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The Patent Act of Japan revised in 2011

I. Official announcement and enforcement of the Patent Act revised in 2011

“The bill to partially revise the Patent Act of Japan, etc.” decided at the Cabinet meeting held on March 11, 2011, was passed and concluded on May 31, 2011 and officially announced as Act No. 63 on June 8, 2011. This Act is scheduled to be enforced from a date to be set by the Cabinet Ordinance, within a period not exceeding one year from the officially announced date. Although the enforcement date has not been confirmed, it is expected to be April 1, 2012.

As a background note, on March 11, 2011 when the Cabinet decision was made, the Ministry of Economy, Trade and Industry made the revised bill public. That day, March 11, 2011, was the day a devastating earthquake and tsunami struck Japan. It took this writer six hours to get home, on foot, from our office located in Otemachi, Tokyo. Under circumstances where the earthquake-destroyed and tsunami-leveled areas had still not recovered and reconstruction efforts had barely made any impression, and in the midst of emergency

discussions on national energy policies triggered by the nuclear plant disaster, procedures for revising the Patent Act were carried out steadily. Now, we are waiting for an official announcement by the Cabinet and Ministerial Ordinances and a decision on the enforcement date. Hereinafter, an explanation will be made, with emphasis placed on revision of the Patent Act.

II. Gist of the revision

This revision has been made in response to opinions to the effect that, for Japanese companies to remain competitive in increasingly competitive global markets, including those in developing countries, it is urgently required to promote innovation and create an improved environment in which new technologies and industries will be encouraged to invest and prosper.

This revision has been made as a result of discussions held over the past three years, with an aim to reinforce the protection of license agreements and protect inventors involved in joint research, etc., to increase user convenience in view of broadening innovation possibilities, etc., and to review the trial system for quickly and efficiently settling disputes arising in connection with intellectual property issues.

III. Revised items

Hereinafter, an explanation will be made of major items covered by the present revision.

i) Review of license perfection system for non-exclusive license, etc. (Article 34-5 and Article 99 of the Patent Act)

This revision will introduce a so-called “automatic perfection system” under which a non-exclusive license has an effect on third parties without registration of the license.

A patentee is allowed to grant a license to others. The patent right is licensed under an “exclusive license” or a “non-exclusive license.” An exclusive license will not become effective unless it is registered with the Japan Patent Office (hereinafter abbreviated as JPO) (Article 98 of the Patent Act).

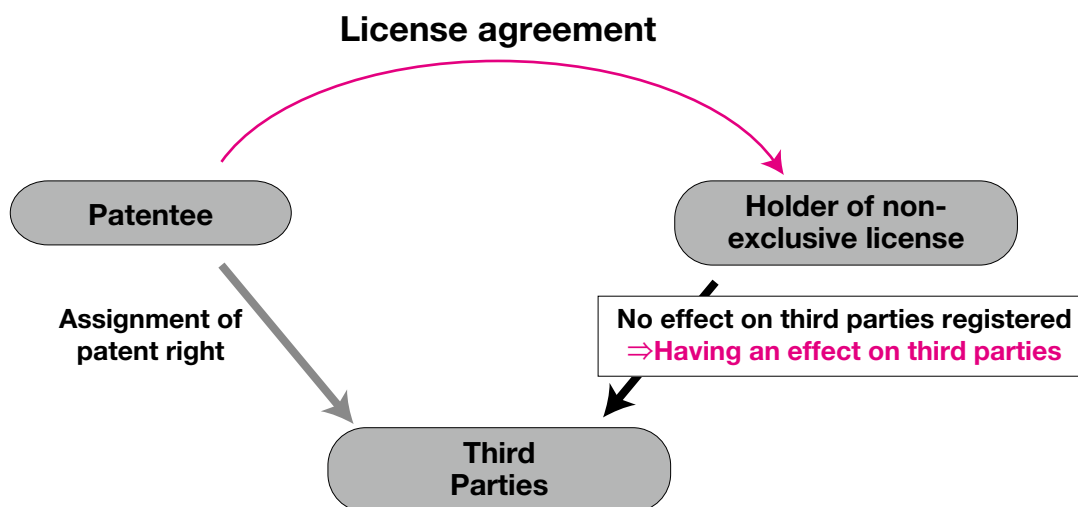
On the other hand, a non-exclusive license becomes effective by conclusion of a licensing agreement but shall have no effect on third parties unless registered with the JPO (Article 99(1) of the Patent Act). Therefore, holders of a non-exclusive license who are not registered may be subject to an injunction or claim for damages from a third party, such as an assignee of the patent right. This revision will introduce a system (automatic perfection system) under which a non-exclusive license has an effect on third parties without registration of the license, to properly protect the non-exclusive license and secure stable and continuous business activities.

