



# WINDS FROM JAPAN

The Licensing Executives Society Japan

## Japan's National IP Policies for 2005

By **Jinzo FUJINO\***

On June 13, 2005, the Japanese government announced a policy statement called Intellectual Property Strategic Program 2005 (IPSP2005). The IPSP2005, while reviewing the implementation of programs launched in the previous year's IPSP, sets forth action plans for implementation in FY2005.

The IPSP scheme started in 2003. Since then, the Japanese government has issued an annual policy each year for the purpose of increasing the creation, protection and enforcement of intellectual property in Japan. Under the scheme, major reforms have been implemented in a wide variety of fields including the judicial systems and transformations of national universities. For example, as already reported in this newsletter, the Intellectual Property High Court was established as an exclusive appellate court for patent cases and started its operation in April 2005. Restrictive regulations affecting the national universities were significantly lifted. They are now allowed to license their own inventions to private companies.

This year, the IPSP2005 focuses on such items as: 1) Increased role and function of universities as a major source of inventions for commercialization; 2) Enhanced and strong protection of intellectual properties; 3) Effective countermeasures against foreign counterfeiting goods; 4) Utilization of intellectual property trust and harmonized international standardization efforts; 5) Support to small & venture companies; 6) Revitalization of local economy through IP-oriented policies; 7) Promotion of content business promotion; 8) Japan brand, and 9) Human education to foster IP experts.

The following is a discussion of some of the above items, which may be of interest to foreign practitioners.

### 1) Universities as a major source of inventions (Item 1)

Japanese universities are now free to obtain patents on and to license their own inventions. Many of them have their own intellectual property management offices and affiliated licensing offices. To make their roles and functions more effective and efficient, the IPSP2005 calls for governmental support in three areas: IP administration; Dispute resolution; and Licensing Guideline for inventions with public fund.

### 2) Steps for obtaining World Patents (Item 2)

In this area, the IPSP2005 sets two goals: the World Patent scheme and protection of technical information. Regarding the World Patent, the programs specify 3 procedural steps. First, a new system is being introduced for the operation in FY2005, under which the Japanese Patent Office (JPO) will apply to patent applications the same patentability standard as one adopted for examination in the US or EC. This system, called a "Next Generation Type Dossier Access System", is applicable to patent applications which have been filed at least in Japan, the US and the EC. Secondly, a system for collaboration on patent examination is under way in these nations. Under this system, it is hoped that overlaps of prior art searches would be eliminated. Search results and decisions in a first patent office will be applicable to the rest, i.e., second and third patent offices, thus minimizing labor and time spent on a single patent application in these nations. Thirdly, a decision by one of these patent offices to grant a patent will be automatically applied to the other offices.

### 3) Intellectual Property Trust (Item 4)

A statutory law was recently enacted to enable financing under the arrangement of a trust with intellectual property rights. Further to this legislation, the government has launched further plans to: a) apply the trust system to other types of rights including a "right to obtain a patent"; b) review statutory provisions on fidelity, thereby to allow a parent company as a trustee to utilize trusted intellectual property; and c) revise relevant provisions on damages, thereby allowing a trustee of a patent right to file a damages claim.

### 4) Promotion of Content Business (Item 7)

In this context, the IPSP2005 sets three specific targets which require official support by the central government. The first is the establishment of platforms including the refinement of portal site. With the establishment of such infrastructure, copyright clearance process will be simplified and distribution of contents will be enhanced. The second is the possible amendment of the copyright law. Amendment will need thorough discussion on such major issues as fair use, limitation of digital copyrights, contributory infringement, and balance between a patentee's interest and the public interest. The third target is the promotion of live entertainment which is one of the major components of contents business. As prerequisites,

the live entertainment industry has to be rationalized, introducing modernized contractual practice.

5) Promotion of Japanese Brands (Item 8)

This theme concerns four specific areas: 1) study on genuine food culture, 2) establishment of local and regional brands, 3) creation of attractive fashion, and 4) transmission of Japan-oriented message overseas.

