



# WINDS FROM JAPAN

Licensing Executives Society Japan

## LES Japan Meets in Tokushima

By **Jinzo Fujino**

On July 6 and 7, the annual summer symposium of LES Japan was held in Tokushima, a north-eastern city in Shikoku, near Osaka and Kobe. About 140 attendees enjoyed the annual get-together. LES Japan had the honor of Mr. Yoon Bae Kim, President of LES Korea present at the reception and the following presentations.

On Day 1, optional programs were arranged for personal entertainment. About 40 golf lovers enjoyed playing despite the bad weather amid heavy showers and mist. Another group of members enjoyed a bus tour visiting local factories and museums.

The evening program was a reception. Many attendees enjoyed holding an annual rendezvous over drinks and dinner. After a welcome address by Mr. Masataka Hashimoto, President of LESJ, spontaneous conversations and self-introductions followed. As usual, it was an invaluable time for the attendees to mingle with old friends and make new ones.

Show time highlighted the second part of the reception. This year, invited were a team of local dancers. Dance was called *Awa Odori*, a

nation-wide known local dance, original to Tokushima. Led by brief lessons by the instructor of the dancing team, many LESJ members volunteered and fell in with the line of dancers on the floor. *Awa Odori* is known as one of the folk dances calling for the audience to cast away shyness and join the dancers. Dancing for a long time may be hard, but it was a lot of fun.

The second day was spent listening to and discussing presentations on the theme, "Prospects for and Expectations in the 21st Century." Three distinguished speakers were invited this year. The first was Mr. Nobuyoshi Shimizu, Professor at Keio University's Medical Department. He was followed by Mr. Hiroshi Sakamaki, Manager of Product Department of Otsuka Pharmaceutical Co. Then spoke Mr. Shinji Moriguchi, Professor of Tezukayama University, Department of Economics. Prof. Shimizu elaborated on genome analysis and touched upon the impacts of biotechnology to medical services in the 21<sup>st</sup> century. Prof. Shimizu is one of the leading genomic researchers in Japan and has been working for various national projects sponsored by the Japanese government.

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April 7-10, 2002

Mr. Sakamaki introduced an interesting story concerning the development of one of Otsuka's products, "Pocari Sweat." It is one of the best-selling products in the world market of nutraceuticals. While being concerned about possible negative reactions among some consumer groups for using the term of "sweat" for its product, Otsuka however steadfastly kept this naming believing that it would constitute a secondary meaning as a supplement for sports-loving people. The story teaches how a product brand image was successfully established.

Prof. Moriguchi discussed Japanese economy in relation to the Asia-Pacific economy. With the analysis of current economic and financial policies of the Japanese government, Prof. Moriguchi understands that US economy would be the best and most reliable stimulus for the recovery of Japanese economy. He predicts that the US economy will be revitalized next year.

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*Editor-in-Chief, WINDS From Japan*  
*NGB Corporation, IP Research Institute, Tokyo*

## WIPO Technology Transfer & Licensing Seminar in Manila

### By Akira Mifune

At the request of WIPO through The Japan Patent Office, LES Japan collaborated with WIPO to organize the captioned Seminar in Manila at the end of May, 2001, and LES Japan sent three lecturers of various expertise. The organizer and speaker from chemical industries was Dr. Akira Mifune, Past President of LESI & LESJ. The speaker from IT and electronic industries was Mr. Kensuke Norichika, Vice President of LESJ, Executive Director of SOFTIC, and the speaker from the legal profession was Mr. Jun-ichi Yamazaki. In addition to the said Japanese speakers, several local speakers joined in on some sessions. The Seminar was jointly held by WIPO and Intellectual Property Office-Philippines, and closely supported by The Japan Patent Office, LES Philippines and LES Japan.

