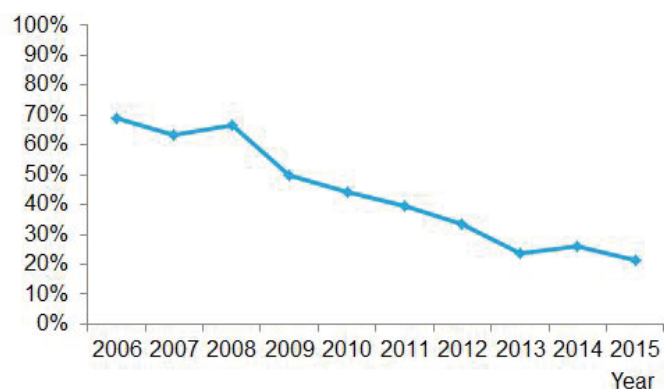
[from IP High Court statistics issued in May 2017]

The reason for this misconception could be that some articles discuss statistics regarding Japanese patent lawsuits based only on those cases which have reached a judgment. The information on settled cases, as shown in the above graph, was not announced before, and such success rate could previously only be examined based on cases in which judgments were rendered. In Japanese patent lawsuits, judges typically try to reach a settlement without rendering a judgment and, as shown in the above graph, 34% of cases at the district court level were settled without a judgment being rendered. Accordingly, the plaintiff success rate in Japanese patent lawsuits cannot be discussed without including the cases which are resolved through settlement.

Second misconception: High patent invalidation rate

According to the statistics issued by the JPO, while the JPO gave decisions with respect to 181 invalidation trials in 2015, they maintained the patent in 142 of those cases. In other words, the invalidation rate at the JPO in 2015 was only 22%. One of the reasons behind such misunderstanding could be that the invalidation rate at the JPO was previously quite high, as shown in the graph below.

Invalidation rate of JPO patent invalidation trial

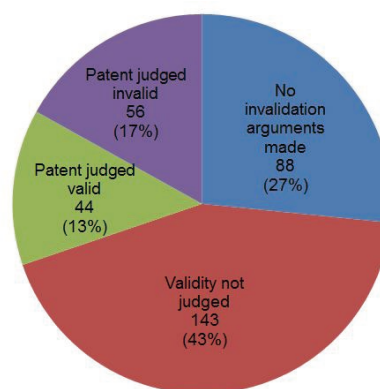


[from JPO annual report 2016]

Another reason could be that there has been misleading discussion on the invalidation rate in patent infringement lawsuits. Such discussion has concluded that patents were judged to be invalid in over 50% of lawsuits. However, this conclusion is misleading as it was made based only on lawsuits in which the judges actually rendered decisions regarding the validity of the patents. Specifically, as shown

in the below graph, in 70% of patent infringement lawsuits the judges did not make any decisions on the validity of the patents. Further, in 43% of patent infringement lawsuits, even though the plaintiffs made invalidation arguments, the judges still did not make any decisions with respect to validity. In other words, it is inappropriate to derive any significant trends solely from lawsuits in which the judges made decisions on the validity of the patents.

Details of judgments on invalidation arguments in patent infringement lawsuits

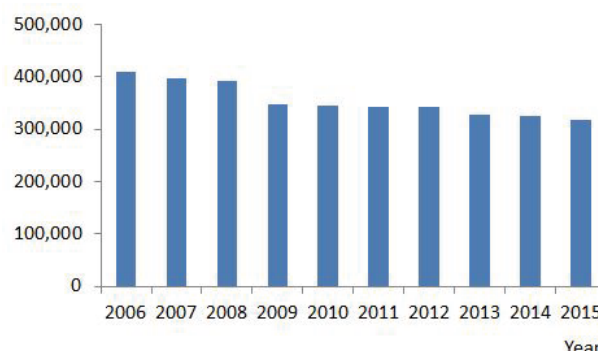


[from IP High Court statistics issued in May 2017]

Third misconception: Decrease in number of patent filings

According to the statistics issued by the JPO, the total number of patent applications filed with the JPO has been decreasing over the past ten years. As described below, however, this does not necessarily mean that the importance of obtaining a patent in Japan has also been decreasing.

