

Japan Patent & Trademark Update



Contents

1. Protecting Fintech Business by Obtaining Patent Protection in Japan
2. Update on Opposition Procedure
3. First Sound Marks without linguistic elements finally granted in Japan
4. Partial Design System – Part I: Introduction and Trends of Partial Design System in Japan
5. About TMI

1. Protecting Fintech Business by Obtaining Patent Protection in Japan



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Introduction

In recent times, “Fintech” has been making business headlines around the world. Many startups, as well as large financial companies, are launching various types of Fintech businesses. However, an important question to ask is whether, when you launch a Fintech business, it can be protected by patents. The answer is yes, especially in Japan. In this article, we would like to show you some reasons why Japan is an attractive country

for obtaining patents for protecting Fintech businesses.

Low Eligibility Hurdle

In Japan, while a business method itself is not eligible for patent protection, computer software for implementing such business method is eligible. The requirements for patent eligibility for computer software in Japan are relatively lax compared to those of other countries where computer software is patent eligible. In general terms, systems or methods using computer software are eligible for patent protection in Japan.

According to the Examination Guidelines at the Japan Patent Office (JPO), computer software is patent eligible if information processing by the computer software is implemented using hardware resources. As this definition is abstract and quite difficult to understand, instead of explaining the requirements for patent eligibility of computer software in detail, we would like to show you an example. The following is claim 1 of Japanese Patent No. 5492261. The patent owner is the Bank of Tokyo-Mitsubishi UFJ (BTMU), the largest bank in Japan.

1. A system for determining executability of a loan transaction, comprising:

means for receiving a loan application telegraphic message including an identifier of a loan application client, a loan execution date and a loan application amount from a terminal device;

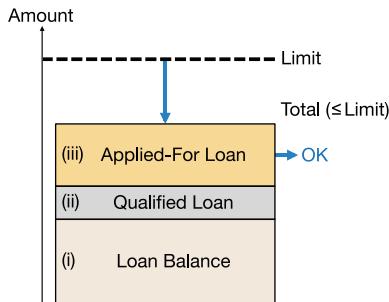
means for storing, for the loan application client, a loan limit amount, a total amount of loan balance and a future loan execution amount that has been scheduled to be loaned during a period of time up to the loan execution date; and

means for determining that a loan transaction for the loan application telegraphic message is executable if a first total amount of the loan application amount, the total amount of loan balance and the future loan execution amount is less than or equal to the loan limit amount.

[This English translation is for reference purposes only.]

This patent (the “BTMU patent”) is related to a qualification for a loan application. Figure 1 is an explanatory drawing of the BTMU patent. As shown in Figure 1, a loan application will qualify for execution if the total of (i) the total amount of the balance of loan(s) that have already been executed; (ii) the amount of the future loan that has already been qualified for and scheduled to be loaned; and (iii) the amount of the newly applied-for loan is less than or equal to the loan limit amount.

Figure 1: Explanatory drawing of BTMU patent

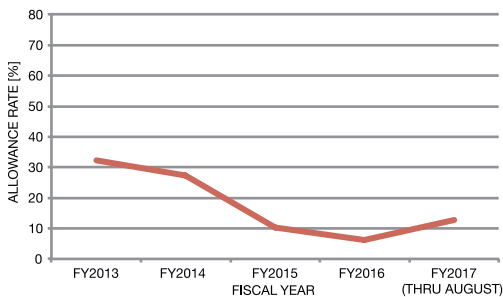


You will understand that the key feature of the BTMU patent is not a technical aspect but a new business method. As this example shows, the hurdle of patent eligibility for computer software is very low in Japan. We believe that obtaining this kind of patent is quite difficult in other countries, especially in the U.S.

High Allowance Rate

Statistics show that the above explained BTMU patent is not a special case. Before seeing the Japanese statistics, we would like to show you some data from the U.S. Figure 2 shows the allowance rate for patent applications related to business methods in the U.S. In the U.S., the allowance rate has been relatively low, less than 30%, while a slight upward trend can be seen in FY2017.

