

Japan Patent & Trademark Update



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1. Recent Design Revisions in Japan



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Introduction

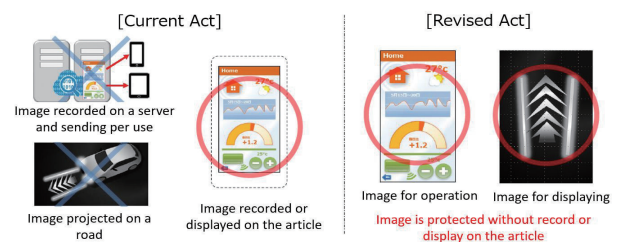
The revision of the Design act was promulgated on May 17, 2019. The revision is quite ground-breaking in that the subject matter of design have significantly expanded in light of the progress of technologies which has led to the increased importance of design protection and brand building utilizing digital technologies. The main points of the revision are set forth below.

Expansion of the Articles protectable by the revised Design Act

1. GUI (Graphical User Interface)

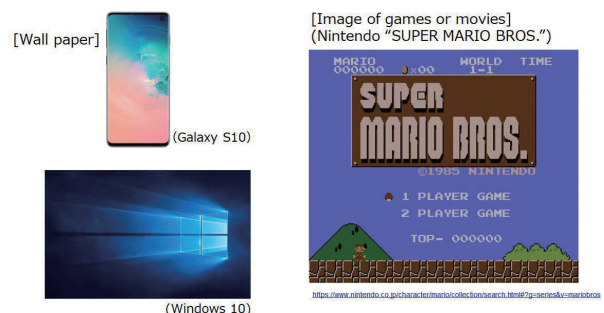
Under the current act, the GUI images are registrable only if the GUI images are pre-installed on an article (e.g., a smartphone or tablet). In other words, the GUI images which are not pre-installed and are provided only via the internet are not protectable.

The revised act will provide protection to GUI images which are not pre-installed (e.g., images provided via the internet) and also to those projected onto non-display devices (e.g., roads or walls).



It should be noted, however, that protection will not be provided to images which have no functional relationship to the article of the design, such as wallpaper designs, paintings, characters, etc. which are created/ designed for aesthetic purposes only.

Protection for GUI image designs: Not Protected Examples

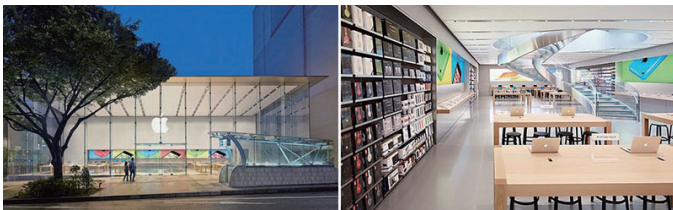


2. Exterior and Interior of Buildings

Under the current act, real estate and immovable property are not registrable since those do not fall under the definition of an ‘article,’ while movable prefabricated houses are accepted.

However, there has been an increase in the number of cases in which creative designs are elaborated in store designs to create brand value and enhance the added value and competitiveness of products and services, as well as cases where companies dealing in office furniture and related equipment design and propose distinctive office designs using their own products for customers, and the need for legal protection has therefore been increasing.

[Examples of Store designs]



[Apple Store Omotesando, Japan: <https://www.apple.com/jp/retail/omotesando/>]

[Examples of Office designs]



[Reference from Design System of Intellectual Property Subcommittee of The Industrial Structure Council]

Moreover, there have been various discussions on how to provide appropriate legal protection for the exterior and interior of buildings. Under the Copyright Act, for example, the buildings which are to be protected are mainly limited to copyrightable architectural works as stipulated by the act. Further, in the Komeda’s Coffee case, if a store design functions as a source indicator as stipulated by the Unfair Competition Prevention Act, such design may be protected by the act; however, because the Unfair Competition Prevention Act requires designs to be well known or famous in order to be protected, it has been difficult to protect the exterior and interior of buildings from an early stage. Moreover, an interior composed of a combination or arrangement of furniture or household goods, or a decoration on part of a building (eg, walls, ceilings and floors), does not meet the requirements of the ‘one application, one design’ rule under the Design Act, and thus, such interiors have not been protected under the current act.

