

Japan Patent & Trademark Update



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1. Great Chance of Success Even When Receiving an Examiner's Final Decision: Patent



Koichiro Yamashita
Patent Attorney
kyamashita@tmi.gr.jp

Introduction

The Japan Patent Office ("JPO") recently revealed its amazing statistics showing that, even if an applicant receives a Decision of Rejection as the Examiner's final

decision, there is still a good chance of success if one files an Appeal against the Decision of Rejection ("ADR").

(1) Patent Prosecution before ADR

After filing a patent application and a request for examination, an applicant usually receives an Office Action. In response thereto, the applicant may file arguments with or without amendments. If the applicant is then able to successfully convince the Examiner of the patentability of the application, a Decision to Grant will be issued. Otherwise, the applicant further receives another Office Action or a Decision of Rejection. Among all the applications in which requests for examination were filed, approximately 25% received a Decision of Rejection in 2017. After receiving a Decision of Rejection, the applicant can file an ADR in order to attempt to overturn the Examiner's decision.

(2) Overall ADR Procedure

The scheme of ADR through the JPO is as shown in Fig. 1.

An applicant can file amendments for the claims at the time of filing for ADR. Around 87% of the total amount of ADR matters were filed together with such amendments. If an amendment is filed, the Examiner who made the final decision will, in principle, reconsider the relevant application. Upon considering the arguments asserted in the appeal brief and amendments, the Examiner may issue a Decision to Grant a Patent if he or she agrees that the rejections have been overcome. Otherwise, the Examiner will draft an Examiner's report setting forth the reasons why he or she believes that the application should be rejected and send the case to the administrative judge panels (the "Appeal Panel").

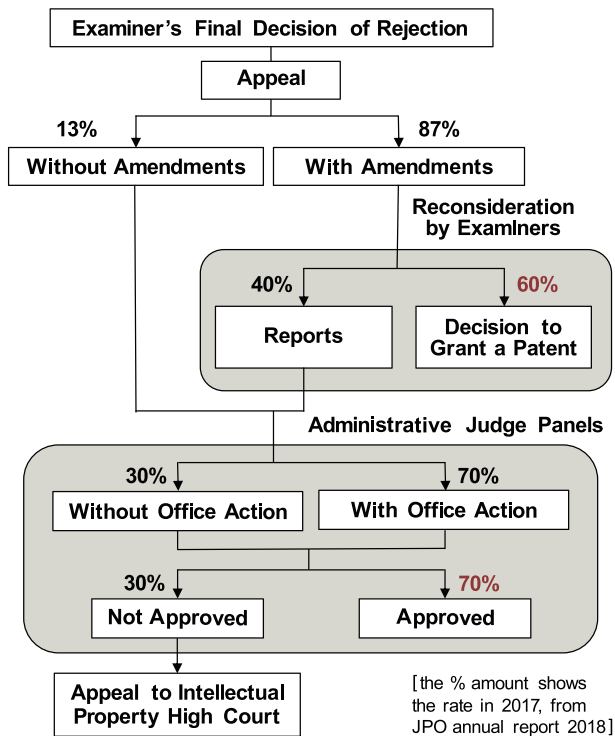


Fig. 1

The Appeal Panel consists of three administrative judges. Once a case is transferred, the Appeal Panel will discuss the case by referring to the appeal brief and the Examiner's report. If the Appeal Panel newly finds any other reasons for rejection, they will send an Office Action to the applicant. In 70% of ADR cases, the Appeal Panel issued a new Office Action. When the Appeal Panel reaches a final decision, they will issue an Appeal Decision that will either retain the Decision of Rejection or overturn the same and issue a Decision to Grant.

The average total pendency for ADR matters in Japan was approximately 12 to 13 months from 2015 to 2017.

(3) High Grant Rate

Fig. 2 shows the statistics issued from the JPO which indicate that the approval rate in final decisions overturning the Decision of Rejection has increased during the last decade.

