

Keeping Current in International Patent Practice – JAPAN



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Mami Hino

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Overview

1. Patent Rights in Japan (Mami Hino)
2. Amendments to the Provisions
Governing License Recordation (Mami
Hino)
3. Exhaustion doctrine in Japan;
in the light of the Supreme Court Decision
(Shimako Kato)



1. Patent Rights in Japan

Patent Application

- Foreigner usually file a Japanese patent application in one of the following ways:
 - **[Paris Convention Route]** To file a patent application in a 1st country, and then file a JP patent application claiming priority within 1 year from then (**Foreign language application is available although a Japanese translation has to be filed in 14 months from the filing date**).
 - **[PCT Route]** To file a PCT application designating JP and enter into national stage within 30 months from the international filing date (**A JP translation can be filed within 2 months**).
 - **[Paris + PCT]** To file a patent application in a 1st country, and then file a PCT application designating Japan claiming priority and enter into national stage within 30 months from the priority date (**A JP translation can be filed within 2 months**).

How to acquire patent right

- **Request for examination** has to be filed within 3 years from filing date otherwise the application will be automatically withdrawn.
- Though depending on the technical fields, in average, it takes approx. 2 years from filing the request to the start of examination.
 - You can check on the JPO website approximately when the examination starts by the application number .
 - Upon request, **expedited examination** is available for a patent application in case it has corresponding foreign application(s). It takes less than 3 months from start to a first Office action.

How to acquire patent right

- First Office action is usually a 1st “**Notice of Reasons for Rejection**”: for example
 - lack of industrial applicability (treating method is not patentable)
 - lack of novelty (6 month grace period as to certain disclosures),
 - lack of inventive step,
 - double patenting,
 - lack of enablement,
 - lack of support, and/or clarity
- Applicant can file Response and/or Amendment.
- **Final Rejection** if the reasons for rejection were maintained.
 - Applicant has to amend the claims and/or file a notice of appeal. Allowable amendment is very limited.
 - No Continuation or RCE. Applicant can file a divisional application.

Patent Rights

- Patentee can exclude others from practicing claimed invention. “Practicing” means
 - To make, use, transfer, export etc. the claimed product
 - To use claimed method
 - If a manufacturing method is claimed, to make, use, transfer etc. of a product manufactured by the method.
- Patent right expires after 20 yrs from the filing date (extendable for period necessary for drug approval).
- However, once a patentee places claimed product into a market, he cannot prevent others from using or selling the product. ⇒ **Exhaustion**
- If a patentee grant a **license**, he cannot prevent the licensee from practicing claimed invention.



2. Amendments to the Provisions Governing License Recordation

Provisions Governing License Recordation

- Among the amendments made by the Patent Law Amendment 2008, the amendment regarding license recordation will become effective sometime before April 18, 2009 (not yet determined).

Provisions Governing License Recordation

Current Provisions

- License Recordation gives notice to public and protection for licensees.
- BUT... in reality, most of the licenses to Japanese patents have not been recorded.
WHY???



Provisions Governing License Recordation

Current Provisions

- Patent Law recognizes 2 kinds of licenses to a patent:
 - (1) **senyo exclusive license**
 - (2) **regular license**

Provisions Governing License Recordation

Current Provisions

Senyo Exclusive License

- Recordation with the JPO is prerequisite.
- *Senyo* exclusive licensee can grant a sublicense.
- Patentee himself cannot practice the scope covered by the *Senyo* exclusive license.
- *Senyo* exclusive license is almost as strong as the patent; a licensee is entitled to
 - injunction, and
 - seeking damages.