The overview of the Seminar program is as follows;

[May 28, Monday]

09:00-09:40

Opening Ceremony of Seminar

Introduction: Alonzo Q. Ancheta President of LES Philippines

Welcome Remarks: Sunao Sato, WIPO

Keynote Address: Emma C. Francisco, Director General of IPO-PH

Introduction of the Educational Program: Akira Mifune, LES Japan

10:00-12:00 Session 1

The Importance of Technology Transfer and the History of Technology Transfer by Akira Mifune  
 The Philippines Experience : by R.M. Dela Cruz, IPO-PH

14:00-15:00 Session 2

Intellectual Property Rights as the Subject Matters of Technology Transfer by Akira Mifune

15:30-16:30 Session 3

Preparation for Technology Transfer and Basic Considerations by Kensuke Norichika

16:30-17:30 Session 4

General Structure of Technology Transfer Agreement by Jun-ichi Yamazaki, a member of the board of LES Japan

[May 29, Tuesday]

09:00-10:00 Session 5

Confidentiality Agreement & Option Agreement by Kensuke Norichika

10:30-12:30 Session 6

Approach to Contract Drafting and Negotiation and Relevant Anti-trust Regulations by Jun-ichi Yamazaki

Philippine's view: A. Angela G. Quirino

14:00-15:00 Session 7-a

Technology Transfer Arrangement for Chemical & Pharmaceutical Industries by Akira Mifune

15:00-16:00 Session 7-b

Technology Transfer Arrangement for Assembly Industries by Kensuke Norichika

16:30-18:30 Conclusive Session

Panel Discussion on Technology Transfer (All speakers and local participants)

19:00-22:00 WIPO/IPO-PH Reception

Mr. Hiroo Takagi, Deputy Director International Affairs Div., JPO and Mr. Sunao Sato, Associate Officer, Cooperation for Development Bureau for Asia and the Pacific, WIPO collaborated by joining the Seminar. Number of participants was around 100, but regrettably most of participants came from

government or law firms and a very small number from the private sector, due to the current structure of the Philippine industry. However, most of the participants were very active in various discussions and the Q & A session frequently continued beyond the allocated time. IPO-PH and WIPO expressed their deep thanks to LES Japan for preparing an excellent program which covered practical approaches to technology transfer and licensing, including relevant legal issues. Such a type of seminar had never been organized by IPO-PH or WIPO, and both organizers and participants really appreciated it. After the Seminar, the lecturers discussed with three key members of LES Philippines for exchanging views on the future collaboration between them and also together with other Asian societies. It was followed by a meeting with the top management of IPO-PH, including Emma Francisco, DG of IPO-PH. IPO-PH is now restructuring its hardware and software, in which the cooperative works with JPO is inevitably important. As I had felt at my visit to the Philippines 20 years ago, we were again highly impressed by substantial and effective contribution of female

officials. In the afternoon, lecturers were favorably impressed by the success of a technology transfer by their visit to the factory of a Joint venture between Yamamura Glass, Japanese glass bottle manufacturer and San Miguel, Philippine beverage supplier.

One of the lessons learned from this seminar was that compatibility of computer software between the two countries was still not perfect, and my draft of lecture made by power-point system did not work on the hardware of the Seminar. This Seminar was the first attempt for LES Japan, but it was so successful that the Philippines wish to repeat this type of seminar and furthermore the neighboring societies might also request us to organize similar seminars. If so requested, LES Japan should cooperate with them by expanding its staffs and contents. We again hope that the said seminar will stimulate activities of technology transfer and licensing in the Philippines.

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*Editor, WINDS from Japan*

*PhD., Past President of LESI & LESJ*

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## Working Group Report

### On Counterfeits in Eastern Asia

**By Toshihiro Tetsuka**

From the perspective of Japanese companies, China currently appears to be the world's primary region for manufacturing counterfeit products. This country is viewed to account for about 30% of all counterfeit production, and when all the Asian countries are combined, they would account for roughly 80% of their production. Exports of counterfeit products from China are rising yearly, both in volume and value, according to the amounts seized at customs.

Several characteristics of Chinese-made counterfeit products have been cited. First, the problem has become so serious that an investigation has been made to determine the extent of the damages caused. Second, there has been a rapid shift to exports, rather than domestic consumption. Third, the Chinese expertise in manufacturing techniques and product quality has improved so much that the counterfeits cannot readily be distinguished from the genuine items. Fourth, there has been a shift from just attaching look-alike trademarks towards

counterfeiting to legitimate trademarks and the blatant infringement of design rights. Fifth, well structured manufacturing and distribution mechanisms by organized affiliates have been established. Finally, the manufacturers have become more skilled in concealment, including such techniques as non-branded manufacturing deliberately refraining from putting brands on counterfeit goods to delay detection, night-time operation having licensed factories make excess products at night and distributing them via underground routes, and Internet sales.