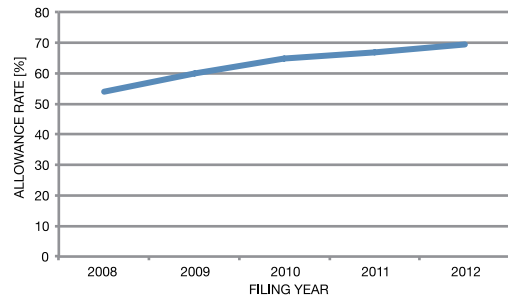
Figure 2: Business Method Allowance Rate (US)



[Source: USPTO Website]

Now let’s look at the Japanese statistics. Figure 3 shows the allowance rate for patent applications related to business methods in Japan. The allowance rate in Japan is high compared to that in the U.S. In particular, the allowance rate has been increasing in recent years, and it is very high, at about 70% for patent applications filed in 2012.

Figure 3: Business Method Allowance Rate (JP)



[Source: JPO Website]

Obtaining Fintech Patents in Japan

In many cases, a company files a patent application in its own country, and thereafter considers filing patent applications in foreign countries. In the case where the hurdle for patent eligibility is high in a company’s own country, the applicant may decide not to file a patent application related to its new Fintech business. However, if the Fintech business is to be developed internationally, such as an international money transfer service, the company may be able to provide protection for its business by obtaining a patent in Japan, even if it cannot obtain a patent in its own country.

Conclusion

As discussed above, in Japan, computer software which implements a business method is eligible for patent protection and the hurdle for eligibility is relatively low. Further, the allowance rate for patent applications related to business methods is very high, about 70% recently. When a company launches a Fintech business internationally, we believe it would be worthwhile to consider obtaining patent protection in Japan.

Topics

“Discover IP Japan Conference 2018” in Houston & San Diego

In the beginning of next year, **Toshifumi Onuki** (Partner, Patent Attorney) will attend “Discover IP Japan Conference 2018,” hosted by Japan Patent Attorneys Association (JPAA), as a coordinator and speaker in its concurrent session. The conference is held in two locations at the Houston Club in Houston on January 31st and at Sheraton La Jolla Hotel in San Diego on February 1st. In his session, he will talk about updates and tips of the Post-Grant Opposition. Registration for the conference is open to public at JPAA website early in January.



2. Update on Opposition Procedure



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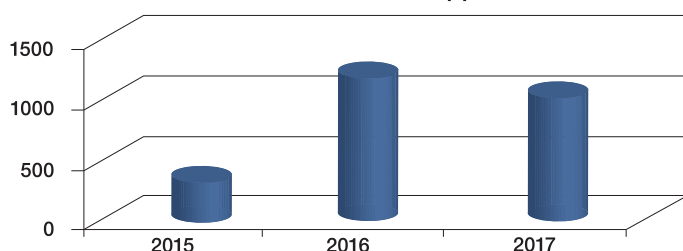
Introduction

Two and a half years have now passed since the new opposition procedure started in April 1, 2015. This article provides the updated information on such procedure based on the statistics recently issued by the Japan Patent Office (JPO).

Overall Numbers

As of the end of September 30, a total of 2,240 petitions for opposition have been filed since the commencement of the procedure. **Chart I** shows the number of petitions per year. The height of the 2017 bar reflects the estimated number at the end of the year.

Chart I : Total Number of Oppositions

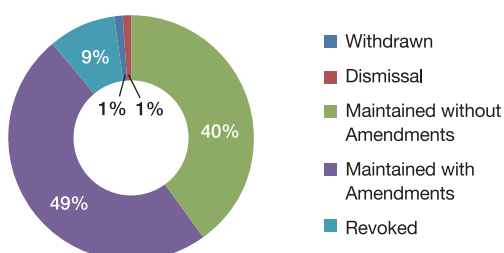


It appears the overall number of petitions filed per year remains only around one fifth of the over 5,000 petitions filed per year for the old opposition procedure that was abolished in 2003, but it is much higher than those for invalidation trial shifting at around 200 cases per year.

