

# Japan Patent & Trademark Update



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## 1. Patent Lawsuits in Japan – What You Need to Know to Resolve Cross–Border Patent Disputes



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### Introduction

The U.S. has been considered to be the premier venue for patent infringement litigation in recent memory. However, Japan

should also be considered as an additional or an alternate venue for patent disputes due to three not widely known reasons: (1) automatic injunctions, (2) reasonably high patentee success rate, and (3) reasonably low invalidation rate. In this article, we would like to explain these three reasons in depth so that you will be able to determine which countries you should consider as a venue for patent disputes.

### (1) First reason : Automatic injunction

In Japanese patent litigation procedure, once a court determines that there has been an infringement, the court should automatically issue an injunction in its judgment, a so-called “automatic injunction.” This is in contrast to the eBay decision in the U.S.

Thus, in addition to utilizing U.S. patents, a potential automatic injunction based on Japanese patents may be a powerful tool to enhance your negotiation power over your competitors during patent litigation or even before litigation is initiated. If the product sales or services are suspended, it will have a substantial impact on the defendant’s cash flow, which may be far greater than any compensatory or monetary damages it would generally need to pay.

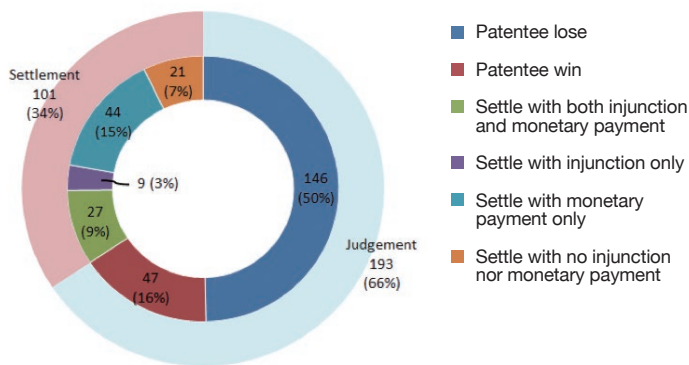
Further, in Japan you may file an application for a preliminary injunction, in addition to or as substitute for filing formal litigation to seek a regular injunction, which is another powerful tool you can utilize in patent disputes. A preliminary injunction may be more powerful in that there is substantially no means to reverse it once it is issued by the court. A preliminary injunction may be sought even after formal litigation is filed, i.e., immediately after the court finds an infringement in the formal litigation. In that case, the plaintiff can obtain an order for a preliminary injunction without waiting for the calculation of damages or an appeal from the district court decision.

Please note that there is one exception to this rule in a FRAND case. We will discuss this exception – i.e. the “Abuse of Rights” theory - in a future issue of our newsletter.

## (2) Second reason : High patentee success rate

The actual patentee success rate in patent infringement litigation in Japan is 43%, a similar rate to that seen in Delaware in 2016. This rate is calculated based on the number of lawsuits concluded from 2014 to 2016. The graph below shows the details of the judgments and settlements at the district court level. When discussing the patentee success rate, settlements should be considered because a significant number of cases (34%) reach settlement in Japan, as you can see in the graph below.

### Details of judgments and settlements



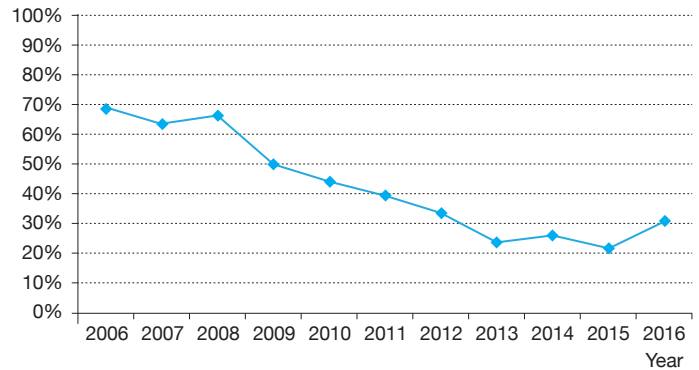
[from IP High Court statistics issued in May 2017]

This rate may not appear as high as that in some other countries, such as Germany, where the number of patent infringement actions filed has been increasing. However, when these rates are compared across the countries, the differences in the litigation systems should be carefully considered. For example, in German patent infringement actions, district courts do not examine the validity of the patent. In other words, the patentee success rate at the German district court may include instances in which the patentee was successful even though the patent may be invalid.