While there is a structure of basic laws for combating Chinese counterfeit products, including the Patent Law, the Trademark Law, the Copyright Law, and the Unfair Competition Law, there are glaring deficiencies in their particulars, including their implementation. While there are both judicial and administrative means to control counterfeit products, most cases involving patents are resolved through judicial measures in court. In contrast, administrative measures by the Administrations for Industries and Commerce are most frequently the means to resolve trademark cases.

In both these instances, however, when legal enforcement is under strong regional control, it is common for such factors as regional awareness and regional protectionism to present obstacles to implementing justice. Local governments formulate policies for promoting local industry, and these policies per se inevitably give rise to formidable difficulties. The central government claims it is actively strengthening its control, but it has yet to penetrate to the local governmental level.

Yet, new laws are being created in anticipation of China's pending WTO membership. The infringement of intellectual property rights and unfair competition is to be strictly controlled. Therefore new legal interpretations are being promulgated reflecting international practices and standards, and amendments of laws and interpretations are being formulated to halt infringement before trial and respond to the growing number of damage suits. There is an increase in the interpretations, which will act as standards for the crime of counterfeiting and to apply criminal laws to counterfeiting cases. In addition, campaigns to drive out counterfeit products have been conducted frequently over the past several years, and these are gradually achieving certain degrees of success.

Several reasons are cited for the lack of effective control today. First is the large number of unemployed people going to work in the counterfeit product manufacturing industries, and the problem of a social mindset that tolerates counterfeit manufacturing to exist. Second is regional protectionism, which results in leaks before enforcement allowing suspects to escape, low damages awarded in lawsuits, lenient fines and penalties, and the lack of enforcement of legal decisions. Finally, there are illicit partnerships between the countless micro-enterprises and large wholesalers, relationships with enterprises formerly associated with the Military, and the partnerships with large, powerful, and well-known local companies.

The State Council has been the primary agent of Chinese government campaigns against counterfeiting. They have devised various measures

to eliminate the negative impact of counterfeiting. These include promoting an awareness of counterfeiting posing a possible danger to joining WTO, the damage done to the image of China by these Chinese-made counterfeit products, the damage to the Chinese people themselves, lost tax revenue, and the decline in investment from overseas.

Corporations are aware that the counterfeiting problem is a serious issue that has a direct impact on sales. They have adopted such measures as assigning personnel to various regions to conduct periodic investigations. They consider such expenditures to be part of the expense of control, business administration expenses, and advertising and publicity expenses. In addition, they must strive to increase their corporate presence when they discover counterfeit merchandise by making firm visible responses that include newspaper advertisements, sending warning letters, and taking legal action against or suing the people responsible. Other measures they should take include as cutting costs and boosting effectiveness through joint steps with other companies in the same industry to control the trade in counterfeit products.

The steps that should be considered to achieve these objectives are submitting applications and obtaining rights to protected patents, trademarks, and designs for important products to prevent these rights from being exercised by a third party, making periodic and quantitative damage assessments when these counterfeit products appear on the market, moving quickly and decisively with firm measures and responses to these counterfeit products, and effectively limiting their distribution. Further steps should include devising strategies for application, technological development, and marketing that incorporate considerations of the emergence of counterfeit products, building strong ties with Chinese domestic industries and governmental organizations, and conducting activities to spread the awareness of this corporate approach.

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*LESJ Information Committee*  
*General Manager Legal/IP, Sapporo Brewery,*  
*Ltd.*



# Recent IP News from Japan

By Shoichi Okuyama

## 1. The final outline of the Judicial System Reform is issued

June 12, 2001, the Judicial System Reform Commission appointed by the Prime Minister two years ago issued its Final Report. This Report sets the framework of the judicial reform that will take place in Japan. The reform covers every aspect of the Japanese legal system, including the judiciary, attorney and public prosecutor systems. Also, this is slated to be the first truly major reform of the judicial system in Japan since the Meiji Era, during which all the foundations of the modern Japan was laid out.