[Examples in the Komeda’s Coffee case]



(Plaintiff’s building)

(Defendant’s building)

Source: https://www.jpo.go.jp/resources/shingikai/sangyo-kouzou/shousai/isho_shoi/document/06-shiryuu/03.pdf
http://www.courts.go.jp/app/files/hanrei_jp/545/086545_option1.pdf

Under the circumstances, designs of building and interior designs will now be able to obtain protection under the revised act.

More specifically, the revised Design Act re-defines what may be a protectable ‘design’ as “the shape, patterns or colors, or any combination thereof, of an article... the shape, etc. of a building... or an image... which creates an aesthetic impression through the eye”; buildings will now also be eligible for protection under the revised act.

Further, the revised act newly establishes a provision for interior designs, stipulating that, “in the case of a design for an article, a building, or an image constituting equipment and decorations ... in a store, office or other facilities, an application may be filed and a design registration may be granted for such design as one design if the interior as a whole creates a uniform aesthetic impression”. Thus, if an interior design creates a uniform aesthetic impression as an interior as a whole and meets the other registration requirements, such interior design will be eligible for protection under the revised act.

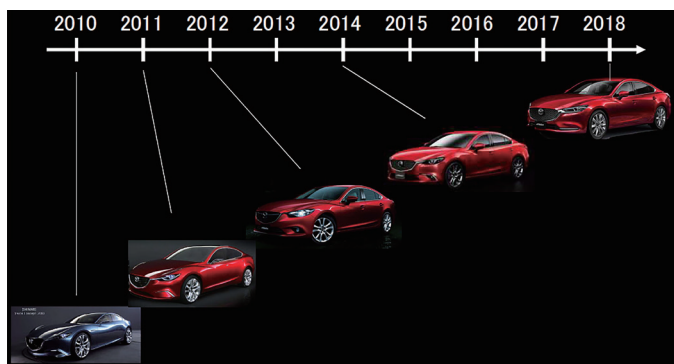
Revision of Related Design System

As an exception for so-called double patenting, the Design Act provides “related design” under Article 10 in which an applicant may obtain design registration of a design that is similar to another design selected from the applicant’s own designs applications or registrations if the filing date of the application is on or after the filing date of another application and before the date when the design gazette for the prior application is published.

Under the current act, the period within which related designs can be filed, has stipulated as being until the date of publication of the registration of the principal design (about eight (8) months). Under the revised act, such period is to be extended to within ten (10) years from the filing date of the principal design.

The background of this extension of such period is that, in recent years, an increasing number of companies have been building their brands by continuously using consistent design concepts, and there have been some cases where the period of “about eight (8) months” which is given in the current system is not sufficient to achieve adequate protection.

In fact, in the Design System Subcommittee under the Intellectual Property Committee of the Industrial Structure Council in Japan, Mazda Motor Corporation introduced a case that took approximately eight years from designing and disclosing the first concept model to selling the last mass-production model, continuously using consistent design concepts (see the following figure).



Source: https://www.jpo.go.jp/resources/shingikai/sangyo-kouzou/shousai/isho_shoi/document/07-shiryuu/04.pdf

Extension of Duration of Design Rights

The duration of design rights is to be extended from “twenty (20) years” to “twenty-five (25) years” and the initial date for calculating the duration is to be changed from the “registration date” to the “filing date.”

The duration of design rights was originally ten (10) years, but this was extended to fifteen (15) years when the current act was enacted in 1959, and then further extended to twenty (20) years by the 2006 revision.

However, in recent years, the life-cycle of designs in specific areas has tended to be prolonged, and the existing rate of design rights at the fifteenth (15th) year increased from 17.3% in 2012 to 22.0% in 2016), and thus the need for extension of the protection period has further increased. There are some cases, for example in Europe, where design rights have a maximum duration of twenty-five (25) years, and it can be said that design rights tend to be maintained for a long period of time worldwide.

Simplification of Application Procedures for Design Registration

1. Multiple Design Application

Under Article 7 of the current act, an application must be filed for each design and therefore one application may contain only one design (embodiment). However, under the revised act, it will be permitted to include more than one design in a single application. While the JPO will conduct an examination of each design in the application, it is planned that the JPO will assign an application number and issue a design registration certificate for each design.

