



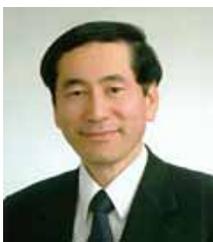
# WINDS FROM JAPAN

The Licensing Executives Society Japan

## The Challenge of Becoming an Attractive Organization

By Kiyohide OKAMOTO\*

I am honored to have been appointed President of LES Japan for the period from 2006 through 2007 at the General Meeting in February. I would like to take this opportunity to thank the outgoing president, Mr. Nakano, for his dedication and contribution to LES Japan, which resulted in, to give you only a few examples, improved publicity, improved participation of LES Japan officers in LES International, and strengthened networking in the Asia-Pacific area. In the two years that I have assisted Mr. Nakano, I have come to realize how challenging the task of President is, and I intend to promote several activities to make LES Japan an attractive organization capable of making significant international contributions.



### 1. LES Japan

In 1972, LES Japan started with about 20 members. As of today, March 14, 2006, the number of members is 640, second ---only--- to LES USA/Canada (6400 members). I believe that LES Japan is distinctive compared with other member organizations when we look at its well-balanced composition: 67% of the members are corporate officers who work in intellectual property, corporate legal departments and licensing, 27% are attorneys-at-law and patent attorneys, and 5% are business persons and academics. Based on such a well-balanced structure and a free spirit, LES Japan is in itself a vigorous organization, and, being a non-profit, independent body, LES Japan values interaction among members and research activities, based on reciprocal trust and volunteerism.

I believe that a major strength of LES is that there is a possibility for members to obtain top-level research results from other members worldwide, as well as an opportunity to interact with more than 10,000 members worldwide.

### 2. Guideline for LES Japan's activities

LES Japan is vigorously pursuing research and networking activity; specifically, through the monthly board meeting consisting of 40 Board Members, which promotes the activity of LES Japan, the Monthly Seminars in Tokyo and Osaka, with approximately 30 to 80 attendees, and the Annual Conference attended by more than 100 members. The number of members has been constantly at approximately 640 in recent years.

While growth of membership is one issue at LES International, in LES Japan we give priority to the quality of our activities. By improving the quality of our activities both in Japan and overseas, I propose to make LES Japan a more attractive organization. In this context, I intend to promote domestic and international activities aimed at feedback of results to members, by inviting more members to participate in our activities, regardless of age or gender.

Of course, there are issues that have to be dealt with. I would like to present some of the objectives to be accomplished in 2006.

#### (1) Strengthening of international activities

A plan for international activity was unveiled at the Annual Conference this February, and in response, LES Japan is planning a strengthening of its international activities to make an improved contribution internationally. The following are some of the major activities:

- LES Japan sent 13 members to the Delegates Meeting, 16 speakers including 2 plenary speakers and a total of approximately 80 members to the LES International Conference held in Seoul this April. Thanks to the efforts by the secretariat, the LES International Conference in Seoul was successful, with more than 700 participants in attendance.
- A joint meeting between 14 delegates from the Japan Committee at AIPLA and delegates of LES Japan was held in May. This is the third time that we have held such a meeting, where active and meaningful discussions took place, based on recent court decisions in the U.S. and Japan.
- Regarding future plans, we intend to work toward international events such as the Delegates Meeting and the Committee Meeting in New York this

September, as well as toward the Joint Symposium between LES Japan and China scheduled on September 26 in Beijing, China. This is the second joint symposium after the symposium in Xian in 1997, and a dedicated committee led by Mr. Kurose is making preparations.

- Also in Asia, since LES Japan is expected to support LES Chinese Taipei and make international contribution in the Asian region, we intend to promote LES activities in Asia through intensified cooperation with Asia Pacific member organizations.

### (2) Improvement in education

Currently at LES Japan we have 13 Working Groups (9 groups in Tokyo and 4 groups in Osaka), and several small groups that discuss specific topics. We plan to reinforce the quality of educational activities. Specifically, we intend to create a seminar course for beginners in licensing, and to reinforce the Working Group in Osaka. If, by reinforcing our cooperation with LES International, we are able offer an opportunity for the younger generation to make a presentation in an international conference as a result of their activities in LES Japan's working group, I believe this would be a tremendous incentive. We are going to form two workshops at the Annual Conference in Hokkaido, Otaru this July, but we intend to further improve the quality of education.