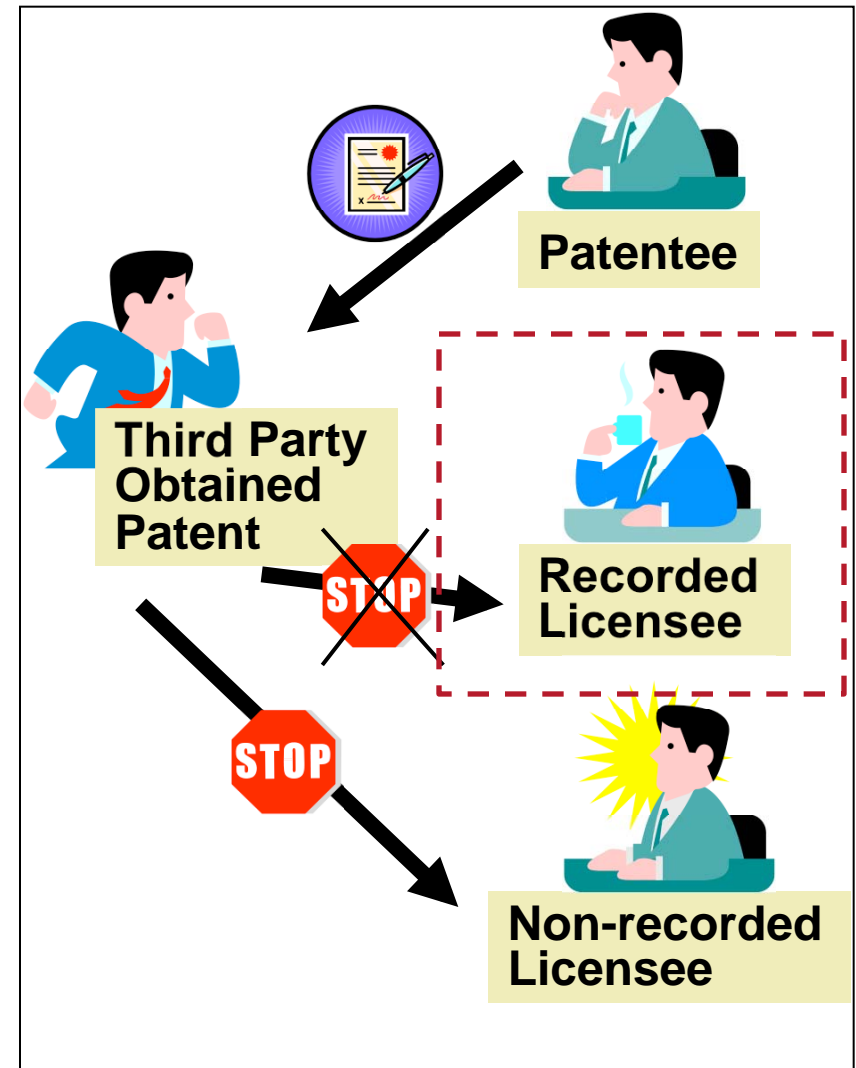


Provisions Governing License Recordation

Current Provisions

Recorded License

- If recorded, a regular licensee is protected
 - licensee can maintain its status after transfer of the patent, and
 - licensee can maintain the license even after the patentee goes bankrupt.
- *Senyo exclusive license* has the same effects.



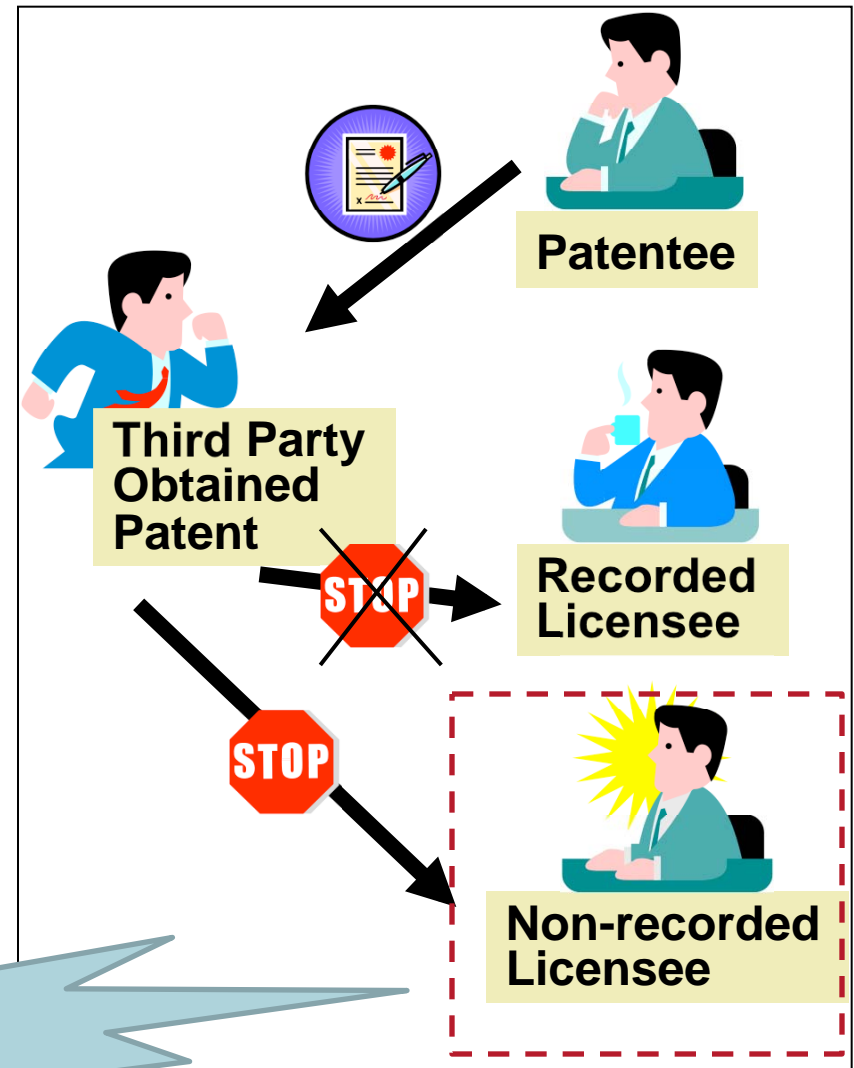
Provisions Governing License Recordation