Among other things, the last item is elaborated on in this issue as it might be of some interest for foreign practitioners. This item consists of two plans: 1) re-valuation of the charm and attractions of Japanese traditional meals, and 2) strategic delivery of Japan-related information overseas. Regarding the first plan, the IPSP2005 requires the respective responsible governmental departments to study the possibility of serving traditional Japanese meals at official dining banquets.

Regarding the second plan, a high-level ministerial meeting will be called for, in which discussion will be conducted concerning what contents shall be transmitted in what manner. A further discussion item will be the necessity of field surveys to evaluate the perception of Japan and the Japanese by foreign nations.

For readers' reference, some items contained in the IPSP2005 are repetitious and covered in the previous year's statement, i.e., IPSP2004, which is available in English. Readers who are interested should visit the web site of the Japanese government at:

[http://www.kantei.go.jp/foreign/policy/titeki/kettei/040527\\_e.html](http://www.kantei.go.jp/foreign/policy/titeki/kettei/040527_e.html)

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## 2005 Amendments to the Unfair Competition Prevention Act

By Kei KONISHI\*

The amendment to the Japanese Unfair Competition Prevention Act, which was passed in July 2005 and will become effective from November 1, 2005, enhances criminal penalties against counterfeiting other person's goods and infringement of trade secrets. In summary, the present amendment newly criminalizes: 1) using the indications of goods identical with or similar to other person's famous indications of goods; 2) Selling goods imitating the configuration of another person's goods; 3) using or disclosing trade secrets by malicious retired employees; 4) improper acquisition of trade secrets to use or disclose for the purpose of unfair competition; 5) using or disclosing trade secrets outside Japan, which has been managed in Japan; and 6) violating court's secrecy order outside Japan.

Current Unfair Competition Prevention Act (UCPA) became effective in 1993, introducing protection of trade secrets and some measures against counterfeiting other person's goods, and has been mainly providing civil relief against conducts such as theft of trade secrets and counterfeiting. However, under the circumstances of globalization of manufacturing and market especially in Asian region, Japanese companies have been confronting serious problem of piracy and copying of their goods as well as improper use and disclosure of their trade secrets outside Japan, thus highly calling for criminal relief against such kind of improper conducts.

First, regarding a countermeasure against copying and piracy of goods, monetary penalties and imprisonment will be available against: 1) using the indications of goods identical with or similar to other person's famous indications of goods, or selling, delivering, displaying for the purpose of selling or delivery, importing, exporting, or providing through electric telecommunication lines, the goods on which the famous indications of goods have been applied, without authorization (enumerated definition of

"unfair competition" in the UCPA Section 2 (1) (ii)); and 2) selling, delivering, displaying for the purpose of selling or delivery, or importing or exporting the goods imitating the configuration of another person's goods (excluding the goods of which three years have elapsed from the first selling date) (UCPA Section 2 (1) (iii)), while current UCPA only provides criminal penalties against acts such as using the indications of goods identical with or similar to those well-known among consumers as indications of goods of the other person, which requires proof of confusion with the goods or business of the other person (UCPA Section 2 (1) (i)).

These criminal penalties require subjective purpose of gaining a wrongful profit. The maximum amount of fine will be increased from JPY 3,000,000 up to JPY 5,000,000, and the maximum duration of imprisonment will be increased from three years up to five years. Furthermore, in order to secure early injunctive relief, the Customs Tariff Act will provide injunction at customs against suspected goods set forth in the UCPA Section 2 (1) (ii) and (iii) above. By virtue of new provisions to be introduced, companies will be capable of seeking for criminal relief against counterfeit goods and copying goods, even when no confusion exists between their products and counterfeiting goods, thereby their brand value being expected to be secured.

Second, regarding a protection of trade secrets, monetary penalties and imprisonment will be also available against several trade secret infringement outside Japan, namely the following persons will be punishable: 1) a person who has used or disclosed trade secret outside Japan, which was acquired by such act as theft, fraud, or assault (UCPA Section 21 (4)); and 2) retired board member or retired employee who has used or disclosed trade secret inside/outside Japan, which was shown by an owner of the trade secret, in case that they offered to disclose the trade secret or they were begged for use/disclosure thereof during their engagement (UCPA Section 21 (4)), while

current UCPA only provides criminal penalties for those who has used or disclosed trade secret inside Japan, which was acquired by his improper means such as theft, fraud, or assault.

