

Japan Patent & Trademark Update



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1. Good Faith Negotiation Guidelines for Standard Essential Patent Licenses published by METI



Satoshi Hamada
Attorney-at-law
sahamada@tmi.gr.jp

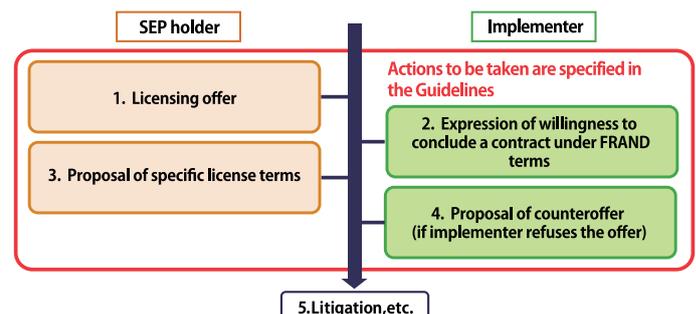
Introduction

The Ministry of Economy, Trade and Industry ("METI") published its "Good Faith Negotiation Guidelines for Standard Essential Patent Licenses" (the "Guidelines") on March 31, 2022. The Guidelines set forth the good faith negotiating principles regarding licensing standard essential patents ("SEPs") including Japanese patents, which should be followed by SEP holders and licensees.

METI established the Guidelines by taking into consideration the opinions of domestic and foreign companies, industries and experts on intellectual property and competition law in Japan in order to resolve problems faced by SEP holders and implementers caused by the lack of predictability and transparency due to the absence of clear rules on the SEP license negotiations. Although the "Guide to Licensing Negotiations Involving Standard Essential Patents"² published by the Japanese Patent Office on June 5, 2008 objectively summarized the issues concerning SEP licensing negotiations based on domestic and foreign court rulings, etc., it did not set any norms for good faith negotiations. In contrast, the Guidelines issued by METI set forth, for the first time, the norms for good faith negotiations which should be followed by SEP holders and licensees in Japan. Although the Guidelines are not legally binding and do not forejudge future judicial rulings, it is expected that SEP licensing negotiations including Japanese patents will be conducted in accordance with the Guidelines in the future. Thus, we would like to introduce the contents of the Guidelines in this article.

Actions to Be Taken at Each Step of SEP Licensing Negotiations

The Guidelines indicate the actions that need to be taken by SEP holders and implementers at each of the four main steps in the SEP licensing negotiations^{3,4}.



(Source: Guidelines)

If the parties go through all four steps once but they cannot reach an agreement, the parties may alternatively repeat their proposals in accordance with STEP 3 and STEP 4 thereafter. The norms for each of the four steps indicated in the Guidelines are as follows.

(1) STEP 1: Licensing offer [SEP holder]

When an SEP holder makes the licensing offer regarding SEPs to an implementer, the SEP holder should provide the following information regarding the patents subject to the license (the “subject patents”) to the implementer, either voluntarily or at the implementer’s request:

- A list of patent numbers;
- Claim charts mapping patent claims to standards element by element (When there is a large number of subject patents, the claim charts should be made for representative patents.);
- Information indicating that the implementer’s products comply with the corresponding standard; and
- Information indicating the existence of FRAND commitments and corresponding standard numbers.

When the SEP holder provides the claim charts mapping patent claims to standards element by element, it is desirable that the SEP holder does not include the same in the scope of a non-disclosure agreement (“NDA”), if this is requested by the implementer.

(2) STEP 2: Expression of willingness to conclude a contract under FRAND terms [Implementer]

If the SEP holder has taken the actions specified in STEP 1, the implementer should express its willingness to obtain a license for the subject patents under FRAND terms to the SEP holder. Even if the implementer expresses such willingness while reserving to challenge the essentiality, validity or infringement of the subject patents in the negotiation process as appropriate, its willingness to obtain a license under FRAND terms in good faith will not be denied.