Current Provisions

Non-recorded License

- Since it is not recorded,
 - licensee CANNOT maintain its status after transfer of the patent, and
 - licensee CANNOT maintain the license even after the patentee goes bankrupt.

Risks that agreements cannot remove



Provisions Governing License Recordation

Current Provisions

Problem 1

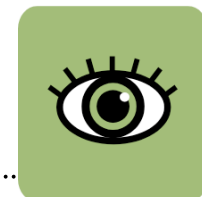
- Recordation is NOT available with regard to a patent application although a “license” could be granted even before a patent is recorded.
 - No protections against transfer of the patent application and applicant’s bankruptcy !
 - No *senyo*-exclusive license for a patent application!

Provisions Governing License Recordation

Current Provisions

Problem 2

- Although recordation gives powers to a license ... , sometimes you do not want to record a license since anybody can see information on license!
 - subject patent no., licensor name, licensee name, scope of license, license fee...



Provisions Governing License Recordation

New Provisions

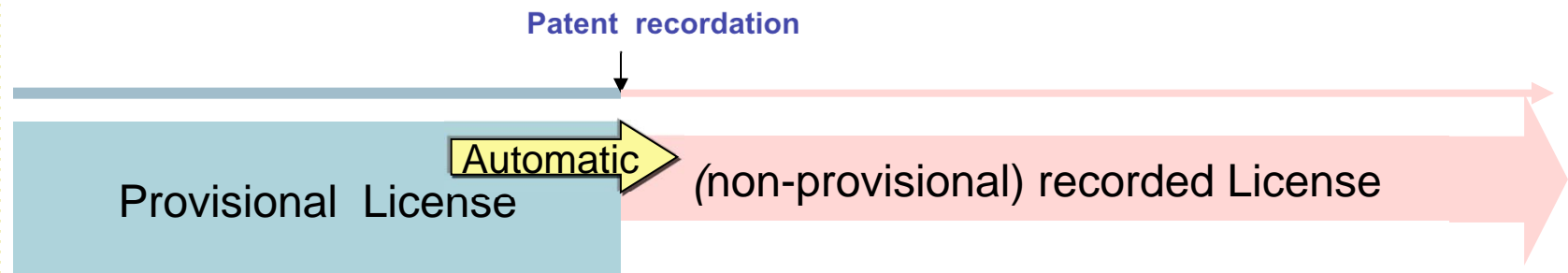
will solve Problem 1!

- Recordation is available for a license to a patent application before a patent is recorded.
 - (1) provisional *senyo* exclusive license
 - (2) provisional regular license
- If recorded, a licensee is protected even before a patent is recorded:
 - licensee can maintain its status after transfer of the patent application, or even after the applicant goes bankrupt.