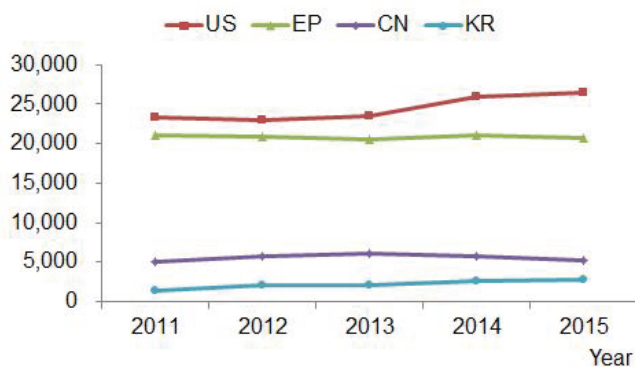
Total number of patent applications filed with the JPO



[from JPO annual report 2016]

First, as shown in the below graph, the number of patent applications filed from the other IP5 countries does not show such a decrease. Rather, the number of patent applications filed by U.S. entities has actually been increasing since 2013.

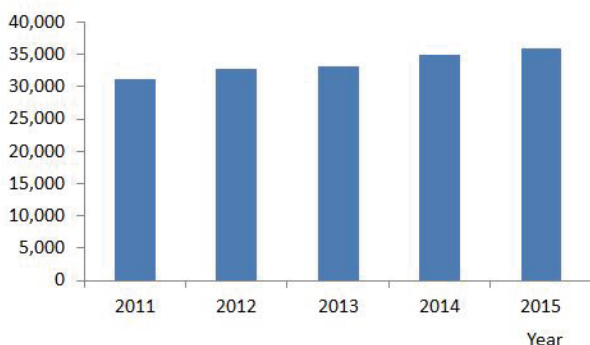
Number of patent applications filed by foreign entities



[from JPO annual report 2016]

Second, as further shown below, the number of patent applications filed by small or mid-size entities has been increasing since 2011, even after the Great East Japan Earthquake of March 2011.

Number of patent applications filed by small or mid-size entities



[from JPO annual report 2016]

Furthermore, the decrease in the total number of patent applications seems to have occurred mostly because Japanese companies who used to file numerous patent applications have significantly decreased their filings in the past ten years. For example, two Japanese big filers together filed over 19,000 applications in 2006, but the same two companies only filed approximately 9,000 applications in 2014.

In sum, the decrease in the total number of patent applications seems to have mostly come from the change in patent filing policy, i.e., shifting the focus from quantity to quality of patents, and not as a result of any decrease in the importance of obtaining patent protection in Japan.

Conclusion

As discussed above, there are three common misconceptions regarding the Japanese patent system: (i) low plaintiff success rate, (ii) high patent invalidation rate, and (iii) decrease in the number of patent filings. However, these misconceptions can be easily shown to be false and not representative of the actual patent environment in Japan. Hopefully, these facts help you to determine the countries in which you wish to file patent applications and enforce your patent rights under your worldwide IP strategy.

Topics

① 2017 JPAA IP Practitioners Seminar in Hanoi, Vietnam
Shunji Sato (Partner/Trademark Attorney) gave presentations titled "Hague System" at the JPAA IP Practitioners Seminar, held at Intercontinental Hotel Hanoi Westlake on February 28th, 2017.

② IPAC-JPAA Open-seminar for Cambodian IP practitioners in Phnom Penh, Cambodia
 On March 2nd, 2017, **Shunji Sato** (Partner/Trademark Attorney) and **Toshifumi Onuki** (Partner/Patent Attorney) gave presentations about Japanese IP practices at the seminar co-hosted by Intellectual Property Association of Cambodia (IPAC) and Japan Patent Attorneys Association (JPAA). The seminar was aired in local evening news on the day.



