

# Japan Patent & Trademark Update



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## 1. Injunction and Preliminary Injunction in Japan



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### Introduction

In Japan, measures for a patentee to obtain an injunction against an alleged infringer refer to the following approaches:

(i) an approach for demanding the cessation or prevention of infringement in an ordinary litigation process (i.e., a “regular injunction”); and (ii) an approach for filing an application for a preliminary injunction seeking the cessation or prevention of infringement in a civil provisional remedies process (i.e., a “preliminary injunction”). The two processes involve different effects and procedures, and it is therefore necessary for the patentee to firstly understand the features of each of the above processes and to then discuss which process should be selected depending on the case. A general view of the right to demand an injunction under the Japanese Patent Act will be provided below, and then the features of each process will be summarized.

### Summary of Right to Demand an Injunction

Article 100(1) of the Patent Act sets forth that a patentee may file a claim for cessation or prevention of infringement against a person who infringes or is likely to infringe upon the patent rights of the patentee. Meanwhile, Article 100(2) of the Patent Act states that, in filing a claim for the cessation or prevention of infringement, the patentee may demand measures necessary for the prevention of infringement, including the disposal of products constituting the acts of infringement (if the patented invention involves a process for producing a product, such product includes any articles derived from the acts of infringement) and the removal of facilities used for the acts of infringement.

### Injunctions in Ordinary Litigation

In an ordinary litigation process, in principle, if the establishment of a patent infringement is accepted, an injunction against the same will be automatically permitted (an “automatic injunction”). This serves as one of the features of the patent litigation system in Japan. For instance, a judgment

of the Tokyo District Court on March 23, 2015 (H24 (2012) (Wa) No. 31440) referred to a case in which Adaptix, Inc. (being an NPE Non-Practicing Entity) filed an application for an injunction against ZTE Japan, K.K., claiming that ZTE Japan's acts of import, sale, etc. of base station apparatuses for wireless communications constituted infringement upon the patent rights of Adaptix. The establishment of a patent infringement was duly accepted, and an injunction was permitted accordingly.

Meanwhile, in an ordinary litigation process, only after a final and binding judgment permitting an injunction is made, a patentee is permitted to claim for execution based on such final and binding judgment. That is, even if the patentee is victorious in the first instance, the judgment does not become final and binding as long as the defendant files an appeal; therefore, compulsory execution cannot be achieved when the court has ruled in favor of the patentee in the first instance. The statistics indicate that, with the premise that the defendant will file an appeal, a duration of around two years is required in many cases, which covers the time from the filing of a lawsuit to the time when the judgment becomes final and binding. It should be noted that Article 259 of the Japanese Code of Civil Procedure stipulates the system concerning a declaration of provisional execution. For example, when a judgment with a declaration of provisional execution is rendered in the first instance, the patentee is eligible to carry out a provisional execution of a right to demand an injunction. However, in the case where the judgment is overturned in the appeal case after a compulsory execution has already been carried out based on a declaration of provisional execution, the patentee's side will be obliged to provide compensatory damages (Article 260(2) of the Code of Civil Procedure), and thus, it is often the case that the patentee's side conducts careful deliberations regarding the performance of a compulsory execution based on a judgment with a declaration of provisional execution.

When filing an injunction in an ordinary litigation process, the court fees depend on the jurisdictional amount. A greater sales amount of the defendant leads to a greater jurisdictional amount concerning the injunction, and a longer remaining period of the patent rights also leads to such greater jurisdictional amount; therefore, the court fees are increased accordingly.

### **Application for a Preliminary Injunction Seeking an Injunction against Acts of Patent Infringement.**

As stated above, a relatively long period is required until a final and binding judgment is made in a patent litigation. When a patentee attempts to be entitled to relief earlier, it is possible for the patentee, in a civil provisional remedies process, to file

an application for a preliminary injunction seeking an injunction against acts of patent infringement (a "patent infringement preliminary injunction"). Civil provisional remedies refer to a summary procedure to avoid the risks which would otherwise be caused by the length of the period up to when a final and binding judgment is made in a civil litigation in which measures for provisional remedies are sought from the court and such measures are taken according to a decision of the court.