These criminal penalties require subjective purpose of unfair competition, which includes both the purpose of gaining profit and the purpose of causing damage to competitors. Furthermore, companies will be accused of dual liability and be fined up to JPY 150 million, if the company has employed the criminal who committed the acts of acquiring trade secret by improper means to use or disclose thereof set forth in the UCPA Section 2 (1) (iv), (v), (ix) and (x), unless the company establishes the proof of due care. By virtue of new provisions to be introduced, companies will be capable of seeking for criminal relief against infringement of their trade secrets by their retired employees and foreign companies, so long as the trade

secrets at issue have been managed and kept secret inside Japan at the time of infringing act or at the time of showing the trade secrets by an owner thereof, thereby theft and unauthorized access of their trade secrets from overseas being expected to be prevented.

In practice, in light of these amendments to the UCPA, companies would be well advised to appropriately keep in secrecy their information that they seek to protect as trade secret, since their trade secret is protectable from unauthorized use or disclosure outside Japan under the jurisdiction of Japanese courts, so long as the trade secret is well managed to be kept secret within Japan.

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## AIPLA Meets LESJ in Tokyo

**By Yuzuru HAYASHI\***

This article summarizes the discussions held during the morning session on Friday April 15th, 2005, between members of the “IP Practice in Japan Committee” of the American Intellectual Property Law Association (AIPLA) and LES Japan (LESJ).

The morning session commenced with a presentation by Prof. Hiroo Iida, vice president of LESJ and the treasurer, who spoke on the subject: “A Shadow of Collaboration – Industries’ Royalty Payment to the Universities on the Co-owned Patents –”. Prof. Iida began by explaining how the Japanese academia has recently experienced major reforms in terms of intellectual property control, such as the establishment of intellectual property offices in universities, and the transformation of national universities into national university corporations. As a result, universities now have dedicated organizations for appropriate handling of their intellectual property, and national universities have acquired the capacity to be parties to an agreement, as well as the capacity to receive assignment of inventions from teachers, now employees of a national university corporation. Despite the reform, however, an issue that cannot easily be resolved by intellectual property offices in universities still remains, namely the license fee issue of co-owned patents between universities and businesses and industries.

Following the reform mentioned above, transfer of intellectual properties from universities to businesses are now increasingly being carried out pursuant to a joint research and development agreement, where the parties mutually agree on the ownership of an invention, and in many cases, such inventions eventually result in co-owned patents. Under such circumstances, since exploitation of patents is mainly carried out by businesses, universities often claim that they should be compensated for universities’ non exploitation. However, some large corporations are reluctant to pay the compensation to the universities. Prof. Iida characterizes such a situation as a

“shadow” cast on the collaboration between industry and academia.

Prof. Iida concluded that despite the fact that various solutions have been proposed, an acceptable solution of the issue unlikely to be found in the near future, due to various circumstances specific to both the industry and the academia.

The second subject for discussion was presented by Nanette S. Thomas, Esq., Senior IP Counsel of Becton, Dickinson and Company. Ms. Thomas spoke on the subject: “U.S. Universities Handling of Intellectual Property Created by Collaborative Activities with a Private Company.” She spoke on the various types of research that are common in the U.S., namely the “Sponsored Research”, the “Collaborative Sponsored Research”, and the “License and Sponsored Research”, giving example scenarios unique to each of the above types. She also gave a summary about the Bayh-Dole Act, applied to inventions produced under federal funding. In cases where this Act is applicable, universities are permitted to retain right, title and interest to inventions made under federally-funded programs, as long as they adhere to certain requirements, such as, among others, the requirement that (i) universities may not assign patents, (ii) universities must share licensing revenues with inventor(s) and use any surplus for education and research, (iii) universities must give priority to licensing to small businesses, and (iv) universities may grant exclusive licenses, but such licenses must relate to substantial manufacture in the U.S.