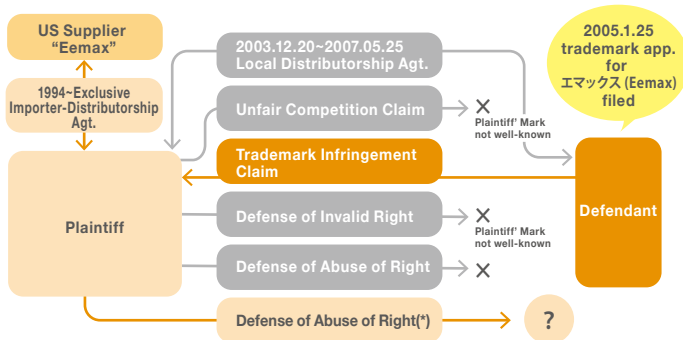
2. The Supreme Court Resolved a Battle Over a Trademark: Unfair Competition Claim vs. Trademark Right (2015 (Ju) 1876 The Third Petty Bench of The Supreme Court Judgment on February 28, 2017)



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Introduction

On February 28, 2017, the Supreme Court of Japan rendered its judgment in a case involving a “cross fire” between a non-registered, but allegedly well-known, trademark owner’s Unfair Competition claim and a registered trademark owner’s defense relying on a Trademark Infringement counterclaim. So, who won the battle?



(*)The Plaintiff may assert that exercising of the Defendant’s trademark right is abuse of right given that the Defendant was an ex-distributor of the Plaintiff and it undertook to stop use of the mark in the settlement of the previous litigation.

Cross Fire: Unfair Competition vs. Trademark Infringement

In the mid 1990s, the plaintiff in the original complaint (the “Plaintiff”) entered into a sole importer-distributorship agreement with a U.S. corporation, a manufacturer of electric water heaters marketed under the brand “Eemax”. In 2003, the Plaintiff entered into a local, sub-distributorship agreement with another Japanese corporation (the “Defendant”). In 2005, without notice to the Plaintiff, the Defendant filed and registered the trademark “Eemax” (in Japanese Katakana letters). A dispute arose between the parties and the local distributorship agreement between the two Japanese corporations was terminated

by 2007; however, the Defendant continued using the trademark “Eemax”. The Plaintiff sued the Defendant for Unfair Competition asserting that the Defendant’s use of “Eemax” was impermissible given that it is a well-known trademark of the Plaintiff, even if the Plaintiff had not registered the mark. In response, the Defendant filed a counterclaim asserting that the Plaintiff infringed upon the Defendant’s trademark registration for “Eemax”.

Defense against a Trademark Infringement Claim

Patent Law Article 104-3 is applied mutatis mutandis to the Trademark Law; consequently, a defendant in a trademark infringement suit may submit a defense that the right holder’s right may not be exercised if such right should be invalidated by an Invalidation Trial (the “Defense of Invalid Right”). The Defense of Invalid Right enables the court to resolve the case swiftly without waiting for the defendant to seek an Invalidation Trial and then for the Japan Patent Office (the “JPO”) to render its decision, which could then be appealed to a superior forum.

Faced with the trademark infringement claim by its ex-distributor, the Plaintiff submitted the Defense of Invalid Right asserting that the Defendant’s trademark right was registered in violation of Article 4(1)(x) of the Trademark Law, which prohibits registration of a trademark identical or similar to another’s well-known trademark. The Plaintiff alleged that the trademark “Eemax” had acquired “well-known” status by 2005 when the Defendant filed its trademark application as a result of the Plaintiff’s use of the mark since the mid 1990’s. The Fukuoka High Court acknowledged that “Eemax” was well-known as the Plaintiff’s trademark by 2005 and the court accepted the Plaintiff’s Unfair Competition Claim and also admitted the Plaintiff’s Defense of Invalid Right on the counterclaim. The Supreme Court, however, partially reversed the decision by the High Court. What was wrong?

How Well-Known Must the Mark Be to Be “Really” Well-Known?