In 2017, the approval rate in appeal decisions reached almost 70%. It should also be noted that, in about 60% of appeals, patents were granted during the reconsideration by the Examiners in the pre-trial review before they were transferred to the Appeal Panel. For reference, in US *ex parte*-appeals, the total rate of reversed and affirmed-in-part cases was

41.8% in 2017, according to statistics issued by the USPTO's PTAB. The grant rate in appeals in Japan is far higher than the equivalent rate in the US.

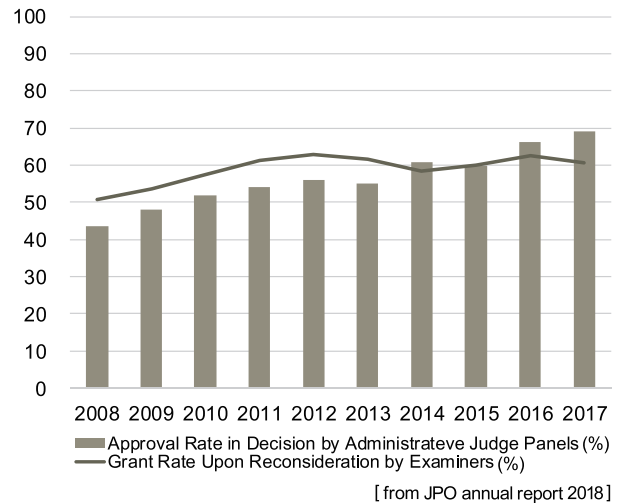


Fig. 2

(4) Merit of Process

ADR is a favorable process for an applicant due to the following reasons:

a. The Approved Rate in ADRs is Quite High and It Seems that the Rate is Going Up Every Year.

b. Additional Evidence may be Submitted

An applicant may file additional evidence such as references or additional experimental data when they file the ADR or during the ADR procedure.

c. Securing Opportunity to File Amendments

The applicant will be granted at least one chance to amend the claims and may be granted a further chance if the Appeal Panel elects to issue a new Office Action.

d. Opportunities to Make Arguments

While not guaranteed, the applicant is generally permitted to file a petition before the Appeal Panel despite such opportunity not being specifically protected under the law. The petition may include arguments, amendments and additional evidence.

Conclusion

As noted above, the statistics show that even if an application receives a Decision of Rejection during the examination stage, it is important not to abandon hope as there is still a strong chance of successfully securing a patent.

2. Overview of Examination of Healthtech-related Patent Applications in Japan



Tadashi Takeuchi
Patent Attorney
ttakeuchi@tmi.gr.jp

Introduction

In recent years, the number of patent applications related to artificial intelligence has increased rapidly around the world. In this paper, we introduce the situation regarding the examination of fusion applications between AI technology, biotechnology and healthcare (“Healthtech”), in Japan.

Figure 1 shows the number of published Healthtech-related applications by country¹. As shown in Figure 1, the number of Healthtech-related applications has been dramatically increasing. Applications in the United States and China account for most of this increase. Compared with these countries, the number of Healthtech-related applications in Japan is still quite small, but is gradually increasing.

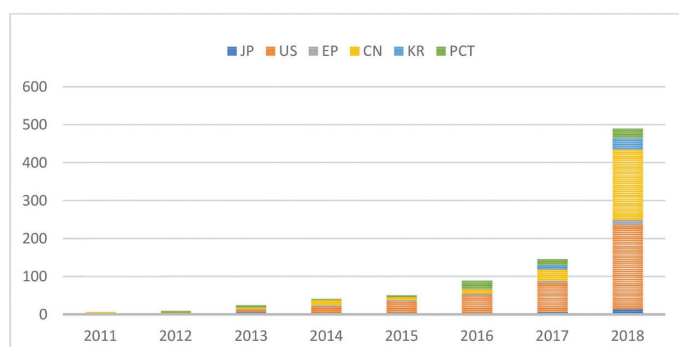


Figure 1: Trends in the number of Healthtech-related applications

¹ In this paper, we tentatively define “Healthtech-related applications” based on the International Patent Classifications (abbreviated as IPC), specifically IPC (G16H, G06Q50 / 22, G06Q50 / 24), indicating that the application corresponds to healthcare informatics, or IPC (G16F19 / 10 to 24 etc.), indicating that it corresponds to bioinformatics, etc., and IPC (G 06 N), indicating that it corresponds to a model based computer system.