(3) STEP 3: Proposal of specific license terms [SEP holder]

If the implementer has taken the actions specified in STEP 2, the SEP holder should provide specific license terms, including royalties, to the implementer. In addition to explaining how the royalties are calculated, the SEP holder should explain that the license terms are FRAND by using appropriate information such as information concerning third-party licenses, royalty rates for patent pools, and court cases, so that the implementer can

objectively understand that the license terms are FRAND.

(4) STEP 4: Proposal of counteroffer (if implementer refuses the offer proposed at STEP 3) [Implementer]

If the SEP holder has taken the actions specified in STEP 3 and the implementer does not accept the license terms proposed by the SEP holder, the implementer should provide specific license terms, including royalties, as a counteroffer to the SEP holder. In addition to explaining how the royalties are calculated, the implementer should explain that the license terms are FRAND by using appropriate information such as information concerning third-party licenses, royalty rates for patent pools, and court cases, so that the SEP holder can objectively understand that the license terms are FRAND.

Conclusion

The Guidelines set forth norms for each step of the SEP licensing negotiations for the first time in Japan, and it is expected that SEP holders and implementers will refer to them in practice when negotiating SEP licenses.

In addition, although the Guidelines are not legally binding and do not forejudge future judicial rulings, they will improve foreseeability for court disputes regarding SEP licensing. In Japan, the court held in *Apple v. Samsung* (Intellectual High Court, May 16, 2014 (2013 (Ra) 10007), etc.), if an implementer proves that the rights holder made a FRAND declaration and the implementer had an intention to receive a license under FRAND terms, the defense of abuse of rights will be recognized against the injunction demand. However, the court did not clearly state what specific facts would be required to prove such intention. It is likely that the publication of the Guidelines will mean that whether or not negotiations are conducted in accordance with these Guidelines will be taken into account in determining whether the implementer has the intention to receive a license in future disputes concerning SEP licenses.



3 It should be noted that the Guidelines provide the norms for good faith negotiations that are to be followed by the parties in bilateral negotiations and do not apply to negotiations conducted by patent pool management companies.

4 The categorization of these four steps seems be based on the 2015 decision by the Court of Justice of the European Union (CJEU) in the case between Huawei and ZTE (*Huawei v. ZTE* (EU, CJEU, 2015)).

2. Patent Application Trends in Japan - In light of the "Patent Administration Annual Report 2021"



Jun Tomita
Patent Attorney
jtomita@tmi.gr.jp

Introduction

The number of patent applications filed in Japan is said to have been declining over the past decade (see Chart 1). Such significant decline may give people the impression that the Japanese patent market has become less attractive, and then cause people to wonder about the value of filing patent applications in Japan. However, the Japan Patent Administrative Annual Report 2021¹ actually reveals something quite different from our former expectations. Rather than withering, the Japanese patent market is instead even more fascinating than ever before.

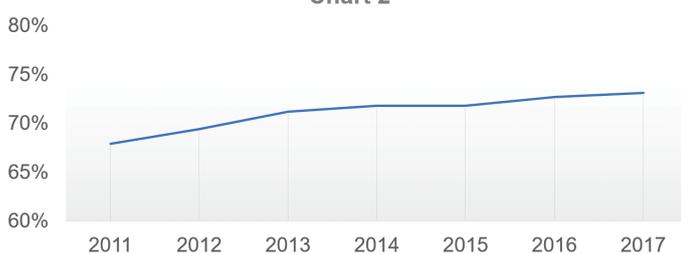
Chart 1



◆ Market Shifting

What is the cause of this drop in the number of patent applications filed in Japan? Well, Chart 2 can give us a clear answer. As shown in Chart 1 and Chart 2, during the period of 2011-2017, despite the decrease in the number of patent applications filed in Japan, the rate of examination requests relevant to the patent applications submitted in each year has been increasing. In addition, the rate of examination requests in 2017 was actually 5.3% higher than that in 2011.