Meanwhile, although it is a provisional measure, a patent infringement preliminary injunction attains the same results as those involved in the case where the execution of a final and binding judgment is carried out without the need to wait for the execution of a final and binding judgment in an ordinary litigation process. Therefore, such patent infringement preliminary injunction is permitted only "when such status (i.e. a provisional status) is necessary in order to avoid any substantial detriment or imminent danger that would occur to the obligee" (Article 23(2) of the Japanese Civil Provisional Remedies Act) (the "necessity for provisional remedies" requirement). When a patentee neither works its own patented invention nor grants a license to any third party, it is often determined that there is no necessity for provisional remedies.

In a preliminary injunction case, a patentee needs to verify the establishment of a right to demand an injunction based on a patent infringement and also to verify the necessity for provisional remedies; however, regarding such verification, it is considered that: proof (i.e. belief to the extent that a reasonable person does not involve a reasonable doubt) is not required; and prima facie evidence (i.e. belief that the existence of the fact is reliable to a certain degree) is sufficient (Article 13(2) of the Civil Provisional Remedies Act). However, as for a patent infringement preliminary injunction, a high level of prima facie evidence, which is closer to proof, is required for the following reasons: (i) when a preliminary injunction order is issued, this greatly influences the alleged infringer; and (ii) once a preliminary injunction order is issued, there is very little scope for a stay of the execution of such order to be permitted. Therefore, in terms of the level of verification, it can be said that no substantial differences can be found between the present process and an ordinary litigation process.

With regard to an act of patent infringement, it is possible for a patentee to select from the following options: (i) file an injunction in an ordinary litigation process; (ii) file an application for a preliminary injunction; or (iii) employ both (i) and (ii). When the respective cases in the above two processes are pending concurrently, this does not mean that the preliminary injunction case precedes the other

case; rather, the proceedings for the two cases are conducted concurrently. Meanwhile, when only a preliminary injunction case is pending, it is often the case that the proceedings progress more rapidly than those in an ordinary litigation process.

Under Article 26(1) and Articles 37 to 40 of the Civil Provisional Remedies Act, an alleged infringer who has received a preliminary injunction order may file an application for an objection to a provisional remedy or a revocation thereof as a measure for filing an appeal. Further, under Article 41 of the Civil Provisional Remedies Act, a party which is dissatisfied with the trial concerning an objection to a provisional remedy or a revocation thereof may file an appeal against the provisional remedy. However, the requirements for the permission of a stay of execution through the filing of an objection to a provisional remedy are extremely strict, and once the court issues a provisional remedy order for a patent infringement preliminary injunction, there is little scope for a stay of the execution of such order to be permitted. Further, an application for revocation of a provisional remedy is permitted only when there are specific grounds.

The court fees for filing an application for a preliminary injunction correspond to the amount obtained by multiplying JPY 2,000 by the number of members of the larger of the parties, and such court fees are very low compared with the case of filing an injunction in an ordinary litigation process. However, under Article 14(1) of the Civil Provisional Remedies Act, a patentee is required to provide security when a preliminary injunction order is issued against a patent infringement. The court determines the amount of security depending on the case.

When a preliminary injunction order has been issued and such order is then revoked, the patentee who has received and executed the order is deemed to have committed negligence and is therefore obliged to provide compensatory damages unless there are special circumstances.

## Conclusion

As stated above, the filing of an injunction in an ordinary litigation process in Japan has a significant feature in that, in principle, if the establishment of a patent infringement is accepted, an automatic injunction is permitted accordingly. Meanwhile, it is useful for patentees to file an application for a preliminary injunction due to the following points: (i) the court's determination will be made earlier than in an ordinary litigation process; (ii) there is no practical measure available for filing an appeal thereagainst; and (iii) the court fees are low. In light of the features of each process, patentees should discuss which process should be selected taking into consideration the level of urgency, etc.