Revoked / Maintained Rates

Chart II shows the ratio of patents (not claims) having been revoked or maintained with or without amendments among closed cases to date.

Chart II : Revoked / Maintained Rates



Surprisingly, almost 90% of the challenged patents have survived. This is because the new opposition procedure allows patentees to amend the claims, so that patents which successfully evade the petitioners' reasons for revocation can survive. However, please note that, in half of the cases, the claims have needed to be limited to the scope wherein the reasons for revocation could be overcome. Thus, the petitioners may have felt that they succeeded in the proceeding.

Petitions by IPC

Chart III shows how many petitions belong to each IPC. The fields of chemistry/metal, transportation, and commodities are the top three of the list, and such fields appear to be competitive in terms of IP.

Chart III : Petition Counts by IPC

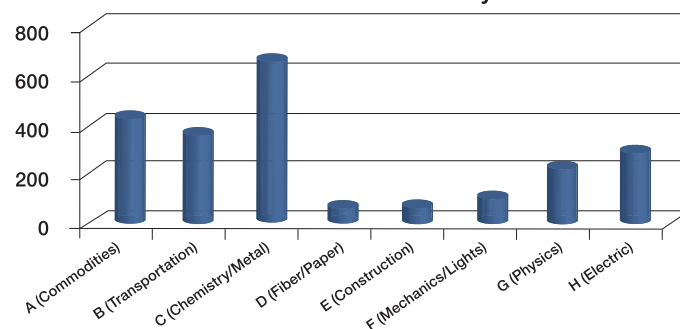
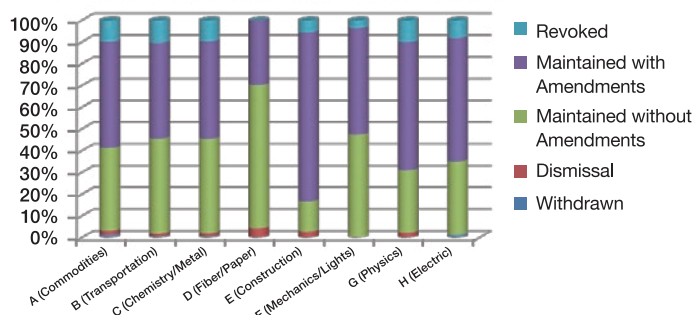


Chart IV further shows rates of revoked or maintained patents with or without amendments. Curiously, more than half of the accused patents have remained intact in the field of fiber/paper, while some 80 percent of all patents have been revoked or had their claims restricted in the field of construction. The other fields show similar tendencies to each other.

Chart IV : Revoked / Maintained Rates by IPC



Conclusion

It has turned out that a large percentage of patents have survived their oppositions; however, even so, finding the right prior art may have led to the patents being limited to a scope where the petitioners become free to operate.

3. First Sound Marks without linguistic elements finally granted in Japan



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Introduction

On September 26, 2017, the Japan Patent Office (“JPO”) announced the allowance for registration of three sound marks without linguistic elements. Although the JPO has already granted more than 160 sound mark registrations since October 2016, all of such marks were sound marks featuring linguistic elements, and this marks the first time for sound marks without linguistic elements to have been granted registration since the introduction of Non-Traditional Marks (NTMs) in April 2015.

First Sound Marks without Linguistic Elements

The JPO has allowed three sound mark registrations without linguistic elements and also posted an electronic recording of these sound marks on the Japanese-language version of its website. [[here](#)]

Reg. No. 5985746 (Taiko Pharmaceuticals) [[mp3](#)]



Class 5 – Gastrointestinal drugs

Reg. No. 5985747 (Intel Corporation) [[mp3](#)]



Class 9 – Microprocessors, etc.

Int’l Reg. No. 1177675 (Bayerische Motoren Werke Aktiengesellschaft) [[mp3](#)]



Class 12 – Automobiles and parts thereof, included in this class

The JPO set up a special team to examine applications for NTMs and such team has been examining the application for NTMs very carefully. The examiner issued several office actions and the applicants filed arguments and submitted evidence of use to prove the distinctiveness of the sound marks without linguistic elements. For example, Taiko Pharmaceuticals filed 816 evidence items to lead its application to registration and it took two and a half years after it filed the trademark application on April 1, 2015.