Overview

In Healthtech-related applications for which examination is requested, the percentage of granted applications is currently 70%, while examination is still continuing for the remaining 30%. At the time of writing, there were no applications for which a final refusal decision had been confirmed.

Figure 2 shows the number of Notifications of Reasons for Rejection issued until a notice of allowance is issued. As can be seen, an average of 1.2 Office Actions are reported. The number of Notices of Reasons for Rejection given for Healthtech-related applications until a notice of allowance is issued is about the same as the number of Notices of Reasons for Rejection for patent applications as a whole, including those for other technical fields.

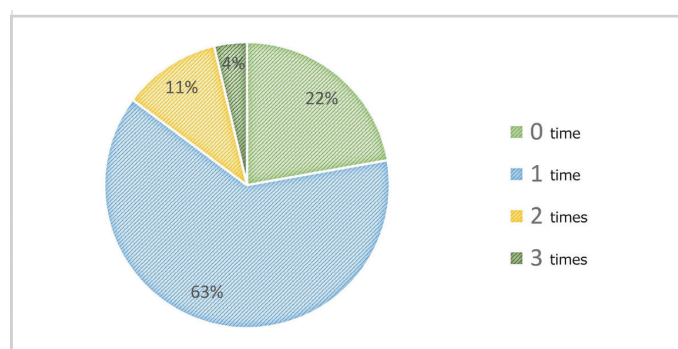


Figure 2: Number of Notifications of Reasons for Rejections Issued

A breakdown of the reasons for rejection is shown in Figure 3, and they include those issued in relation to clarity requirements (Article 36.6(2) of the Patent Act), inventive step (Article 29.2 of the Patent Act), industrial applicability (first sentence of Article 29.1 of the Patent Act), novelty (each item of Article 29.1 of the Patent Act), and the enablement requirement (Article 36.4(1) of the Patent Act).

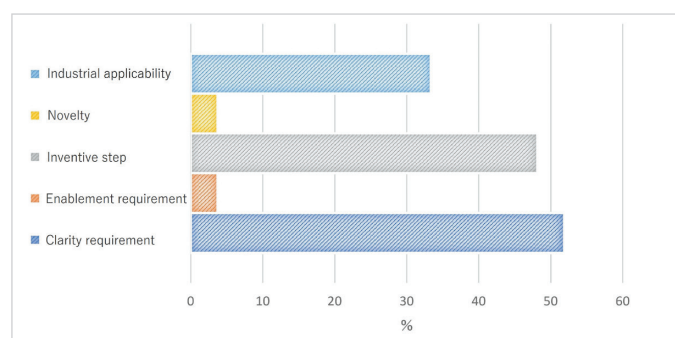


Figure 3: Classification of Reasons for Refusal

Lack of clarity accounts for most of the reasons for refusal, and involves minor description format issues which are frequently resolved by simple corrections. The second most common reason for refusal is inventive step. In order to overcome such type of rejection, many cases were resolved by clarifying the differences from the cited documents so as to limit the processing steps specific to healthcare and bio-tech matters. Objections due to lack of industrial applicability mainly arise due to the invention failing to satisfy the Japanese requirements for an invention relating to computer software, medical treatments or the like. The types of applications receiving such objections are mainly those that claim priority based on applications filed overseas.

Conclusion

Healthtech-related applications involve issues surrounding biotechnology, healthcare and information technology; however, it seems that the examinations for such applications are basically being carried out in a similar manner as in the Examiner's consideration of general IT-related applications.

Topics

On December 3rd, 2018, the World Intellectual Property Organization (WIPO) organized a **regional workshop on the International Trademark Landscape** at the WIPO Singapore Office. **Shunji Sato** (Partner/Trademark Attorney) spoke on the topic of "Lost in Translation: How to Deal with Translation and Transliteration Issues" on behalf of the International Trademark Association, where he served on the Board of Directors.