## 2. Patents and the 4th Industrial Revolution in Japan



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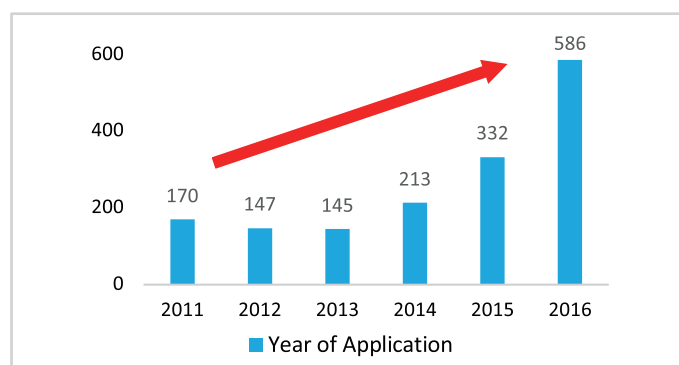
### Introduction

A new era of technological innovation typified by Connectivity, the Internet of Things (IoT), Artificial Intelligence (AI), and Big Data Analytics is rapidly gathering momentum – and is frequently referred to as the Fourth Industrial Revolution (4IR). Its impact on business is expected to be far reaching. As patent practitioners, we have come to realize that there has been a continual increase in the number of patent applications in 4IR related fields in recent years. Here, we would like to introduce recent updates on Japanese patent prosecution both in general and in 4IR-related fields.

### (1) Increasing Patent Applications at the JPO

We will begin by discussing the recent growth in the number of applications. While the number of patent applications in general filed with the Japan Patent Office (JPO) has remained stable, applications in AI-related fields have seen a remarkable increase in recent years at the JPO. If you look at the following graph, you can see that the number of AI-related patent applications filed in 2016 increased by 76% over the number seen in 2015.

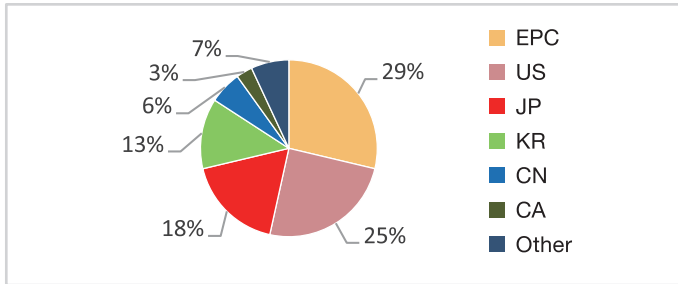
Increase of AI-related Patent Applications



[Source: JPO annual report]

Further, the following pie chart shows that 18% of 4IR-related applications filed with the European Patent Office (EPO) were from Japan. In this regard, the EPO has stated that Japan is one of the established leaders in the field of 4IR technologies.

Geographic Origins of 4IR inventions 2011 to 2016



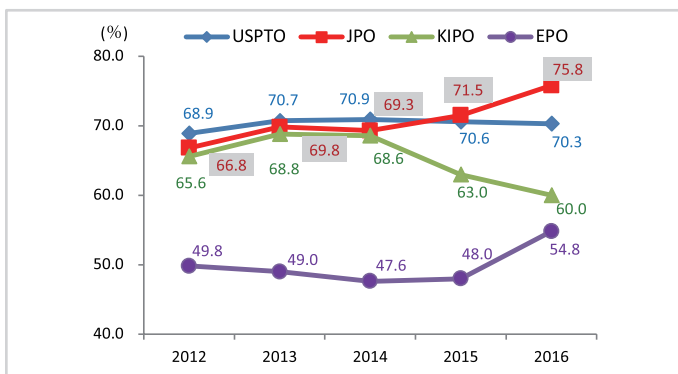
[Source: EPO website]

In view of the above facts, it is forecast that future investment in 4IR technologies in Japan will greatly expand, and IP transactions in 4IR fields are expected to increase. Consequently, the importance of obtaining patents in 4IR fields in Japan will continue to rise.