The presenter for the third subject: “The Role of Judicial Technical Officials and Technical Advisers of Intellectual Property for Patent Litigation – My experience in the Tokyo District Court – ” was Ms. Junko Sugimura, vice president of LESJ. Based on her experience in the Tokyo District Court as a judicial technical official, Ms. Sugimura first summarized the current situation with regard to the judicial technical officials in the district court and in the

Intellectual Property High Court, going into detail from time to time, referring to the number of cases involved, the officials' individual expertise and so on. She proceeded to explain the field that a judicial technical official covers, which includes employees' invention cases, such as the recent Dr. Nakamura's Blue LED case, and the contents of an "investigation report". Regarding the recently introduced "technical adviser system," she explained what type of people are listed – mainly university professors or researchers from national research bodies – and explained about their participation in actual cases, including pros and cons for the parties involved.

To conclude the morning session of this Joint Meeting, Joerg-Uwe Szipl, Esq., of Griffin & Szipl, P.C., spoke on the subject: "Research Tool Patents used in the Pharmaceutical field, including 'reach through royalty' and

'reach through rights.'" Mr. Szipl explained how reach-through claims lacking adequate disclosure fail to meet patentability requirements, and provided examples. Regarding reach-through royalties, he presented the well-known *Bayer vs. Housey* case. Mr. Szipl showed how narrow an exemption from patent infringement in the U.S. is interpreted, as shown by the *Madey vs. Duke* and the *Integra vs. Merck* cases. He concluded his presentation by stating that patentable research tool patents can be profitable through appropriate use and licensing.

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*\*Editor, WINDS from Japan*

*note) For a report of the afternoon session, please refer to the previous issue #26 of WINDS from Japan.*

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## Patentee Retains Injunctive Right Even After Granting 'Senyo' License

By Mitsuo KARIYA\*

On June 17, 2005, the Japanese Supreme Court rendered a new decision regarding the right of a patentee to request an injunction against patent infringement. In this decision, the Supreme Court confirmed that a patentee is entitled to request an injunction against patent infringement even when a 'Senyo' license (or exclusive license) under Section 77 of the Japanese Patent Law is granted (Supreme Court Case No. H16-997). The Supreme Court's decision is consistent with a 1963 decision made by the Yamaguchi District Court, and supports legal theories that Japanese patent practitioners have been relying upon for a long time.

The 'Senyo' license under Section 77 of the Japanese Patent Law is unique in comparison with usual exclusive licenses. In particular, a 'Senyo' licensee under Section 77 has the right to exclude others from making, using or selling the patented invention to the extent specified in the license contract (Section 77(2)). In other words, the 'Senyo' licensee under Section 77 has the same rights as the patentee and such a 'Senyo' licensee is therefore entitled to request an injunction against patent infringement (Section 100). If a patentee grants the 'Senyo' license under Section 77, even the patentee is not allowed to make, use or sell the patented invention to the extent that the patentee granted the 'Senyo' license.

In the present case, the Tokyo District Court held that a patentee has no right to request an injunction against patent infringement when a 'Senyo' license under Section 77 is granted. The District Court reasoned that injunctive relief under Section 100 is allowed in order to ensure the exclusive rights to the patented invention, and that it would not make sense to entitle a person to request an injunction if that person no longer has exclusive rights to the

invention, even if such the person is the patentee. Since the outcome of the District Court decision was not in accordance with the common understanding by a majority of practitioners, this case raised concerns among practitioners.

On appeal, the Tokyo High Court reversed the District Court's decision. The case then went up to the Supreme Court which upheld the decision by the Tokyo High Court. The reasoning provided by the Supreme Court was: 1) there is no basis in the wording of Section 100(1) to limit a claim for an injunction by a patentee who granted a 'Senyo' license under Section 77; 2) there is the actual interest for a patentee to prevent infringement in view of royalty income when the royalty income is determined based on the sales by the licensee; and 3) there is a need to allow a patentee to request an injunction because if patent infringement is permitted to continue unabated, the patentee will possibly sustain damage when the patentee starts to make, use or sell the patented invention after termination of the license.

