

WINDS FROM JAPAN

The Licensing Executives Society Japan

A Memoir of LES Activities

By **Katsumi Harashima** *

I have attended quite a number of LES International meetings throughout my life. Personally, the most memorable event was the 2008 LES International Management & Delegates' Meeting (IMDM) hosted by Mr. Chikao Fukuda, LESI president, held at Hotel Nikko in Tokyo. I supported him as one of the staff members of the host society with a role to take care of a welcome dinner for the IMDM participants.



In preparation for the dinner, I deliberated on how to entertain the IMDM participants from overseas and decided to have it on a *Yakatabune*, an old-fashioned tour boat cruising Tokyo Bay. There were only 3 *Yakatabunes* available for a large group of 128 guests. I booked one of the boats named 'Godzilla'. We provided the guests with meals featuring *Tempura*, which is deep-fried fish and vegetables in light batter. As a post-dinner attraction, I chose *Kamikiri*, known as paper cutting art which is a traditional Japanese attraction to cut figures and designs out of a single sheet of paper with scissors. As I anticipated, the dinner on the *Yakatabune* was well received by the foreign guests.

The IMDM participants were key members of the LESI. It was an invaluable opportunity for me to interact with the 128 LESI guests on the chartered *Yakatabune*. The opportunity has set a basis for me to engage in LESI activities in a

relaxed manner. Members that attended the event began to call me "Captain Harashima", which has made me feel much closer to the LESI.

I joined the LES Japan back in 1997 when I was transferred from the research division to the intellectual property division within my company. Because IP matters were completely new to me and because I strongly felt the company's expectation for my role as the IP general manager, I was not thinking of joining the LES Japan at that juncture. However, my subordinate suggested that I should think of joining since the LES Japan had many members who were patent attorneys and lawyers in addition to corporate executives. He said it would provide me with a chance to build up a good network in the IP area. His suggestion pushed me forward to become a LES Japan member.

My first participation to the LES Japan event was the annual convention held in Ohnuma, Hokkaido, in 1997. It was nicely organized by Mr. Chikao Fukuda who invited Mr. Planton Mandros as the guest on behalf of the LESI. I had the honor of playing golf with Mr. Mandros. This opportunity helped me recognize that I was one of the LESI members, despite my short experience in the LES Japan.

Within the LES Japan, I initially engaged in the activities of the committee which was responsible for running monthly seminars. In doing so, I expanded my personal connections and network among committee members. The annual convention included an optional golf meeting, whose winners were obliged to take care of the annual convention the following year. Due to this

obligation, I was involved in running the annual convention. These experiences gradually directed my attention to the LES Japan and the LESI.

In 2010 I was nominated as the President-Elect of LES Japan and became the President two years later. Including the period of Immediate Past President, I ran the society for a total of 6 years. Taking this opportunity, I would like to thank all the LESI friends who have come to visit us and made their efforts to understand the LES Japan through direct contacts with our people, particularly to such LESI presidents as; Planton Mandros, Heinz Goddar, Ron Grudziecki, Pat O'Reilley, Alan Lewis, James Malackowski, Kevin Nachtrab, Yvonne Chua, Arnaud Michel, Jim Sobieraj, Patricia Bunye, Francois Painchaud, Fiona Nicolson and Audrey Yap, I would like to express my sincere appreciation for their friendship and their resonating words for all the members of LES Japan.

In return of this warm friendship, I tried to enhance my contribution to LESI (in addition to the general meeting of IMDM) by actively participating in various management committees such as Meeting, Awards and Nominations. Acquaintance with other committees and their members from all over the world has helped me establish a network of new friends which turned out to contribute to my role as general manager in my company. A quarter of a century has passed since I joined the LES Japan. What I have gained during this period has been enormously invaluable.

The strength of the LES, in my belief, is possible attainment of the global human network beyond the barrier of professions. When I accepted the position as the President of LES Japan, I was determined to work on building up the environment where more members could share the

strength of the LES. Every LES Japan member cannot attend the IMDM. I thought of bringing LESI gatherings into Japan, in hopes more LES Japan members could attend these international events because it was geographically convenient. In 2012, I was successful in holding the Asia Pacific Regional Conference in Tokyo, to which a total of 290 LES members participated. Foreign guests accounted for over 30%, which was far beyond my initial expectation. In 2013, we persuaded the participants of the IMDM, which was held in Philadelphia, U.S., to have the annual meeting in 2019 in Yokohama, Japan. Readers may recall that the 2019 Yokohama Annual Meeting was a huge success under the brilliant leadership of Ms. Junko Sugimura, the LES Japan's past president and LESI's current vice-president, with the brilliant support by her Great Husband.

