Japan IP Overview

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PROFILE

I. Overview of Intellectual Property (IP) Law and Court System

In Japan, intellectual property law is mainly comprised of ***(i) patent law, (ii) utility model law, (iii) design law, (iv) trademark law, (v) copyright law, and (vi) unfair competition prevention law***. The features of each law are summarized as follows:

	Patent Law	Utility Model Law	Design Law	Trademark Law	Copyright Law	Unfair Competition Prevention Law
Subject Matter of Protection	Invention	Device[1]	Design	Mark[2]	Work[3]	Unfair Competition
Registration	Required	Required	Required	Required	Not Required	Not Required
Substantive Examination before Registration	Required	Not Required	Required	Required	Not Required	N/A
Term of Protection	20 years from filing date	10 years from filing date	25 years from filing date	10 years from registration date[4]	70 years[5]	N/A
Competent Authority	Japan Patent Office (JPO[6])	JPO	JPO	JPO	Agency for Cultural Affairs (ACA[7])	Ministry of Economy, Trade and Industry (METI[8])

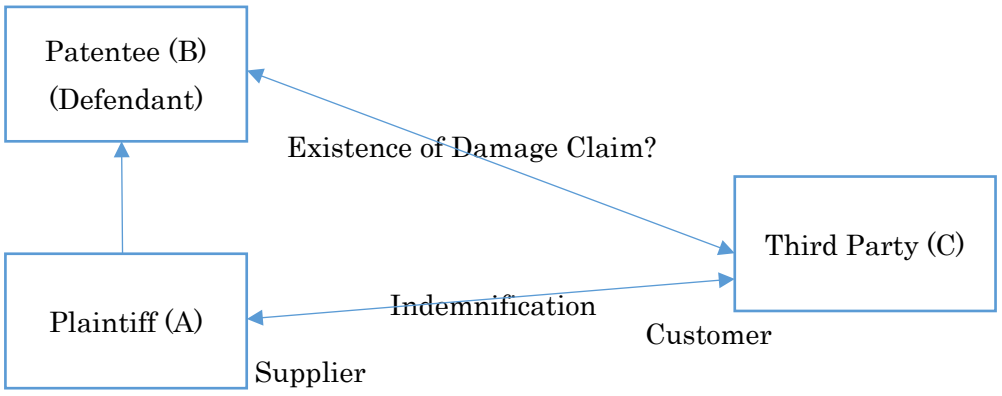
As to how the court system deals with IP cases, Japan adopts a quite sophisticated system with the establishment of specialized courts.
In the first instance, the ***Tokyo and Osaka district courts have exclusive jurisdiction over technology-related cases*** (i.e. cases involving patents, utility models, computer program works, layout-design of semiconductor integrated circuits, etc.). In addition, the Tokyo and Osaka district courts may have jurisdiction over non-technology related IP cases if plaintiff chooses to use the Tokyo and Osaka district courts.
In the second instance, the ***Intellectual Property High Court[9] in Tokyo has exclusive jurisdiction over (i) technology-related cases and (ii) cases of appeal against the JPO's decisions***.

II. Recent Significant Court Decisions in Japan

1. Supreme Court Decisions

1-1 *Supreme Court Decision on September 7, 2020[10] – "Case or Controversy" Issue*

As to the issue of case or controversy necessary to justify substantive review by the courts, the Supreme Court rendered a significant decision on September 7, 2020.
To simplify the case, Plaintiff A sued Defendant B before the court to seek a declaratory judgment to find that Third Party C is not liable for a damage claim against patentee Defendant B. One of the reasons why Plaintiff A filed such suit is that Plaintiff A may incur damage arising out of indemnification made from Plaintiff A (Supplier) to Third Party C (Customer).