Non-exclusive licenses are rarely registered with the JPO, although non-exclusive licenses which have not been registered with the JPO are not effective against third parties under the current patent system. According to the JPO, less than one percent of licenses to which non-exclusive licenses have been granted are registered. To put this figure into perspective, it is necessary to understand that the registration system of non-exclusive licenses has a number of problems, including, for example,

- a) in practice, there are often such cases that many non-exclusive licenses are granted for developing one product on the basis of a plurality of license agreements, and registration of all licenses is time-consuming and costly; and
- b) when registration is made on a joint application, a patentee is not obliged to cooperate in the registration, and there are cases where no cooperation is obtained from the patentee.

On the other hand, in recent years, there has been a notably accelerated trend of open innovation and technology has become increasingly sophisticated and complicated. It is not realistic, therefore, to develop and produce a single product on the basis of internally developed technologies alone. As a result, in order for companies to secure stable and continuous business activities, protection of a non-exclusive license has become increasingly important.

In addition to the foregoing, with consideration given to harmonization with patent systems of other countries,



an automatic perfection system is to be introduced. A non-exclusive license will have an effect on third parties without registration, thus making it possible to protect a non-exclusive license appropriately and secure stable and uninterrupted business activities. A similar system will also be introduced for a provisional non-exclusive license, which is a license for a patent under application. On assignment of a patent right, a non-exclusive license can have an effect on a subsequent acquirer, but a problem of succession of a license agreement arises. For example, are contractual obligations passed on to the subsequent acquirer and a non-exclusive licensee? There are many unclear points in this regard, and further discussion will be needed.

In addition, this revision will apply to a non-exclusive license that actually exists on enforcement. In association with abolition of the registration system of non-exclusive licenses, a licensee who obtained a non-exclusive before enforcement of the system will also be able to assert his position against a subsequent acquirer, without registration of the license after the system is implemented.

Similar systems will be provided in the Utility Model Act and the Design Act (Article 4-2 and Article 19(3) of the Utility Model Act as well as Article 5-2 and Article 28(3) of the Design Act).

ii) Development of remedies for misappropriated applications, etc. (Article 74, Article 123(1)(ii) and (vi) of the Patent Act)

This revision will make it possible that, where a patent is granted based on a usurped application, etc., a true right holder will be able to file a request for transfer of a patent right against a person who has filed the usurped application, etc., on the ground that the true right holder has the right to obtain a patent.

Under the current system, there is no provision allowing the true right holder to restore the name of an applicant and a patent right, either before or after a patent is granted.

In practice, under the current system, the true right holder can obtain a patent by the procedure of the following. The true right holder files a patent application within six months after disclosure of the usurped application, etc., by which the true right holder may be

able to obtain a patent right based on an exception to a lack of novelty of invention (Article 30(2) of the Patent Act). In addition, the Patent Act has been operated in such a manner that the true right holder is allowed to restore the name of the applicant before granting of the patent, if the true right holder files a request to change the name of the applicant for the usurped patent application to that of the true right holder, a written final and binding court decision being attached to the request as confirmation that the true right holder is entitled to be granted a patent.

However, after granting of a patent, although the true right holder may have a patent annulled, for a reason of usurpation, etc., by an invalidation trial after the patent has been granted, there is no system for restoring a patent right. Thus, it has been pointed out that remedies given to the true right holder are not sufficient.

Recently, in general, technologies and products have been developed jointly by cooperation between companies and universities, etc. Therefore, usurpation and violation of a joint application easily occur, and in reality, lawsuits are often instituted by companies and universities.

Whether a true inventor is allowed to file a request for registering the transfer of a patent right when a true inventor did not file an application has been denied so far in trial cases in the lower courts. One of the reasons is due to the possibility that a patent is such that contents of a right obtained consequently may be different, depending on the person who writes the application documents, despite the fact that the patent starts from the same invention. This revision of the Patent Act is to approve a request for registering the transfer of a patent right filed after establishment and registration of the patent right, even where the true inventor did not file an application.

Regarding the background of this revision, in Germany, the U.K., France, etc., a system has been introduced by which a true right holder is allowed to restore a patent right pertaining to usurpation, etc., and interested parties have found it necessary that the above system be introduced.