## (2) High Grant Rate at the JPO

Next, we will focus on the high grant rate at the JPO, both in general and in 4IR-related fields. Previously, the JPO was known for its rigorous standards, particularly for inventive step. However, this has become less strict over the decade, and the allowance rate had gradually increased up to 75% in 2016. Thus, the JPO has now recorded the highest grant rate among the main IP Offices.

Patent Grant Rates of the Main IP Offices



[Source: JPO annual report]

Further, the allowance rate in the software field which constitutes part of the fundamentals in the 4IR field is notably high, approximately 70% at the JPO. As one of our colleagues reported in Issue 8 of this newsletter, patent eligibility for software related applications in Japan is relatively lenient compared to that of other countries.

## (3) Fast Examination at the JPO

Now let's look at the speed of the examinations. You may have heard that examinations at the JPO have become greatly expedited in recent times. The following table compares "First Action (FA) Pendency" (basically, the period from the request for examination to the issuance of a first notice of examination) and "Total Pendency" (basically, the period from the request for examination until withdrawal or abandonment or until a final disposition) at the IP5 Offices.

Average Pendency (in months) at the IP5 Offices in 2016

|                | EPO  | JPO  | KIPO | USPTO | CNIPA |
|----------------|------|------|------|-------|-------|
| FA Pendency    | 8.0  | 9.4  | 10.6 | 15.7  | 16.9  |
| Total Pendency | 25.5 | 14.6 | 16.2 | 25.6  | 22.0  |

[Source: IP5 statistics report]

The FA pendency at the JPO had shortened to 9.4 months by 2016. The JPO's goal is to issue patents within 14 months on average, and such goal is already at hand. This goal enables applicants to adapt a variety of strategies to reveal or conceal the technology in their patent applications. For instance, applicants can avoid the laying open of an application (which is basically conducted 18 months after the application filing) by performing a withdrawal in the case where the applicant receives a decision of rejection within 14 months. Further, the fast result of obtaining a patent in Japan can positively affect prosecutions in counterpart cases in other countries.

## (4) High Quality Examination at the JPO

Next, let's move on to the quality of the examinations. The increased efficiency at the JPO has been achieved through optimizing the examination processes, such as the outsourcing of prior art searches. Thus, the quality of the examinations has remained high, even though the timeline has been shortened at the JPO.

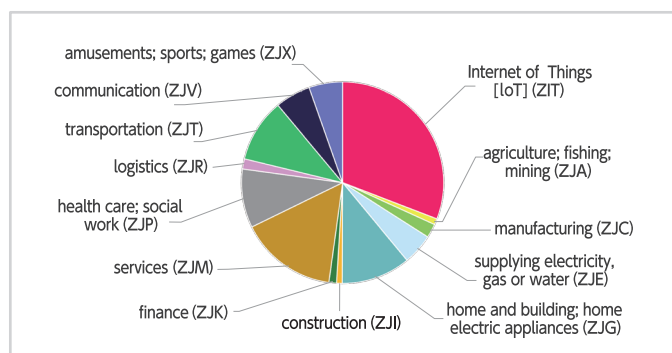
Incidentally, the JPO has clarified the examination criteria for patent eligibility and inventive step concerning software inventions in response to the rise of 4IR applications; namely, Part III Chapter 1 in the "Examination Guidelines" has been amended and case studies regarding IoT, AI and 3D printing technologies were added to the "Examination Handbook" in March 2018. These clarifications will help to bring about

more consistent examinations in 4IR fields at the JPO. Moreover, the quality in communication during prosecution has been improved recently at the JPO. Specifically, JPO Examiners basically accept at least one interview in the prosecution if the applicant requests the same. We always make efforts to obtain patents of high-quality by using such interviews when necessary, as we are well-aware that only high-quality patents can attract investments, secure licensing deals and enable market exclusivity.