Provisions Governing License Recordation

New Provisions

Provisional *Senyo* Exclusive or Regular License



- Provisional license can cover any invention disclosed in the original specification.
- When a patent application is allowed and recorded as a patent, the provisional license is automatically converted to a (non-provisional) recorded license.

Provisions Governing License Recordation

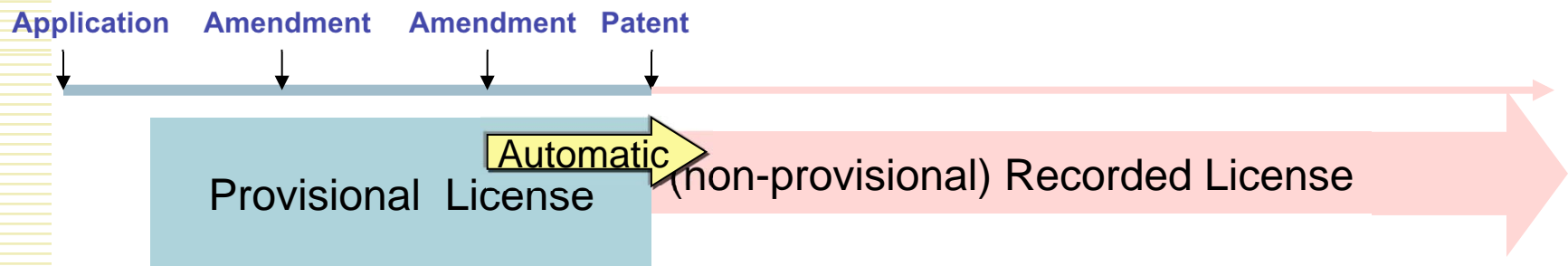
New Provisions

- If there is recorded provisional license, the applicant needs a **licensee's consent** in order to withdraw the subject patent application. “Withdrawal” includes the following actions:
 - Filing another Japanese patent application claiming priority from the subject patent application
 - Converting the patent application to a utility model application or design patent application

Provisions Governing License Recordation

New Provisions

What if the application is amended ?

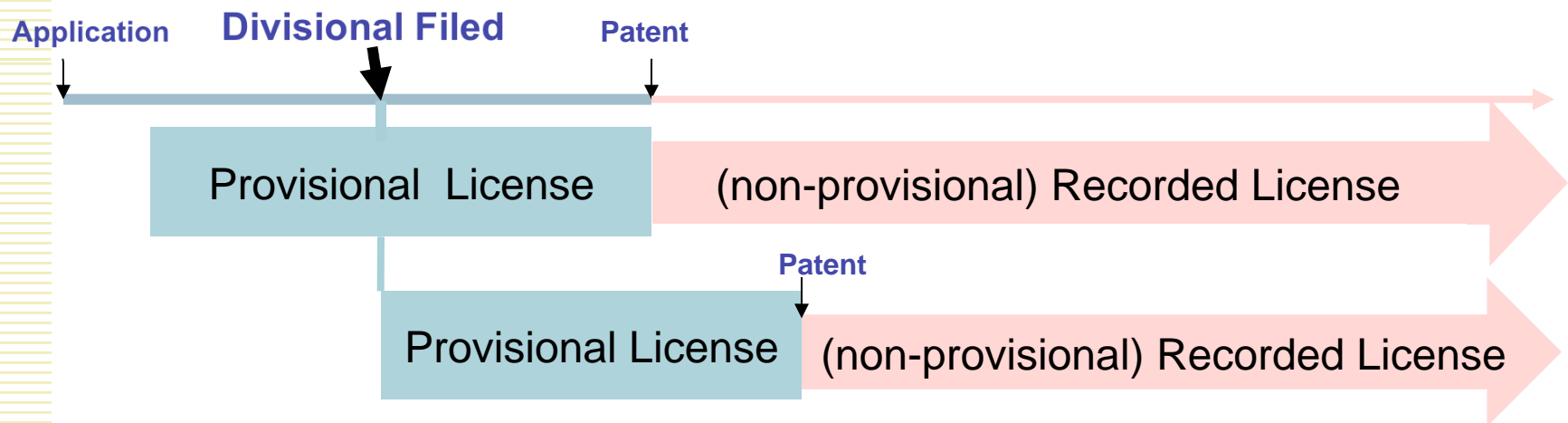


- Even if the application is amended, the provisional license is effective as agreed and recorded within the scope of the original specification.