First Color Marks Registered

Prior to the above announcement, on March 1, 2017, the JPO also announced its first decision to register two Color Marks, as shown below.

Reg. No. 5930334 (Tombow Pencil) Reg. No. 5933289 (Seven-Eleven Japan)



Class 16 – Erasers



Class 35 – Retail or wholesale services for clothing, diapers, shoes, bags, etc.

While the registration of Color Marks was also long-awaited since no Color Marks had yet been granted a Decision of Registration since the introduction of NTMs, these two Color Marks consist of multiple colors, rather than a single color. Although it is important that the JPO has granted Color Marks for the first time, it seems that these Color Mark registrations will have less impact among trademark practitioners than a single Color Mark.

Comments

According to the data published by the JPO, the total number of applications/registrations made up to September 26, 2017 is as follows:

	Sound	Motion	Hologram	Color	Position	Total
Number of applications	566	126	17	509	376	1,594
Number of registrations	172	83	11	2	35	303

The total number of NTM applications filed since their introduction, is 1,594, and 303 among such number were registered. However, it should be noted that more than half of the granted NTMs are Sound Marks with linguistic elements. Now that all kinds of NTMs have been granted, we expect that the examination of NTMs will become far quicker. Notably, these first three Sound Marks without linguistic elements includes BMW’s sound mark which was filed as a subsequent designation to an International Registration covering 13 countries or regions. This may encourage other brand owners which already own International Registrations for Sound Mark in other countries to try to extend their protection to Japan by using the Madrid Protocol.

Topics

Shunji Sato (Partner, Trademark Attorney) attended as a panelist the FICPI 17th Open Forum in Venice in the session “International IP Rights: Tips and tricks international trademark applications,” on Oct 27th, 2017.



involving design applications filed using the partial design system.

Partial Design System in Japan

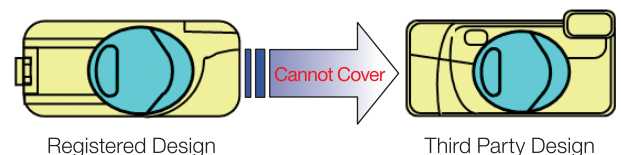
The partial design system in Japan allows applicants to file an application for registration of a design applied to only a particular part of an article, not a design of the article as a whole. In this system, when the feature of a design resides in a particular portion thereof, the applicant can obtain a design registration for the particular portion by, for example, describing such portion with a solid line while describing other portions with a dashed line so as to specify the particular portion.

An “article,” as defined in the Design Act, was previously interpreted as meaning a product independently distributed on the market, and a design directed to a part of an article, wherein such part was itself unable to be traded or distributed as an independent product, was therefore not considered to be subject to protection under the Design Act. An applicant was only allowed to obtain a design right for the whole design, and this meant that if others made a design which imitated one characteristic portion of the design but which, as a whole, did not appear to be an imitation of the design, the design right could not be exercised against such design. Under these circumstances, the Design Act Revision of 1998 clearly set forth that, in the definition of a “design” in Article 2 of the Design Act, an “article” includes a “part of an article,” and as a result, applicants became allowed to seek protection for a characteristic shape, etc., of a part of an article as a partial design.

For example, as shown in the illustration below, if a design of a camera had its characteristic feature in a portion for opening and closing the lens (see the blue portion in the below drawings) and if such design were registered as a whole design, others may have made a camera that did not infringe on the registered design by designing the entire shape of the camera differently from the registered design while imitating the portion for opening and closing the lens. In such case, however, if the design of the portion for opening and closing the lens were registered as a partial design, the registered partial design could be exercised against any camera having a similar lens opening/closing portion even if the entire shape of the camera was different.

As described above, obtaining a design registration for only a characteristic part of an article is expected to have some impact on tricky imitations that will be deemed to be dissimilar as a whole, despite being similar in terms of the particular part.