This year, the LES Japan celebrates its 50th anniversary. Every LES Japan event has been traditionally carried out by the members based on the spirit of volunteerism. The 2019 Annual Meeting in Yokohama was a good example where such volunteerism was fully exhibited. The LES Japan is an operational entity supported with enhanced motivation and attentiveness of its members. It regularly provides them with enjoyable yet fruitful programs as well as learning opportunities. To ensure that it is developed in future, any decision should be made in a manner to reflect the ever-lasting question: "Does it really contribute to the development of an individual member?"

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\*Senior Adviser, Taiyo, Nakajima & Kato Intellectual Property Law

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# Is there appropriate Protection of Cross-border Webservice related Inventions?

## *Dwango v. FC2 Patent Infringement Litigation Cases*

By Mitsuo Kariya \*

A lot of web services are provided in a system comprising a server, user terminals and networks connecting therebetween. In most of the network systems, the location of such servers can be easily moved to foreign countries. Especially it is nearly impossible to find the location of such servers in the case of cloud computing. It is also not always possible to draft patent claims having claim elements only for a sub-combination to protect inventions effectively.

Dwango Co., Ltd., a Japanese company providing web services, owns Japanese patents, JP Nos. 4,734,471 and 4,695,583 which each have display device claims, comment displaying method claims and program claims as well as JP No.6,526,304 which has comment streaming system claims. Dwango sued FC2, Inc., a US company, providing web services and Home Page System, Inc., (HPS), a Japanese company developing web services for patent infringement before the Tokyo district court (Case 1 for the 471 patent and the 583 patent; Case 2 for the 304 patent). Dwango's patented inventions relate to movie streaming services in which users can add comments to the movies and view the movies together with the added comments.

In Case 1, the Tokyo district court denied patent infringement by finding that at least one element of each asserted patent claim is not satisfied in the defendants' devices and programs. The IP high court found that the defendants' programs infringe one of the patents and ordered injunctions and damage awards although the defendants' server is located in the US.

In Case 2, the Tokyo district court denied infringement because the server is located in the US. The IP high court solicited third parties' opinions on the issues relating to this case. It is expected that appropriate protections will be realized by the initiative of the IP high court in Japan.

The basic facts and issues of the two court cases will now be described.

### **Patent Infringement Case 1 (Program Claim) Tokyo District Court Decision**

On September 19, 2018, the Tokyo district court found that the defendants' devices and programs do not infringe the patents (patent 1: the 471 patent; and patent 2: the 583 patent) because at least one element of each asserted claim of patent 1 and patent 2 is not satisfied in the defendants' devices and programs. The plaintiff appealed the case to the IP high court.

### **IP High Court Decision**

On July 20, 2022, the IP high court found that the appellees' programs (defendants' programs) infringe patent 1 and ordered injunctions and damage awards. The court gave the reasons as follows.

All claim elements of asserted claim of patent 1 are satisfied by the defendants' devices and programs and at least one element of each asserted claim of patent 2 is not satisfied in the defendants' devices and programs. The next question is whether it should be considered that patent 1 is infringed when the defendants' programs (programs 1, 2 and 3) are delivered from a server located in the US to user terminals located in Japan through communication networks.

In principle, Japanese patents have effect only in Japan. In this case it is true that not all communications are completed in Japan. However, it is extremely unjust if it is possible to escape patent infringement liabilities simply by putting the server outside of Japan. It will not go against the territoriality principal if Japanese patents have effect on the acts which can be regarded as being conducted in Japan substantially and as a whole.

The court found on each act by the defendants as follows.

#### a) Provision of the programs by the defendants

In the present streaming, it is difficult to distinguish the part conducted outside Japan from the part conducted in Japan clearly and easily. The present streaming is controlled by users in Japan and is directed to the users in Japan. The effects of the inventions are presented in Japan because the users in Japan can view movies with comments for the first time by the present streaming. When

such circumstances are examined substantially as a whole, it is appropriate to consider that the present streaming is conducted in Japan and therefore the present streaming corresponds to the “provision of programs” under Japanese Patent Act Article 2(3)(i) even though a part of the streaming is conducted outside Japan as a matter of fact.

b) Offer to provide the programs by the defendants

The defendants set up the website for displaying thumb nails or links for a number of movie contents in order to provide their services, and therefore the defendants’ acts corresponded with the “offer to provide programs” under Japanese Patent Act Article 2(3)(i).

c) Production of the devices by the defendants

The defendants delivered the programs to the user terminals located in Japan through the internet at the time of providing the services. The defendants’ programs are installed in the user terminals by accessing the defendants’ service website. It is considered that the defendants’ devices are produced by the present streaming by the defendants and the installation of the programs by the users. It is appropriate to consider that the programs are the products to be used exclusively for producing the defendants’ devices. The present streaming is deemed to infringe patent 1 as an indirect infringement under Japanese Patent Act Article 101(i).

d) Use of defendants’ devices

It is appropriate to consider that the devices are used by the users because the defendants’ programs are installed in the user terminals by accessing the service website and the defendants’ devices are used by the users who view the movies and the comments in the manner of having effect of the inventions. Therefore, it is impossible to consider that the devices are used by the defendants.

e) Production of the defendants’ programs (copying the programs at the user terminals).