The reform reflects the increasing importance of the judicial system in a society in which monitoring and *ex post facto* remedies are considered more important than governmental regulations and malfunctioning bureaucratic control. Probably, 80 to 90% of what is discussed in this final report, if not 100%, will be realized within 3 to 4 years, because it has been declared that: "nothing will be added to the report but nothing will be taken out of it" in order to avoid compromises during subsequent legislation processes.

The following are some of the more important ones among a large number of items discussed in the Final Report.

### (1) Civil Judicial System

i) The average pendency time before the court is to be halved for civil cases.

ii) It will become obligatory for courts to discuss and lay down a plan for the entire proceedings at the beginning of each case for the objective of expediting them.

iii) Experts in specific areas such as intellectual property, medicine, architecture and finance will be called in as commissioned specialists to support judges in various aspects of court proceedings.

iv) The Tokyo and Osaka District Courts will function basically as "patent courts" with essentially sole jurisdiction given to these courts for intellectual property infringement suits.

v) Under certain conditions, it will be made possible for a court to order a losing party to pay for at least a part of the attorney costs of a winning party.

### (2) Criminal Justice

i) Citizens will be called into panels with a standing equal to that of judges to decide criminal cases that involve heavy potential penalties.

ii) Consecutive trial dates should be scheduled in order to ease the burden of such citizens who will form a panel with judges.

### (3) Legal Professions

i) The number of those with professional qualifications will be increased from the current number of about 20,000 to about 50,000 in 2018, significantly increasing the numbers of lawyers, judges and public prosecutors.

ii) The quota of those who are allowed to pass the national bar examination to become attorneys at law, public prosecutors and judges will be increased from the current approximately 1,000 persons annually to approximately 1,500 in 2004 and to approximately 3,000 in 2010.

iii) American-style graduate-level law schools will be established, and the first students will be enrolled in 2004. It should take two years for undergraduate law majors to finish such law schools and three years for other majors, expecting that 70 to 80% of law school graduates will pass the national bar examination. The current pass rate of the bar exam is less than 3%.

### (4) Attorneys at Law

i) It should become possible for attorneys at law to find employment in corporations without seeking permission from bar associations in the future.

ii) It will become possible for patent attorneys or *Benrishi* to represent clients before infringement courts if appointed as an attorney together with an attorney at law.

### (5) Public Prosecutors

i) Public prosecutors will be required to have or obtain some work experience outside their responsibilities as public prosecutors, so that they have a broader understanding of the general public.

### (6) Judges

i) All assistant judges will be required to have work experience in legal professions outside the court.

ii) More attorneys at law will be appointed as judges after considerable work experience as attorneys.

Following the publication of the report, the Cabinet resolved that the Report should carry maximum weight and the efforts toward working out details should be started as soon as possible. New

legislation for setting up working headquarters for the judicial reform, made up of about 50 members and headed by the Prime Minister, expanding the current staff of 35 working for the Commission, will be submitted during the current session of Diet. Some of the proposed changes have already been forestalled. The Supreme Public Prosecutors Office very recently announced that mid-carrier public prosecutors would be sent to private businesses and volunteer organizations so as to expose them to a civic life that exists beyond their bureaucratic confinement. Also, the Tokyo District Court has decided to have its secretaries consult with public prosecutors and attorneys without the involvement of judges and set up a plan for the entire court proceedings before trials in criminal cases. This court is by far the busiest court in Japan and handled 14,885 defendants in criminal cases last year.

As a matter of fact, there exist numerous and difficult issues that have to be sorted out in relatively short periods of time before the proposals of this Report become reality. However, it should particularly be noted that this is one of a few self-motivated reforms that has been initiated in Japan, in contrast to many social changes have occurred in Japan due to external causes or pressure. Fully implemented, this Report will significantly alter the landscape of the Japanese judicial system.

### **2. Law Firms Now Can Be Incorporated**

A bill, which makes it possible for law firms to become incorporated passed Diet on June 1, 2001 and subsequently became law. This law will take effect April 2002. All "members" of the newly set up "Attorney Corporation" have to be qualified attorneys at law with unlimited liabilities. It became possible for patent attorneys to incorporate their firms earlier this year.

