



# WINDS FROM JAPAN

The Licensing Executives Society Japan

## Looking back on the Train The Trainer Session in Tokyo

By **Toshihiko KANAYAMA\***

A three-day “Train the Trainer” (TTT) session by LES International was held during December 12 – 14, 2003 in Tokyo, hosted by LES Japan. In September 2002, the first “Train-The-Trainer” session, organized for training the trainers of the Professional Development Series, had been held in Brussels, with participants from LES Arab Countries, LES Benelux, LES France, LES Germany, LES Italy and LES Britain and Ireland. In the delegate meeting in Chicago, it was proposed that the next TTT session be held in Asia. In January 2003, the LES Japan Board Meeting basically approved the plan to hold a TTT session in Japan with participants to be invited from LES Societies in Asia.



Four instructors from LES International, namely, Mr. Willy Manfroy, Trustee of LES International, Mr. Alan Gordon, LES USA and Canada, Mr. Chris Goodman, Chair of LESI Education Committee, and Dr. David Braunstein, Co-Chair of LESI Education Committee, as well as 30 attendees from Asian Societies (5 from China, 3 from Korea, 3 from Malaysia, 3 from the Philippines, 5 from Singapore, one from India, one from Taiwan, and 9 from Japan) assembled at the NSC (NIPPON STEEL CORPORATION) Yoyogi Training Center in Tokyo, a spacious and comfortable training center located in the neighborhood of the quiet Meiji Shrine Woods close to Shinjuku.

The instruction work was shared by the instructors who led the session superbly. The session was held in middle-sized meeting rooms at the training center from 9:00 a.m. to 5:00 p.m. every day. During the session, participants were divided into eight small groups to have discussions followed by

presentations of their results, and such proceedings were felt to be very effective.

LESJ hosted an evening reception at the training center’s party room on December 12<sup>th</sup>, and LESI hosted an evening reception on the last day, December 14<sup>th</sup> at the Hilton Tokyo Hotel. Both parties were successful and highly enjoyable, and especially the latter developed into a kind of an alumni reunion atmosphere on the return bus from the Hilton to Shinjuku Station.

From January 2003 to the beginning of September 2003, even just after the deadline date for applying to participate in the TTT session, the number of attendees had been estimated to be less than 10 persons, namely, 6 from outside Japan and 3 or 4 from Japan. However, in the middle of September, it turned out that the estimated number of attendees from outside Japan was going to exceed 23. This happy miscalculation resulted in an unexpected high load of hard work on our organizing group. The four months from September to the beginning of December were really an arduous period for myself and all of our organizing group members.

Despite such difficulties, now that we have accomplished a very successful TTT session, which came and passed away quickly like a big typhoon, we can only look back on every incident with a pleasant and satisfactory feeling, and are thankful to LESI instructors, attendees and LESJ for providing us this most memorable opportunity.

We ardently hope the Professional Development Series will continue to expand and develop in the years to come, in Asia as well as the rest of the world.

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Chair of LESJ’s Education Project Committee

Patent Attorney, Partner of Haruka Patent & Trademark Attorneys

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# Cold Outside But Warm Inside

**By Suresan SACHI\***

As I landed at Narita Airport, the pilot announced that it was 6 degrees Celsius outside and I groaned audibly – “I hate the cold!” Low temperature was and is not my favorite weather and I looked forward to the warmth of a heated room.



This was my first time in Tokyo, to attend the LESI Train the Trainer Course, but I was not looking forward to the cold, having experienced winter in the Kansai region some years ago.

But what a warm reception we received when we arrived at the Yoyogi Training Center!

The 3-day training session of the TTT was eventful, illuminating, educational and even enjoyable, but the hospitality exhibited by our LES Japan counterparts was the most heart-warming.

The organization of the TTT was first-class and our every need, down to booking of train tickets for our return journey, was taken care of.

The first day proved to be a good introduction of the logistics and technical details as to what we would require to run the course in our home countries. Although most of us are experienced in running seminars and workshops in our home countries, the simple suggestions, such as the “Parking Lot” for difficult questions that need more time to be addressed; class-room layout; establishing forms; and marketing the course, were useful practical tips. These trainers have done this many times before and it soon became clear to us that they could run off the subject matter of the course quite easily at their finger-tips. The sharing of experiences by LES UK in running the US produced Basic Licensing Course was a useful tool in assisting us to decide how to structure our own course locally.