Shunji also gave a presentation titled "Likelihood of Confusion - How do the Courts Decide?" at the **2019 JPAA IP Practitioners Seminar**, organized by the Japan Patent Attorneys Association (JPAA) at the Raffles Hotel Le Royal in Phnom Penh, Cambodia, on February 26th, 2019.



3. Claims for Damages for Infringement on Design Rights (2)



Miwa Hayashi
Patent and Trademark Attorney
mhayashi@tmi.gr.jp



Koji Akanegakubo
Patent and Trademark Attorney
kakanegakubo@tmi.gr.jp

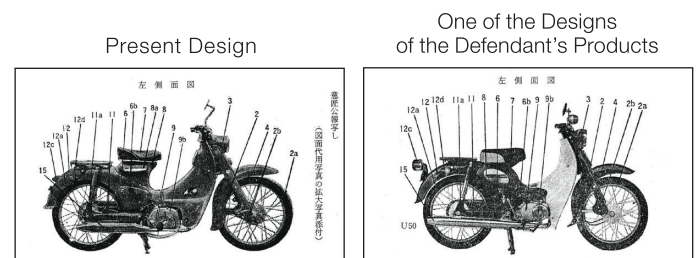
Rikiya Sato
Partner/Attorney-at-law
rsato@tmi.gr.jp

Introduction

In the previous article, we briefly described the overall trends in claims for damages based on infringement of design rights, along with a discussion of the related provisions under the Japanese Design Act. In this article, we will introduce three cases in which particularly large amounts of damages were awarded for infringement on design rights, by describing how the provisions described in the previous article were applied in each case to determine the amount of damage incurred by infringement.

Three Cases where High Amounts of Damages were Awarded for Infringement on Design Rights

(1) "Super Cub" Case (Tokyo District Court Judgment - May 25, 1973, S43 (1968) (wa) No. 11385)



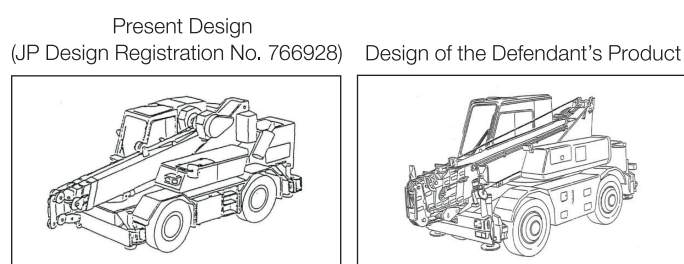
(Cited from the exhibit of the judgment)

In this case, Honda Motor Co., Ltd. (the plaintiff), as the holder of design rights, filed a claim against Suzuki Motor Co., Ltd. (the defendant) seeking compensation for the damage incurred due to infringement on the plaintiff's design rights related to Japanese Design Registration No.

146113. The provision of presuming the profits earned by the infringer from the act of infringement to be the amount of damage incurred (Article 39, Paragraph 2 of the Design Act (which was Article 39, Paragraph 1 of the Design Act at the time of the case)) was applied in this case. Specifically, the total number of the defendant's products sold was 266,663, and this was multiplied by the amount of profit earned by the defendant per unit, to obtain an amount of 2,161,940,000 yen, and the plaintiff's claimed amount, 761,000,000 yen (The amount of damage determined in this case is close to 5 billion yen in today's value.) was accordingly found to be the amount of damage.

The reasons why such a huge amount of damages was awarded by the court are considered to include at least the following: (i) the number of the defendant's products sold by Suzuki Motor Co., Ltd., was considerably high (about 260,000); (ii) the registered design of Honda Motor Co., Ltd., was a particularly novel and unique design that had never been seen before the filing; and (iii) the amount of damage was derived directly from the amount of profits earned by the defendant, without considering, for example, the degree of contribution of the design to the earned profits.

