ASIA LAW
& PRACTICE
A EUROMONEY
INSTITUTIONAL INVESTOR
COMPANY

IP PROFILES

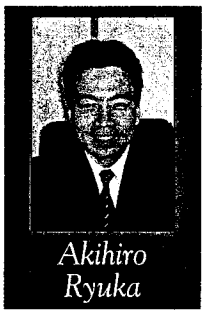
2002

INTELLECTUAL PROPERTY IN JAPAN

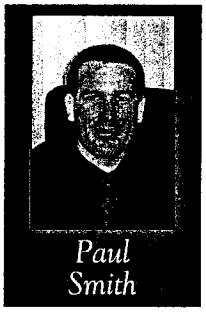
·RYUKA·
with Free Vision

INTELLECTUAL PROPERTY IN JAPAN

by Akihiro Ryuka and Paul Smith, Ryuka IP Law Firm, Japan



Akihiro Ryuka



Paul Smith

Introduction

The Japanese Patent Office (JPO) and congress, in combination with the courts, are making the Japanese patent system stronger and helping creative industries grow. The JPO has adopted a wider definition of patentable subject matter and program claims have now become patentable. Congress intends to rewrite the patent law to deem more acts "infringement", while the courts have worked to decrease litigation time. These changes reflect a trend towards strengthening the patent system.

Program Claims

Program claims became patentable when the JPO examination manual was amended on January 10 2001.

Program claims are preferable to software recording medium claims. This is because when a program is sold through a network, the program patent can be enforced. By comparison, even if a program is sold over the network, if a recording medium was not sold, a software recording medium claim cannot be enforced. Therefore, it is suggested that foreign applicants change recording medium claims to program claims when filing corresponding applications in Japan.

Patentability of program claims is the same as recording claims. Program claims must be a statutory subject and must have an inventive step.

Statutory subject

To be a statutory subject, the software must utilize a hardware resource. The JPO examination guidelines provide non-statutory claim 1 and statutory claim 2 as examples.

Claim 1 (Non-statutory claim)

A service method for assigning points to a purchaser in accordance with a sales amount of products sold over the internet, comprising the steps of:

- receiving a name of said purchaser and calculating a point to be added;
- acquiring an email address of said purchaser from a client list, storing means using said name of said purchaser;
- adding said point to a current point stored in said client list storing means; and
- notifying said purchaser of the added point via email using said email address.

Claim 2 (Statutory claim)

A service method for assigning points to a purchaser in accordance with a sales amount of products sold over the internet, comprising the steps of:

- inputting to a server a name of said purchaser and calculating a point to be added;
- acquiring by said server an email address of said purchaser from a client list, storing means using said name of said purchaser;
- adding by said server said point to a current point stored in said client list storing means; and
- notifying said purchaser of the added point via email using said email address.

The steps of claim 1 are merely rules that might be performed by people, and do not utilize hardware resources. Claim 1 is therefore non-statutory.

The steps of claim 2 are realized by a server, which is a hardware resource, therefore claim 2 is statutory.

It is not difficult to convert a non-statutory software claim into a statutory claim by adding hardware elements that work in combination with software. In this case, however, the statutory subject issue merely shifts to an inventive step issue.

The inventive step is satisfied when people skilled in the art cannot easily make the invention based on prior arts. Please note that in the program field, the following do not aid inventive steps:

a) to apply a known software method to a specific field;
b) to add a commonly used method to a software method;
c) to exchange an element of a software method with its equivalent process;
d) to realize with software a function that has been provided by hardware; and
e) systemization of human process. When a process is already conducted among people, even when the same thing is realized by a computer system, the system as well as the software in the system does not have an inventive step.

The new effect of the invention, which was not provided for by prior arts, aids the inventive step. However, computer systemization naturally provides effects such as the fast processing of large amounts of data and lower error rates – yet obtaining the same result. These effects do not aid the inventive step.

The JPO examination guidelines state that claim 2 above does not have an inventive step, while claim 3 (described below) has an inventive step when the same method as claim 1 has already been conducted among people.

Claim 3
A service method as claimed in claim 2 further comprising the steps of:

- creating in said server a product list file by searching products which can be exchanged with said current points from a product list storing means that stores product name and points necessary for exchange; and
- sending said product list file to said purchaser by attaching said product list file to said email.

A recently proposed bill is expected to confirm that a program is protected as a product.

To give the product away is an act of infringement. There is an issue of whether it can be considered 'giving' to let purchasers copy the program from the server. However, based on the object of the new bill, which is to foster growth in software industry, it is likely that 'giving' will be interpreted to include letting purchasers copy the program.