The next two days went by quickly. Day 2 was spent on Willy Manfroy running through the Intellectual Asset Management 102 modules and Day 3 with Alan Gordon and Chris Goodman actually conducting the 101 section of the course. This was interspersed with the students being given an opportunity to try a hand at playing tutor for some sections.

In retrospect, some of us felt that it might have been more fruitful if the tutors ran through the whole of the 101 and 102 modules in the first two days and then spent the last day on the technical details. This way, the students would have had a first hand experience of the running of the course and the summary could have been more focused. After all, the 102 section of the course is generally thought to be the most difficult to teach and it would have been a good experience for the students. A thought for future TTT sessions.

As a networking session the TTT proved to be most effective. Given the small class size – again, kudos to LES Japan for having the foresight to keep the class compact, there were ample opportunities for us to network and forge friendships. In the course of our discussions, the LES Chapters in South-east Asia, notably, Singapore, Malaysia and the Philippines, are already considering a regional Basic Licensing course in 2004-2005.

All in all, a very interesting and informative session, which has laid the foundation for us here in Singapore to build on our existing Licensing Course and improve upon it.

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and Research, SINGAPORE*

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## KIND JAPAN

**By Editha R. Hechanova\***

Five lessons I learned while attending the Training the Trainers workshop in Tokyo held from Dec. 11-14, 2003.

*Lesson #1: Never lose the map that your host gives you.*

Without the generosity of two persons, I probably would have arrived at the Yoyogi Training Center the



following day, and missed the first day’s morning session. First, was this pretty Japanese lady who shared her umbrella with me and helped me get a taxi when I got off the limousine bus at the Shinjuku station. Unfortunately, the taxi driver might have misunderstood me and brought me to another building two blocks away from the Yoyogi Training Center. Luckily for me, when the building elevator opened, out came a nice young gentleman whom I immediately asked for directions. He introduced

himself as Mr. Suda Takuya of a company called Artnature. He patiently listened to my tale of woe, and after consulting a book of maps, he offered to take me to the YTC. Two kind persons in one afternoon. I think I love Tokyo.

*Lesson #2. Never do the same thing for more than 10 minutes.* This is actually LES instructor Alan H. Gordon's rule and advise to would-be trainors, to keep the interest level of the participants high. I liked the wry humor of Chris Goodman, but I am not sure that I could deliver his green jokes with the same aplomb and sophistication or mimic the way he wiggles his hips. Or copy Willy Manfroy's act of hitching his pants to show his smooth knees, or his baiting banter. Or adopt Dave Braunstein's coiffure as a point of interest. Or give chocolates to the participants as Alan did. The message was, however, quite clear: do not be a big bore.

*Lesson #3. Never stay still for more than 10 minutes in the middle of Meiji Shrine Square.* Or you'll get a splattering of crow's leavings on your head. I would not have believed it could happen, but it happened to me, and I had to forego an exciting evening at Roppongi with friends Sun Ryung Kim of Korea and Audrey Yap of Singapore, and go back to YTC to shampoo my hair.

*Lesson #4. Men can be mother hens too.* I have to hand it to Toshihiro Kanayama, Vice President of LES Japan, and Chairman of its Education Projects Committee. From securing visa, welcome reception, soundman, tour guide, and even up to requesting confirmation from all participants that they all got safely back to their countries, Kanayama san and his male dominated committee, has shown that penchant for details and nurturing activities are not the exclusive domain of the fairer (?) sex.

*Lesson #5. A member gets from the LESI more than he pays.* I am a member of several international organizations and I just realized that it is only in the LESI where I get more than what I pay by way of membership fee. Take this train the trainors seminar for which no workshop fee was charged, and the evening receptions were hosted by LES Japan and the LESI. The LESI's program on education and the professional development of its members is truly commendable.

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## A Big Word of Thanks to LESJ Folks

**By Vincent Chong Vit Sian\***

I was pretty excited when I was informed that my request to participate in the Train the Trainers Course for the LES IAM course 101 to 103 hosted by LESJ was accepted. A seminar which I had attended in Tokyo, Japan, on Intellectual Property Laws, many years ago had left a lasting and deep impression on me. I was extremely captivated by the efficiency and organizational skills of my hosts as well as the friendliness and warmth Japanese welcome I received. I was looking forward to the same reception. Further, I was informed by my LES peers that the teachers for the Course are excellent and traveled from Europe and America to impart their knowledge to us. It was a chance that was not to be missed.

