



WINDS FROM JAPAN

The Licensing Executives Society Japan

2021 Patent Act Revision

Response to the COVID-19 Pandemic, Increased Influx of Counterfeit Products and Large-scale Patent Licenses

By Mitsuo Kariya *

The Patent Act was revised to respond to the COVID-19 pandemic, increased influx of counterfeit products, large-scale patent licenses and other changes. The revision was promulgated on May 21, 2021, and some provisions relating to the response to the COVID-19 pandemic came into force on October 1, 2021, while other provisions will come into force on April 1, 2022. In association with the Patent Act revision, the Utility Model Act, Design Act, Trademark Act and Patent Attorneys Act are also revised.

Rationalization and Digitization of Procedures – Response to the COVID-19 Pandemic

- (1) Oral proceedings in a trial before the Japan Patent Office (JPO) became possible to be conducted using a video conference system in the judgment of a chief hearing examiner. (Patent Act Articles 71(3), 145(6)(7), 151; Utility Model Act; Design Act; Trademark Act.) This revision eliminated the need for parties to appear in person at the tribunal when the chief hearing examiner made the decision to use a video conference system.
- (2) It became possible for the JPO to notify the decision of registration to the applicant for an international design application or an international trademark application through an electronic notification to the WIPO instead of sending it to the applicant by post. (Design Act Article 60-12-2; Trademark Act Article 68-18-2.)
- (3) Additional charges are exempted if the period for paying patent fees is not observed due to an infection spread, a natural disaster or the like. (Patent Act Article 112(2), (4)-(6); Utility Model

Act; Design Act; Trademark Act.) For seeking the exemption, it is necessary to file a required petition and make the patent fee payment within a limited period of time.

Rights Protection responding to the Changes in Business Behaviors on Progress of Digitization

- (1) In response to the increased importation of counterfeit products for personal use through electronic commerce, the acts of bringing products into Japan, by posting from overseas business operators, are defined as infringements of design or trademark rights. (Design Act Article 2(2)(i); Trademark Act Article 2(7).) Before this revision, it was difficult for the customs to stop the influx of counterfeit products which were directly mailed by overseas business operators to individuals in Japan if the domestic individuals claimed personal use. By this revision, such conduct by an overseas business operator will be defined as design infringement or trademark infringement.
- (2) In response to the increased comprehensive license agreements, it becomes unnecessary to obtain consent for correction of patent claims or abandonment of patent rights from non-exclusive licenses. (Patent Act Articles 97(1), 127; Utility Model Act; Design Act.) The necessity for consent from non-exclusive licensees was not practical when comprehensive license agreements were covering a large number of patents.
- (3) The requirement for restoration of a right will be relaxed when the right becomes extinguished because of an unintentional lapse of the procedure period for i) filing a translation of specification, ii) filing a patent application which claims a priority, iii) requesting the examination of a patent

application, iv) making a late payment of the patent fees, or v) appointing a patent administrator for an international patent application. (Patent Act Articles 36-2(6), 184-4(4), 41(1)(i), 43-2(1), 48-3(5), 112-2(1), 184-11(6); Utility Model Act; Design Act; Trademark Act)

Strengthened IP Foundation

(1) A system for solicitation of third parties' opinions will be introduced in patent infringement litigation and utility model infringement litigation so that the courts can hear opinions widely from third parties, and patent attorneys will be able to give advice on patent law and utility model law. (Patent Act Articles 65(6), 105-2-11; Utility Model Act; Patent Attorneys Act.) Third parties' opinions are solicited by a court (the Tokyo District Court, the Osaka District Court or the IP High Court) only when a party petitioned and the court found the necessity. The court also hears the other party's opinion before soliciting third parties' opinions. The parties can copy the submitted opinions and submit selected opinions to the court as evidence.

The newly introduced system for solicitation of third parties' opinions is considered to be different from the amicus brief system in the United States and also different from the public

comment solicitation by the IP High Court in 2014. In the Samsung Electronics v. Apple Japan patent infringement case, the IP High Court Grand Panel announced that third parties can send their public comments on the issues of the FRAND declarations to the representatives of the two parties and all the comments (58 public comments from 8 countries) were submitted to the court as evidence based on the agreement by the two parties.

- (2) The official fee structure will be revised to maintain a balance between income and expenditure at the JPO. (Patent Act; Utility Model Act; Design Act; Trademark Act; International Application Act.)
- (3) The patent attorney system will be revised with regard to the duties for giving advice on the protection of new plant varieties and geographical indications, and the foundation of patent attorney cooperation. (Patent Attorneys Act.)