## (3) Third reason : Low invalidation rate

The invalidation rate is an important key factor when discussing the venue for patent infringement litigation. In the U.S., recent statistics show a high invalidation rate at district courts and PTAB. Japan, in contrast, has observed a patentee favorable trend as shown below.

### Invalidation rate of JPO patent invalidation trials



[from JPO annual report 2017]

Specifically, while the invalidation rate at the JPO was as high as 70% over 10 years ago, it has continued to decrease and has remained relatively stable at around 20 to 30% in the past several years. The stability of patent rights as you see above is an important factor when considering a venue for patent infringement litigation.

## Conclusion

As discussed above, there are three major reasons to consider Japan as an important venue for filing patent infringement litigation: (1) automatic injunction, (2) high patentee success rate, and (3) low invalidation rate. Hopefully, these factors will help you to determine the countries in which you wish to obtain and enforce your patent rights under your worldwide IP strategy.

### Topics

#### Discover IP JAPAN Conference 2018

Partner patent attorney **Toshifumi Onuki** gave U.S. practitioners a lecture at concurrent sessions held in two U.S. cities of Houston and San Diego. The conference was Japan Patent Attorneys Association’s spotlighted project, aimed at highlighting Japan as an indispensable IP venue. He spoke about “Post-Grant Review in Japan” as a quick, less-expensive, and flexible tool. Two local U.S. attorneys, respectively recommended by the local IP associations, assisted his session with U.S. Practitioner’s perspective.



## 2. Japanese Supreme Court Decision on the Doctrine of Equivalents (“DOE”) in the Chemical Field



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### Introduction

In this article, I would like to introduce Supreme Court case No. 2016(ju)1242, in which the Supreme Court maintained a decision by the Intellectual Property (IP) High Court, in which infringement under the DOE was admitted in the chemical field for the first time since the establishment of the IP High Court system in 2005.

### Five Requirements of DOE in Japan

It is quite rare for an infringement under the DOE to be admitted in Japan, since the accused product has to satisfy all of the following five requirements which were set forth by the Supreme Court Judgment in 1998, which is often called the “Ball Spline Case” (Case No. 1994(o)1083).

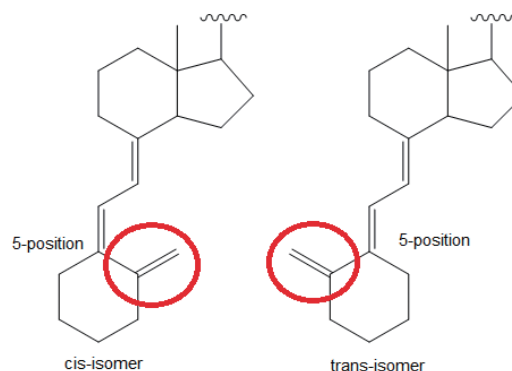
Even if part of the elements of a patent claim is literally different from the accused products, the accused product will still be regarded as being equivalent to the claimed invention if the following requirements are met:

- (1) the part is a non-essential part of the patented invention;
- (2) the purpose of the patented invention can be achieved and an identical function and effect can be obtained by replacing such part with a part in the accused products;
- (3) those skilled in the art could have easily conceived of the replacement at the time of making the accused product (the time of infringement);
- (4) the accused product was novel and non-obvious at the filing date of the application; and

(5) there is no specific circumstances such that the applicant intentionally excluded the accused product from the claimed invention during the prosecution.