### (3) Improvement on Publicity

Currently, members of LES Japan receive *Les Nouvelles* from LES International, and "LES Japan News" and "Winds from Japan" from LES Japan. The improvement on the LES International website is remarkable, but LES Japan also renewed its website

<http://www.lesj.org/> last year. I believe that our website is now able to offer our members information as well as to offer them a place to exchange information with each other. This year, we plan to improve the English contents of the site so that overseas members can also obtain up-to-date, accurate information about LES Japan's activities. We will further improve our website to promote networking between members, and by doing so, we believe we will increase the added value of LES Japan's activities. It is my hope that by making such improvements, our website could serve as a portal for any individual member to access valuable information otherwise difficult to obtain unless belonging to a large organization. We have moved to an online registration process for the coming Annual Conference in July, along the lines of the registration process for the LES International Conference.

It is my intention to carry out these objectives with the understanding and support of our officers, committee members, working group members and LES Japan's members. We will make efforts toward a more attractive LES Japan under the slogan: "Challenge for an Attractive Organization". Understanding and support by LES International members will be highly appreciated. Please refer to our website <http://www.lesj.org/> for more information.

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\*President, LESJ

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## New protection system starting for regional collective trademarks in Japan

### By Toshihiko KANAYAMA\*

A new protection system for regional collective trademarks came into effect from April 1st, 2006, under section 7-2 of the revised Japanese Trademark Law. The provisions of the new system will be applied to examination of regional collective trademarks filed on or after April 1, 2006.

#### Collective trademark

A collective trademark is a trademark which maybe used by members of a collective (for example, a corporation, a business cooperative society or an association). A collective trademark clearly identifies a source of goods or services as being related to members of the collective.

#### Regional collective trademark

A regional collective trademark is a collective trademark consisting of a regional name and a name of goods or a service.

Regional collective trademarks are of particular value to businesses the quality and reputation whose goods or services are associated with a particular geographic region.

#### The scope of the term "Well Known"

To be registered, regional collective trademarks must be well known among consumers in relation to goods or services, as a result of use of the marks. Before this revision, regional collective trademarks (except for those which were famous or well known all over Japan) were rejected under Japanese examination practice because of non-distinctiveness (under section 3 (1) (3) or (6) of the Japanese Trademark Law).

The requirement that a regional collective trademark had to be famous or well known all over Japan to be

eligible for registration frequently led to imitation of such a mark before it could acquire such notability. Many imitations of regional collective trademarks with combined distinctive designs were filed and registered before the introduction of the revision to the trademark law.

By this revision, the requirement of “the scope of distinctiveness” applied to regional collective trademarks has been relaxed to the extent that a mark is now merely required to be “well known”. This is interpreted to mean that a mark should be known “in two or more prefectures”, rather than “all over Japan”.

From April 1, 2006, producers of such products as IDAHO POTATOES (from the United States), SCOTCH WHISKY (from UK) or MATSUZAKA BEEF (from Japan) can accordingly file and register regional collective trademarks in Japan.

### Requirements for obtaining a registration

Requirements for obtaining a registration of regional collective trademarks are as follows (Section7-2(1) and (2)):

(1) Requirements of entity

Industrial business association or other association established under the applicable law, or corresponding foreign legal entities (refer to Section7-2(1) for details.);  
(2) Entities require their members to use the trademarks;  
(3) Trademarks which consist solely of characters indicating, in a common way,

1) a regional name and the common name of the goods or services in connection with their own or their members’ business;

2) a regional name and the name customarily used to indicate the goods or services as being connected with their own or their members’ business;

3) a regional name and the common name of the goods or services relating to their own or their members’ business or the name customarily used for indicating such goods or services and characters indicating, in a common way, the characters customarily applied to indicate the origin of goods or location of services provided;

(4) the regional name in the trademark having a close relationship with the goods or services;

(5) trademarks which have become well-known among consumers as indicating the goods or services of an entity or its members.