Design right registered as a whole design



Registered Design

Third Party Design

(Excerpted from the JPO website)

4. Partial Design System – Part I: Introduction and Trends of Partial Design System in Japan



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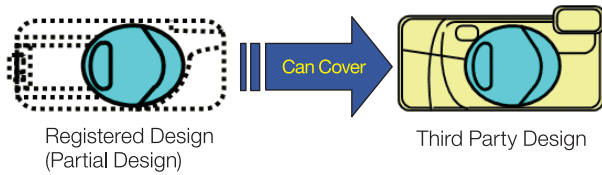
Introduction

Almost 20 years have passed since the partial design system was introduced in Japan by the Design Act Revision of 1998. The number of partial design applications has been increasing year by year since then. This trend led to the Design Act Revision of 2006, which set forth that designs including graphic images presented on a display of an article for use in the operation of an article can be protected under the partial design system. Subsequently, in 2016, the design examination guidelines were revised so as to further expand the scope of designs including graphic images that are eligible for protection under the Design Act. Further, there have been several cases which have occurred involving the enforcement of design rights related to partial designs, even though the total number of cases that have occurred concerning the enforcement of design rights is not so high.

Under these circumstances, we would like to provide a series of articles focused on the partial design system in Japan, including articles on the introduction of the system, a discussion on precedents, and a study of the possible utilization of the partial design system.

This first article will briefly describe the history and outline of the partial design system in Japan and discuss the recent trends

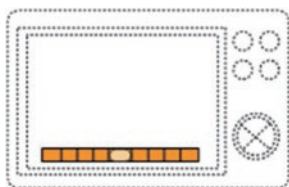
Design right registered as a partial design



(Excerpted from the JPO website)

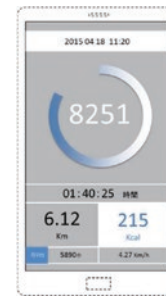
The partial design system is now available for the protection of graphic designs concerning a display, etc., of an article, and the scope of such protection has been expanding in response to the rapid advancements in information and communications technology. Specifically, by way of the Design Act Revision of 2006, a “graphic image on a screen that is provided for use in the operation of an article” has been added as an element that constitutes a design (Article 2, Paragraph 2 of the Design Act). With this revision, graphic designs for PCs, smartphones, etc., have become subject to registration under the partial design system. Subsequent to this, along with the rapid development of updatable devices and mobile devices, including tablets, the design examination guidelines were revised in 2016 to specify that not only “a graphic image recorded in an article in advance” (e.g., an embedded image in a device), which had already been considered to be subject to design registration, but also “a graphic image which is recorded later in an article” and “a graphic image which is displayed on a computing device, e.g., a PC, upon installation of software” can be protected as a subject matter for a design registration. To be more specific, in contrast to the previous guidelines in which the scope of protection was limited to graphic images recorded in articles in advance, such as a menu screen of a digital camera, the examination guidelines after the revision in 2016 clarify that, for example, graphic images displayed later by an application when the application is installed and used in a cellular phone can also be protected by the Design Act.¹

Example of a graphic design for use in the operation of an article, which has been added as a subject of protection by the Design Act Revision of 2006



(Graphic image indicating the menu of a digital camera)

Example of a graphic design, which has been added as a subject of protection by the revision of the examination guidelines in 2016



(Graphic image on a computer with a pedometer function)



(Screen of a computer with a postcard creating function)

*The three examples above are obtained from the materials from the JPO seminar concerning the revision of the design system in 2015.

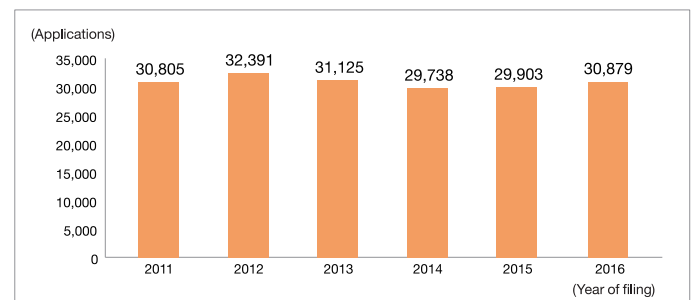
Number of design applications and partial design applications

An explanation will now be made as to the change in the total number of applications for design registration in Japan, as well as the change in the number of partial design applications among such total number, and how the partial design system has been used by some of the most frequent applicants.