### Case Overview

The case relates to the invention of a process of preparing maxacalcitol, which is an active vitamin D3 derivative for treatment of keratosis (JP 3310301 B). The original drug maker, Chugai Pharmaceutical Co., Ltd. (Roche group), who is the co-owner of the patent in question, launched patent infringement litigation against four generic distributors/importers, Iwaki & Co., Ltd., Takata Seiyaku Co., Ltd., Pola Pharma Inc. and DKSH Japan K.K. The difference between the accused process and the patented process lay in the cis/trans difference of the starting material and an intermediate, as shown below.



Nevertheless, the main reaction scheme was the same between both processes and the cis/trans moiety of the starting material/intermediate did not relate to the main reaction site. The Tokyo District Court and the IP High Court (Grand Panel decision) both admitted the infringement of the accused process under the DOE, because the two processes shared the same technical idea. The generic distributors/importers subsequently filed a petition with the Supreme Court seeking an appeal from the judgment of the IP High Court, asserting that although it was easily conceived of by the patentee at the time of filing the application, the use of the trans-isomer as a starting material/intermediate was not described at all in the specification as filed, and there was a specific circumstance wherein the applicant had intentionally excluded the accused product from the claimed invention during the prosecution (the fifth requirement of the DOE).

## Supreme Court Decision

Regarding the “specific circumstance” set forth in the fifth requirement of the DOE, the Supreme Court made the following judgment:

In a situation where the scope of the patent claims did not mention the features of the accused products/processes which differ in part from those stated in the claims, while the applicant was able to easily conceive such non-recited feature at the time of filing the application:

- ✓ the mere fact of such omission in the scope of the claims cannot imply that there is a specific circumstance wherein the accused products/processes were intentionally excluded from the scope of the patent claims in the prosecution history; and
- ✓ if it is objectively and visibly clear that the scope of the claims did not mention the non-recited feature of the accused products/processes even though the applicant recognized that said feature could be substituted for the features stated in the scope of the claims, the court will ascertain the existence of such specific circumstances that the accused products/processes were intentionally excluded from the scope of the claims in the prosecution history.

## Conclusion/Related Case

Although we have to wait for the accumulation of further precedent cases for the interpretation of the phrase “objectively and visibly clear” mentioned in the decision, we can now recognize that infringement under the DOE is also applicable in the chemical field, and thus, we have to be careful in conducting infringement analysis, such as in FTO searches. In fact, in a related Tokyo District Court case (No. 2015 (wa)22491), the generic distributors argued that they had obtained an expert opinion stating that it was probable that their generic drug preparation process did not infringe upon the patented process, even when taking the DOE into consideration, before starting their business. However, their presumption of negligence was not denied and the Tokyo District Court ordered the three generic distributors in the present case to pay not only (i) the damages incurred by the loss of sales of the original drug due to the sales of their generic drugs, but also (ii) the damages incurred by the price reduction of the original drug due to the entry into the market of the generic drugs earlier than the originally scheduled date.

## 3. Partial Design System – Part II: Enforcement of Rights for Partial Designs (1)



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### Introduction

In the previous article (Part I), we briefly presented the overview of the partial design system in Japan and introduced the recent trends, including the number of design applications filed in recent years using the partial design system. In this second article (as well as the upcoming articles), we will discuss how partial designs work in the phase of enforcement of rights and what issues have actually been argued in lawsuits concerning partial designs. We will then discuss the points we should pay attention to in practice.

### Partial Designs in Lawsuits

In the previous three years starting from the beginning of 2014 until the end of 2016, there were totally 13 cases in which a judgment was made in a lawsuit seeking an injunction against an infringement of design rights or a lawsuit seeking damages based on design rights. Among these cases, five<sup>1</sup> were based on design rights granted for partial designs (hereinafter referred to as “partial design rights”). This means that almost 40% of the total number of cases for which a lawsuit was filed and a judgment was made were based on partial design rights.

From among the recent judgments made in infringement lawsuits concerning partial design rights, we have selected two cases, which we believe to be informative when you consider using the partial design system in Japan. We will briefly describe such two cases, one in this article and the other in the upcoming Newsletter.