Having attended the Course for 3 days from Friday 12 December 2003 to Sunday 14 December 2003, my expectations were duly fulfilled and beyond. I believe that the Course was attended by nearly 30 participants and there was much interacting even on the very morning of the first day. The participants were from about 8 countries and friendships blossomed quickly. The cold air of winter which may be a rare phenomenon to most of us from the tropical climate was no deterrent. The participants

were made to feel comfortable by the 4 main teachers as soon as the Course started and there were frequent exchange of views and experiences between the participants and teachers. The Course was organized superbly by LESJ and the organizing committee who was always there if we need to reach for a helping hand. Of course, the reception hosted by LESJ on the first night of the Course helped tremendously to break the ice, and the reception by LESI on the last day of the Course went further to strengthen the camaraderie between all of us. But most of all, the Course has given all of us a better insight into how the IAM 101 to 103 can be better presented. Unfortunately, most of us had to leave Tokyo, Japan, on Monday 15 December 2003, but on the day we departed for home, we certainly took home more than we brought....the warmth of new found friendships and new found knowledge. Last but not least, a big word of thanks to our host LESJ, the organizing committee and the teachers from LESI. We look forward to seeing you all again and return your kindness. *Domo arigato gozaimasu.*

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# Hitachi Metal Employee Invention Case

## Judgment Came as No surprise, But Problems Left Unsolved

By Junichi YAMAZAKI\*

On August 29, 2003, the Tokyo District Court rendered a judgment ordering Hitachi Metal, Ltd., defendant, to pay ¥11,288,000 to its former employee as make-up remuneration for his three patented inventions. The court held that the compensation paid by the defendant by the time of plaintiff's retirement was short of the legally required "reasonable remuneration" by the amount awarded by the judgment. Plaintiff's original claim was for ¥89,749,000. Both parties have appealed to the Tokyo High Court.

This is one of the litigations for remuneration of employee inventions instituted by ex-employees one after another in these years relying on Article 35, paragraphs 3 and 4 of the Japanese Patent Law.

### 1. Facts

In the Hitachi Metal case, neither party contested that the plaintiff, defendant's former senior researcher, made three patented inventions in the field of Fe-R-N magnet materials; the defendant earned ¥123,248,637 royalty income by licensing these patents although defendant's own business of nitride magnet has never been profitable; and the defendant paid ¥1,037,000 to the plaintiff as the rewards for these patented inventions pursuant to its internal rules regarding employee inventions.

According to the defendant's allegation, it spent over ¥490 million for development of the nitride magnet business including costs of R&D, royalty to a third party and patent prosecution.

### 2. Article 35 as Interpreted by Courts

The statutes applicable to the dispute are Article 35, paragraph 3 of the Patent Law which states that an employee shall have the right to "reasonable remuneration" when he has assigned to his employer the invention which have been made as part of his job during his employment and paragraph 4 which provides that the amount of "the reasonable remuneration" shall be determined taking into account "the amount of benefits (or profits) the employer is to obtain from the invention" and "the degree of contribution by the employer to the invention."

The inferior courts have consistently interpreted these provisions that they are compulsory in nature and that, therefore, it is within courts' prerogative to determine the amount of "reasonable remuneration" even when the employee has been rewarded according to employer's internal rules, and that the statute of limitations runs only after the amount of reward under such rules has been fixed. The Supreme Court appears to have upheld such interpretation in its decision announced on April 22, 2003 by affirming the Tokyo High Court judgment in that vein on the Olympus case.

Along with such interpretation, the court of the Hitachi Metal case says that "the amount of benefits the employer is to obtain from the invention" means the benefits that the employer has obtained based on its exclusive right to exercise the patented inventions and, in the instant case, the total amount of royalty income of ¥123,248,637, and "the degree of contribution by the employer to the invention" was 90%. It follows that the remuneration the plaintiff is entitled to is:

$$\begin{aligned} & \text{Royalty income} \times (1 - 0.9) - \text{Rewards already paid} \\ & = ¥123,248,637 \times 0.1 - ¥1,037,000 \\ & = ¥11,288,000 \text{ (rounded up at } ¥1,000\text{s)} \end{aligned}$$

### 3. Problems Unsolved

Although this judgment came as no surprise in view of the former courts' decisions on similar cases, it is perceived as being far from convincing to many people.