(2) "Self-propelled Crane" Case (Tokyo High Court Judgment - June 18, 1998, H9 (1997) (ne) No. 404)



(Cited from the exhibit of the judgment)

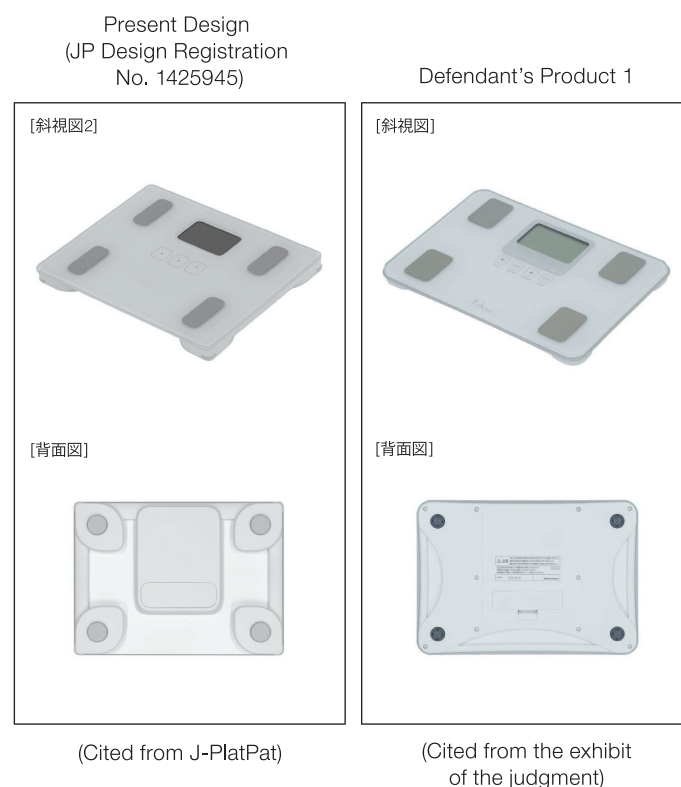
In this case, Kobe Steel, Ltd., as the holder of design rights, filed a claim against Kato Works Co., Ltd., for the payment of damages in the amount of 1,060,560,000 yen for infringement on the design rights related to Japanese Design Registration No. 766928 owned by Kobe Steel. The court determined the amount of damage to be 451,170,000 yen (the claimed amount in the first instance was 532,240,000 yen and the court-ordered amount was 142,560,000 yen).

The provision of presuming an amount equivalent to licensing fees to be the amount of damage incurred (Article 39, Paragraph 3 of the Design Act (which was

Article 39, Paragraph 2 of the Design Act at the time of the case)) was applied in this case. Specifically, the court stated that: "it can be presumed that, unlike products for general consumers, the design of each crane does not so seriously influence the demander's selection of a product." The court then found that it was "appropriate" to calculate an amount equivalent to the amount that the design right holder would have been ordinarily entitled to receive for the working of the present design (according to the Design Act before the revision) "based on 1.5 percent licensing fees on the list price for the accused product."

As described above, the amount of damage incurred due to infringement on the design rights in this case was determined based on licensing fees, the rate of which was, however, not so high. Nevertheless, both the unit price of the defendant's product and the sales there of were relatively high, and these facts led to a large amount of damages.

(3) "Body Composition Monitor" Case (Tokyo District Court Judgment - February 26, 2015, H24 (2012) (wa) No. 33752)



In this case, Omron Healthcare Co., Ltd. (the plaintiff), as the holder of design rights, filed a claim against Tanita Corporation (the defendant) for compensation for the

damage incurred due to infringement on the plaintiff's design rights related to Japanese Design Registration No. 1425652 (Present Design Right 1) and Japanese Design Registration No. 1425945 (Present Design Right 2), by asserting that the amount of damage incurred was approximately 289 million yen. In the judgment, an approximate amount of 129 million yen was determined as the amount of damage (Article 39, Paragraph 1 of the Design Act). The court held that only Present Design 2 had been infringed on. The plaintiff had sold products (Plaintiff's Products 1) associated with Present Design Right 1 and products (Plaintiff's Products 2) associated with Present Design Right 2.