It is appropriate to consider that the defendants’ programs are copied by the users at the user terminals because the defendants’ programs are installed in the user terminals by accessing the defendants’ service website. It cannot be considered that the defendants’ programs are copied to the user terminals by the present streaming.

f) Production (development) of the defendants’ programs

It is obvious that the defendants produced the defendants’ program 1 because HPS and FC2 developed the defendants’ program 1 jointly. On

the other hand, it is impossible to consider that the defendants produced programs 2 and 3 (programs for the services 2 and 3 respectively) because FC2 started the services 2 and 3 for the users by acquiring them from a third party.

g) Production (copying at the time of updating) of the defendants’ programs

There is no evidence for considering that the defendants’ programs are copied in the manner of infringing the patents at the time of updating for adding new functions.

h) Assignment and offering to assign of the defendants’ programs (delivery of the defendants’ programs by HPS)

HPS developed and delivered the program 1 to FC2 however this act cannot be considered as an independent exploitation because the defendants developed program 1 and provided the service 1 jointly as an internal activity. It cannot be considered that HPS delivered programs 2 and 3 to FC2 as aforementioned.

Based on this assessment, the IP high court found that the defendants directly infringed patent 1 by developing the program 1 and providing and offering to provide the defendants’ programs, and the defendants also indirectly infringed patent 1 by providing the defendants’ programs.

The IP high court made a decision on the requested injunction and cancellation as follows.

The defendants infringed patent 1 with regard to service 1. However, device 1 is not produced nor used by the defendants and will unlikely be. Therefore, there is no reason to grant an injunction against the production and use of device 1. It is reasonable to grant an injunction against the production, assignment and offer of assignment of program 1 and the erasure of program 1. It is considered that the defendants will unlikely provide services 2 and 3 at present because they have assigned those businesses to a third party, therefore there is no reason to grant an injunction against the production or use of devices 2 and 3 nor production, assignment or offer of assignment of programs 2 and 3. However, there is a probability of keeping programs 2 and 3 and is therefore reasonable to order erasure of programs 2 and 3 for preventing infringement.

The defendants appealed the case to the Supreme Court.

## **Patent Infringement Case 2 (System Claim) Tokyo District Court Decision**

On March 24, 2022, the Tokyo district court rendered a decision on a patent infringement case for JP No. 6,526,304 having comment streaming system claims. It claims that a comment streaming system comprises a server, plural terminals and networks connecting therebetween. The court made decisions on the issues in dispute as follows and denied patent infringement by the defendants.

1) The governing law for injunctions, removal requests and claims for damages is Japanese law.

2) The defendants' system falls in the scope of the present inventions (Claims 1 and 2). A comment streaming system satisfying all claim elements is newly created, however the created comment streaming system (defendants' system) comprises a server located in the US and user terminals located in Japan. Since all claim elements are not satisfied only by the user terminals located in Japan it is not considered immediately that the comment streaming system is "produced" in Japan.

The plaintiff argued that: In the defendants' system, major part of the system is located in Japan because a number of the user terminals are located in Japan. Even though the server managed by FC2 is located outside Japan, it means that the "production" simply starts outside Japan and the major part of the "production" is conducted in Japan. The important elements of the patent claims corresponding to the configuration in the defendants' system are realized in Japan. It is extremely unreasonable if the defendants can escape the infringement liabilities of Japanese patents simply by putting the server outside Japan even though it is possible to equate the defendants' system with a product being produced in Japan as a whole. The major part of the defendants' system is a product created in Japan in terms of both quantity and quality and therefore it is possible to assess that the "production" by the defendants is conducted in Japan.

The court found that it is reasonable to consider that, for the "production" under the Japanese Patent Act Article 2(3)(i), a product, in which all elements of the patented invention are satisfied, needs to be created in Japan and it is not reasonable to determine the scope of the "production" by a standard that the major part of the product is created in Japan without express provisions because it is necessary to make the scope of prohibition by patents clear.

The court also found that there are no circumstances, which make the conclusion extremely unreasonable. Such circumstances include that the defendant FC2 put the server outside Japan in order to escape the infringement liabilities and managed the server substantially from Japan.

The court concluded that although the defendants' system falls in the scope of the present inventions, no production of the defendants' system by the defendants in Japan is recognized and therefore it is not considered that the defendants exploit the present inventions in Japan.