(1) Change in the number of design applications

As can be seen from the below chart, the number of design applications has been maintained at around 30,000 per year in recent times. In 2015, the JPO started to accept international applications under the Hague Agreement, and the number of applications in 2016 increased by about 1,000 from the previous year.

Change in the number of design applications filed with the JPO



(Excerpted from JPO Status Report 2017)

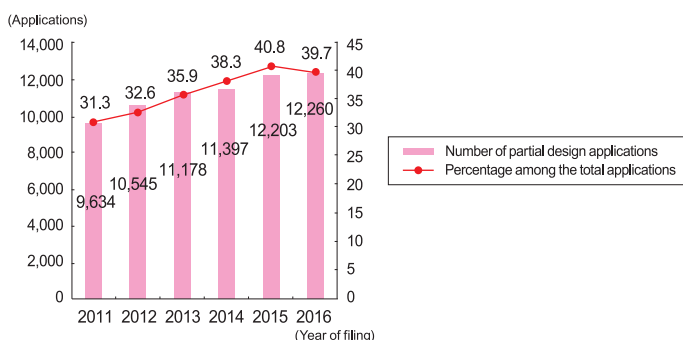
(2) Change in the number of partial design applications

On the other hand, the number of partial design applications has been increasing year by year, and such number reached around 12,000 applications in 2015 as compared to 9,600 applications in 2011.

While the total number of design applications has been almost constant, as described above, the number of partial design applications has been increasing, and accordingly, the percentage of partial design applications among the design applications as a whole has also been increasing from around 30% in 2011 to more than 40% in 2015. While the percentage slightly decreased in 2016, the actual number of partial design applications still saw an increase.

These results show that applicants have filed a constant number of design applications and, among such applications, the percentage of applications using the partial design system has been increasing. In other words, there appears to be a trend shifting from applications for a whole design to applications for a partial design.

Change in the number of partial design applications and percentage among the total applications



(Excerpted from JPO Annual Report 2016)

(3) Status of partial design applications filed by leading Japanese and foreign applicants

Next, in the ranking of registrations based on all design registrations in Japan in 2016 (i.e., the registered designs for which an Official Gazette was issued in 2016), we have extracted the top 10 Japanese and foreign applicants, respectively, and calculated, for each such applicant, the percentage of partial design registrations among the total design registrations the applicant obtained in 2016 (the "total registrations"). The results of such calculation are shown in the tables below.

As can be seen from the table, for the top 10 Japanese applicants, the percentage of partial design registrations among the total registrations was 39% on average and around 40-50% for a majority thereof. This suggests that the leading Japanese applicants have used the partial design system at a rate almost equivalent to or higher than the above-mentioned average use of partial design applications among the total design applications.

Registrations in 2016 for Top 10 Japanese Applicants²

Rank	Japanese Applicant	Total registrations	Partial design registrations	Percentage of partial design registrations
1	Panasonic IP Management Co., Ltd.	430	186	43%
2	Mitsubishi Electric Corporation	415	179	43%
3	Okamura Corporation	335	138	41%
4	LIXIL Corporation	316	143	45%
5	Honda Motor Co., Ltd.	233	13	6%
6	Sharp Corporation	215	100	47%
7	Toyota Motor Corporation	169	81	48%
8	Nissan Motor Co., Ltd.	157	3	2%
9	Itoki Corporation	146	88	60%
10	YKK AP Inc.	129	66	51%
Average		255	100	39%

On the other hand, for the top 10 foreign applicants, the percentage of partial design registrations among the total registrations was relatively high, i.e., 64% on average and 100% for one applicant, although some of them filed almost no partial design applications. This shows that the leading foreign applicants have used the partial design system at a considerably higher rate than the average use of partial design applications among the total design applications.