Provisions Governing License Recordation

New Provisions

What if a divisional is filed ?



- Unless stipulated otherwise, it is regarded that a provisional license having the same scope as that for the parent application is granted to and recorded as to the divisional application.

Provisions Governing License Recordation

New Provisions

will solve Problem 2!

Restriction on Disclosure

- With regard to recorded non-exclusive license
 - Subject patent no. and licensor name will be disclosed to anybody as they are under current provisions.
 - Licensee name and scope of license will be disclosed only to **a person who has an interest in the license**.
 - Amount of and how to pay the license fee will not be recorded.

Provisions Governing License Recordation

New Provisions

Restriction on Disclosure

- A person who has an interest in the license includes:
 - licensor,
 - licensee,
 - new patent owner,
 - bankruptcy administrator
- A person who is **planning to** buy or obtain license to the patent is **NOT** a person who has an interest.



Provisions Governing License Recordation

Additional New Practice

Recordation of Sublicensee will become easier.

- [Current] Agreement between patentee and sublicensee is required.
- [New] Sublicense can be recorded if the documents (I) or (II) are provided:
 - (I) (1) Agreement between patentee and licensee and
(2) Agreement between the licensee and sublicensee
 - (II) (1) Agreement between patentee and licensee on behalf of third party (e.g. affiliate)
(2) Evidence to show that the third party is the subject of the agreement

Provisions Governing License Recordation

Additional New Practice

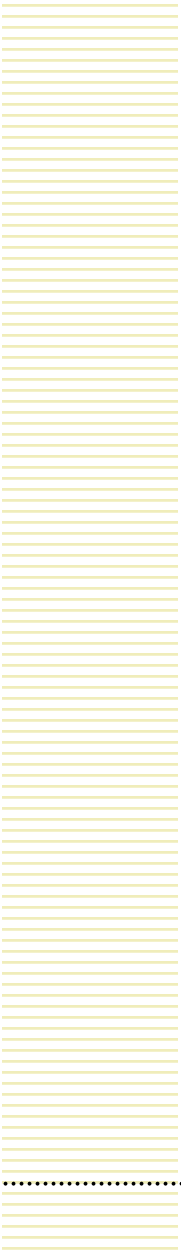

Timing of Recordation

- [Current]


There is a lag time between filing date and recordation date.

- [New]

Recordation is effective on the filing date.



3. Exhaustion doctrine in Japan; in the light of the Supreme Court Decision



Statutory Provisions about Exhaustion in Japanese Acts

There are provisions about exhaustion in the following acts.

- **Copyright Act**

Article 26-2. (Right of ownership transfer)



- **The Plant Variety Protection and Seed Act**

Article 21(4) (Limitation of the effects of the Breeder's Right)



- **Layout design of integrated circuits Act**

Article 12(3) (Limitation of the Right to use Layout design of integrated circuits)



However;

- **No provision in Patent Act and Trademark Act.**

BBS Decision (July 1, 1997)

- **This is a case with regard to parallel imports, but doctrine of domestic exhaustion is also stated in the decision.**



“However, if patented products are sold domestically either by the patentee or the licensee, the patent right should be deemed exhausted because it has accomplished its purpose, and should not be effective any longer against the subsequent acts of use, assign, or lease using such patented products. “

Reasoning



- (1) strike a balance between protection of inventions and public interests
- (2) sound transactions of goods in the market
- (3) no reason for twice benefit

Lower Courts decisions about recycled products

(1) Konica Disposable Camera Case

(June 6, 2000, Tokyo District Court, p. 175, No. 1712, Hanrei jihou)

(2) Fuji Film Disposable Camera Case

(August 31, 2000 Tokyo District Court)

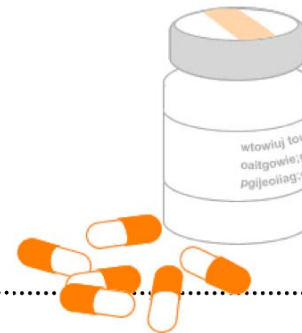


(3) Acyclovir Case (First Instance)

(January 18, 2002 Tokyo District Court, p.99, No. 1779, Hanrei Jihou)

(4) Acyclovir Case (Appellate Instance)

(November 29, 2001 Tokyo High Court, p.89, No.1779, Hanrei Jihou)



Canon Inc. v. Recycle Assist Co. Ltd.