The provision of presuming the amount of damage incurred to be the amount given by multiplying the assigned quantity of the infringing articles by the amount of profit obtainable per unit of the product of the Rights holder., with a limitation that such amount not exceed the amount attainable by the capacity of the Rights holder. (Article 39, Paragraph 1 of the Design Act) was applied in this case. Specifically, the court determined the assigned quantity of the defendant's products and the amount of profit obtainable per unit of the Plaintiff's Products 1 and 2. Regarding the existence of circumstances under which the plaintiff would have been unable to sell the assigned quantity of the defendant's products in whole or in part, the court considered the capacity of the defendant's brand to attract customers, and concluded that the amount of damage incurred was 129,153,662 yen, as a result of the 50% deduction from the assigned quantity.

Conclusion

In this article, we have introduced some precedents of infringement on design rights in which relatively high amounts of damages were awarded. We can see that a claim for damages based on infringement of design rights would also have a chance of obtaining a considerably high amount of compensation, if the assigned quantity of the infringing articles is large or if the amount of profit per unit of the product is high. Based on the foregoing discussions, we would like to further discuss damages for infringement of design rights in the upcoming article, by focusing on design rights related to partial designs.

4. Trademark Case 2018 -Parallel Import of Goods-



Gen Yamaguchi
Trademark Attorney
gyamaguchi@tmi.gr.jp

Introduction

About sixteen years back, in the "Fred Perry" case of 2003, the Supreme Court provided very important criteria for determining whether the import of goods bearing registered trademarks is permissible as a parallel import of genuine goods. This article provides an overview of the 2003 Supreme Court decision and introduces a recent parallel import in the 2018 "NEONERO" case.

Supreme Court -Fred Perry Case-

In the "Fred Perry" case in 2003, the Supreme Court provided the following three conditions under which the import of goods bearing a registered trademark is not illegal, as the import does not impair the trademark functions of source indication and quality guarantee of goods and it does not damage the business reputation of trademark owners or adversely affect consumer interests.

- 1) The trademark is legally applied to the imported goods by a foreign trademark owner or its licensee.
- 2) The trademark of the imported goods indicates a source of goods identical with that indicated by a Japanese registered trademark where a foreign trademark owner is identical with a Japanese trademark owner or can otherwise be equated with a Japanese trademark owner due to legislation or an economic relationship.
- 3) A Japanese trademark owner can directly or indirectly control the quality of the imported goods so that the quality of the imported goods is not substantially different from that of the goods of a Japanese trademark owner.

In this case, the source-indication function of the trademark was impaired, as the imported polo shirts were produced by the licensee in breach of the agreement, in particular, the clauses relating to place of production and outsourcing. It was also likely that the quality-guarantee function of the

trademark would be impaired, as the imported goods were not under the Japanese trademark owner's quality control. Thus, it was possible that there would be differences in quality between the imported goods and the Japanese trademark owner's goods. Further, if the import of goods in breach of the agreement was permissible, it was likely that the business reputation of the trademark owner would be damaged and the consumers' trust in the quality of goods bearing the mark might also be adversely affected.

The Supreme Court concluded that the import of goods in breach of the agreement did not meet the above-mentioned conditions and could not be recognized as a legally-acceptable parallel import of genuine goods in such circumstances.

Recent Case 2018 -NEONERO Case-

In the "NEONERO" case in 2018, the IP High Court overturned the district court's ruling and denied the plaintiff's claim of trademark infringement, relying on the defendant's parallel importation defense.

The plaintiff was an exclusive distributor in Japan of an Italian jewelry named "NEONERO" and owns relevant trademark registrations for "NEONERO" in standard characters and for "PIZZO D'ORO NEONERO" on two lines (see below) with regard to jewelry and others (Class 14) in Japan.