The Supreme Court held that ***this lawsuit shall be dismissed because of lack of legitimate interests to seek a declaratory judgement.*** The Supreme Court pointed out that (i) the declaratory judgement sought by Plaintiff A, if made, is not a binding legal relationship by and between patentee Defendant B and Third Party C (i.e. Patentee Defendant B is not restricted from seeking a damage claim against Third Party C), and (ii) there is uncertainty whether Plaintiff A would incur damage arising out of indemnification.

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[1] Technical ideas regarding the shape or structure of an article or the combination of articles.
[2] Character, figure, sign or three-dimensional shape or color, or any combination thereof; sounds.
[3] Creatively produced expression of thoughts or sentiments.
[4] Renewable for 10 year terms.
[5] Starting date of protection varies depending on the category of work.
[6] https://www.jpo.go.jp/e/index.html
[7] https://www.bunka.go.jp/english/
[8] https://www.meti.go.jp/english/index.html
[9] https://www.ip.courts.go.jp/eng/index.html
[10] https://www.courts.go.jp/app/files/hanrei_jp/686/089686_hanrei.pdf

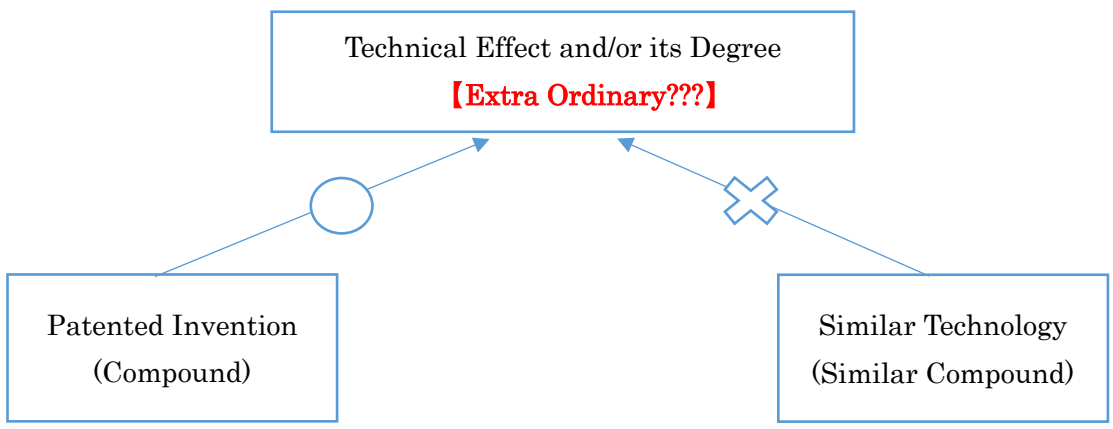
1-2 ***Supreme Court Decision on August 27, 2019[11]-"Inventive Step" Issue***

The Supreme Court rendered its decision[12] on the legal standard to review the so-called extra ordinary technical effect of invention in reviewing the inventive step. In summary, the Supreme Court found as follows.

<1> Even if the patented invention is readily conceived by a person ordinarily skilled in the art, such patented invention has an inventive step if its technical effect and/or its degree is unexpected at the time of the filing date (or, if applicable, the priority date).

<2> In reviewing the issue of whether something is "extra ordinary," the court shall review whether the technical effect and/or its degree is unexpected ***in light of the structure/composition of the patented invention itself***, but not the structure/composition of similar technology which is different from the patented invention.

By finding the above standard, the Supreme Court vacated the IP High Court decision which reviewed the extra ordinary issue by considering only similar technology.



2. IP High Court Decision-"Damage Compensation" Issue

In Japan, the IP High Court renders so-called "Grand Panel Decisions" by which a panel of five judges[13] review and render decision involving important legal issues[14].

Recently, the IP High Court rendered two Grand Panel Decisions on the issue of damage compensation. In summary, it can be said that such decisions were in favor of patentees seeking high amounts of damage compensation based on Article 102 of the patent law.