Chart 2

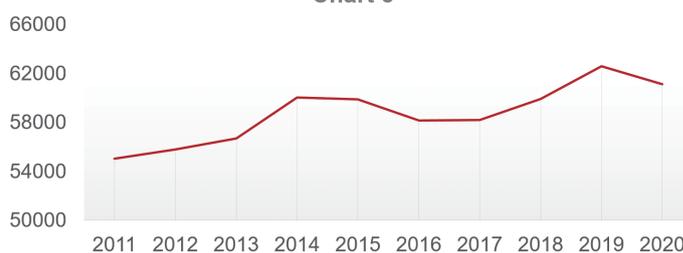


According to this data, we can understand that the decline of patent applications filed in Japan is due to changes in the IP strategies of large corporations. Ten years ago, companies filed more than 34,000 patent applications per year, but a significant portion of these applications were defensive applications, which were intended to prevent the establishment of rights of others by becoming publicly known literature when they were published. As a result, the rate of examination requests was relatively low at that time. In contrast, after the elapse of ten years, companies have carefully selected their in-house developed technologies and other innovations to apply for patents. Accordingly, although the number of patent applications filed in Japan is falling, once companies have acquired a patent, they tend to utilize it effectively. Therefore, these factors have made the Japanese patent market today even more sophisticated and more intelligent than it was ten years ago.

◆ Increase in Filing by Overseas Applicants

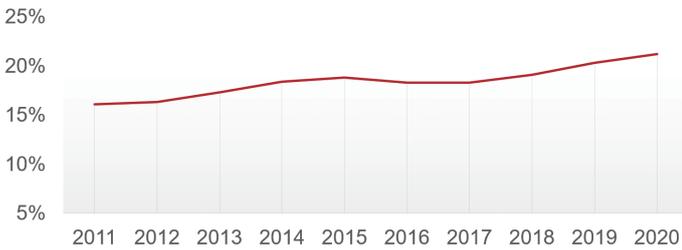
Moreover, what is more surprising about the figures is that even against the background of the decline in applications, the number of patent applications filed in Japan coming from overseas has increased considerably. As shown in Chart 3, the number of overseas filings increased at an average of 1,667 cases per year during the period from 2011 to 2014, and despite the increase slowing down in 2015 and 2016, the number increased again at an average of 2,204 cases per year during the period from 2017 to 2019. Furthermore, in 2020, despite the impact of the ongoing COVID-19 pandemic, there were 61,124 patent applications filed by overseas applicants in the year. That is, the filing from overseas has risen 11% from 2011.

Chart 3



Additionally, comparing the number of patent applications filed by overseas applicants to the total number of patent applications in each year, as shown in Chart 4, the percentage of overseas filings in 2020 was 21.2%, while the percentage in 2011 was a mere 16.1%. In other words, the number of patent applications filed by overseas applicants as a percentage of the total number of patent applications has seen a 5.1% rise over the past 10 years.

Chart 4



According to this data, there is no doubt that overseas companies are placing greater importance on filing patent applications in Japan in light of the expansion of their Japanese businesses.

◆ Fields of Focus for Overseas Applicants

Furthermore, according to the information on the top 20 applicants in 2020 by technical field for patent applications filed in Japan, in 24 out of 35 technical fields, overseas applicants were ranked in the top 20. In addition, referring to Chart 5 and Table 1, we can see that 8 out of the 24 ranked technical fields had a particularly high percentage of applications filed by overseas applicants. These 8 technical fields were: “D: Digital Communications (30%)”, “J: Biomaterials Analysis (31.6%)”, “K: Medical Equipment (31.6%)”, “L: Organic Chemistry, Agrochemicals (38.9%)”, “M: Biotechnology (45%)”, “N: Pharmaceuticals (29.4%)”, “S: Microstructures, Nanotechnology (60%)”, and “X: Other Consumer Goods (20%)”. This data shows us that overseas companies have strong interests in such technical fields, especially, the technological fields relevant to: “Microstructures, Nanotechnology”, “Biotechnology”, and “Organic Chemistry, Agrochemicals”.