[Plaintiff's Registered Mark]

PIZZO D'ORO
NEONERO

In the first instance, the Tokyo District Court approved the plaintiff's claim of infringement and granted an injunction to prevent the defendant from advertising and selling the "NEONERO" jewelry. Although the defendant put forth a parallel importation defense, the Tokyo District Court did not approve the defense for the reasons that the plaintiff had caused the Italian trademark owner to supply jewelry which was made in accordance with the special specifications instructed by the plaintiff and to which were attached some original parts, so that the quality of the goods imported by the defendant was different from that of the goods sold by the plaintiff. Thus, the defendant did not meet the above-mentioned condition 3) provided by the Supreme Court in the "Fred Perry" case.

The defendant appealed to the IP High Court and the IP High Court affirmed condition 3). The IP High Court stated that, if the trademark owner in a foreign country and the trademark

owner in Japan can be legally or economically regarded as an identical entity, the quality control capability of the trademark owner in a foreign country and that of the trademark owner in Japan should also be deemed to be identical, unless the trademark owner in Japan has actually maintained the quality or reputation of goods by themselves based on their own trademark rights, independently of the trademark owner in the foreign country, and the import of goods originating from the trademark owner in the foreign country results in the impairment of the quality or reputation maintained by the trademark owner in Japan.

In this case, the IP High Court found that the plaintiff had caused the Italian trademark owner to make jewelry according to the special specifications and also attached some original parts to the goods. However, such originality was not primary, but instead just incidental. In addition, such originality was not emphasized on the plaintiff's website and could not easily be recognized by customers. The IP High Court then concluded that the plaintiff had not actually maintained the quality or reputation of the goods by themselves, independently of the Italian trademark owner, and that the defendant's importation and sales of the genuine goods bearing the "NEONERO" mark originating from the Italian trademark owner did not result in any impairment of the quality or reputation of the goods sold by the plaintiff. Consequentially, the IP High Court stated that the plaintiff's interests were not worthy of protection and affirmed the parallel importation defense put forth by the defendant, finding that condition 3) was satisfied.

Another interesting note is that condition 1) provided by the Supreme Court requires that a trademark be legally applied to imported goods by a foreign trademark owner or its licensee. In the "NEONERO" case, the goods were jewelry and the trademark was not directly attached to the goods. Although it is not clear whether use of the trademark in advertisements could fulfill condition 1), the IP High Court made it clear that such use could meet condition 1).

Conclusion

Even now, sixteen years after the Supreme Court decision in the "Fred Perry" case, it is still not easy to foresee whether or not the three conditions provided in such case can be fulfilled in different situations. The IP High Court decision in the "NEONERO" case has helped to clarify the interpretation of condition 3), as well as condition 1), and will therefore be a useful guideline in the future for legal and business practice, especially in cases where a trademark owner in Japan makes special efforts by themselves to establish reputation of goods and to maintain the quality thereof.

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

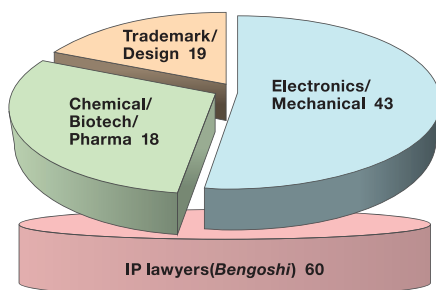
TMI, one of the “Big Five” law firms in Japan, has a total of more than 890 employees worldwide, including around 500 IP/Legal professionals, comprised of 419 attorneys-at-law (Bengoshi), 80 patent/trademark attorneys (Benrishi), and 28 foreign law professionals.

Attorneys (Bengoshi)	419
Patent / Trademark Attorneys (Benrishi)	80
Foreign Law Counsel	5
Foreign Attorneys	28
Advisors	4
Management Officers	3
Staff	352
Total	891

(As of Mar 1, 2019)

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 8,800 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 - 2019)

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.

TMI Associates

23rd Floor, Roppongi Hills Mori Tower
6-10-1 Roppongi, Minato-ku,
Tokyo 106-6123, Japan
Email: IP-newsletter@tmi.gr.jp

Offices - Tokyo, Nagoya, Kobe, Osaka,
Shanghai, Beijing, Yangon, Singapore, Ho Chi Minh City,
Hanoi, Phnom Penh, Silicon Valley, London, Bangkok

Feedback

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