There is no persuasive reasoning as to why the language of the statutes, "the benefits the employer is to obtain," should be construed to mean the income that the employer has earned, why the costs that employer has spent for exploitation of the invention should not be deducted from "the benefits (or profits)," why "the degree of employer's contribution" was 90%, rather than 95% or 85% or whatever different percentage, why the statute of limitations should start to run so late, etc, etc...

These issues have been constantly raised and debated in the employee invention remuneration litigations and few people believe that they have been settled by these courts' decisions even after Supreme Court's recent decision because they impose such uncertainty and unforeseeability upon employers and are felt unfair not only to employers but also to all other employees who have contributed to the business related to the patented inventions.

### 4. Pending Cases

The predicaments caused by Article 35 as interpreted by the courts are worsening because the number of disputes concerning remuneration for employee inventions, including unlitigated cases, have sharply increased in these years and the claimed amounts have jumped up as well.

At present, the pending cases include the lawsuits against Nichia for ¥20 billion, against Ajinomoto for ¥2 billion, against Shikishima Starch for ¥1.6 billion, against Hitachi for ¥970 million (The first instant court awarded ¥35 million, the highest ever amount, on November 29, 2002), against Canon for ¥1 billion and against Mitsubishi Electric for ¥200 million.

By the time this issue of the WINDS from Japan is published, the Tokyo District Court will have rendered its judgment on the high-profile Nichia case in which Dr. Nakamura claims ¥20 billion, approximately

US\$180 million, remuneration based on his blue LED invention. Regardless of how much the award will be, it will not settle but add more heat to the debate.

### 5. Efforts for New Legislation

Faced with strong criticism especially by industry against Article 35 of the Patent Law as interpreted by the courts, the Japanese government is now in the process of preparing amendments to the Patent Law regarding employee invention. This matter is being discussed in the Industrial Structure Council under the Ministry of Economy, Trade and Industry ("METI"). In response to the invitation for public comments by the Council, various views were expressed across the gamut

from entire abolishment to staunch defense of the provisions in question. The LES Japan has also stated its opinion in its letter of November 25, 2003 to the Council (See the following article, "IP News from Japan").

In view of the divergence of opinions, it is rather difficult to predict at this moment what the outcome of the debate will be.

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# IP News from Japan

By Shoichi OKUYAMA\*

## 1. JPO publishes a Draft Report on the Amendment of Employees' Inventions Provisions

On December 25, 2003, the Japan Patent Office published a report on the proposed amendment to the Patent Law provisions concerning employee inventions (Section 35 of the Patent Law), which the Subcommittee on the Patent System within the Industrial Structure Council of the Ministry of Economy, Trade and Industry (METI) drew up.

In response to a draft report published earlier in October, the LES Japan submitted in November an opinion letter stating an opposition against the basic tone of this report, and made several specific proposals.

According to the report, the basic structure of Section 35 of the Patent Law will remain the same. That is, an employee-inventor who makes an invention under his or her duty at a company has the right to obtain a patent with respect to that invention and the employer is entitled to have a nonexclusive license on the resulting patent, if or when granted. Employers can require their employees to assign the right to obtain a patent or a patent, but in return must provide such employee-inventors with due remuneration.

Under this basic scheme, the report proposes that the amount of remuneration can be, as a rule, determined under arrangements made between a company and its employees, and allows the employee-inventor the right to claim any or extra remuneration only if such amount is somehow found unreasonable in exceptional cases.

In order to determine what is reasonable, the report proposes to look at procedures used when making such arrangements: proper representation of employees in drafting corporate regulations concerning remuneration for employee-inventors under Section 35 and the existence of mechanisms for allowing an employee to object to the amount of remuneration the company management determines. The report notes that differing evaluations of what the remuneration should be in a given case alone cannot be the sole

criteria to deem such amount unreasonable under Section 35. According to the report, it may become necessary for company management to discuss the rules on inventor remuneration with labor unions, and this may add another layer of internal bureaucracy.

The Japan Patent Office is expected to introduce a bill before the Diet this year so as to amend Section 35 of the Patent Law along the lines discussed in this final report.