**Case 1 :** Case of “Indicator Light for Amusement Machine” (Osaka District Court Judgment of September 26, 2013, H23 (2011) (wa) No. 14336)

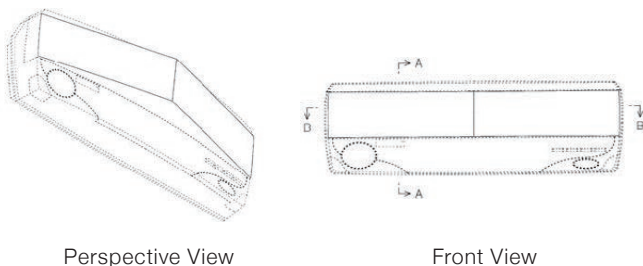
In this case, an infringement lawsuit was filed based on two partial design registrations, and the court held that one of the partial design registrations had been infringed on.

(1) Outline of the case

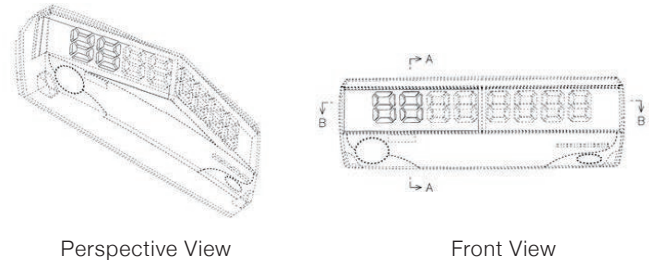
One of the two design registrations (Design Registration 1) is a registration of a design for a cover panel provided on the front side of an indicator light for an amusement machine (e.g., a pachinko game machine or a slot game machine). The design is characterized in that “it generally has a horizontally-long rectangular shape in a front view, a ridge in the center thereof extends vertically, and the right and left sides of the ridge are sloped toward the back so as to substantially form a slightly flattened V-shape in a top view.” In other words, the feature of the design resides in the horizontally-long V-shape of the front cover panel.

The other one (Design Registration 2) is a registration of a design for an indicator surface for indicating numbers (segments), that is located at the back side of a front cover panel of an indicator light for an amusement machine. The design is characterized in that “it generally has a horizontally-long rectangular shape in a front view and a slope down toward the back is formed from the right side to the left side in a top view” and that “in a front view, two sets of segments are arranged side by side in the left portion, each set having seven projecting segments which are arranged substantially in the shape of the number eight (8), wherein six surrounding segments each substantially have a horizontally-long trapezoidal shape and the remaining one segment substantially has a horizontally-long hexagonal shape.” In other words, the feature of the design resides in the two sets of segments formed in the left portion of the surface, which is one of the surfaces forming a V-shape in a top view, each set of segments being arranged in the shape of the number eight (8) to indicate numbers.

Design Registration 1: Japanese Design Registration No. 1375128 “Indicator Light for Amusement Machine”



Design Registration 2: Japanese Design Registration No. 1375129 “Indicator Light for Amusement Machine”



The Defendant’s design, as can be seen from the photographs below, satisfies both the feature of Design Registration 1, i.e., the feature of “generally having a horizontally-long rectangular shape in a front view, a ridge in the center thereof extending vertically, and the right and left sides of the ridge sloped toward the back so as to substantially form a slightly flattened V-shape in a top view,” and the feature of Design Registration 2, i.e., the feature of “generally having a horizontally-long rectangular shape in a front view and a slope down toward the back being formed from the right side to the left side in a top view” and “in a front view, two sets of segments being arranged side by side in the left portion, each set having seven projecting segments which are arranged substantially in the shape of the number eight (8), wherein six surrounding segments each substantially have a horizontally-long trapezoidal shape and the remaining one segment substantially has a horizontally-long hexagonal shape.”