In summary, the Supreme Court's decision clarifies that a patentee does not lose the right to request an injunction against patent infringement by granting a 'Senyo' license under Section 77, and affirms that a patentee can protect its own interest by requesting such an injunction for itself, regardless of the 'Senyo' licensee's interest in requesting an injunction.

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# 28<sup>th</sup> LES-Japan Summer Symposium in Miyazaki

By **Kazuaki OKIMOTO\***

LES-Japan held their 28<sup>th</sup> Summer Symposium on July 8 and 9, 2005, at the Miyazaki Phoenix Seagaia Resort located in Miyazaki City in Miyazaki Prefecture. About 120 members attended the meeting.

On the first day, the attendees visited Unkai Shuzo Company Limited, a local Shochu brewery company, and enjoyed tasting many kind of Shochu at Shusen-no-mori, located next to the Unkai Shuzo. Later, LES-Japan hosted a dinner party, which started with an opening statement by Mr. Kenichi Nakano, the president of LES-Japan, followed by a speech celebrating the symposium by Mr. Shigemitsu Tsumura, the mayor of Miyazaki city. We also received Mr. Willy Manfroy, the president of LES International, as a guest, with a congratulatory statement for the symposium. During the party, there was a lot of lively conversation.

On the second day, there were three lectures as follows:

1 "Financial view point of reasonable remuneration for employees' inventions" by Mr. Yasuyuki Ishii, a professor, Graduate School of Intellectual Property Studies of Tokyo University of Science

Mr. Ishii explained his proposed procedures for calculating an amount of reasonable remuneration by

verifying decisions of past cases asserted on the amount of the remuneration.

2 "Developments of Hall Elements and the status quo" by Dr. Ichiro Shibazaki, Fellow at R & D, Asahi Kasei Co., Ltd.

Dr. Shibazaki explained how he has developed Hall Elements together with interesting story of his own opinion on intellectual property rights for protecting new technology.

3 "Utilizing Failure" by Mr. Kenji Iino, the vice chairman of Association for the Study of Failure

Mr. Iino explained that utilizing a failure is an effective way to develop a more profitable system of manufacturing a product by introducing actual cases. The facts which led to the failure must be made known to all concerned, and be generalized to be used to predict another failure.

After each lecture, there was a substantial question and answer session.

We look forward to receiving you at the 29<sup>th</sup> Summer Symposium in Hokkaido in July 2006.

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## IP News from Japan

By **Shoichi OKUYAMA\***

### JPO Starts Accepting Internet Applications

On October 3, 2005, the Japan Patent Office (JPO) started the new Internet application system. Patent, utility model, trademark and design applications can now be filed over the Internet. Through the new system, the Patent Office accepts applications 24 hours a day 365 days a year except short maintenance periods. This is a new phase of the electronic filing system JPO started in December 1990 based on the ISDN and workstation technologies. Five years ago, the system became PC based. Currently, 97 % of all applications are filed through the electronic filing system.

### The Enlarged Panel of the IP High Court Finds a Software-related Patent Invalid

On September 30, 2005, the Enlarged Panel of the Intellectual Property High Court, which was established in April 2005, rendered the first decision in a high profiled case between a Japanese software house, Justsystem Corp., and Matsushita Electric Industrial Co., Ltd. This lawsuit has been touted as the "Ichitaro" case after the name of the popular Japanese word processor software which was involved in the case. In its decision of February 1, 2005, the Tokyo District Court found Matsushita's patent related to the use of "balloon icon" for the help function infringed and granted an injunctive order. Reversing this District

Court decision, the Enlarged Panel found the disputed patent invalid because of the lack of inventive step over the new piece of prior art Justsystem produced before the IP High Court.

Also, on October 3, 2005, the IP High Court announced that the Enlarged Panel will hear the third case, which concerns whether the unauthorized use of recycled printer ink cartridges constitutes the infringement of Canon Corp's related patents. In the first instance, the Tokyo District Court found no infringement because it concluded that Canon's patents had exhausted with respect to cartridges which the alleged infringer refilled with new ink. A decision of the Enlarged Panel is expected in the early part of the next year.