The details of the new system, including the number and scope of designs that can be applied for in a single application (such as the same class or the scope of similarity in the Locarno classification), will be clarified in the future.

2. Revised Classification of Articles

In order to provide flexibility in the descriptions of the names of articles, the local classification of articles is to be abolished.

Under the current act, it has been stipulated that an application for design registration must be filed in accordance with the classification of articles as provided by the relevant Ordinance of the Ministry of Economy, Trade and Industry, and approximately 2,400 “classifications of articles” have been stipulated. This classification table has been provided for the purpose of facilitating the examination process, such as the prior design search. However, even if the article itself is clear, an objection is raised by the JPO in case that an applicant does not use the title of the article in the classification table. Accordingly, this has been a cause of delay in examinations, in particular to the foreign applicants who are not familiar with this local practice.

Along with the diversification of products in recent years, there has been a growing need for freely selecting the articles to which the design is applied, and it has now been determined that registration will be granted as long as the articles themselves are clear.

Expansion of Indirect Infringement Provisions

This revision of indirect infringement is intended to introduce the revision of an infringement provision of the Patent act which was already enacted in 2002 into the Design act.

The current act already stipulates a provision for two types of indirect infringements; one is related to a product which is to be used exclusively for the manufacture of an article to which a design identical to or similar to a registered design is applied and the other one is the act of possessing an article to which a design identical to or similar to a registered design is applied for the purpose of assignment, etc. as a business.

In view of the fact that the acts of infringement have become more sophisticated, under the revised act, as subjective elements such as “knowing that the article, etc. is to be used for the working of the design” are stipulated, acts of manufacturing, importing, etc. infringing articles by dividing the same into components for the purpose of avoiding a crackdown are to be added as forms of infringement.

Effective Date

The effective date of the present revision except for “Multiple Design Application” and “Revised Classification of Articles” is April 1, 2020, and the effective date of these two items is stipulated as being a date specified by a Cabinet Order within a period not exceeding two (2) year from May 17, 2019 which is the date of promulgation.

Conclusion

In the face of the present revision, it is envisaged that it will be necessary for a company and individual to consider exploring a possibility to protect the products by designs in addition to the existing legal protection system such as patent, trademark, and copyright. At the same time, it can be expected that the burden of conducting searches to clear conflicting rights by third parties will be increased.

Prior to the present revision, the Ministry of Economy, Trade and Industry and the Japan Patent Office (“JPO”) released a report entitled “Declaration of Design Management” which compiled policy proposals to promote “design management,” with the aim of summarizing the challenges involved in strengthening corporate competitiveness through designs and discussing measures thereto. The report states that, while the current Design act defines a design as being “the shape, patterns or colors, or any combination thereof, of an article ... which creates an aesthetic impression through the eye” (see Article 2(1) of the Design act), the actual role of design registration can be summarized as having the following two aspects, in addition to simply protecting the appearance of an aesthetic article: (i) supplementing technical protection by patent rights, etc.; and (ii) supplementing the formation of a brand through trademark rights, etc.

The present revision of the act can be considered to have been made with the aim of realizing “designs that contribute to brand building” and “designs that contribute to innovation” as mentioned in the report, and this revision may provide an opportunity to reconsider from what point of view protection through design rights in companies should be handled.

ⁱ Ministry of Economy, Trade and Industry and Japan Patent Office, Research Group on Industrial Competitiveness and Designs, “Declaration of Design Management” (May 23, 2018) (<https://www.meti.go.jp/press/2018/05/20180523002/20180523002-1.pdf>)

Topics

Toyotaka Abe (partner, patent/trademark attorney) spoke at a panel discussion on design practice at the INTA Leadership Meeting which was held in Austin, Texas, from November 19-22, 2019. The subject of the panel was “**Avoiding Design Patent Procurement and Enforcement Challenges – US, EU and JP Perspectives.**” While protection of designs may be relatively easy in some countries, mistakes are routinely made which impact the design right or the ability to enforce it. The session focused on highlighting such errors and providing tips on how to avoid them from US, EU and JP perspectives. The moderator was Mr. Robert Katz (Banner & Witcoff, Ltd. (US)), and the other panelists were Mr. David Stone (Allen & Overy LLP (UK)) and Ms. Tracy-Gene G. Durkin (Sterne, Kessler, Goldstein & Fox, P.L.L.C. (US)).