Defendant’s Design



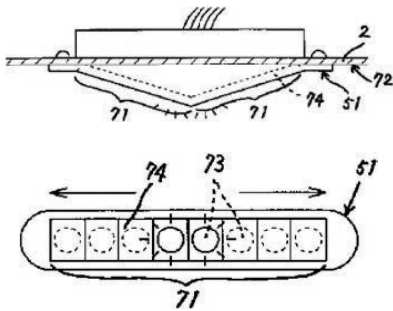
(2) Judgment by the court

In this case, the Defendant submitted a published Japanese patent application as evidence for a prior-art design (the prior-art design was referred to as the “ Evidence Item 7”). The court found that this prior-art design disclosed the feature of Design Registration 1, i.e., the feature of “generally having a horizontally-long rectangular shape in a front view, a ridge in the center thereof extending vertically, and the right and left sides of the ridge sloped toward the back so as to

substantially form a slightly flattened V-shape in a top view,” and determined that the embodiment of Design Registration 1 “could have easily been created by a person skilled in the art based on the Evidence Item 7, which is a publicly known design.” The court then concluded that Design Registration 1 should be invalidated.

On the other hand, the court found that “the claimed portion of Design Registration 2 should not be invalidated” and that “the portion of the Defendant’s design is similar to the claimed portion of Design Registration 2, and therefore, the manufacture, sale, etc., of the Defendant’s products constitute an infringement on Design Registration 2.”

### Prior-art Design



### (3) Tips for design registration

In light of the judgment indicated above, we can say that, in practice, we should consider the points below.

(i) The Plaintiff’s design and the Defendant’s design are fairly different in terms of their form as a whole, and accordingly, the two designs may have been found to be dissimilar if the Plaintiff had filed a design application for the entire design of the indicator light for amusement machines. To put it another way, the fact that the Plaintiff filed a partial design application and obtained a registration for the characteristic portion of the design is considered to have been an important factor that enabled the Plaintiff to obtain a judgment affirming the existence of infringement in the present case.

(ii) If the Plaintiff filed one partial design application and obtained a design registration covering the two characteristic portions together, such design registration may have been found invalid. The Plaintiff in the present case has obtained design rights for the basic configuration of the design, i.e., the design of the front cover panel (Design Registration 1) and has also obtained design rights separately for a detailed feature of the design, i.e., the design of the segmental indicator panel (Design Registration 2). In other words, the Plaintiff has obtained rights to protect the design on multiple levels. As a consequence, although the design right for the basic configuration (Design Registration 1)

was found invalid in view of the prior-art design, the Plaintiff was able to obtain, separately from such finding of invalidity, a judgment affirming infringement with regard to the design right for the detailed feature of the design (Design Registration 2).

In view of the above, we can say that, upon filing a partial design application in Japan, it is essential to analyze the features of the design of the product of interest one by one in detail and consider the possibility of obtaining design registrations for two or more of such features as partial designs, in order to obtain design rights that are effective for enforcement purposes.

### (4) Conclusion

As discussed above, when you obtain a design registration for a partial design that specifies a characteristic portion of a whole design, you may be able to enforce the design registration against designs that include portions similar to the characteristic portion, even if the designs appear dissimilar in terms of the entire form of the article. Partial design rights are believed to be effective in this regard. In the next article, we will describe another example in which an interpretation of similarity of a partial design was made by taking the function/purpose of an unclaimed portion depicted in broken lines into account.

<sup>1</sup> Osaka High Court Judgment of January 27, 2016 (H27 (2015) (ne) No. 2384), IP High Court Judgment of January 27, 2016 (H27 (2015) (ne) No. 10077), Osaka District Court Judgment of December 22, 2015 (H26 (2014) (wa) No. 11576), Osaka High Court Judgment of July 4, 2014 (H25 (2013) (ne) No. 569), and Osaka District Court Judgment of April 21, 2014 (H25 (2013) (wa) No. 2462)



## 4. The IP High Court overturned the JPO Trial Board's decision relating to likelihood of confusion with the famous Red Bull Mark





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### Introduction

During the festive season last year, TMI's trademark team, representing Red Bull AG, secured another significant court victory in the global trademark dispute with Korean company, Bullsone. The Intellectual Property High Court ("IPHC") overturned the Japan Patent Office ("JPO") Trial Board's decision which found there was no likelihood of confusion between Red Bull's and Bullsone's respective trademarks. This IPHC decision was widely reported in major Japanese newspapers, including the Nikkei Shimbun.