The Supreme Court stated that the High Court erred in its finding that the Plaintiff’s mark was well-known. According to the facts found by the lower courts, the Plaintiff published advertisement of its products on only two occasions; the Plaintiff’s advertising expenses was about \$12,000 per year and what it expended for public demonstration/exhibitions of the water heater was only about \$7,000 per year; the number of

water heaters sold was not disclosed by the Plaintiff and is unknown. While the fact that the Defendant knew about the Plaintiff's products when it approached the Plaintiff for a local distributorship in 2003 appears to have been weighed heavily by the lower court, the Supreme Court stated that it is insufficient to find that the mark was "well-known" among consumers in major parts of Japan. Thus, the Supreme Court reversed the High Court decision relating to the Plaintiff's Unfair Competition claim.

Defense of Invalid Right is Time-Barred

Under the Japanese Trademark Law, filing of an Invalidation Trial against a registered trademark is time-barred after five years from the registration date, except in cases where the trademark registration was obtained for unfair purposes or against public order or morality. Prior to this case, theories were split whether or not the Defense of Invalid Right is available for a registered trademark more than five years old. The Supreme Court clarified this issue and stated that the Defense of Invalid Right may not be asserted if the trademark registration is more than five years old and it cannot actually be invalidated. On the other hand, the Supreme Court also stated that, if the trademark owner who registered the trademark identical or similar to another's not-registered but well known trademark in violation of the Trademark Law exercises such a trademark right against the very person who had used and made the trademark so well-known, such person may submit the defense that the trademark infringement claim against it constitutes an "abuse of right," even if the trademark registration is more than five years old and cannot actually be invalidated. However, the Supreme Court found that the defense of abuse of right may not be available here, because the Plaintiff's trademark could not be found to be well-known as of 2005 when the Defendant filed its trademark application for "Eemax" unless a more thorough examination of the facts regarding the sales of the Plaintiff's water heaters is conducted. The court remanded the case back to the lower court for further examination of these facts.

Take Aways

As is often the case when the Supreme Court issues a judgment in intellectual property matters, there are some practical take aways for intellectual property owners to take into consideration.

First, if your trademark is not registered but is well-known in Japan, then you may be able to defend a trademark infringement claim by someone who filed and registered the mark after your mark became well-known. Beware, however, that the level of well-known status required is not necessarily low, as shown in this case. In another case where a dispute arose over an unregistered but allegedly well-known mark for coffee, the court ruled that, for the mark to be protected under Article 4(1)(x) of the Trademark Law, the mark "*must be recognized to a substantial level by the traders of the goods of the same kind throughout the country, or, at least, the mark must be recognized among about half of the traders of the products of the same kind in a substantial area not only in one prefecture but also in the adjacent neighboring prefectures.*" (Tokyo High Court 1982 (Gyou Ke) 110 Judgment on June 16, 1983) Thus having strong historical evidence of your advertising and marketing expenditures and activities as well as of your sales records can be vital.

Second, if facing a trademark infringement claim in a similar situation, as the last resort, you should thoroughly consider if a defense of abuse of right is available. In this case, a supplementary opinion was included in the court decision by one of the five judges. The judge noted that the Defendant used to be one of the Plaintiff's distributors, that there was a history of litigation between the parties in the past in which the Defendant had agreed not to use "Eemax" in a settlement and stated that, even if the Plaintiff's mark was eventually found not sufficiently well-known, still, the court would need to examine if the exercise of the trademark right by the Defendant against the Plaintiff constitutes an abuse of right, based on various factors including the relationship between the parties and what transpired in the past litigation. The doctrine of abuse of right may be helpful to bring about a reasonable resolution to a dispute in a complex case like the one at hand.

Finally, and most importantly, all of these disputes would have been avoided if the U.S. manufacturer, or the Plaintiff with the authorization by the U.S. manufacturer, had filed one single trademark application in Japan in connection with the initial introduction of its products in the marketplace. In Japan, a trademark is not protected by mere use, and the consequences of not adequately protecting the trademark can be serious, as this recent case shows. Whenever a business starts in Japan, you should review if your trademark is adequately protected by trademark registration in Japan, and consultation with experienced counsel is an important step in obtaining this protection.