### (5) Intellectual Property Initiatives from Japan

Lastly, let us briefly introduce one of the notable IP initiatives from Japan; namely, the development of new classifications for the IoT field to facilitate searches and analysis in this field, as shown in the following pie chart. The utility of searches and analysis could be further enhanced if these classifications were to be adopted worldwide.

Classifications for the IoT field



[Source: JPO annual report ]

We will continue to keep an eye on this initiative as well as other recent initiatives from Japan such as the formulation of “Guidelines for license negotiations for standard-essential patents (SEP)” and the opening of the “International Arbitration Center in Tokyo (IACT)”.

### Conclusion

As discussed above, an applicant-friendly atmosphere has been continuing in Japanese prosecution and IP initiatives from Japan will likely aid in the effective utilization of the patent in 4IR fields. We hope this article helps you to determine the countries which you wish to obtain and enforce patent rights under your worldwide IP strategy.

## 3. Partial Design System – Part IV: Claims for Damages for Infringement on Design Rights (1)



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### 1. Introduction

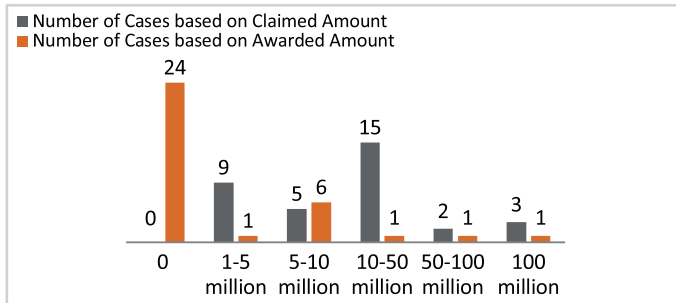
Following the previous two articles (Parts II and III), we would now like to further discuss the functions of partial designs in the context of enforcement of rights. As an introduction, this article will briefly review the overall trends in claims for damages for design right infringement, along with providing a description of related provisions under the law.

### 2. Amounts of damages claimed and awarded in recent cases

In the previous eleven years (from 2007 until the end of 2017), a total of thirty-four (34) district court judgments were rendered for cases claiming damages based on design rights. Ten out of such judgments awarded or partly awarded the claimed damages. The below chart shows the amount of damages claimed in each case, in relation to the amount actually awarded by the court.

As shown in the chart below, in many cases, damages of 10 to 50 million yen have been claimed, while the amount awarded by the court has ranged from five to 10 million yen. However, there have been a few cases in which damages of 50 million yen or more, or damages of 100 million yen or more, were awarded by the court.

Damages in design right infringement lawsuits with judgments rendered from 2007 to 2017




### 3. Calculation of the amount of damage incurred from infringement on design rights

A claim for compensation for any damage incurred due to infringement on design rights should be filed pursuant to Article 709 of the Civil Code. Based on this, as is the case with infringements on other intellectual property rights (e.g. patent), the Design Act has provisions for presuming the amount of damage suffered by the holder of a design right or any party entitled to claim compensation for damage<sup>1</sup> (the “Rights holder”) in order to reduce the burden of proof on the design right holder and to allow for sufficient compensation for the infringed person. Specifically, Article 39 of the Design Act has the following three provisions, and the Rights holder is able to calculate the amount of damage incurred based on these provisions.