### Bullsone's trademark and Red Bull's trademark

Bullsone's trademark	Red Bull's trademark
 <p>(Reg. No. 5664585) Classes 1, 3, 4 and 5</p>	

The application for Bullsone's trademark was filed in October 2013, and it was subsequently registered in April 2014. Red Bull AG duly filed an Opposition against Bullsone's trademark; however, the Opposition was dismissed in 2015. Then, Red Bull AG filed an Invalidation Action against Bullsone's trademark in 2015.

### The JPO Trial Board Decision

Red Bull AG argued that both trademarks were similar in appearance and that, considering the worldwide fame of Red

Bull's trademark, there was a likelihood of confusion among consumers even if the designated goods of Bullsone's trademark were different from the energy drinks for which Red Bull had been using its mark. However, on December 22, 2016, the JPO Trial Board found that the degree of similarity between these trademarks was low and also denied the fame of Red Bull's trademark in Japan and worldwide. Based on these findings, the JPO Trial Board decided that there was no likelihood of confusion between these trademarks.

### The IPHC decision

The IPHC, on the other hand, remanded the case to the JPO Trial Board, finding that there was indeed a likelihood of confusion. In its decision, the IPHC found that both trademarks shared a common basic structure and had a high degree of similarity in terms of appearance and a risk of being confused with each other. The IPHC also found that the level of attention normally paid by the consumers of the designated goods, i.e., car related goods, was not sufficiently high that they would understand the brands or trademarks when buying the goods in question, and the IPHC recognized the fame of Red Bull's trademarks among consumers in the field of car-related goods, based on the fact that Red Bull licenses its trademark with respect to various goods, including car-related goods.

Taking the above findings into consideration, the IPHC decided that, when Bullsone's trademark was used with respect to its designated goods, it was likely to cause such consumers to be reminded of the famous Red Bull trademark, and further found that Bullsone's trademark was likely to produce confusion regarding the origin of products as if the products were related to Red Bull or to the business of a person who has some connection therewith, either economically or systematically. Accordingly, the IPHC decided that the JPO Trial Board's decision was incorrect and remanded the case to the JPO Trial Board to invalidate Bullsone's trademark.

### Comments

In the JPO's Trial Board decision, it intentionally excluded certain evidence when deciding on the fame of Red Bull's trademark and decided that Red Bull's trademark was neither well known nor famous. However, the fame of Red Bull's trademark was proven without a doubt based on the evidence which had been submitted, and after the IPHC fully examined all of the submitted evidence, it correctly found the fame and well-known status of Red Bull's trademark.

## 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

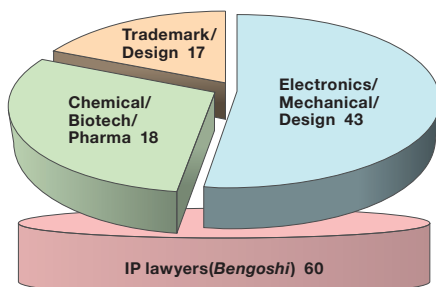
TMI, one of the "Big Five" law firms in Japan, has a total of more than 820 employees worldwide, including around 460 IP/Legal professionals, comprised of 386 attorneys-at-law (Bengoshi), 78 patent/trademark attorneys (Benrishi), and 30 foreign law professionals.

<b>Attorneys (Bengoshi)</b>	<b>386</b>
<b>Patent/Trademark Attorneys(Benrishi)</b>	<b>78</b>
<b>Foreign Law Counsels</b>	<b>5</b>
<b>Foreign Attorneys</b>	<b>26</b>
<b>Foreign Patent Attorney</b>	<b>1</b>
<b>Advisors</b>	<b>4</b>
<b>Management Officers</b>	<b>4</b>
<b>Patent Engineers, Staff</b>	<b>322</b>
<b>Total</b>	<b>826</b>

(As of Mar 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)
- ✓ 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 - 2017)
- ✓ 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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### 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.