### Right to use based on Prior Use

A person who has been using, without any intention of violating the rules of fair competition, the regional collective trademark or similar trademark in Japan from a time prior to the filing of the regional collective trademark application by another person, has a right to use the trademark (Section32-2(1)). The owner of the trademark right may request the person having the right to use (prior user) to apply a suitable indication to prevent any confusion (Section32-2(2)).

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## Intellectual Assets Based Management in Japan

By Toshihiro TETSUKA\*

### Background

With regard to market capitalization value, corporations are frequently concerned about being assessed inadequately and consequently being undervalued. If a corporation implements management policies to achieve recognition of the value and utility of intellectual property and assets, and can convince investors of the potential for future profit, corporate value may be enhanced.

There are various forms of intellectual assets. A recent increase in interest in CSR (Corporate Social Responsibility) and in environmental reports is a result of additional attention being paid to areas other than finance. Intellectual property reports published by METI in January 2004 are intended to show not only to directly interested parties, but also to the general public, that the value of intellectual assets is enhanced through effective management. In addition, financing and

investments that focus on intangible assets and management have recently emerged.

Intellectual assets based management is very important for both individual corporations and for corporate management as a whole. To increase awareness and establish confidence in intellectual assets based management, it is necessary for stakeholders to recognize its importance and value. To achieve this, corporations must first implement intellectual assets based management. Appropriate information disclosure improve understanding by both corporations and stakeholders, thus enabling intellectual assets based management to further evolve, thereby enhancing corporate value.

The guidelines for disclosure of intellectual assets based management, compiled by METI, aims to help corporations (managers) that prepare intellectual assets based management reports and those who assess such reports.

### Assets Based Objectives of Intellectual Management Reports

Fundamental objectives of intellectual assets based management reports are (1) to have senior managers report, in clear language, their efforts to produce sustainable profits and enhance corporate value to stakeholders, and (2) to enable corporate management to share stakeholders' sense of value.

### Basic Principle and Factors in Intellectual Assets Based Management

Intellectual assets based management report format and contents vary because corporations decide individually what to report and how to report it. To achieve the fundamental objectives, it is desirable: (1) to show an overall picture of corporate management from a senior manager's point of view; (2) to focus on the value of future intellectual creativity that will affect corporate value; (3) to evaluate uncertainties (risks/chances) relative to future intellectual creativity fairly, and explaining how to deal with them; (4) to provide reports in clear language; (5) to provide supplementary and complementary financial information; (6) to add supporting key performance indicators to the main points of a report to enhance credibility; (7) to provide historical comparisons; and (8) to explain current business activities based on actual corporate accounts.

To satisfy basic principles and to enable corporate management to share stakeholders' sense of value, it is desirable to foster an understanding of: (1) business characteristics and the direction of management; (2) performance, past, current and projected; (3) intellectual assets and methods of creating value by combining them, that are the basis for past and future performance; (4) identification of future uncertainties and how to deal

with them; and (5) intellectual assets indicators as key performance indicators to support the foregoing points.

Other considerations are: (1) disclosure is on a voluntarily basis; (2) instead of preparing a new report, it may be possible to refer to existing disclosed documents, such as annual reports or sustainability reports; and (3) regarding future performance, it should be noted that projections are based on current performance.

### Example of Typical Intellectual Assets Indicators

Intellectual assets indicators are stated in support of an overall description of management.

- (1) Management stance/Leadership (Existence and understanding of corporate philosophy, and the managerial policy based on the philosophy)
- (2) Selection and concentration of resources (Allocation of resources, selected based on various criteria, to areas with competitive advantage)
- (3) External negotiation power/Relationships (Negotiation power and price control power vis-à-vis trading partners in upstream/downstream relationships)
- (4) Knowledge creation/Innovation/Speed (Capability and efficiency of creating new knowledge)
- (5) Teamwork/Organizational Knowledge (Collective organizational power realized through team-work)
- (6) Risk management/Governance (Identification and control capability of risks)
- (7) Coexistence in society (Social acceptance such as coexistence in society)

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## **Antitrust Guidelines for Patent Pool Licensing Announced**