A true right holder may have a patent annulled on the ground of usurpation, etc., on the basis of an invalidation trial, which has also been approved under the current system of the Patent Act, and can also be approved

under the to-be-revised Patent Act. In other words, a true right holder is able to utilize either means, that is, to file a request for the transfer of a patent right or have a patent annulled by an invalidation trial

The Utility Model Act and the Design Act will be revised in a similar manner (Article 17-2, Article 37(1)(ii) and (v) of the Utility Model Act, Article 26-2, Article 48(1)(i) and (iii) of the Design Act, etc.).

This revision will apply to an application filed after the enforcement date.

	Application (before registration of establishment of patent right)	After registration of establishment of patent right
Current Patent Act	- Patent application based on an exception to lack of novelty - Request for changing the name of applicant is filed after final and binding court decision on holding right is obtained.	- Request for invalidation trial
Revised Patent Act	Same as above	- Request for invalidation trial - Request for <u>transfer</u>

iii) Review of provision on exception to lack of novelty of invention (Article 30(2) of the Patent Act)

By this revision, application of the exception to a lack of novelty of invention will be expanded from a limited enumeration system to an invention made public through “actions of a person having the right to obtain a patent.”

The Patent Act has a provision on the exception to a lack of novelty of invention, in Article 30, by which even an invention that has been published before application is, exceptionally, to be handled as though it has not lost novelty where the invention meets requirements such as patent application having been filed within six months after the date of publication.

However, according to the current provision, application of the exception is applied only to inventions made public through conducting of a test, presentation in a printed publication, presentation by electronic communication networks, presentation in writing at a study meeting designated by the Commissioner of the JPO, and exhibition at a fair designated by the Commissioner of the JPO. Therefore, the current provision is no lon-

ger sufficient to address various presentation aspects of inventions sufficiently. Imbalances are found, for example, where the exception is applied to an invention delivered in an animated film via the Internet, while the exception is not applied to an invention presented on TV (the former is presented through electronic communication networks, while the latter will not fall under any of the designated presentation aspects of inventions). Further, such a limitation is found where, for example, an explanation is presented to investors for the purpose of acquiring research and development funds, the presentation aspect being intended in principle to be eligible as an exception under the spirit of the law by making a contribution to the development of industries, and the presentation subsequently being found to be ineligible as an exception.

Therefore, in order that inventions that have been made public by a presentation aspect deemed to be in principle eligible for the exception can be included exhaustively, application of the exception to a lack of novelty of invention will be expanded from a limited enumeration system to an invention made public through “actions of a person having the right to obtain a patent.”

However, inventions, etc., which are listed in Patent Gazettes or elsewhere by filing of applications with patent offices in Japan and abroad to be made public are considered not to be eligible for the exception according to the gist of the patent system, and also the system may be incorrectly operated if these inventions are made eligible. Therefore, such a provision has been provided that publications in Patent Gazettes are not eligible.

A foreign applicant should consider that, under the current Patent Act and also the to-be-revised Patent Act, it is necessary to file an application in Japan within six months from the date when an action invoking a lack of novelty of invention occurs, and it is also necessary to conduct application procedures for the exception to a lack of novelty of invention. Even when a patent application is not filed in Japan, the patent application is filed on the basis of the Patent Cooperation Treaty (hereinafter, referred to as PCT), within six months from the date when an action invoking a lack of novelty of invention occurs, by which the application procedures for the exception to lack of novelty of invention can be

conducted at the time of entry into the national phase. In any event, it should be kept in mind in particular that the patent application must be filed within six months from the date when an action invoking a lack of novelty of invention occurs (either an application in Japan or a PCT application).

Provisions similar to the Patent Act are provided also in the Utility Model Act (Article 11(1) of the Utility Model Act).

Limited enumeration ⇒ **Attributable to actions of a person who has the right to obtain a patent**

iv) Prohibition on request for correction trial after lodging of lawsuit against trial decision

This revision addresses the so-called “catch ball phenomenon.”