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## COVID-19 Crises Uncover Deficiencies of Global Framework

By Jinzo Fujino \*

With the surge of the *Omicron* Covid-19 variant, Japan's prime minister, Fumio Kishida, announced that he was barring all foreign arrivals in Japan, effective on November 30, 2021. The *Omicron* strain has so far been detected in more than dozens of countries including Japan. It is assumed that the Japanese prime minister was concerned about the sixth wave of COVID-19 in Japan, and the shortages of new vaccines.

The COVID-19 pandemic has revealed the deficiencies of the patent system in the field of public health and welfare. This article takes an overview of the measures to improve the drug access and reduce drug development times.

### Interim Waiver of Corona Patents

On May 5, 2021, President Biden announced a proposal to waive patent protections for COVID-19 vaccines. Under the threat of surging Covid-19 crises worldwide, his proposal was to side with international efforts to increase vaccine access in developing

nations. It was a surprise, however, to those who know that America was strongly against any measures to weaken the protection of intellectual property rights. It is well known that America has been a leading advocate against compulsory licensing.

The proposal released by the Biden Administration has provoked arguments worldwide on the pros and cons of the issue. The United Nations has warned that vaccine inequality among nations has allowed COVID-19 to continue spreading and has increased the chances of variants emerging to reduce the efficacy of existing vaccines. World leaders immediately expressed concerns that it would lower the incentive for research and development of new vaccines.

In October 2021, India and South Africa put forward an initiative at the World Trade Organization (WTO) to temporarily suspend rules on intellectual property rights for COVID-19 vaccines and other coronavirus-related medical equipment. They argued that waiving patent rights would allow more countries to manufacture COVID-19 vaccines to meet the long-felt need in domestic markets. Big pharmaceutical

companies, however, have sharply opposed the proposed suspension, citing potential harm to innovation and a lack of viable manufacturing sites needed to boost production.

On the other hand, Pfizer Inc., and the Medicines Patent Pool (MPP) announced that a voluntary license agreement was signed for Pfizer's COVID-19 oral antiviral treatment candidate. The MPP is a public health organization working to increase access to life-saving medicines by people living in poor countries. The agreement will enable MPP to facilitate additional production and distribution of the investigational antiviral, by granting sublicenses to the qualified manufacturers of generic medicines. Under the license agreement, qualified generic medicine manufacturers will be able to supply the candidate to many countries. Pfizer made it clear that it will not receive royalties on sales in low-income countries and will further waive royalties on sales in all countries covered by the agreement so far as COVID-19 remains classified as a public health emergency of international concern by the World Health Organization (WHO).

### **Implications to TRIPS Agreement**

As is well known, an amendment to the WTO's intellectual property (TRIPS) agreement became effective in January 2017. The amendment originally adopted in 2003 waives the limitation of the international arrangement to cope with the HIV/AIDS virus epidemic. More particularly, it aims at waiving the limitation of "to predominantly supply the local market" when generic medicines are produced under the compulsory license. In belief of improving poor countries' access to affordable medicines, the amendment was formally built into the TRIPS Agreement after two-thirds of the WTO's members accepted it in 2005.

### **<Compulsory Licensing>**

The TRIPS agreement allows compulsory licensing as part of the Agreement's overall balance between the promotion of access to existing drugs and the promotion of research and development for new drugs. Article 31 allows compulsory licensing and government use of a patent without the patentee's authorization under certain conditions which are retained for the legitimate interests of patentee. The applicant for a license is required to attempt to obtain a voluntary license from the patentee on reasonable commercial terms. When a voluntary license turns out to be unobtainable, then, a compulsory license is available with the payment of adequate remuneration to patentee. The amendment has thus removed the obligation of a first attempt to obtain a voluntary license in the case of "national emergencies", "other circumstances of extreme urgency" or "public non-commercial use."

### **<Paragraph 6 Issue>**

Compulsory licensing must meet several requirements. Therefore, a separate paper was prepared to clarify the requirements for compulsory licensing. A yet-remaining question, however, was the so-called "Paragraph 6" issue which was an additional measure to be required for countries where production capacity is still poor even under a compulsory license.

Article 31(f) of the TRIPS agreement says that products made under compulsory licensing must be predominantly for the supply of the domestic market. This means that compulsory licensing is effective to countries that can manufacture drugs for domestic use only. It was a bottleneck provision for poor countries because they were unable to make drugs by themselves. They needed to import drugs from other countries where drugs could be made under compulsory licensing. And it was often difficult for them to find a partner from whom licensed products could be imported. This issue was theoretically resolved in 2003. WTO members agreed on legal changes to make it easier to import cheaper generics made under compulsory licensing if they are unable to manufacture the medicines themselves.