**By Kei KONISHI\***

On June 2005, Fair Trade Committee (FTC) newly announced "Guidelines on Standardization and Patent Pool Arrangement", so-called "Patent Pool Guidelines", for the clarification of patent pool practice in relation to the Industrial Standardization from antitrust perspective. As understood, patent pool type licensing scheme is driving force for facilitating the Industrial Standardization activity, while it also brings users cost effectiveness for licensing of pooled patents. However, to date, it has been concerned that patent pool type licensing might raise anti-competitive practice that is not permissible in Japan in the Antimonopoly Act (AMA), nevertheless, unfortunately we have had no particular criteria for clarifying what kind of patent pool practice violates the AMA. Therefore, such clarification has been well-expected and also mandated by the Intellectual Property Strategic Program 2005

(IPSP2005) which sets forth the promotion of activities for acquiring the International Standard. The Patent Pool Guidelines, which are outlined below, act as complement to "Guidelines for Patents and Know-how Licensing Agreements" announced on July 1999, so-called "Patents and Know-how Guidelines" generally regulating in patent licensing and know-how licensing from antitrust perspective, and the Patent Pool Guidelines especially provide in-depth regulation to counter "holdup problem".

Basic Idea penetrating the Patent Pool Guideline is that the standardization of specifications by competitors as such is not assumed to pose problem with the AMA, unless: 1) Restriction on prices of new products with specifications; 2) Restriction on development of alternative specifications; 3) Unreasonable extension of the scope of the specifications; 4) Unreasonable exclusion of the technical proposals of competitors from being adopted; or 5) Exclusion of competitors from the Standardization activities, is found. Safe Harbor rule on

size of patent pool is also given that: 1) Less than 20% of market share in the related market; or otherwise 2) At least four other available specifications, brings the presumption of non-violation of the AMA, without special circumstances.

Malpractice and best practice concerning patent pool licensing are stipulated as follows:

1) In forming the patent pool, it is necessary to limit patents to "Essential Patent", which necessarily infringes when implementing the Specification for which there is no realistic alternative. "Patent Platform" type licensing scheme is more recommendable, which allows users to select licensing conditions for patent associated with specification technologies, rather than patent pool type licensing gives that gives only bundled licensing condition.

2) Concerning restrictions on those participating in a patent pool, imposing on participants restrictions on the use of their pooled patents such as prohibiting them from licensing their patent without going through the pool will pose the risk of violating the AMA as unreasonable restraint of trade or private monopolization. Outsourcing the management of the pooling activities to a third party that has no human or capital connection with participants of the pool is advisable.

3) Non-discriminatory granting of licenses is necessary so long as there is no reasonable necessity to make differential conditions.

4) In R&D activities, if developing specifications is regarded as substantially a joint R&D activity, restricting R&D technologies for the specifications or competing technologies independently or jointly with third parties could be recognized as falling within reasonable restrictions. However, once the specifications have been developed, limiting R&D by licensees in the

licensing agreements through the pool will pose a problem with the AMA.

5) Concerning licensing clauses, the "Grant-back" clause is permissible, only if the patent on improvement is essential patent, and licensed non-exclusively through a pool with non-discriminatory treatment. Imposing on licensees a "Non-challenge" clause will pose a problem with the AMA, if it is accompanied by a measure to terminate licensing agreements with licensee for all patents in the pool, as a joint refusal to deal. Instead, terminating licensing agreement only for the patent subject to the invalidation claim is permissible.

More notably, the Patent Pool Guidelines provide some solutions to counter so-called "Holdup problem". If a patent holder has participated in the activities to develop the Specifications and actively endeavored to have it patented technologies adopted by the specifications, the refusal to license his patent and later arisen enforcement of his patent will pose a problem with the AMA, as "other refusal to deal", "joint refusal to deal", or "private monopolization". It seems that the AMA can now provide some measures to counter the license refusal and enforcement in the circumstances of, e.g., Dell Computer case and Rambus case in U.S., while concerning complete outsider who is not involved in the standardization activities, unfortunately, the Patent Pool Guidelines don't seem workable well.

English version of the above mentioned Patent Pool Guideline is available at:

[http://www.jftc.go.jp/e-page/legislation/ama/Patent\\_Pool.pdf](http://www.jftc.go.jp/e-page/legislation/ama/Patent_Pool.pdf)

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## IP News from Japan

### Amendment to Design, Patent and Trademark Laws

#### By Shoichi OKUYAMA\*

An amendment to the design, patent, and trademark laws was passed in the Diet on June 1, 2006, and came into force on June 7, 2006. A summary of some of the more significant changes is provided below.