The plaintiff appealed the case to the IP high court.

### **IP High Court Proceeding**

On September 30 through November 30, 2022, the IP high court solicited third parties' opinions on the questions.

1) in a system invention comprising a server and plural terminals, if the server is produced and located outside Japan, should this act correspond to the "production" as one of the execution acts under the Japanese Patent Act Article 2(3)(i)?,

2) if it is considered that such an act possibly corresponds to the "production", what conditions are necessary to correspond to the "production"?

By the 2021 Patent Act revision, a system for solicitation of third parties' opinions was introduced in patent infringement litigation and utility model infringement litigation so that the courts can hear opinions widely from third parties (Patent Act Articles 65(6), 105-2-11; Utility Model Act). This system is sometimes regarded as the Japanese version of the amicus brief system among patent practitioners, although it is different from the amicus brief system in the United States. 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 for it and the court found it necessary. 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.

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* Editor / Patent Attorney, Kariya IP Office/Tokyo-Hirakawa Law Office

LES Japan Memorial Symposium Celebrating Our 50th Anniversary

By Yasuo Fujii, Ph.D.*

LES Japan held the Memorial Symposium celebrating our 50th Anniversary with the theme "Intellectual property activities for a new generation: Further vitalization of business development" on September 2nd, 2022 in Tokyo. 47 participants in-person and 554 participants online enjoyed valuable keynote lectures and a panel discussion to not only understand the history of LES Japan but also that this is the beginning of our next era!

Opening Ceremony

The symposium started with the opening address from Mr. Kenichi Nagasawa, President of LES Japan, followed by speeches from Dr. Ichiro Nakatomi, President of LES International; Mr. Koichi Hamano, Commissioner of the Japan Patent Office; and Mr. Ichiro Otaka, Chief Judge of the Intellectual Property High Court in Japan.



Mr. Kenichi Nagasawa,
President of LES Japan



Dr. Ichiro Nakatomi,
President of LES
International



Mr. Koichi Hamano,
Commissioner of the
Japan Patent Office



Mr. Ichiro Otaka,
Chief Judge of the
Intellectual Property
High Court

Keynote Lecture (I)

Dr. Michitaka Hirose (Emeritus Professor, The University of Tokyo) gave the first keynote lecture on the theme of "Metaverse at Present and in the Future". Dr. Hirose explained the most up-to-date information of the Metaverse and proposed its possible future based on various aspects including developing technologies and changing ways of working.



Dr. Michitaka Hirose

Keynote Lecture (II)

Mr. Masafumi Masuda (Partner, Mori Hamada & Matsumoto) gave the second keynote lecture on the theme of "Legal Issues of Metaverse". It was a thought-provoking lecture focusing on what would happen along with the development of Metaverse, including issues regarding intellectual properties, NFT's (Non-Fungible Token's) and so on.



Mr. Masafumi Masuda

Panel Discussion

After the keynote lectures, the Panel Discussion focused on the theme of "Why Now Start-ups?" with five panelists: Mr. Taka Nagao (CEO, Kyoto Fusioneering Ltd.), Mr. Komei Fukushima (CEO, K Pharma, Inc.), Mr. Shinya Shimizu (CEO, Elephantech Inc.), Dr. Shingo Akao (CEO, Ball Wave Inc.) and Mr. Hiroshi Abe (Managing Executive Director, KPMG AZSA LLC., a limited liability audit corporation), and a coordinator: Mr. Minoru Nakahata (Representative Managing Partner, One ip). Firstly, the panelists took turns introducing their business enthusiastically. Then, in the discussion, the audience enjoyed the panelists' very honest opinions about several issues such as how to develop start-ups and the role

of intellectual properties for survival in their business.



From left: Mr. Taka Nagao, Mr. Komei Fukushima, Mr. Shinya Shimizu, Dr. Shingo Akao, Mr. Hiroshi Abe and Mr. Minoru Nakahata

Concluding Ceremony

The symposium ended with a closing address from Mr. Yoshiyuki Iwai, (Honorary Advisor of LES Japan and past Commissioner of the Japan Patent Office), celebrating the success of the symposium and



Mr. Yoshiyuki Iwai

encouraging members to open up the developing future with IP.

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\* Editor / Patent Attorney, Haruka Patent & Trademark Attorneys

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## Editors' Note

This issue includes articles “A Memoir of LES Activities” by Mr. Katsumi Harashima, “Is there appropriate Protection of Cross-border Web-service related Inventions? Dwango v. FC2 Patent Infringement Litigation Cases” by Mr. Mitsuo Kariya, and “LES Japan Memorial Symposium Celebrating Our 50th Anniversary” by Mr. Yasuo Fujii.

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.

If you would like to refer to any back issues of our newsletters, you can access them via the following URL:

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

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