Under Article 102 of the patent law, the patentee can choose three ways to calculate the amount of damage as follows:

Article 102(1)	Number of Sales of Infringing Products × Profit per Patentee's Product
Article 102(2)	Infringer's Profit
Article 102(3)	Reasonable Royalty

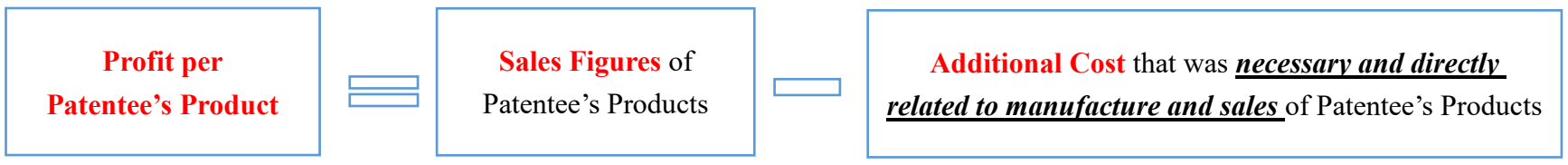
2-1 ***IP High Court Decision on February 28, 2020[15]-"Article 102(1)"***

As to the interpretation of Article 102(1), the IP High Court provided the following legal standard:

[Article 102(1)] Number of Sales of Infringing Products × Profit per Patentee's Product

<1> The Patentee is entitled to seek damage under Article 102(1) as long as ***it sells its products which are competitive with the infringing products*** event if it does not practice such patent by itself.

<2> Profit per Patentee's Product is calculated as follows:



<3> As interpretation of "Profit per Patentee's Product", ***all amounts of profit per patentee's profit is presumed to be lost profit*** which should be compensated ***even if the featured part of the patented invention is only a part of the infringing product. The infringer may rebut such presumption.***

<4> Although the Patentee is required to show its ability to manufacture and sell its products which are competitive with the infringing products, ***such ability only needs to be a potential ability***[16].

[11] https://www.courts.go.jp/app/files/hanrei_jp/888/088888_hanrei.pdf
[12] This case relates to the patent covering medical use of a certain compound.
[13] In normal cases, a panel is comprised of three judges.
[14] https://www.ip.courts.go.jp/eng/vc-files/eng/file/08_6syo.pdf
[15] https://www.ip.courts.go.jp/eng/vc-files/eng/file/08_6syo.pdf
[16] Such ability is found by the court as long as the patentee shows its ability to manufacture through its subcontractors.

<5> ***Infringers shall have the burden of proof to rebut the presumption*** by proving certain factors including the following:

<1> Presence of a difference in the business forms, prices, etc., between the patentee and the infringer (non-identicality of the market);
<2> Presence of competitive products in the market;
<3> Sales efforts (brand strength, advertisement) of the infringer; and
<4> Presence of differences in performances of the infringing product and the product of the patentee (features other than the patented invention such as functions, designs, etc.).

2-2 ***IP High Court Decision on June 7, 2019[17]-"Article 102(2) & (3)"***

As to interpretation of Article 102(2) & (3), the IP High Court provided the following legal standard:

[Article 102(2)] Infringer's Profit

<1> In applying Article 102(2), the ***total amount of infringer's profit is presumed*** as "Infringer's Profit" that should be compensated.

<2> Amount of Profit is calculated as follows:

Amount of Profit = **Sales Figures** of Infringing Products − **Additional Cost** that was ***necessary and directly related to manufacture and sales*** of infringing products

<3> The Infringer shall have the burden of proof to rebut the presumption by proving the following factors, etc.:

<1> Difference between patentee's business and infringer's business (non-identicality of the market);
<2> Presence of competing products in the market;
<3> Marketing efforts of infringer (branding, advertisement); and
<4> Performance of infringing products (features other than patent invention including function and design)

[Article 102(3)] Reasonable Royalty

<1> Amount of damage (on a reasonable royalty basis) is calculated as follows:

Amount of Damage = **Sales Figures** of Infringing Products × **Royalty Rate** to be paid for practicing the patented invention

<2> In determining royalty rate, the court should consider various factors including the following factors depending upon the nature and circumstance of each case:

<1> Royalty rate set in the actual license agreement for the patent, or if indefinite, an average royalty rate in the industry;
<2>the value of the patent; i.e., the technical content or significance of the patented invention, and substitutability with alternative technology;
<3> contributions of the patent to sales and profits and the manner of infringement; and
<4>a competitive relationship between the patentee and infringer as well as the business policy of the patentee.

