

The evolving landscape of the Japanese IP system

Despite a recent downward trend in terms of patent applications, Japan's IP system is on the up. But with China knocking at the door, it is now more important than ever to ensure a competitive landscape for a prosperous future

Rebecca Delaney reports

The IP landscape of Japan has experienced a downturn in patent applications since 2006, but may finally be witnessing an uptick, with 318,479 patent filings in 2017 that could revitalise its IP system.

According to Satoshi Watanabe, an IP lawyer from the Osaka-based law firm Namura and Partners, the past decline in patent applications can be attributed to the new patent filing strategy of Japanese companies, which prioritises quality over quantity.

Recently, Japan has seen a positive rise quantity in filings abroad, with a 6.6 percent increase in patent cooperation treaty (PCT) applications between 2016 and 2017. This rise demonstrates that Japanese companies are focusing on foreign, rather than domestic, patent filings. Domestically, 80 percent of patent applications filed at the Japanese Patent Office (JPO) are filed by Japanese companies.

Watanabe says that Japanese companies are “allocating their limited budgets to foreign patent filings, mainly to the US, China and Europe”.

Of applications filed by foreign companies in Japan, 76.5 percent of the total 58,189 filings in 2017 were from the US and Europe. Applications from China have recently been on an upward trend with 4,172 filings in 2017, a 9.5 percent increase from 2016. Chinese applications only make up 7.2 percent of the total. Generally, trademark applications from foreign countries are on an “upward trend”, experiencing a 26.8 percent increase to 36,159 filings in 2017.

Watanabe also identifies that Japan has recently been focusing on the “utilisation of patents”, such as open innovation to licence patents of large enterprises to small or medium businesses, and the use of patent data for IP landscape analysis.

Takanori Abe, founder and managing partner of Abe and Partners, views Japan's current IP landscape as a product of official national and international guidelines.

Abe highlights the Grand Panel of the IP High Court's ruling on 20 January 2017, which established new criteria on the scope of extended patent rights to cover the product identified by ingredients, quantity, dosage, administration, effectiveness and efficacy, as well as the products that are “substantially identical” to it, which are distinguished to be patented inventions featuring similar active ingredients or quantitatively meaningless differences. It is predicted that this High Court ruling will cause an increase in the number of Japanese lawsuits associated with patent term extension.

Japan is one of the countries that allows IP judges to grant doctrine of equivalents, a statute that allows a court to hold defendants liable for patent infringement even if the disputed product or process does not fall in the category of the literal scope of a patent claim.

New guidelines published by JPO on 5 June 2018 aim to “promote transparency and predictability” of standard essential patents (SEPs) to ensure early resolution of disputes, particularly concerning the rising number of disputes between telecommunication companies and industry as a result of the growing remote internet ecosystem.

The guidelines include royalty calculation methods and optimal practices for licensing negotiation methods, such as efficiency and integrity.

Another problem facing the IP landscape in Japan is its court system. In comparison to other developed countries, Japan is viewed to have “fewer litigation cases, lower plaintiff's winning rate and smaller damages”, which has had a detrimental effect by causing more foreign patent applicants to reduce investment in favour of Japan's competitors, exacerbating the declining Japanese market.

Japan's lower damage amount emphasises the need for government reform in order to "achieve an appropriate damage amount reflecting the reality and the needs of the business". However, Abe recognises that this proposal will continue to be discussed for some time to allow the maintenance of equability within other areas of law.

Government proposals for reform also include the need to adopt "appropriate and fair evidence collection measures", since the Japanese IP system makes it difficult for patent rights holders to prove the methodology of the accused infringer.

Abe adds that "the concrete idea was to introduce an inspection system similar to the German system", such as an inspection system, has not yet been introduced in Japan owing to industry concern over trade secret protection.

The IP landscape in Japan may also be altered in the future with plans to establish an arbitration centre for international IP disputes in Tokyo in September 2018.

This planned venture will be the first of its kind in Asia, focusing on SEP disputes in particular. Potential arbitrators include "famous specialists", such as former US judge Randall Rader of the US Court of Appeals for the Federal Circuit.

The Japanese IP system can expect an expanded definition of 'design' in design law as the government examines the possibility of widening the scope of design protection and projection to cover spatial design, interior and exterior design, and topographical depictions.

Watanabe reveals that there has been discussions to strengthen Japanese companies' competitiveness with an amendment to design protection law to "address increasingly diverse ways of design under development of technologies".

Furthermore, the Japanese government is supporting the advancement of an artificial intelligence system for JPO operations, as well as initiating the "study [of] a blockchain system for contents management" in order to support domestic contents businesses.

It is Abe's belief that Japan's efforts at IP reform are an attempt to transform the global perception of the Japanese IP system from "weak" to efficient. He observes that China, Korea,

and Taiwan are establishing specialised IP courts after Japan had established an IP High Court in 2005

which was a start of establishment of a strong IP system.

However, Watanabe acknowledges that the "great leap" of the Chinese IP system to second place in the markets regarding the number of PCT applications has caused problems for Japan.

Over 90 percent of Japanese import suspension cases come from China, chiefly counterfeit goods and technology leaks. On top of this, Chinese companies are "actively seeking opportunities" to acquire "Japanese technologies, patents, companies, and engineers", says Watanabe.

Abe is optimistic that Japanese IP will prosper in the future, describing the system as good for the patentee when compared to the US, especially considering the decision in *Alice v CLS Bank*.

He expressed his hope for foreign companies to "understand the latest changes in Japan, and that Japan is a good jurisdiction to pursue their patent when facing competitors".

Watanabe recommends the "high quality services" of JPO and patent prosecution highway to ensure the efficient construction of a global patent portfolio, particularly when filing patent applications for business-related inventions.

Watanabe concluded: "I hope that Japan will become an attractive country worth investing in."