Chart 5



Table 1

A	B	C	D	E
Electrical Equipment, Electrical Devices, Electrical Energy	Audio and Visual Technology	Telecommunications	Digital Communications	Basic Electrical Elements
F	G	H	I	J
Computer Technology	Business Methods	Semi-conductors	Optical Instruments	Biomaterials Analysis
K	L	M	N	O
Medical Equipment	Organic Chemistry, Agrochemicals	Biotechnology	Pharmaceuticals	Polymer Chemistry & Polymers
P	Q	R	S	T
Basic Materials Chemistry	Inorganic Materials, Metallurgy	Surface Finishing	Microstructures, Nanotechnology	Chemical Engineering
U	V	W	X	
Engines, Pumps, Turbines	Textile & Paper	Other Special Machinery	Other Consumer Goods	

Conclusion

Based on the analysis set forth above, we believe that the patent application trends of Japan will continue to show a sophisticated application filing style for some time to come. The Japanese patent market is a highly important and growing market, as well as a competitive market, for not only Japanese companies but also those based overseas. Accordingly, what should we do to take advantage of this market? I think that every reader already has their own answer to that question.

1 https://www.jpco.go.jp/e/resources/statistics/syutugan_toukei_sokuhu/index.html

Topics

Episode2 Software Patent Series -Subject Matter Eligibility in Japan



We have released a new episode of our Podcast channel "TMI Podcast - Intellectual Property in Japan." It is available on [Apple Podcast](#), [Google Podcasts](#), and [Spotify](#). This episode is part of the Software Patent Series which looks at things to be aware of when filing software-related patent applications in Japan. In the field of software patents, Subject Matter Eligibility can differ from country to country. In this episode, we talk about the requirements for Subject Matter Eligibility under the Japanese Patent Law. In particular, we go over the statutory definition of "invention," as well as the categories stipulated in the Examination Guidelines issued by the Japan Patent Office. Further, we explain some key points to keep in mind when drafting claims for software patents.

3. Examples of Design Registrations under the Revised Design Act in Japan -Part 3-:Interior Design



Miwa Hayashi
Patent Attorney
mhayashi@tmi.gr.jp



Koji Akanegakubo
Patent Attorney
kakanegakubo@tmi.gr.jp



Koji Miyake
Patent Attorney
kmiyake@tmi.gr.jp

Introduction

Almost two years have now passed since the revised Design Act (the “Revised Act”) came into effect, and many applications for subject matter newly protected by the Revised Act have been registered, such as GUI images, buildings and interior designs. Following the last issue, in this article we will continue to introduce some examples of design registrations under the Revised Act and will focus especially on interior designs.

Number of Applications and Registrations for Interior Designs

The Japan Patent Office (“JPO”) constantly updates the statistics on the number of design applications and registrations filed under the Revised Act and released the latest statistics on June 15, 2022 as follows:

Number of design applications	Number of design registrations
537	230

(Source: https://www.jpo.go.jp/system/design/gaiyo/seidogaiyo/document/isyou_kaisei_2019/shutsugan-jokyo.pdf)

Since October 1, 2021, the numbers of applications and registrations for interior designs have increased by about 200 and 100, respectively, indicating that interior designs continue to be applied for and registered under the Revised Act.

Expansion of Interior Designs Protectable by the Revised Design Act

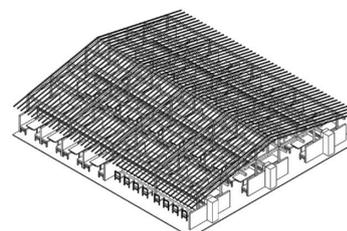
In the Revised Act, GUI images and buildings became protectable by redefining a protectable “design” under Article 2 (1) as “the shape, patterns, or colors, or any combination thereof, of an article... the shape, etc. of a building... or an image... which creates an aesthetic impression through the eye.” On the other hand, new protection for interior designs was provided by stipulating “A design for articles, buildings or graphic images that constitute equipment and decorations inside a store, office and other facilities (hereinafter referred to as “interior”) may be filed as one design and obtain a design registration if the interior creates a coordinated aesthetic impression as a whole” under Article 8-2. In other words, the Revised Act provides that interior designs are eligible for protection as a set of articles, buildings or graphic images, which is an exception to the “one application per design” rule.