2. Interior and exterior designs of a store now protectable as 3D trademarks



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Introduction

Almost every single aspect of a business's décor can play an important role in influencing shopping behavior. Store design (interior or exterior) also serves an important function, namely, distinguishing the store from the retail environment of its competitors. In this regard, the interior or exterior design of a store operates as a source indicator that helps consumers to identify the origin of the goods and services offered at the store. Creating such an environment that is easily identifiable for consumers may require a significant amount of time, money, and effort, and non-functional proven design elements can quickly become subject to unlawful imitations by competitors. It has therefore become important to expand the legal protection for store designs.

Under Japanese law to date, store designs have only been protected under the Unfair Competition Prevention Act; however, the JPO finally decided to protect the same as a three-dimensional mark, and published a proposal to revise the Examination Guidelines for Trademarks (the "Guidelines"), showing the specific guidelines of how a store design can be protected as a three-dimensional mark. The revised Guidelines will apply to the application filed on or after April 1, 2020. The contents of a revision are as follows:

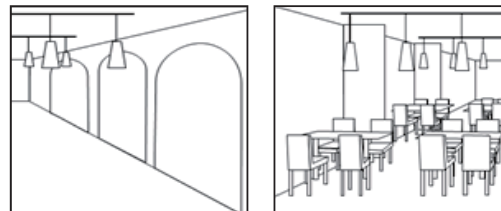
How to identify the appearance of a store

Under the revised Guidelines, it will be required to submit figures of photographs of the interior or exterior of the store taken from one or more directions. If the designs should only be partially protected, dotted lines must be used to show the portions that are not claimed as a part of the mark, whereas solid lines have to be used for the portions to be claimed.

Examples of unacceptable descriptions

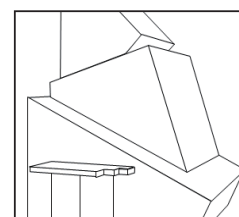
Even if there is an explanation in the application that the applied-for mark is a three-dimensional mark, the following cases will not be regarded as three-dimensional marks and will be rejected due to violation of the main paragraph of Article 3, Section 1:

Case 1 - Although the design is expressed with multiple figures or photographs, the respective figures and photographs do not correspond to each other:

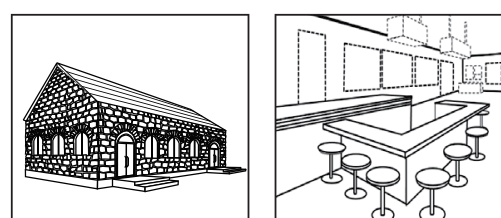


Case 2 - If the mark is depicted by both solid and dotted lines, but (i) the interior or exterior is not explained in detail, or (ii) there is no explanation as to what is indicated by the dotted line.

Case 3 - The general shape of the mark is not expressed in the application and a three-dimensional shape is not able to be identified:

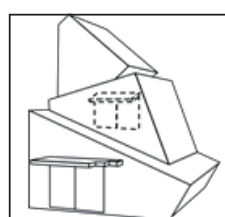


Case 4 - If the figures or photographs of the exterior and interior of the store are submitted separately in one application, the application will be regarded as not being identified as one trademark:



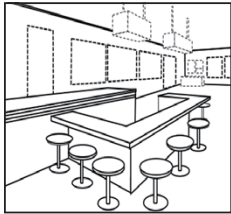
Examples of acceptable descriptions

Case 1 - If the mark is depicted by both solid and dotted lines and the composition and specific embodiment as a three-dimensional mark can be identified from the detailed explanation of the mark:



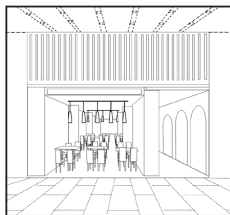
+ detailed explanation

Case 2 - Even if it is difficult to depict the whole shape of the interior, as long as it is clear that the depicted figure is an interior design by the detailed explanation, such design will be regarded as having been identified as a three-dimensional mark:



+ detailed explanation

Case 3 - Even if both the exterior and interior designs are shown in one figure or photograph, as long as the interior design can be regarded as being included in the exterior design, it will be regarded as one three-dimensional mark:



Other requirements

There is no difference between the criteria for the distinctiveness and similarity of marks between three-dimensional marks consisting of the interior and exterior of a store and those for other types of marks.