3. The Hague International Design Registration System

– Important Things to Know When Designating Japan



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Introduction

It has been two years since we reported Japan joining the Geneva Act of the Hague Agreement for the International Registration of Industrial Designs (the Act). Since then, the number of international applications for design registrations designating Japan increased 4.6 times from 452 applications in 2015 to 2,083 in 2016 (see below Table 1). We can see that applicants who are in member countries of the Act are actively using the International application for design registration when they proceed to file in Japan (see below Table 2).

Among these applications, the Japan Patent Office (JPO) has recently issued Office Actions against a few International applications designating Japan. Having reviewed these Office Actions, almost all were issued due to a failure to conform to the formality requirements for drafting an application under Japanese design practice. Therefore, this section will describe the notable points in drafting an application (i.e., DM/1) for international applications for design registrations designating Japan.

[Table 1: Changes in the Number of Design Applications]

	2012	2013	2014	2015	2016
Total Number of Design Applications with the JPO	32,391	31,125	29,738	29,903	30,879
Number of International Applications for Design Registration with the JPO				452	2,083

(Source: Japan Patent Office, 'JPO STATUS REPORT 2017')

[Table 2: Number of Design Applications by Member Countries of the Act (Top 8 Countries)]

	US	Korea	Germany	Switzerland	France	Italy	Netherlands	UK
Total Number of Design Applications Filed with the JPO	1,776	630	613	587	425	272	252	181
Number of International Applications for Design Registration with the JPO	329	152	304	352	269	123	132	35

(Source: Japan Patent Office, 'JPO STATUS REPORT 2017')

Helpful Tips when Drafting a DM/1

Description

The “Description” section is used to indicate the characteristic features, the operation or possible use of the filed-for article, etc. This section also indicates the unclaimed portion, which is usually depicted in broken lines and also to indicate if there are any omitted views. In Japan, while permissible to indicate the unclaimed portion in broken lines, we see many formality objections raised against applications lacking the required indication showing what the broken lines are intended to mean. Accordingly, it is advisable to indicate in the “Description” section that the broken lines in the reproduction indicate the portion for which protection is not sought.

Description of the Reproductions (LEGENDS)

Specifying the type of the view, e.g., perspective, front, top, etc., is optional. However, as the JPO Examiner prefers that each of the views be properly named, if you file an application on-line, you may simply select “type of view” when uploading the views and, so, we recommend specifying the type of view in order to avoid a possible objection in this regard.

Identity of Creator

In Japan, it is necessary to indicate the creator(s) when filing a design application. Creator(s) must be a natural person. While submitting the assignment from the creator(s) is not required, even if the application is filed in the name of a company or a third party other than the creator(s), it is recommended that the rights to file design applications for the designs, originally created by the creator(s), be properly

assigned to the applicant.

Priority Claim

Docketing the deadline to submit the priority document and arranging the same are the most important things when designating Japan under the Hague system.

While the JPO requires submission of the original priority document within three months from the application date for applications filed directly with the JPO, it also mandates submission of the original priority document for applications filed under the Hague system. In that case, the priority document must be filed within three months from the date on which the international design registration is published in the International Designs Bulletin. It is also important to know that, except for some countries where the priority document is only issued electronically, the priority document must be the original (an electronic copy will not be accepted) and needs to be submitted by a legal representative who is entitled to practice before the JPO.

As this formality requirement was unfortunately, not well-informed and disseminated at the early stage after Japan's accession to the Hague system, priority documents for more than 500 designations were not submitted within the proper time frame. This led to the JPO issuing a notice regarding special treatment for the submission of priority documents in October 2016. The JPO announced that it would give the applicants of the subject applications the opportunity to submit priority documents by January 30, 2017, even though the initial three month deadline had already expired. Since this special treatment was only granted to applications listed on the JPO website, the applicant must be careful of this requirement and docket the necessary deadline on its own. It is also essential to contact Japanese counsel as soon as the International design application with the priority claim and the Japanese designation is filed.