■ Claimed Invention

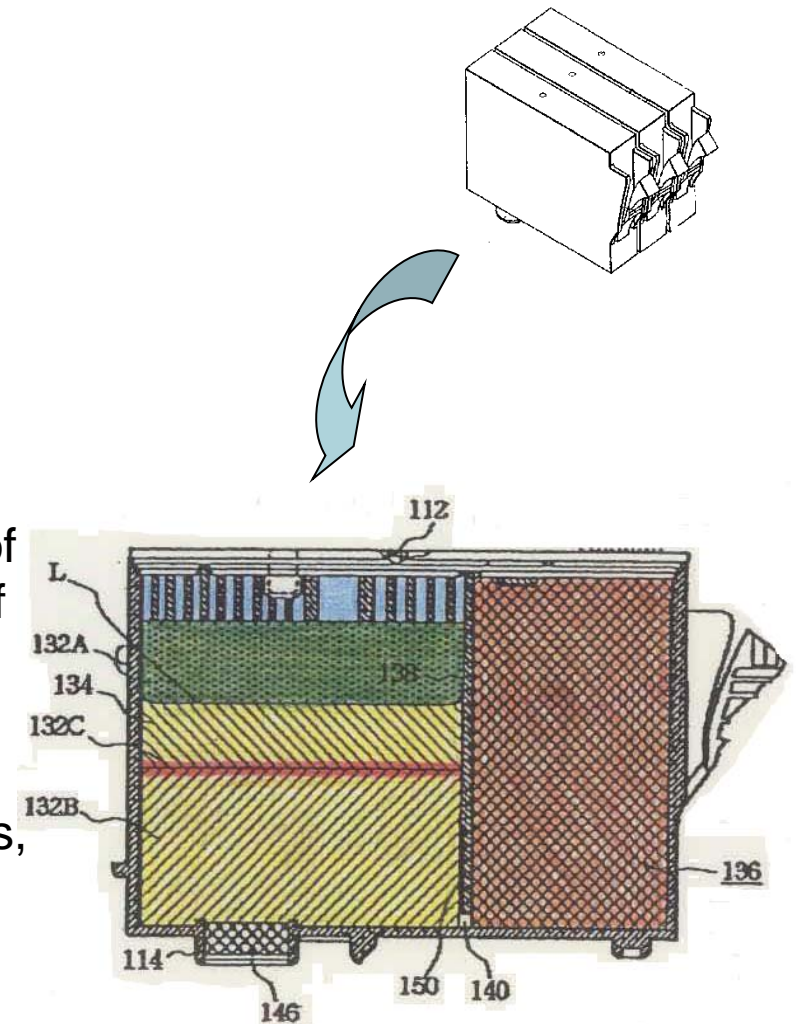
“A liquid container having

.... the capillary force of the interface of said urged portions is higher than the capillary forces of said first and second negative pressure generating members,