Examples of Registrations for Interior Designs

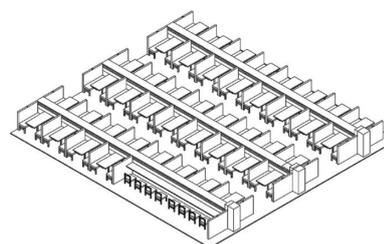
We would like to introduce some examples registered as interior designs as follows.

(1) JP1671153 for “Interior of a conveyor-belt sushi restaurant” by Kura Sushi, Inc

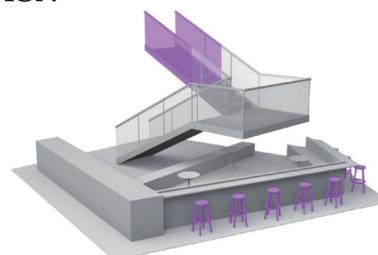
[Perspective view]



[Perspective view without the roof]



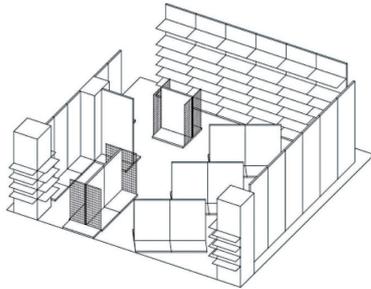
(2) JP1673700 for “Interior of an office” by OKAMURA CORPORATION



The portions of the design other than the portions colored in purple form part of claimed design.

(3) JP1684384 for “Interior of a retail store” by CAINZ CORPORATION

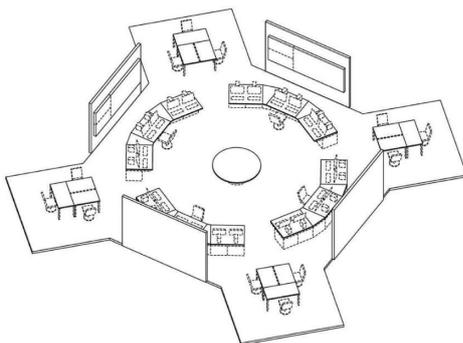
[Perspective view of part of the design]



[Reference photo corresponding to the perspective view]



(4) JP1677595 for “Interior of a control room of a plant” by Yokogawa Electric Corporation



Conclusion

As discussed above, various types of interior designs which include more than one article can now be registered. If creative interior designs can create brand value and increase the added value of the products or services provided together with the interiors, such interior designs have now become protectable under the Revised Act. In a subsequent issue, we will introduce examples of design registrations for buildings.

4. Discrepancy in “Hirudoid” Trademark Cases – Similarity of Combination Marks



Seiji Kurishita
Trademark Attorney
skurishita@tmi.gr.jp

1. Introduction

Last year, in each month from August to October, the Intellectual Property High Court (“IPHC”) rendered decisions regarding the similarity between combination marks featuring “Hirudoid” marks and HIRUDO-composite marks. In each of these three cases, the owner of the “Hirudoid” marks (“Plaintiff”), who had been using the mark for a blood circulation promotion agent and a skin-moisturizing agent, argued that the HIRUDO-composite marks should be invalidated due to their similarity to the “Hirudoid” marks. At the Japan Patent Office (“JPO”) Trial Board stage, the JPO decided that all of the HIRUDO-composite marks should be maintained since they were dissimilar to the “Hirudoid” marks. In the litigations against these JPO’s Trial Board decisions, the IPHC decided that the HIRUDO-composite marks should be maintained in two of the cases, but decided to the contrary in the other case. What caused this contradiction in the IPHC’s decisions? By analyzing these decisions, we would like to consider what kind of factors may affect the IPHC’s judgement on the similarity of combination marks.