- Design Law - Major changes are as follows: (1) The term of design protection will be extended from the current 15 years to 20 years; (2) A design similar to a basic design, or a design which constitutes part of a larger design, may be filed up to the time of publication of the basic design after grant (under the current scheme, a design and designs similar to it have to be filed on the same day); and (3) up to the time of grant, it becomes possible to request that granted designs be kept secret for a certain period of

time (currently secrecy has to be requested at the time of filing a design application).

- Patent Law - Major changes include: (1) introduction of more flexible periods during which a divisional application can be filed; and (2) tighter restrictions for amendments that shift the scope of a claimed invention. It will become possible to file a divisional application after issuance of a notice of allowance, and also in response to a decision of rejection, without the necessity and cost of filing an appeal.
- Trademark Law - It will become possible to designate retail services.

Also, in relation to patents, utility models, designs, and trademarks, exportation will become an additional manner of infringement. Criminal sanctions are increased for infringement patents, designs, trademarks

and trade secrets. The Japanese Patent Office has not yet announced when these amendments will take effect.

From a practical point of view, the extension of the term of design registrations and the possibility of filing similar designs after the filing of a basic design are significant improvements that clearly benefit applicants and registrants. Also, the possibility to file a divisional application after issuance of a decision of allowance is useful when an applicant has planned to file an amendment upon receipt of an official action, but instead unexpectedly receives a notice of allowance. In a divisional application, pending claims can be modified. On the other hand, newly imposed restrictions on allowable scope of amendments are intended to ease the burden on an examiner of having to newly carry out search after issuing a first office action.

For shops and retailers, the change in the Trademark Law is of critical importance. Currently, in trademark applications, retailers have to designate goods they sell or services related to provision of information, because "retailing" *per se* cannot be designated. A rush of new trademark applications designating retail services is expected. It is not clear at this moment when trademark applications designating "retailing" services will first be allowed to be filed.

#### **Prime Minister's IP Promotion Project Moves into its Final Phase**

The "Strategic Program for the Creation, Protection and Exploitation of Intellectual Property" was created in 2003 after one and a half years of preparation under the direct supervision of the Prime Minister of Japan.\* Detailed plans of action were published in 2004 and 2005\* as well as this year. The 2006 plans, finalized on June 8, have been put together in a 133-page report. As in the previous plans, the 2006 plan includes numerous items covering a wide range of topics. The second and probably final phase of this Program will run until 2008.

\*Available in English at:

[http://www.ipr.go.jp/e\\_materials.html](http://www.ipr.go.jp/e_materials.html).

#### **JPO Faces Mounting Examination Workload**

In 2005, nearly 400,000 requests for examination of patent applications were filed. This represents an approximately 70% increase compared to 2003, when the number of requests was around 240,000. Currently, examination is requested under the previously allowed seven year term and under the recently introduced three year term. The number of requests probably peaked last year, but examiners now face a significantly increased workload. A further contributing factor is that while the number of requests for examination used to be about 55% (55 requests per 100 applications) under the seven year term, it is about 66% under the three year term. To reduce the workload, the Japanese Patent Office (JPO) increased the number of examiners by 117 in 2005, and will increase the number by another 110 this year. Currently, about 100 examiners are being hired annually for a limited term of five to ten years. These increases go directly against the required general attrition of the number of national government employees, mandated by law. The average waiting period from requesting examination to receiving a first action is now slightly less than 26 months. While this period will inevitably become longer, the JPO intends to continue to limit the period to less than 30 months, and to further reduce it in the future. While the number of JPO examiners was 1,243 in 2004, a larger number of examiners are now working on outsourced prior art searches.

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## **Editors' Note**

We trust that the articles included in this issue will prove useful in providing up-to-date information. With regard to regional trademarks, the JPO has already received more than three hundred application, and we expect to see more applications, as local governments promote "local brands". The Fair Trade Commission has changed guidelines on so-called patent pool policy; and Japanese corporations consider it important to manage Intellectual Property Assets to promote investment. We are also including articles providing up-dates on IP activities in Japan.

If you are interested in reading back issues of our newsletter, please access the following web site;

<http://www.lesj.org>

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