Conclusion

In view of the strong need for protection of interior and exterior designs of stores under the Trademark Act, this change must be seen as representing good news for restaurants, retail stores, hotels, pharmacies, dog care centers, fitness centers, barbershops, and other such places which may all seek protection for aspects of their store design.

3. Latest Revision of the Patent Act concerning the calculation of compensatory damages



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Introduction

The “Act of Partial Revision to the Patent Act (Act No. 3 of May 17, 2019),” as promulgated last year, includes two major revisions for patent infringement lawsuits: (i) the introduction of an “Inspection” system for the collection of evidence (as outlined in our previous Japan Patent & Trademark Update Issue 13 (July 2019)); and (ii) the revision of Article 102 of the Patent Act concerning the determination of damages. This article will focus on this latest revision of Article 102, which is due to come into effect on April 1, 2020.

(1) Article 102 of the Patent Act and its previous revisions

In patent infringement litigation, it is often quite difficult to establish the causal relationship between the infringing acts and the damage suffered. As a result, difficulties often arise in proving the actual amount of damage. Article 102 of the Patent Act (serving as a special provision of Article 709 of the Civil Code that stipulates general rules for damages in torts) seeks to remedy this by stipulating three methods for the calculation of damages. This allows the patentee to have a reduced burden of proof. The three methods are as follows:

(i) Article 102.1 (Article 102.1(1), April 2020) stipulates that lost profits which could have been attained by the patentee or exclusive licensee absent the infringing acts shall be presumed as the amount in damages. This amount is calculated by the following formula: the quantity of articles assigned by the infringer multiplied by the patentee’s/exclusive licensee’s profit per unit (provided, however, that such calculated amount shall not be permitted to exceed “the amount according to the working capacity of the patentee or exclusive licensee”);

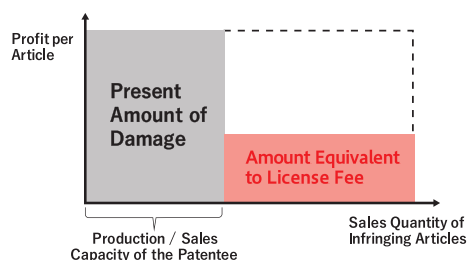
(ii) Article 102.2 stipulates that the amount of profit received by the infringer shall be presumed as the amount of damages. This amount is calculated using the following formula: the quantity of articles assigned by the infringer multiplied by the amount of the profit per unit quantity of the infringing products; and

(iii) Article 102.3 stipulates that the amount equivalent to the licensing fee shall be presumed as the amount of damages.

The current (as of March 2020) version of Article 102 is based on an original revision to the Patent Act made in 1998. Originally, Article 102.3 determined the appropriate amount of damages by calculating “the amount of money equivalent to the amount of money the patentee or exclusive licensee should have ‘generally’ received for the working of the patented invention.” However, in the 1998 revision, the word “generally” was deleted from the aforementioned clause, and this deletion allowed for damages that better reflected the specific circumstances of litigants and their licensing fees. However, despite this revision in 1998, parties to litigation reported low levels of satisfaction regarding the process and criteria for calculating compensatory damages. In response, the latest revision of the Patent Act (as described below) was created to improve the calculation process.