2. Summary of Decisions

The three litigation cases were heard by different divisions of the IPHC. In 2021 (Gyo-Ke) 10031 (Case 1), the Fourth Division judged that the “Hirudoid” marks and the “HIRUDOSOFT” mark were dissimilar to each other, stating that the “HIRUDOSOFT” mark should be recognized in its entirety. In addition, the Fourth Division did not admit the Plaintiff’s argument about the “Actual Status of Transactions.” In 2021 (Gyo-Ke) 10029 (Case 2), the Second Division judged that the “Hirudoid” marks and the “HIRUDOMILD” mark were confusingly similar to each other, stating that the “HIRUDO” portion of the “HIRUDOMILD” mark should be recognized separately. The Second Division also admitted the Plaintiff’s argument about the “Actual Status of Transactions.” In 2021 (Gyo-Ke) 10032 (Case 3), the Third Division judged that the “HIRUDOID” marks and the “HIRUDOPREMIUM” mark were dissimilar to each other, while they stated that

the “HIRUDO” portion of the “HIRUDOMILD” mark should be recognized separately. The Third Division did not admit the Plaintiff’s argument about the “Actual Status of Transactions.”

3. Whether combination marks should be recognized in portions or in their entirety

According to the previous court decisions, in regard to a combination trademark which is considered a combination of different constituent parts, extracting part of the constituent parts of a trademark and using only such extracted part for comparison with another person’s trademark in order to determine the similarity of trademarks themselves should not be permitted unless said part is acknowledged to give a strong and dominant impression to traders and consumers as a source-identifying indicator of the goods or services, or unless the other parts cannot be acknowledged to generate any sound or concept as a source-identifying indicator. In Case 1, although the Fourth Division did not clearly refer to the above judging criterion, they found that the “HIRUDOSOFT” mark should be recognized in its entirety by saying that the “SOFT” portion was not necessarily weak in terms of distinctiveness and the “HIRUDO” portion and “SOFT” portion were inextricably combined. In Cases 2 and 3, both the Second Division and the Third Division referred to the above judging criterion and found that, since the “MILD” portion of the “HIRUDOMILD” mark and the “PREMIUM” portion of the “HIRUDOPREMIUM” mark were both very weak in terms of distinctiveness, the “HIRUDO” portion alone could be isolated as being predominant when analyzing the similarity between the marks.

4. Actual Status of Transactions

According to the previous court decisions, the term “Actual Status of Transactions” should refer to the general and consistent actual status of transactions adopted for the designated goods or services as a whole and not to special or temporary statuses. In Case 1, the Plaintiff argued, regarding the “Actual Status of Transactions,” that, since the Plaintiff’s products were the only products which had

the “Hirudo” portion at the beginning of their name from 2000 to now, and the “Hirudo” portion was therefore novel and unique, the “Hirudo” portion evoked the image of the Plaintiff’s products, and the “HIRUDOSOFT” mark which included such “Hirudo” portion should be judged to be similar to the “Hirudoid” mark. However, the Fourth Division did not admit such argument and instead stated that the “Actual Status of Transactions” should be the common and permanent facts regarding the designated goods and services, not the specific facts only regarding the Plaintiff’s goods. Likewise, in Case 3, although the Plaintiff argued, as the “Actual Status of Transactions,” that the owner of the “HIRUDOPREMIUM” mark appeared to be free-riding on the good-will of the Plaintiff’s brand, and that consumers who came into contact with the “HIRUDOPREMIUM” mark would have the impression that the “HIRUDOPREMIUM” products were related to the Plaintiff’s products, the Third Division did not accept such argument. In Case 2, however, as for the “Actual Status of Transactions,” the Second Division admitted that because of the high sales volume and share of the Plaintiff’s products, the relevant consumers would recognize the “Hirudo” portion as meaning “Hirudoid.”

5. Comments

In these three cases, the IPHC had markedly different views especially on the issues of: (i) whether the HIRUDO-composite marks should be recognized in portions or in their entirety; and (ii) whether the facts argued by the Plaintiff should be considered as the “Actual Status of Transactions.” As for point (i), it seems that the IPHC relied on the same standards as those established by the previous cases. However, the IPHC assessed the distinctiveness of the portions constituting the HIRUDO-composite marks differently and reached different conclusions. As for point (ii), the interpretation of the “Actual Status of Transactions” has been continuously discussed for a long period of time. After reviewing these cases, we have realized once again that, even in the IPHC, the divisions have different interpretations on what constitutes the “Actual Status of Transactions.” When arguing the “Actual Status of Transactions” at the IPHC, it is important to take this discrepancy into consideration.