A third party who desires to annul a patent right is allowed to file a request for an invalidation trial with the JPO. When a trial decision on invalidation has been made, to lodge a lawsuit for blocking a trial decision so that the trial decision will not become final and binding, and for avoiding grounds for invalidation included in the trial decision, a patentee is allowed to file a request for correction trial with the JPO, with the aim of narrowing the scope of claims, etc., within a 90-day period after the lawsuit against a trial decision on invalidation is lodged. In this case, the lawsuit against a trial decision with the Intellectual Property High Court is carried out concurrently with the correction trial with the JPO. Then, where the patentee files a request for cor-

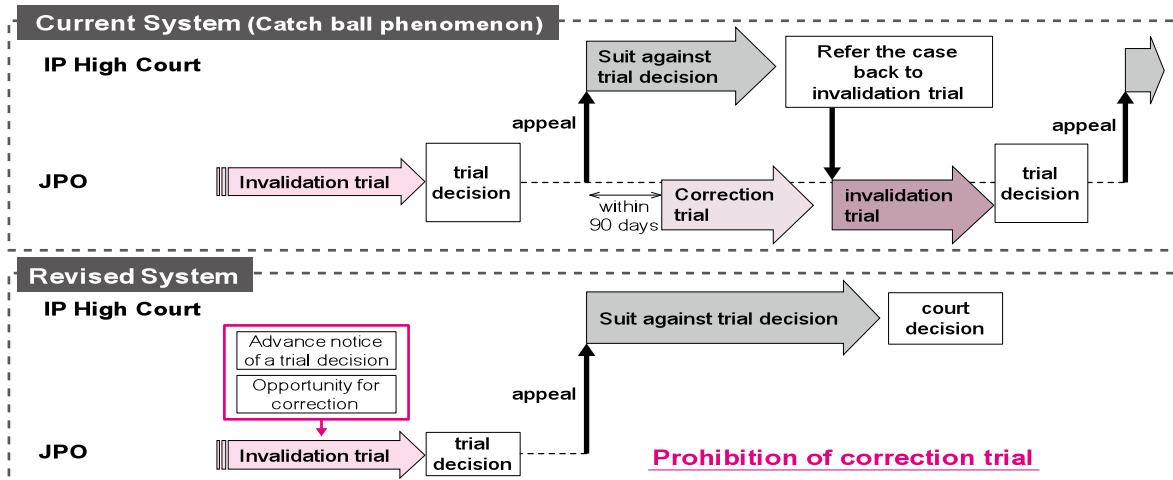
rection trial, the court is entitled flexibly and quickly to refer the case back to the invalidation trial examiners at the JPO without making any substantive determination (Article 181(2) of the Patent Act). Further, a lawsuit against a trial decision may be lodged against the invalidation trial decision referred back to. As described so far, the case makes a round trip between the JPO and the court, and is commonly referred to as the “catch ball phenomenon.”

This “catch ball phenomenon” has been criticized for such reasons that court proceedings are inefficient and result in slow settlement of disputes, the court will not make any substantive determination, whereby, in particular, those who demand an invalidation trial are forced to bear unnecessary procedural and financial burdens.

By this revision, a request for correction trial after a lawsuit against a trial decision has been lodged is prohibited. Thereby, the catch ball phenomenon is to be eliminated in association with the request for correction trial.

On the other hand, the correction trial after a lawsuit against a trial decision has been lodged is advantageous for a patentee in that correction can be made on the basis of determination by the collegial body of invalidation trials on whether a patent is valid and correctable. Therefore, to maintain this advantage, procedures for disclosing a determination by the collegial body of invalidation trials (advance notice of a trial decision) are established during the invalidation trial at a point in time when the trial decision is ready to be concluded, thereby providing an opportunity for making a correction in response thereto.

This revision will be applicable to trials demanded after the enforcement date.



v) Restriction on allegation in request for retrial, etc. (Article 104-3 and Article 104-4 of the Patent Act)

According to this revision, when a final court decision on a patent right infringement lawsuit has become final and binding, and subsequently a trial decision on invalidation of a patent becomes final and binding, a party directly involved in a lawsuit is not allowed to allege in a request for retrial based on the court decision that the relevant trial decision on invalidation has become final and binding.

Under the current system of the Patent Act, if, after a court decision on a patent right infringement lawsuit or compensation demanding a lawsuit becomes final and binding, a patent invalidation trial or a correction trial is concluded and becomes final and binding, and the content thereof is different from that on which the court decision on the patent right infringement lawsuit, etc., is based, there is a possibility that the final and binding court decision may be rescinded by a retrial by reference to the fact that “an administrative disposition which formed the basis of the court decision has been modified by a subsequent administrative disposition” (Article No. 338(1)(viii) of the Code of Civil Procedure). However, parties involved in a patent right infringement lawsuit are given an opportunity to conduct thorough discussion with allegations and defense about the validity of a patent and the scope thereof in the lawsuit on the basis of Article 104-3 of the Patent Act. Nevertheless, occurrence of the above-described situation leads only to repetition of disputes, and has been alleged to pose a problem in terms of dispute-solving functions such as a patent right infringement lawsuit and also in terms of stable corporate management.