**Article 39 (Presumption of Amount of Damage, etc.)**

1. (Profit per unit of right holder’s products)  
x (Assigned quantity of infringing articles)
2. (Profit earned by infringer)
3. (Amount equivalent to licensing fees)



Presumed to be the amount of damage incurred

Article 39 (1) of the Design Act sets forth that the amount of damage incurred may be presumed to be the amount given by multiplying the quantity of infringing articles assigned (i.e., sold or otherwise transferred) by the infringer (the “assigned quantity”) by the amount of profit obtainable per unit of the products of the Rights holder with a limitation that such amount not exceed the amount attainable by the capacity of the Rights holder. This paragraph further sets forth that if there are circumstances under

which the Rights holder would have been unable to sell the assigned quantity of the infringing articles in whole or in part, the amount that could not have been sold due to such circumstances will be deducted. In other words, if the Rights holder could not have sold all of the infringing articles in light of the circumstances of the infringer’s business efforts, the existence of alternatives, etc., the amount of damage will be reduced by taking such circumstances into consideration, so that a reasonable amount of lost profits will be determined and compensated.

Article 39 (2) of the Design Act sets forth that the amount of damage incurred may be presumed to be the amount of profits earned by the infringer from the act of infringement. For example, if the infringer has sold infringing articles, the amount obtained by multiplying the quantity of such infringing articles sold by the infringer by the amount of profit earned by the infringer per unit of the articles, may be presumed to be the amount of damage incurred.

Article 39 (3) of the Design Act sets forth that the Rights holder may claim compensation for damage by regarding “an amount equivalent to the amount that the Rights holder would have been entitled to receive for the working of the registered design or the working of designs similar to the registered design,” i.e., an amount equivalent to licensing fees, as the amount of damage incurred. Before its revision in 1998, this paragraph stipulated that “an amount equivalent to the amount that the design right holder, etc., would have been ordinarily entitled to receive for the working of the registered design or the working of designs similar to the registered design” may be regarded as the amount of damage incurred. However, the word “ordinarily” was eliminated by the revision of 1998, in order to facilitate the determination of an amount equivalent to licensing fees in a manner appropriate in light of the specific circumstances existing between the parties in each lawsuit.

### 4. Summary

From the viewpoint of claims for damages based on infringement of design rights, we have briefly reviewed the damages amounts awarded by the courts in recent cases, and described the method for determining the amount of damage incurred due to infringement. In the next article, we will introduce some cases in which a relatively high amount of damages was awarded for infringement on design rights through the use of the method for determining the amount of damage described in this article.

<sup>1</sup> Under Article 39 of the Design Act, a holder of design right or an exclusive licensee (“*Senyo Jisshi Kenja*”) is entitled to claim against an infringer compensation for damages.

## 4. JPO Introduces New “Fast-Track Examination” System on a Trial Basis



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### 1. Introduction

Starting from October 1, 2018, the JPO introduced new “Fast-Track Examinations” which enable applicants to receive examination results two months faster than results for regular examinations. “Fast-Track Examinations” do not require any special application or fees and they are automatically applied to all trademark applications filed after October 1, 2018 which meet the certain conditions explained below.

### 2. How to fall under the “Fast-Track Examination” system

If a trademark application meets the following two conditions, it will automatically be examined as a “Fast-Track Examination.”

- (1) The trademark application must designate goods and services based on the descriptions listed in (i) the examination guidelines, implementing regulations of the Japanese Trademark Act, or (ii) the International Classification of Goods and Services (Nice Classification), at the time of filing; and
- (2) The trademark application must not be subject to any amendments of goods and services until the substantive examination starts.

Please note, however, that trademark applications for Non-Traditional Marks and those filed via the Madrid Protocol Route fall outside the scope of these “Fast-Track Examinations.”