III. Recent Legislative Movement (Revision of IP Law)

Recently, there were significant revisions of patent law and design law in Japan. A summary of such revision is as follows:

1 Revision of Patent Law

In 2020, patent law was revised[18] to introduce a ***new investigation system to collect the evidence in patent infringement litigation ("Investigation System")[19]***. In Japan, there were problems for the patentee to collect evidence which the accused infringer holds. In particular, with regard to process patents which are practiced by the accused infringer in its factory, it was quite difficult for a patentee to prove the fact that the accused infringer infringed such process patent. Considering such difficulty, under the Investigation System, the patentee may seek the court to issue an order to appoint an investigator to investigate the collection of evidence if the following requirements are satisfied.

<1> There is a necessity for investigation of evidence which the accused infringer holds;
<2> There is a reasonable ground to suspect that the accused infringer infringes the patent;
<3> There is no way to collect such evidence other than by investigation; and
<4> There is no balance of hardship considering the time required for collection of evidence and burden for the parties.

Such Investigation System was initiated from October 1, 2020.

[17] https://www.ip.courts.go.jp/eng/vc-files/eng/file/h30ne10063.pdf
[18] Article 105-2-1～Article 105-2-10 of Patent Law.
[19] https://www.courts.go.jp/tokyo/saiban/vcmsFolder_1512/vcms_1512.html

2 Revision of Design Law

In Japan, design law was significantly revised and became effective from April 1, 2020[20].

Below are the main features of the revised design law.

2-1 Expansion of Scope of Protection under Design Law

Importantly, under the revised law, (1) ***Design for Graphic User Interface (GUI)***, and (2) ***Design for Buildings and Interiors*** can be protected under design law. JPO announced the first registration of (1) Graphic Design[21] and (2) Design for Buildings and Interiors[22] in November 2020.

2-2 Improvement/Enhancement of Related Design System

Design law in Japan adopts a "related design system" which allows a registration to be granted for a design if the applicant files the application within a certain period of time, even if the design is similar to the one the applicant has already filed an application for.