	“Hirudoid” vs “HIRUDOSOFT” (Case 1)	“Hirudoid” vs “HIRUDOMILD” (Case 2)	“HIRUDO” vs “HIRUDOPREMIUM” (Case 3)
Case No.	2021 (Gyo-Ke) 10031	2021 (Gyo-Ke) 10029	2021 (Gyo-Ke) 10032
Date of Judgment	August 19, 2021	September 21, 2021	October 6, 2021
Plaintiff’s Mark(s)	Hirudoid (Reg. No. 0459931) “Pharmaceutical preparations” in Class 5 etc.	Hirudoid (Reg. No. 0459931) “Pharmaceutical preparations” in Class 5 etc.	HIRUDO (Reg. No. 6017881) “Cosmetics, etc.” in Class 3 etc.
Defendant’s Mark(s)	HIRUDOSOFT (Reg. No. 6178216) “Pharmaceutical preparations” in Class 5	HIRUDOMILD (Reg. No. 6178214) “Pharmaceutical preparations” in Class 5	ヒルドプレミアム (“HIRUDOPREMIUM” in Katakana) (Reg. No. 6088573) “Cosmetics” in Class 3
Similarity of Marks	Dissimilar	Similar	Dissimilar
Unity of Defendant’s Mark(s)	The “HIRUDOSOFT” mark should be recognized in its entirety	The “HIRUDO” portion should be recognized separately	The “HIRUDO” portion should be recognized separately
Actual Status of Transactions	“Actual Status of Transactions” refers to general and consistent actual status of transactions	“Actual Status of Transactions” refers to special or temporary ones	“Actual Status of Transactions” refers to general and consistent actual status of transactions

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

Organizational Structure

TMI, has a total of more than 1,000 employees worldwide, including over 600 IP/Legal professionals, comprised of 526 attorneys (Bengoshi), 89 patent/trademark attorneys (Benrishi), and 47 foreign law professionals.

Attorneys (Bengoshi)	526
Patent / Trademark Attorneys (Benrishi)	89
Foreign Law Counsels	7
Foreign Attorneys	40
Advisors	9
Management Officers	2
Patent Engineers, Staff	440
Total	1,113

(As of July 1, 2022)

Areas of Expertise

TMI's practice covers all aspects of IP, including patent/trademark prosecution, transactions (e.g., patent sales, acquisitions and licensing), litigation, invalidation trials, oppositions, due diligence activities and import suspension at Customs. TMI handles over 9,500 patent/trademark/design applications and over 20 IP lawsuits per year and TMI's patent team covers all technical fields, including electronics, computer software, telecommunications, semiconductors, chemicals, biotechnology, pharmaceuticals, and mechanical fields.

Electronics	31	Chemical	15
Mechanical	16	Bio, Pharma	6
Design	6	Trademark	21
overlap included			
IP Lawyers	80		

Awards

TMI, its attorneys, and its patent and trademark attorneys have been the proud recipients of prestigious awards every year. This year, TMI received again various awards, such as **Chambers Asia-Pacific - Band1/Intellectual Property**; **The Legal 500 Asia Pacific - Tier 1/Intellectual Property**; **WTR 1000 - Gold/enforcement and litigation, prosecution and strategy**; **IAM Patent 1000 - Gold/Patent Litigation, Prosecution, Transaction**; **Asia IP - Tier 1/Patents, Copyright/Trademarks**; and **Managing IP Asia-Pacific - Patent Prosecution, Trademark**.



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, Kyoto, Fukuoka, Shanghai, Beijing, Yangon, Singapore, Ho Chi Minh City, Hanoi, Phnom Penh, Silicon Valley, London, Bangkok