## 2. Tokyo District Court Considers Infringement of a US Patent

On October 16, 2003, a panel presided by Judge Mimura considered whether acts committed in the U.S. infringe a U.S. patent (No. 4,540,584). This action was brought before the Tokyo District Court against the patentee, who had notified the plaintiff's U.S. dealer of patent infringement the plaintiff's product allegedly causes, invoking the Japanese unfair competition prevention law.

The court found neither literal nor doctrine of equivalent infringement applying the U.S. patent law including the recent Festo Federal Supreme Court decision, and awarded the plaintiff damages and issued an injunctive order to prevent the defendant from sending notices from Japan to the plaintiff's U.S. dealer concerning alleged infringement on the U.S. patent.

This decision is a significant step forward to clarify the issue of international jurisdiction over foreign patent infringement before a Japanese court.

## 3. April 2004, an amendment to the Code of Civil Procedure Will Take Effect

As a part of on-going efforts toward the judicial reform in Japan, the current Code of Civil Procedure, which was newly enacted in 1999, was amended July 2003, and this amendment will take effect on April 1, 2004. Among a number of changes, the following may be important for intellectual property litigation.

Starting April 2004, all patent and utility model infringement lawsuits as well as circuit layout and computer program copyright cases can be brought before one of the two courts only: the Tokyo or Osaka District Court. All appeals in such infringement cases go to the Tokyo High Court only. No other High Court

will have jurisdiction over patent infringement cases. Further, an enlarged panel consisting of five judges at the Tokyo High Court can be formed (chief judges from each of the four IP divisions plus one judge actually handling the case), if necessary. This concentration of cases to a few specialized courts is applicable only to patent, utility model, circuit layout, and computer program copyright infringement case, and not to trademark, design or general copyright cases.

Also, a specialist may be appointed and called into the examination conducted by judges, and he or she may take part in examination of witnesses or settlement processes if the parties consent. This is to respond to an increasing number of specialized cases such as medical or construction malpractice lawsuits. Litigation plans are further encouraged to be set up by the court and parties for complicated cases.

#### **4. The Commission headed by Prime Minister Gives a Go-ahead for a Bill Introducing a New Law for Faster Patent Examination**

On December 17, 2003, the Headquarters for Intellectual Property Strategy approved a basic scheme for faster examination, but failed to authorize a new Intellectual Property High Court, which would become the 9th High Court in Japan.

Under the new scheme for faster examination, "no waiting time" is aimed at while it currently takes 24 months on average from the filing of a request for examination until the issuance of the first action.

However, realizing it would presumably require an increase of some 500 examiners, which seems unlikely to happen under the current fiscal conditions of the Japanese government. At least for the next fiscal year that starts April 2004, an increase of 126 examiners has been reportedly approved.

As for the IP High Court, the Headquarters could not reach a single conclusion and three options will probably be noted. The first option is to create the new IP High Court as an independent court. The second option is to have a *de facto* IP high court within the Tokyo High Court with its own staff and some limited independence from the rest of the Tokyo High Court without amending the current Court Act. The third option is to find the above-mentioned reform of the Code of Civil Procedure satisfactory for the substance of IP protection without any significant changes. At this moment, it is very difficult to foresee which option will be adopted, after undergoing further political negotiations. But the first option appears to face an upscale political battle in view of strong oppositions from the Supreme Court and the Ministry of Finance, which dislikes any expansion of bureaucratic functions at the time when nearly a half of the government budget is supported by the issuance of government bonds.

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## **Editors' Note**

This issue of "WINDS from Japan," (Issue #22) focuses on the "Train the Trainer" session sponsored by the LESI with the support of the LESJ. The session was held in December at Tokyo; the first LESI's educational event in Asia. We believe that the articles written by attendees witness the success of the session and their enthusiasm.

We also focus on the development of case law in Japan. A recent decision related to employee's invention which is still a hot issue in Japan would be of reference to readers of this newsletter. The IP News will provide our readers with more broad aspects of intellectual property development: legislative, administrative and judicial. As was indicated, the LES Japan has submitted to the JPO its comment regarding the revision of employees' Inventions Provisions.

If you are interested in reading back copies of our newsletter, please access the following web site; <http://www.lesj.org>

(K.O.)

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