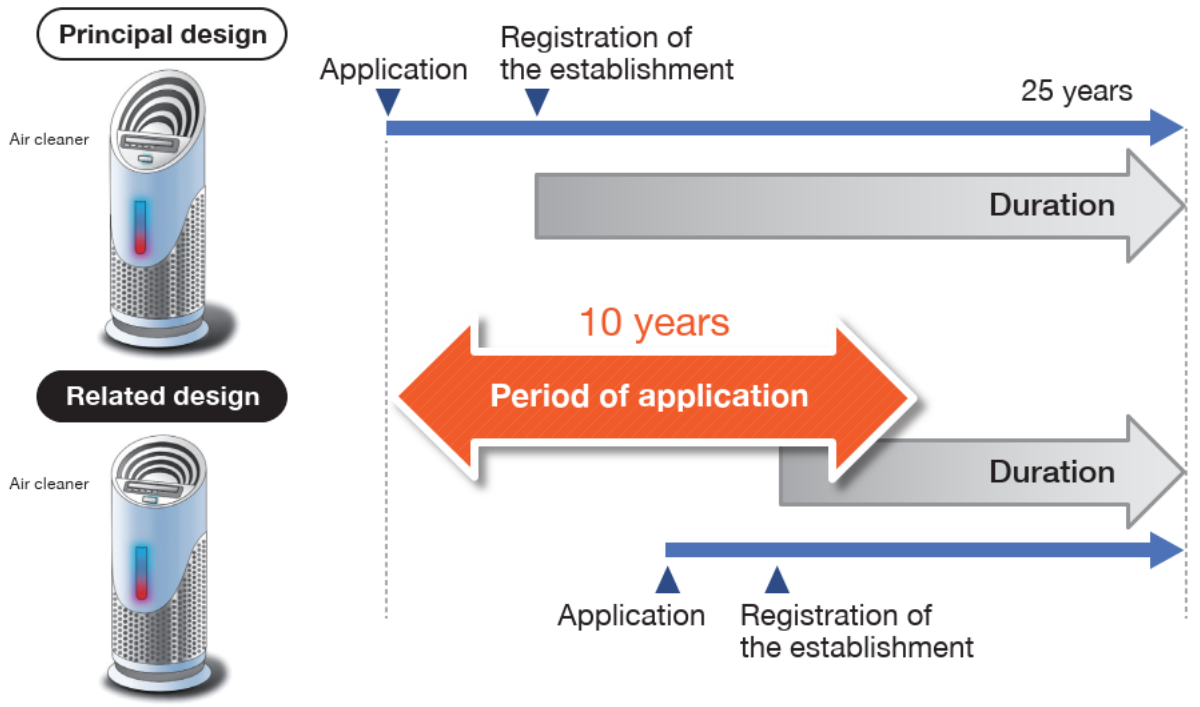
Under the revised law, an ***application for related design can be made before the date which has elapsed 10 years from the application of the principal design***. In addition, an ***application of design which is related only to a related design can be made.***

For the details, see the below explanation made by the JPO

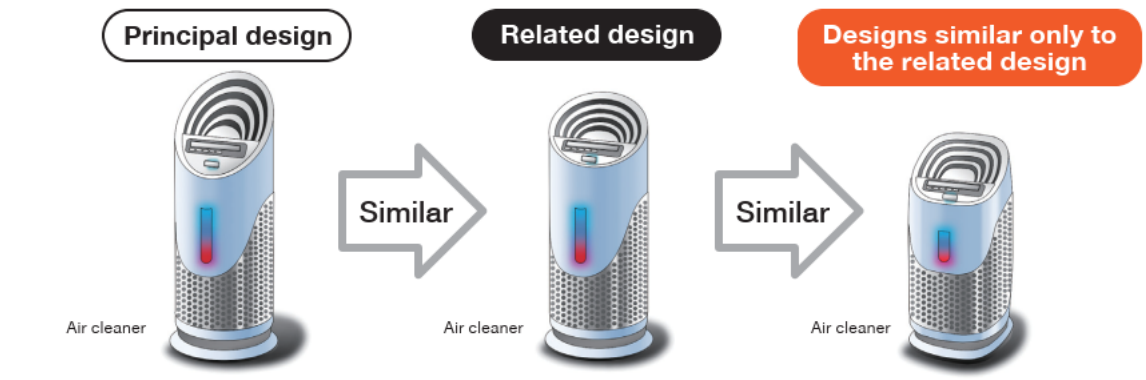
https://www.jpo.go.jp/e/resources/report/sonota-info/document/pamphlet/isho_kaisei_en.pdf.

■ The period of application for a related design will be changed to "before the date which has elapsed 10 years from the application of the principal design."

(The expiration date of the design right for the related design will be "the date which has elapsed 25 years from the application date of the principal design.")



■ Registration will also be allowed for the "designs similar only to the related design."



*Each image has been created for explanation purposes. In order for a registration to be granted for a design, the requirements for the registration (such as novelty, creativity and the like) set force in the Design Act have to be satisfied.

[20] See, JPO's brochure at https://www.jpo.go.jp/e/resources/report/sonota-info/document/pamphlet/isho_kaisei_en.pdf
[21] https://www.meti.go.jp/press/2020/11/20201109002/20201109002.html
[22] https://www.meti.go.jp/press/2020/11/20201102003/20201102003.html