(2) Calculation of damages in excess of the production/sales capacity of the patentee or exclusive licensee

In applying Article 102.1, one recurring issue has been whether the concurrent application of Article 102.3 is acceptable in situations where: (i) the calculated amount of damage exceeds the “working capability”; or (ii) there are “circumstances in which the patentee or exclusive licensee would have been unable to sell.” As set forth in the proviso to Article 102.1, the sales quantity of the infringing articles is then to be subtracted from the overall quantity and multiplied by the amount of the patentee’s/exclusive licensee’s profit per unit. This above calculation, utilizing the concurrent application of Article 102.3 with the proviso of Article 102.1, has been denied on numerous occasions in judicial proceedings as a means to calculate damages; however, in the newly inserted Article 102.1 (2) of the latest revision to the Act, it clearly states that a patentee or exclusive licensee is eligible to make a claim against an infringer for compensatory damages including damages for an amount equivalent to the license fee so as to also cover the portion (from among the sales quantity for the infringing products) regarding which the claim for compensation has been rejected because it exceeds the patentee’s/exclusive licensee’s production/sales capacity (Fig. 1).



[fig. 1]

It should be noted that the relationship between the above revision concerning Article 102.1 and Article 102.2 also serves as an issue. Although Article 102.2 stipulates that the amount of the profit the infringer has earned from the infringing acts shall be

presumed as the amount of damage sustained by the patentee or exclusive licensee, such article does not involve an “overturn” provision. However, in practice, Article 102.2 is a presumption provision, and this therefore means that a presumption can be overturned if an infringer who has been subject to the presumption establishes the non-existence of the presumed facts. Further, the partial overturn of a presumption is also permitted in judicial proceedings.

As with the case of the discussion concerning Article 102.1 of the current Patent Act, there has been an issue regarding whether the concurrent application of Article 102.3 is acceptable in cases of the application of Article 102.2 with regard to the above-noted partial overturn of the presumption; however, the latest revision does not include any revision to Article 102.2. Therefore, we will have to await the relevant court interpretations in future cases in this regard.

(3) Matters to be considered when calculating the amount equivalent to the license fee

Newly introduced Article 102.4 of the revised Patent Act explicitly provides that, when determining the amount equivalent to the license fee according to Article 102.3 or new Article 102.1(2), the court may take into consideration the amount the patentee or exclusive licensee would otherwise have been able to secure through an agreement between the patentee or exclusive licensee and the alleged infringer, based on the premise that a patent infringement has been established. This revision goes along with the judgment by the Grand Panel of the Intellectual Property High Court made on June 7, 2019, in which it was held that, when calculating the amount of damage according to Article 102.3, “such calculation is not necessarily required to be based on the royalty rate in the license agreement concerning the patent rights; rather, one should take into account the fact that the rate to be adopted for licensing, which should be set up for a patent infringer in an ex post facto manner, will naturally be higher than a general royalty rate.”

Conclusion

Under the revised Patent Act, it has made clear that, despite being denied in past precedents, a patentee can now also seek damages under Article 102.1 for the portion that exceeds the patentee’s working capacity. It is also now made explicit by new Article 102.4 that the court can consider an amount of compensatory damages equivalent to the license fee based on the premise of infringement having been established, which had not necessarily been clear in the practice before the above-mentioned Grand Panel decision. In this context, the revised Patent Act may work positively for patentees in considering filing suits against an infringement, while it will also require more careful review of possible infringements of third-party patents.

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 our firm from the beginning, and we boast an unrivaled level of experience and achievement in this area.

Organizational Structure

TMI, has a total of more than 950 employees worldwide, including over 530 IP/Legal professionals, comprised of 451 attorneys (Bengoshi), 85 patent/trademark attorneys (Benrishi), and 38 foreign law professionals.

Attorneys (Bengoshi)	451
Patent / Trademark Attorneys (Benrishi)	85
Foreign Law Counsels	7
Foreign Attorneys	31
Advisors	7
Management Officers	3
Patent Engineers, Staff	379
Total	963

(As of February 3, 2020)

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 Customs. TMI handles over 8,600 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.

Electronics	28	Chemical	12
Mechanical	17	Bio, Pharma	7
Design <small>overlap included</small>	6	Trademark	21
IP Lawyers	80		

Awards

In recent times, TMI and our attorneys/patent attorneys have been the proud recipients of awards every year. Here is a selected list of just some of the many awards and recognitions that TMI has recently received.



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 at tabe@tmi.gr.jp, chief editor.