Markings In Japan

Unlike the US, a patent owner is not required to mark the patent on products, nor to warn the infringer in order to claim damages. The *Japan Patent Law* only suggests marking a patent (article 187), but no penalty exists for not marking the patent. A patent owner can therefore claim damage prior to any marking being displayed on a product.

However, we do suggest marking a patent for a future damage calculation. When infringement has occurred without large fault or gross negligence, the court can take into account the absence of gross negligence for deciding damage award (article 102(4)).

We therefore recommend to mark the patent on the product to make potential infringers aware of the patent and to avoid the argument of absence of gross negligence.

Professional non-infringement opinion

Treble damage or punitive damage does not exist in Japan. When a patent relating to a business is found, it is still recommended to obtain professional non-infringement opinion for arguing absence of gross negligence and potentially lowering damage award in future.

The gross negligence clause (article 102(4)) was introduced in 1999. Currently it is not very clear what evidence can satisfy the absence of non-gross negligence.

Opposition – invalidation comparison

The number of oppositions filed in Japan has decreased rapidly in recent years. This is because opposer's participation is very limited and a patent opposed and survived is deemed that it has a distinction over prior arts. Courts respect the JPO as a specialist of determining patentability and largely do not decide against a patentability judgment of the JPO, when there is no new reference.

We suggest invalidation proceedings rather than opposition proceedings, where more participation could be necessary. Please note, however, that only opposition can be filed anonymously. For more information about the comparison between opposition and invalidation, please visit www.ryuka.com/en/jpatentprocess.htm.

Common ownership/applicants

Joint owners in Japan must receive the consent of other owners for either assigning their portion of a patent (article 73(1) of *Japan Patent Law*) or licensing the patent to others (article 73(3) and 77(5)). A joint applicant should make an agreement beforehand with other owners in the event he may assign his portion or license the patent. This practice contrasts with some other countries, where consent of joint owners is not required for assignment and licensing.

Continuation practice In Japan

Japanese law does not have a continuation application procedure, however a similar system can be realized by filing a divisional application.

After receiving a final action, a patent applicant can only limit one or more elements of the claim. Enlarging or shifting the scope of the invention is not allowable. By filing a divisional application after receiving the final action, the applicant can amend the divided claims broadly within the scope of the "original disclosure" provisions (article 17-2(3) of the *Japan Patent Law*).

"Original disclosure" has a broader interpretation in

Japan than it does in Europe. For example, when an original specification discloses a combination of a spring, a rod pushed by the spring, and the cam moved by the rod, the specification is interpreted that any combination of the spring, rod, and cam are disclosed. Therefore, even when the original claim only has a combination of a spring and rod, another combination of a rod and cam can be claimed by amendment.

It is therefore suggested to review claims and determine whether the invention covers the competitor's products upon receiving the office actions. If the applicant finds that claims need to shift for covering competitor's product after receiving final rejection, a divisional application should be filed.

Divisional applications can be made any time before the first action and within periods for response to office actions, which is normally designated as three months by the examiner. If the applicant receives the allowance, no amendment or divisional application can be made.

It is suggested to keep one divided application of important invention pending in the JPO. It is difficult to anticipate all future products at the time of filing an application or receiving the office action. If the divided application exists, however, even when the patent owner later finds that his patent does not properly cover the competitor's product, the patent owner is able to amend the claim of the divided application. The application keeps pending, without examination being requested, for three years from the first filing date. Therefore, it is relatively easy to secure a variety of claims by maintaining one divided application.

Reexamination

For avoiding the future invalidation of a patent, it is beneficial for the applicant to allow the patent office to examine relevant prior art.

Prior art can be notified to the patent office by application disclosure. Alternatively, prior art can be submitted by information submission procedure after the application is laid open and before patent is granted. The patent owner can also use the opposition procedure to submit information to the patent office after patent publication.

The Supreme Court stated in *Fujitsu v Texas Instruments* that courts can find a patent invalid in infringement litigation. After the decision, a significant number of litigation decisions have found patents invalid, in particular, *Ikehata v Okumuragumi* (Tokyo District Court), *Funaidenki v MK Seiko* (Osaka District Court), and *Niso-Sangyo v Sanshin Kizai* (Tokyo District Court). It is suggested that patent owners confirm the validity of patents over prior art before filing the litigation.

Revised request for patent examination date

The period for submitting a request for examination for a patent was shortened as of October 1 2001, from seven years to three years from the filing date (section 48 of the *Japan Patent Law*).

The revised time limit applies to patent applications filed on or after October 1 2001.

Acts deemed to be an infringement

A party that provides a part that can be used only for direct infringing products is liable as an indirect infringer (article 101 of the *Japan Patent Law*). The proposed new article 101 states that a party that makes or sells a part that is essential for the direct infringing product is also liable as an indirect infringer if the party knows that the part is used for the product and that product infringes the patent.