### **<What is needed to combat Corona Virus?>**

It took almost fifteen years until the amendment was effectively entered into the TRIPS agreement. As was noted above, the amendment was a consequence of the HIV/AIDS epidemic which was prevailing worldwide at that juncture. Now that COVID-19 is shaking the world, further amendment may be sought again.

An unsolved problem is not one which can be cured with reforming the legal framework, but one closely connected with the insufficient infrastructure for drug productions. It is a matter of economy, not legality. This issue reminds me of a suggestion by Joseph E. Stiglitz, the renowned Nobel-prize winner. In addition to the present patent system, he suggests a new system to improve access to life-saving drugs and pharmaceuticals. The new system would provide inventors of effective vaccines or curing processes with special bonuses which are changeable according to the expected effect and importance of vaccines and curing processes. (See, "I Dissent: Unconventional Economic Wisdom," by Joseph E. Stiglitz, ©Project Syndicate)

While revealing the limited boundaries of the patent protection in the field of public health and welfare, the COVID-19 pandemic has left us a difficult problem which cannot be solved by simply reshaping the framework of the present patent system.

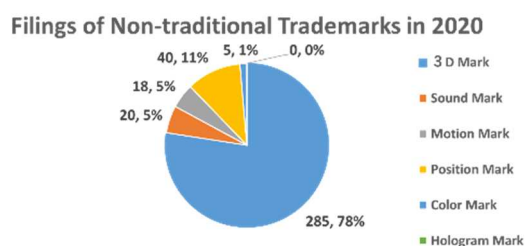
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Three-Dimensional (3D) Trademarks in Japan

By Hideko Mihara *

“3D Trademarks”

The filings for 3D trademarks in 2020 was about 80% of those for non-traditional trademarks.



Shape of bike
(Super Cub)
Reg. No.5674666



packaging for
drinks (Yakult)
Reg. No.5384525



Colonel
Sanders doll
Reg. No.
4170866



Gas Station store
Reg.No.5181517

3D trademark system was introduced into Trademark Act in 1996 to respond properly to the movements, such as protection demands, in the trade community, and for increasing registrations of 3D trademarks in other countries. It may be said that the number of filings and registrations have been increasing little by little in recent years.

With respect to the definition of 3D trademarks, the legal text only says “3D shape(s)” and no particular restrictions (Article 2.1). Examples of registered 3D trademarks are as follows.

“Registration Requirements

- Article 3.1, Subparagraph 3 and Article 3.2 -”

In order to be registered, a 3D trademark has to perform both a distinguishing function vis-à-vis other trademarks, as well as to provide an identification function. However, the presence or absence, and strength of functions, will change depending on the purpose and situation where the trademarks are used.

Registration of a 3D trademark, which is identified as no more than just the shape of the designated goods or the shape of the packaging, shall be refused, for a reason of lacking in the distinguishing function (Article 3.1, Subparagraph 3).

As an exception, if a shape of goods or packaging has gained a function of source designator as a result of long years of use, such shape may be registered as a 3D trademark (Article 3.2).

However, registration shall be refused for a trademark structured solely by 3D shapes that are indispensable to maintain the function of goods or packaging, from the standpoint of protecting the public interest (Article 4.1, Subparagraph 18).

Following the Maglite 3D trademark case (IPHC Hei. 19.6.27), there have been some judicial precedents in which registration was admitted for trademarks composed only from 3D shapes of a product, such as Coca-Cola’s 3D trademark case (IPHC Hei. 20.5.29), Chocolate’s 3D trademark case (IPHC Hei. 20.6.30), Yakult’s 3D trademark case (IPHC Hei. 22.11.16), Y-chair’s 3D trademark case (IPHC Hei. 23.6.29), and Lampshade’s 3D trademark case (IPHC Rei. 1.11.26).

In particular, the hurdle of Article 3.2 is high, and in some cases, its applicability was denied. Namely "a 3D trademark having an unpredictable unique shape or a decorative shape producing [a] unique impression" is required by the Japanese Patent Office and courts to prevent double protection by the Design Act, etc., and renewable trademark rights, such as Hiyoko’s (chick) 3D trademark case (IPHC Hei. 18.11.29), Cosmetic packaging 3D trademark cases (IPHC Hei. 23.4.21, IPHC Hei. 23.4.21).