### **3. Patent and Trademark Laws To Be Amended Next Year**

The Patent and Trademark Laws will be amended to protect inventions and trademarks on the Internet. For example, it is not at all clear under the current Trademark Law whether "goods" on which a mark is attached physically exist or not if they are on

pictures or photographs shown solely over the Internet. Also, under the current Patent Law, an invention has to relate to either a physical product or a method. However, software sold and bought on the Internet may be neither a physical product nor a method, and should probably be categorized as informational content. "Information," however, is not fully protected under the Patent Law. The Japan Patent Office now allows claims directed to "computer program" *per se* on the basis of its own interpretation that "computer programs" can be considered to belong to "physical product" while it still does not allow so-called signal claims, which are just equally non-physical as software, leading to a clear logical breakdown. Some clarification in the statutes is expected.

### **4. Supreme Court Sets New Standards for International Jurisdiction**

In the "Ultraman" case, the Second Petty Bench of the Supreme Court reversed both Tokyo High Court and District Court decisions and remanded the case back to the Tokyo District Court (June 8, 2001; case Nos. 2000 (o) 929 and 2000 (ju) 780). Tsuburaya Production, which is famed for its creation of the Ultraman series of TV programs and movies, sued a Thai businessman residing in Thailand for infringement of its copyrights and claimed damages and asked for a declaratory judgment. The Tokyo District and High Courts dismissed the case. The high court found that Tsuburaya failed to prove the existence of illegal acts. The Supreme Court noted in its decision that it would suffice to prove objective facts that the plaintiff suffered damages in its legal protection due to acts committed by the defendant in Japan in order for a Japanese court to have jurisdiction. The defendant claimed that he had an exclusive license for the outside of Japan from Tsuburaya and sent letters from Hong Kong to a Japanese company and its subsidiaries. The Supreme Court pointed out that the acts of the defendant disturbed the plaintiff's business.

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*Editor, WINDS from Japan*  
*Ph.D., Okuyama & Co., Patent Attorney*

## Monthly Seminars

By Yoichiro Iwasaki

### [TOKYO SESSIONS]

**May (5/16)**

“Planning Strategies to Maximize Income from Licenses” by Henry KODA, Attorney at Law, U.S.A.

**June (6/22)**

“The Role of Licensing in Managing a Company” by Masatoshi HASHIMOTO, President of LESJ and Auditor, Nihon Ethanol Co. Ltd.

**July (7/03)**

“Utilizing Intellectual Property Rights” by Bunketsu LEE, Attorney at Law, Taiwan

No program in August

### [OSAKA SESSIONS]

**April (4/12)**

“Points to be cautious when Investing and Pulling Out of China” by Tatsuo MURAO, Attorney at Law, Partner Tanaka • Murao Law Office

**May (5/15)**

“Can You Transcend National Borders?— IP Issues in a Global Digital Network Society” by Norisuke NORICHIKA, Managing Director, Software Information Center

**June (6/22)**

“Legal Issues in E-Commerce” by Hisamichi OKAMURA, Attorney at Law, partner of Okamura • Hori • Nakamichi Law Office

No program in July & August

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*Editor, WINDS from Japan*  
*Consultant*

## Editors' Notes

As a cover page article, we reported on the summer symposium in Tokushima. The most important and difficult matter in arranging the annual symposium in Japan is to find an appropriate site and meeting place, preferably a western style hotel in a resort area or a local city.

Most attendants come to the site using public transportation and stay at the same hotel. It is not easy for voluntary members of the program committee to find such a hotel with sufficient convention facilities in local towns. The number of attendees is growing year by year. This year, program members made surveys through hotel brochures and sought advice from travel agents. However, such efforts were not necessarily fruitful. What we realized was: “Seeing is believing”.

Another point to be stressed is that discussions among the members were mostly done by e-mail. Time of the members for program organization has been saved significantly.

We were gratified to learn from the questionnaire returned from the attendants, that all members of LESJ who participated expressed their high degree of satisfaction. (By Akira Fukuda)

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A copy of the Second Announcement for the 2002 Osaka Conference is available at the USA/Canada Conference at Palm Desert. Please pick up one for your information. It will provide you with whatever information you might need for finalizing your plan to attend.

### Editorial Board

**Editor in Chief** Jinzo Fujino

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### Reports from Kansai Region

Akira Fukuda