This proposed amendment, if approved, would broaden the interpretation of infringement and bring Japan's practice closer to the US practice of indirect infringement.

Similarity of trademarks

English word trademarks are often pronounced differently in Japan. Similarity is decided based on the pronunciation in Japan. Please note that the following letters often have similar pronunciation in Japan: 's' and 'c', 'th' and 's', 'g' and 'j', 'v' and 'b', and 'l' and 'r'. In trademark search and infringement analysis, these similarities must be considered.

Trademarks can be also made in Chinese characters, or phonetic explanation, "*kana*", in Japan. Chinese character trademarks often have more than one natural and unnatural sound. Each natural sound has similar scope with other trademarks. Therefore, for deciding registrability and/or infringement, each natural sound must be examined. The unnatural sound is not normally examined by the JPO or the court. If the phonetic explanation "*kana*" of the unnatural sound is combined with the Chinese character, however, the similarities of that unnatural sound will be also examined.

Since the pronunciation and similarity determination is very different from other countries, it is suggested to consult a Japanese patent attorney for deciding similarities of trademarks.

Conclusion

The JPO, courts and congress are strengthening intellectual property rights in Japan. These trends will continue and enhance the value of inventions for nurturing of new industries. Apart from the traditional Japanese approach for protecting many small improvements, the strategic approach for protecting core inventions with an eye for enforcement will be more important.

Vision is created only through genuine communication with clients. In understanding clients and contributing our thoughts, new IP strategies are created. With new vision, new energy starts its life. ◆

AKIHIRO RYUKA

Akihiro Ryuka is the Senior Partner at Ryuka IP Law Firm. He specializes in patent prosecution with particular focus on computer software, data communication, radio communication, semiconductors, and electronics. He is a member of the Japan Patent Attorney's Association (JPAA) and the Electrical Information and Communication Society, and has also published numerous Intellectual Property articles.

Additional background information on the author, his firm, and its members may be found at the website www.ryuka.com.

PAUL SMITH

Paul Smith is a qualified New Zealand lawyer. He has worked at the Intellectual Property Office of New Zealand and currently works as an Intellectual Property consultant with Ryuka IP Law Firm.

Additional background information on the author, his firm, and its members may be found at the website www.ryuka.com.

RYUKA IP LAW FIRM

Year IP Group established:	**1995**
Number of patent attorneys in IP group:	**4**
Number of technical staff in IP group:	**20**
Languages spoken:	**Japanese, English**
Number of practice groups worldwide:	**1**
Admitted in:	**Japan, U.S.A., New Zealand**
Associations or professional affiliations:	**JPAA, INTA, AIPLA, AIPPI**

1-24-12 Shinjuku
Sixth Floor Toshin Building
Shinjuku-ku
Tokyo 160-0022
Japan
Tel: (813) 5366 7377
Fax: (813) 5366 7288
Email: ryuka@ryuka.com
Contact: www.ryuka.com

THE FIRM

Since its founding in 1995, the Ryuka IP Law Firm has steadily grown to the point today where the office is now ranked in the top 70 (out of more than 2200) patent law firms in Japan. The firm is well known in the fields of data communications, electronics, software, machinery control and optical engineering. The firm has 40 staff members in its Tokyo office. All staff are fluent in English. Located on the ground in Japan, we often provide service to our clients beyond what they would normally get from a patent law firm. For example, our in-house engineers work in tandem with our legal specialists to tailor specific products for our clients.

We also work as a licensing negotiator and help guide marketing in Japan by enforcing the IP rights that we have obtained for our clients. Based on an accurate valuation of the technology, we are able to seek out and introduce potential licensees, investors, and future business partners. We support our foreign clients to help them establish a solid business in Japan based on their IP. We inject our know-how for either business start-up or expansion. Only a modern and aggressive firm like Ryuka can open non-traditional doors to success in Japan.

IP PRACTICE AREAS

Ryuka IP Law Firm covers all aspects of IP law and has significant experience in the following areas:

- Patent prosecution with particular regard to telecommunications, software, mobile phone technology, electronics engineering, machinery control, physics, optical engineering, and semiconductors.
- Designs and Trademarks, including search and prosecution.
- New Product Introduction and Program Management, assisting international firms gain a foothold, or boost their position, in Japan by building for them an effective IP portfolio.
- Contract and Licensing assistance, advising clients from the initial point of contact though the core stages of negotiation, drafting, and review of all agreements.
- Intellectual Property Litigation, covering all major areas of IP law, with particular experience in International Patent litigation.

IP CLIENTS

We have a diverse range of clients that includes major multinational corporations through smaller companies and individuals. Ryuka's clients, without exception, agree upon the firm's reputation for quality work and even clients who use multiple firms entrust their most important international cases to Ryuka.