“Utilization of 3D Registered Trademarks”

Recently, in Hermes’ Birkin 3D trademark case (Tokyo District Court Rei. 2.6.3, Tokyo District Court Hei. 26.5.21) the court found infringement of 3D trademark rights and a violation of the Unfair Competition Prevention Law, and the damages were about 3 million yen. The court said that the criteria for the similarity judgements of a plane trademark also apply to those of a 3D trademark in infringements, the as same as registration process. Then, in consideration of the peculiarity of the 3D trademark, the concept of a "predetermined direction" has been introduced which represents a characteristic visual appearance of the 3D trademark. In this case, the defendant's product was a nylon bag with a photo of the plaintiff's product on the surface.

In Lampshade’s 3D trademark case (Tokyo District Court Hei. 30.12.27), the court found infringement of the 3D trademark right, and the damages were about 4.5 million yen. The defendant argued for invalidation under Article 3.1, Subparagraph 3. The plaintiff alleged the application

of Article 3.2 with a showing of a large amount of evidence covering long years of sales, nationwide handling, advertising, publications, award history and publication in textbooks about plaintiff’s products.

At the end

Even if it is difficult to register a 3D trademark, it seems to be very significant to protect a well-known brands with a renewable trademark right.

References:

Brief Overview of Trademark Act Revisions during the last decade (1996 – 2007)/ Japan Patent Office, Asia-Pacific Industrial Property Center, JIII https://www.jpo.go.jp/news/kokusai/developing/traini ng/textbook/document/index/07_Brief_Overview.pdf

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## IP News from Japan

### By Shoichi Okuyama, Ph.D.\*

#### Nippon Steel Sues Toyota and Baoshan

On October 14, 2021, Nippon Steel Corporation, the largest Japanese steel maker, brought a patent infringement suit against Toyota Motor Corporation and Baoshan Steel, a major Chinese steel maker, before the Tokyo District Court.

It is highly unusual for a material manufacturer to sue a client company, particularly in view of the fact that Toyota is one of the largest customers of Nippon Steel. The subject of the suit is a Japanese patent (No. 5447167) related to a non-oriented electrical steel sheet, used in the production of efficient EV motors.

Nippon Steel demanded JPY 20 billion (about US\$ 175 million) in damages from each of Toyota and Baoshan. It also asked the court to issue a preliminary injunction against Toyota and Baoshan. This high-profile case is very interesting in that Toyota and Nippon Steel have long worked together to advance Japanese industry, and Nippon Steel helped Baoshan's predecessor when it was founded in China in 1977 and taught it steelmaking techniques.

Toyota issued a press release stating that it was surprised at the suit and that the dispute should have been resolved between the material manufacturers. Since the use of infringing materials is clearly one aspect of patent infringement, Toyota's remarks have generally been taken as being disingenuous.

#### Secret Patents on the Horizon

On November 19, 2021, the Economic Security Promotion Council held its first meeting and announced it would set up a panel of experts this month to prepare legislative bills.

The Council is headed by Prime Minister Fumio Kishida and is composed of relevant ministers. New legislation will be prepared to promote economic security and is expected to be submitted to the Ordinary Session of the Diet next year.

The economic security is one of the billboard policies of the Kishida administration, aiming at stabilizing the supply of important products such as semiconductors and preventing the outflow of advanced technologies. The bill consists of four pillars: (1) stronger supply chain and manufacturing basis for important materials, (2) improved security and reliability for core infrastructure, (3) development and protection of important technologies, and (4) secret patents.

On the same day, the Cabinet Secretariat established the Economic Security Legislative Preparation Office, which is responsible for drafting bills.

At the meeting, Prime Minister Kishida said, "As countries around the world compete in securing strategic products and materials and acquiring important technologies, it is important to

fundamentally strengthen Japan's economic security efforts."

Starting a new system of secret patents in Japan has been discussed over the last several years, but no clear picture has yet emerged. The Ordinary Session of the Diet will be held between January and June next year, during which new bills are expected to be

introduced. It remains to be seen what the new secret patent system will look like.

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Editors' Note

This issue includes articles, "2021 Patent Act Revision - Response to the COVID-19 Pandemic, Increased Influx of Counterfeit Products and Large-scale Patent Licenses -" by Mr. Mtsuo Kariya, "COVID-19 Crises Uncover Deficiencies of Global Framework" by Mr. Jinzo Fujino, "Three-Dimensional (3D) Trademarks in Japan" by Ms. Hideko Mihara and "IP News from Japan" by Mr. Shoichi Okuyama.

Thank you for supporting "*WINDS from Japan*." This newsletter will continue to provide you with useful information on activities at LES Japan and up-to-date information on IP and licensing activities in Japan.

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<https://www.lesj.org/en/winds/new.php>

(YF)

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