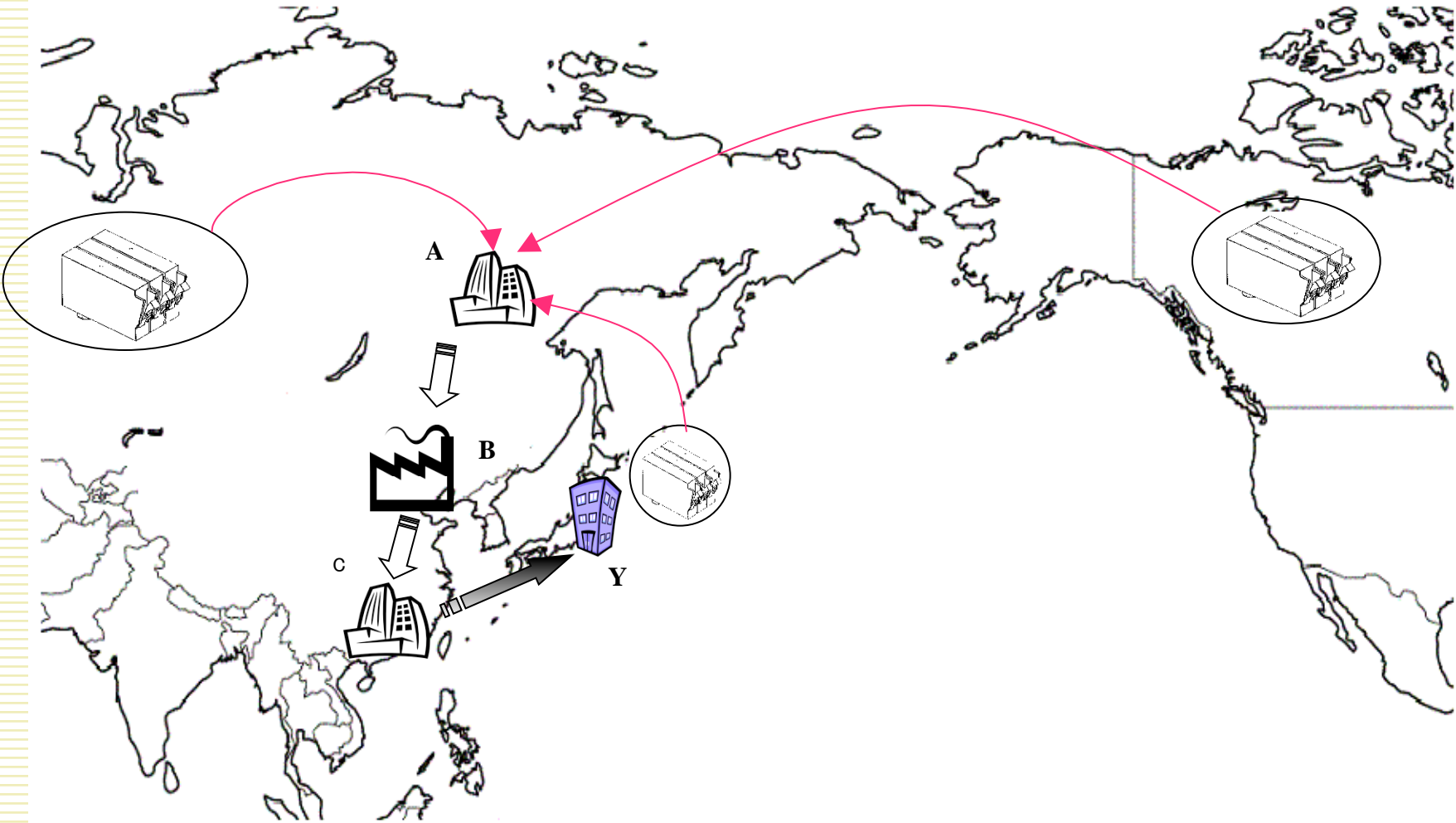
and the negative pressure generating member containing chamber is filled with an amount of liquid which can be held by the entire interface of said urged portions irrespective of the posture of the liquid container.”

<Problems to be solved>

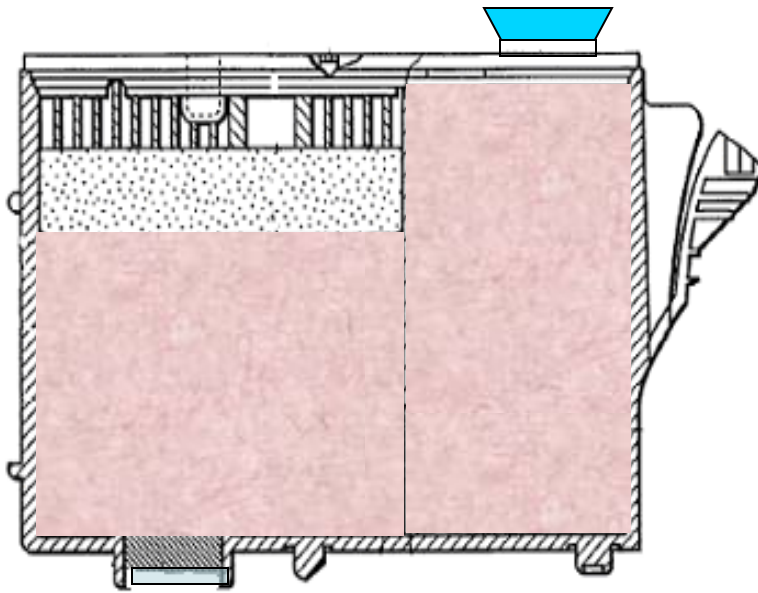
To prevent leakage of ink before using cartridges, which is caused by the introduction of air into liquid containing chamber.