Exception to Lack of Novelty

There are formality requirements which are similar to the priority document explained above that must be considered with respect to the exception to lack of novelty. As a preliminary matter, in Japan, it is permissible to seek design protection for a design which lacks novelty before filing an application, provided that the application is filed within six

months from the first disclosure to the public, and the statements indicating the details of the first disclosure along with proof are duly submitted within 30 days from the application date. As to applications filed under the Hague system, the deadline to submit the statement is **30 days from the date on which the international design registration is published in the International Designs Bulletin**. As is the case for the priority document, the original copy of the statements must be submitted, and the submission needs to be made by a legal representative who is entitled to practice before the JPO. Accordingly, it is also imperative to contact Japanese counsel if the design was made public before seeking protection in Japan.

Towards this, the JPO recently amended the design guidelines to ease the proof requirements which became effective for applications filed on or after April 1, 2017. More specifically, the JPO previously only accepted proof which was prepared or signed by a third party other than the creator or applicant to ensure the objectivity and admissibility of the proof. However, considering various facts including the guidelines adapted for patent practice, the JPO now accepts a declaration signed by the creator(s) or applicant with respect to design applications. Though the formality requirements are now eased, it is still advisable and prudent to have proof by a third party when and if the lack of novelty becomes an issue during examination or future lawsuits.

Related Design

In DM/1, there is a specific section for "RELATION WITH A PRINCIPLE DESIGN", which is explained by the WIPO as an "optional element applicable to the designation of Japan and/or Republic of Korea only". As an exception for so-called double patents, it is possible that designs similar to each other may co-exist if the applicant registers one of the similar designs as a "principle design" and others as a "related design(s)." While this section is to be used to indicate which of the designs the applicant wishes to register as the related design(s), the JPO Examiners may not accept the requests and may issue an official refusal if the Examiner finds that the designs are not actually similar to each other. Since it is difficult to foresee how the Examiner will determine the similarities, it may not be advisable to use this section.

4. 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

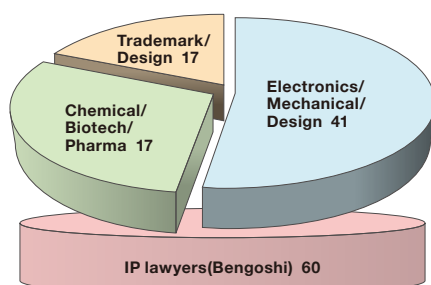
TMI, one of the "Big Five" law firms in Japan, has a total of more than 780 employees worldwide, including around 450 IP/Legal professionals, comprised of approximately 365 attorneys-at-law (Bengoshi), 75 patent/trademark attorneys (Benrishi), and 30 foreign law professionals.

Attorneys (Bengoshi)	365
Patent/Trademark Attorneys(Benrishi)	75
Foreign Law Counsels	5
Foreign Attorneys	18
Foreign Patent Attorney	1
Advisors	4
Management Officers	3
Patent Engineers, Staff	317
Total	788

(As of June 1, 2017)

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 6,000 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.



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.

- ✓ “Best Japanese IP Firm” - International Legal Alliance Summit & Law Awards (2014, 2015 and 2016)
- ✓ “IP Law Firm of the Year” - ALB Japan Law Awards (2010, 2011, 2014 and 2017)
- ✓ Ranked as “Band 1” for Intellectual Property: Japan Domestic – Chambers 2017 Asia-Pacific Rankings (2017)
- ✓ Ranked as “Tier1 for IP local firms” - The Legal 500 Asia Pacific (2015 - 2017)
- ✓ Selected as a “Recommended firm” for patent prosecutions - IAM Patent 1000 (2012 - 2016)
- ✓ Ranked as “Gold Tier” for World’s Leading Trademark Professionals in Japan - World Trademark Review (WTR) (2013 – 2017)

Contact and Global offices

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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Feedback

If you have any comments, questions or requests regarding our newsletter, please contact Toyotaka Abe (tabe@tmi.gr.jp), editor-in-chief.