### Trends in Business Method Patenting in Japan

On September 5, 2005, JPO published a report on recent trends in patenting business-related inventions. The applications that have been assigned specific classes in the File Indices, a classification developed by JPO based on IPC, were analyzed from a variety of aspects. Fig. 1 below shows the number of filed patent applications that fall into such specific classes. The number of business-related applications has dropped close to one third in 2004 from the peak in 2000. Fig. 2 illustrates the fate of such applications. The percentage of grants among patent applications that received a decision of allowance or rejection in each year is indicated by the blue line (line

with triangles for B&W print out) and as low as 8% in 2004. The same percentage averaged among all technical fields was 50% in 2004. (Figs. 1 and 2 are quoted from the JPO website.)

Fig. 1

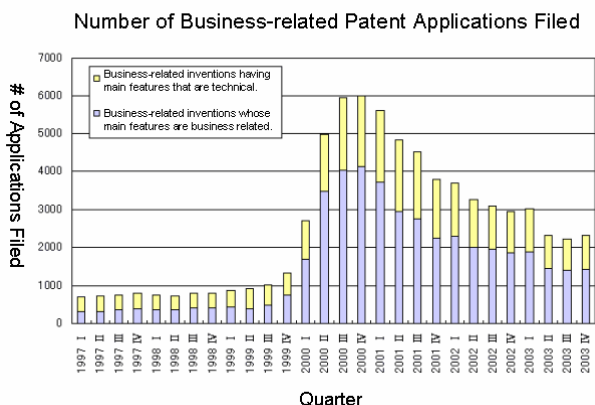
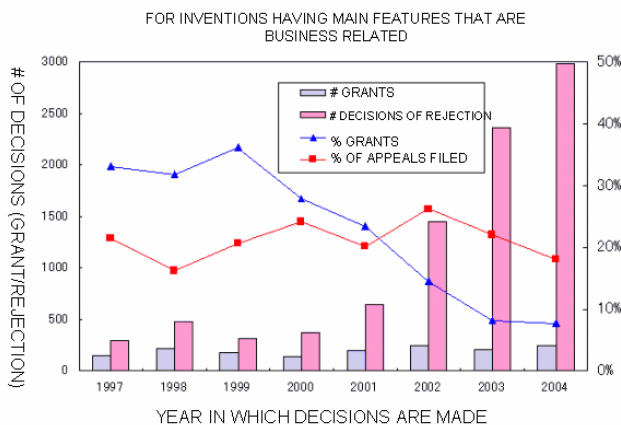


Fig. 2



### Statistics from JPO for 2004

On August 8, 2005, JPO published its annual report. According to this report, the number of patent applications filed in 2004 increased 2.4% to about 423,081 from the previous year after two years of consecutive decrease. Likewise, the number of PCT applications filed with JPO increased 16.1% to 19,805, indicating a strong trend for more applications filed abroad and the increasing popularity of the PCT system among Japanese applicants. Some limited statistics are available in English at:

[http://www.jpo.go.jp/shiryou\\_e/toukei\\_e/report\\_a\\_r\\_e.htm](http://www.jpo.go.jp/shiryou_e/toukei_e/report_a_r_e.htm)

### iTunes Finally Comes to Japan

On August 4, 2005, Apple Computer started its iTunes Music Store in Japan with about one million pieces of music at the cost of 150 yen a piece for 90% of music it sells or 200 yen for the rest. According to Apple, Japan is the 20th country to have their popular music distribution service, which is apparently an instant success in Japan as well.

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## Editors' Note

We have four new editors at Editorial Board Members for "Winds from Japan",

Ms. Kei Konishi of Miyoshi & Miyoshi,  
Mr. Robert Hollingshead of Morgan, Lewis & Bockius,  
Mr. Naoki Yoshida of Finnegan, Henderson, Farabow,  
Garrett & Dunner,

And Mr. Mitsuo Kariya of Lucent Technologies Japan.

We have put together a strong editing team and believe that forthcoming issues of "Winds from Japan" will be of great interest to readers. If you are interested in reading back issues of our newsletter, please use the following URL:

<http://www.lesj.org>

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