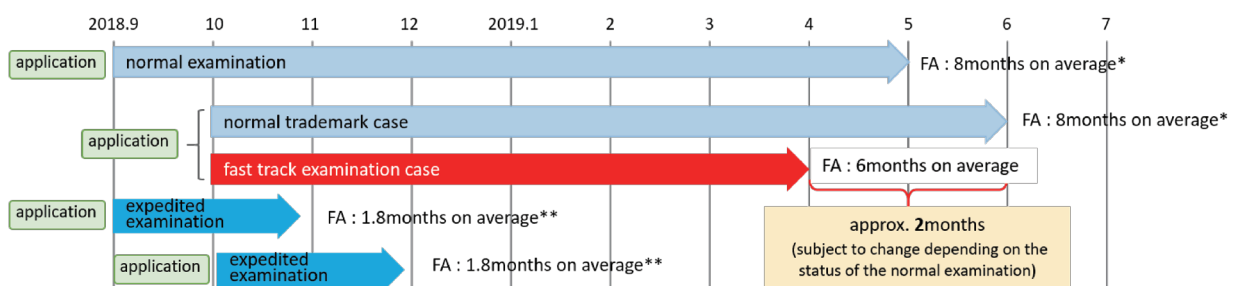
**Topics**

**Hiroshi Nemoto** (Partner, Attorney at law) and **Masaya Tsuno** (Patent Attorney) participated in the **AIPLA 2018 Annual meeting**, Washington, DC, USA, October 23rd to 25th, 2018. Mr. Nemoto joined the panel discussion titled “IP Due Diligence for Cross-border Transaction” as one of the panelists, on October 25, 2018. Mr. Tsuno gave a presentation titled “Update on Post Grant Procedures in Japan” in the IP Practice in Japan Pre-Meeting on October 23, 2018. He also participated in **the USPTO and Japanese Stakeholders Meeting** on October 22, 2018 as one of the speakers.



### 3. Comments

In the last two years we have seen some delay in trademark examinations conducted by the JPO. Some of the reasons for such delay are the increase in the number of applications filed and the corresponding increase in complicated descriptions of goods and services based on new technologies which have not been permitted by the JPO. If a trademark application designates pre-approved descriptions of goods and services, the examiner does not need to examine whether or not the descriptions of the goods and services are too vague or unclear, and can skip the process of examining the designated goods and services. Thus, this “Fast-Track Examination” system should be seen as welcome news for applicants who do not designate complicated goods and services, although it should be noted that the system is only available on a trial basis.



\* expectation as in Aug.2018  
\*\* result from 2017

## 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 of TMI

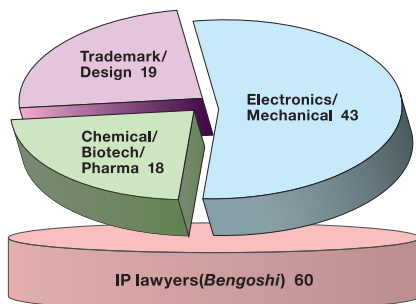
TMI, one of the "Big Five" law firms in Japan, has a total of more than 850 employees worldwide, including around 470 IP/Legal professionals, comprised of 390 attorneys-at-law (Bengoshi), 80 patent/trademark attorneys (Benrishi), and 30 foreign law professionals.

|  |            |
|--|------------|
| <b>Attorneys (Bengoshi)</b>                    | <b>389</b> |
| <b>Patent / Trademark Attorneys (Benrishi)</b> | <b>80</b>  |
| <b>Foreign Law Counsel</b>                     | <b>5</b>   |
| <b>Foreign Attorneys</b>                       | <b>26</b>  |
| <b>Advisors</b>                                | <b>4</b>   |
| <b>Management Officers</b>                     | <b>3</b>   |
| <b>Staff</b>                                   | <b>347</b> |
| <b>Total</b>                                   | <b>854</b> |

(As of Nov 1, 2018)

### 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 8,100 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 - 2018)
- ✓ Ranked as “Tier1 for IP local firms” – The Legal 500 Asia Pacific (2015 - 2018)
- ✓ Selected as a “Recommended firm” for patent prosecutions - IAM Patent 1000 (2012 - 2018)
- ✓ Ranked as “Gold Tier” for World’s Leading Trademark Professionals in Japan - World Trademark Review (WTR) (2013 - 2018)

### 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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 City, Hanoi, Phnom Penh, Silicon Valley, London

### Feedback

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