Facts



Main steps for recycling

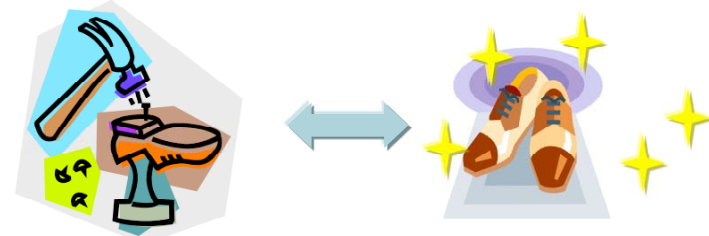


- ① Make a hole
- ② Wash out remaining ink
- ③ Fill new ink through the hole
- ④ Close the hole

Decision by the Tokyo District Court (December 8, 2004)

- **Canon's patent had exhausted and no infringement was found.**

- Applied Doctrine and the Result
Repair or reproduction? - Repair



“...as to the effects of patent right, the right to produce can't be exhausted by its nature. Therefore, even if a person who bought a patented product lawfully could infringe the patent, if he/she makes a conduct which would be decided as production of another patented product.”

- Reasoning
 - a) The ink cartridges is reusable even if the ink was consumed.
 - b) The important part of the cartridges which is relevant to the problem to be solved of this invention still exists after the ink was consumed.
 - c) Increasing demand for cheap recycled product is found as a reality of the market.

Grand Panel Decision in the IP High Court (January 31, 2006)

- **Non-exhaustion - infringement was found.**
- Applied Doctrine
Two tests to decide non-exhaustion of the products patent;
 - The first test
Patented products are reused or recycled after lost their function by the expiration of the use period of the products.
 - The second test
A third person alters or replaces the whole or a part of the elements of the patented products which correspond to the essential part of the patented invention.



Grand Panel Decision in the IP High Court (January 31, 2006) continued

●Result: Non-exhaustion

➤The cartridge has not lost its function by the expiration of their expected useful life span even if their ink is used up. (The case does not pass the first test)

-Reasons

- a) Refilling ink in the cartridges corresponds to merely exchanging consumable materials.
- b) There is no law or shared understanding that the expected usage of cartridges is limited to the usage of initially filled ink.

➤The conduct of washing away the remaining dried ink and refilling such amount of new ink as to satisfy the element of the claim corresponds to the act to alter essential features of the invention. (The case pass the second test)

Reviews about the Grand Panel Decision

- Main positive comment

“The traditional “repair or reproduction” doctrine is unclear and rather tautological, while this new doctrine is sufficiently clear to predict whether or not the patent right is still enforceable, and helpful to business activities.” 😊

- Skeptical view

“The approach is too rigid, because according to the second test, if essential part of the invention is replaced or altered, in any case non-exhaustion can be found.” 😞

Supreme Court Decision (November 8, 2007)

- **The Supreme Court upheld the IP High Court Decision, although based on a different doctrine.**

“If a patented product transferred by the patent holder in Japan is altered or its element is replaced; and by those actions it is recognized that non-identical patented product is freshly manufactured (*aratani seizô-sareta*), the patent holder should have the right to enforce the patent right against the freshly manufactured product. ”



Supreme Court Decision (November 8, 2007)continued

The Supreme Court's approach

“Whether an act of fresh manufacture is found or not should be decided by considering all factors, such as attributes of the patented products, contents of the patented invention, details of processing and exchange of elements, and actual transaction. ”



Reviews about the Supreme Court Decision

- The Supreme Court embraced “production approach” and denied the IP High Court’s “exhaustion approach”.
 - Reasonable result can be brought by the Supreme Court approach, because it considers all factors comprehensively and not so rigid as the IP high court approach. 😊
 - The supreme court approach decreases predictability of the outcome of the cases. 😞
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Thank you!



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