We should note here that most foreign applicants file design applications in Japan by claiming priority under the Paris Convention based on a former application filed in their own country and, for example, if the first filing was made in the US, in particular, the corresponding design application in Japan is highly likely to be made based on the partial design system due to the difference in the legal system between the two countries. In the US, the protection of designs is stipulated as part of the patent law, and according to the practice in the US, applicants rarely claim their design as a whole, but rather, applicants usually specify the portion for which the applicants are seeking protection (i.e., the claimed portion) with a solid line and describe the portions for which the applicants are not seeking protection (i.e., the disclaimed portions) with a dashed-line. It appears that many applicants choose to file partial design applications also in Japan due to such practice in the US.

Registrations in 2016 for Top 10 Foreign Applicants³

Rank	Foreign Applicant	Total registrations	Partial design registrations	Percentage of partial design registrations
22	Microsoft Corporation	123	122	99%
26	Apple Inc.	85	57	67%
31	LG Electronics Inc.	81	50	62%
34	Harry Winston S.A.	77	0	0%
38	Nike Innovate C.V.	68	68	100%
44	SZ DJI Technology Co., Ltd.	67	56	84%
73	3M Innovative Properties Company	40	39	98%
83	SharkNinja Operating LLC	45	40	89%
109	Michelin Recherche et Technique S.A.	34	10	29%
114	Dart Industries Inc.	38	3	8%
Average		66	45	64%

Conclusion

As discussed above, the number of partial design applications has been increasing year by year in Japan, even though the total number of design applications has been flat, and this shows that applicants have been shifting their design applications so as to more actively make use of partial design applications instead of whole design applications. In particular, foreign applicants have been utilizing the partial design system for a large proportion of their total applications. When you decide to file a partial design application (as opposed to a whole design application), to protect a new design you have made, you will at least have to analyze which portion of the design requires protection. In other words, an increasing number of partial design applications may reflect applicants' attitudes toward seeking more strategic use of designs. The number of more strategic design registrations is expected to be increasing in the future. In order to protect your own product from a variety of perspectives, it is now vital to give due consideration to obtaining protection not only through patents and trademarks, but also using the design system, by understanding the movements of competitors and other related entities in filing partial design applications in Japan.

¹ On the other hand, a design means the shape, etc., of an article and, in order for a screen design to be protected by the Design Act, the design has to be used integrally with the article; therefore, a screen design for a website and a screen design representing the content of movies, games, etc., are not yet subject to protection by the Design Act.

² The registration ranking is based on the 2016 edition of "400 Designs in Japan" published by *Chizailabo*. The total number of registrations and partial design registrations are based on search results from J-PlatPat.

³ The note in 2 above also applies here.

Topics

Masaya Tsuno (Patent Attorney) gave a presentation titled "Patent Opposition in Japan" in the IP Practice in Japan Pre-Meeting at the **AIPLA 2017 Annual meeting** held at the Marriott Wardman Park Hotel, Washington, DC, USA on October 17, 2017. In the presentation, his topics covered:

- (i) Key points regarding the opposition procedure in Japan compared to PGR and IPR at the USPTO;
- (ii) Pros and cons for patentees and petitioners; and
- (iii) Statistics on the current situation regarding the number of challenges for the invalidity of granted patents at the JPO (i.e., patent oppositions and invalidation trials), etc



Topics

TMI delegates participated in the **IPBC Asia** conference held in Tokyo from Oct 29 – 31. IPBC Asia focused on how IP owners can strategically utilize their intellectual property.

Toyotaka Abe (Partner, Patent Attorney) moderated a session entitled "The Playbook" in which panelists discussed how to maximize the value of IP and companies through transactions such as patent sales and acquisitions. The speakers in such session came from major corporations and investment companies, etc., both in Japan and the United States, and they engaged in discussions of their practices and businesses based on their real-life experience.



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.

TMI, one of the "Big Five" law firms in Japan, has a total of more than 790 employees worldwide, including around 450 IP/Legal professionals, comprised of 362 attorneys-at-law (Bengoshi), 78 patent/trademark attorneys (Benrishi), and 25 foreign law professionals.

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