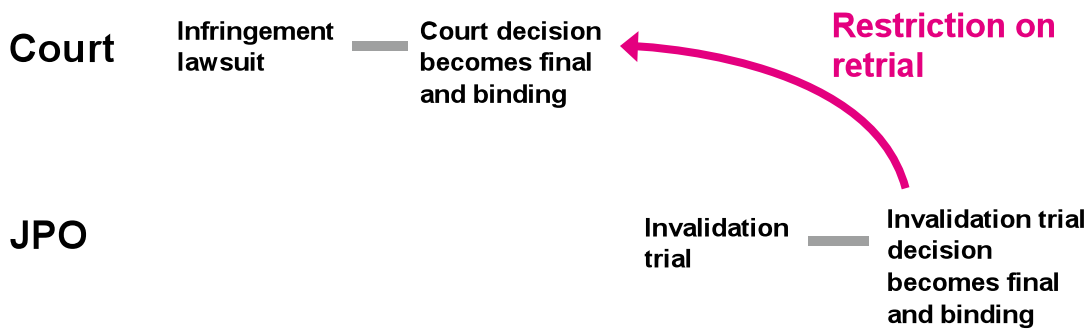
In other countries, including the U.K. and others a request for retrial has not been approved, since no retrial provision exists from the beginning; further, the People’s Republic of China, the Netherlands and others have set a provision to the effect that the retroactive effect is restricted when a trial decision on invalidation becomes final and binding. Further, in the U.S.A., where patent cancellation becomes final and binding by reexamination after a court decision favorable to a patentee becomes final and binding in a patent right infringement

lawsuit, “the antiretroactivity doctrine,” which is a rule based on a decision by the Supreme Court of the United States, will apply, and the court decision favorable to a patentee is not to be revoked in the patent right infringement lawsuit which has become final and binding. This revision provides that a person who was a party involved in a patent right infringement lawsuit, etc., is not allowed to allege in a retrial, after a court decision on the patent right infringement lawsuit, etc. becomes final and binding, that a trial decision, etc., to the effect that a patent be invalidated, has become final and binding, thereby restricting the retrial. Further, where a trial decision on invalidation of registration of an extension of a term of a patent right becomes final and binding, a retrial will be restricted as in the case where a trial decision on invalidation becomes final and binding.

Further, to make the restriction on retrial into a practically operable system, it is necessary that the conclusion of provisional disposition orders and that of provisional seizure orders, which are incidental to an infringement lawsuit, will not be revoked. Thus, even in a lawsuit for compensation for damages and a lawsuit for return of excessive profit with respect to creditors (patentees) of the provisional disposition orders and the provisional seizure orders, a person who was a party involved in a patent right infringement lawsuit, etc., is not allowed to allege that a trial decision to the effect that a patent be invalidated has become final and binding.

This revision relates to allegation of a request for retrial that has been filed after the enforcement date and applies to a case that has been examined for validity and scope of patent on the basis of Article 104-3 of the Patent Act in a patent right infringement lawsuit.

Furthermore, similar provisions are provided in the Utility Model Act and the Design Act. In the Trademark Act, retrial is restricted when a trial decision on invalidation and a cancellation decision become final and binding (Article 30 of the Utility Model Act, Article 41 of the Design Act and Article 13-2(5), Article 38-2, Article 39, Article 68-3 of the Trademark Act).



vi) Clarification of scope of trial decision that becomes final and binding (Article 167-2, Article 180, Article 181, Article 182 of the Patent Act)

A request for invalidation trial and that for correction trial can be filed for individual claims, and in many cases, a request covering plural claims in one request for trial is included. However, no written provision on whether a trial decision on a trial becomes final and binding for each trial case or for each claim is provided. Thus, there has been a demand for clarifying the scope of a trial decision that becomes final and binding.

The table below shows the handling of the scope of a trial decision that becomes final and binding under the current system.

	Invalidation trial		Correction trial
	No request for correction is filed	Request for correction is filed	
Determination unit	Validity is determined for each claim	For each claim? Integral and inseparable?	Integral and inseparable
Final and binding unit	Trial decision becomes final and binding for each claim	For each claim? Integral and inseparable?	Integral and inseparable

A right holder is allowed to file a request for correction, in particular, in an invalidation trial. However, on the basis of a judicial precedent from the High Court of Japan to the effect that whether correction can be made in the above case should be determined individually for each claim (refer to the law report on civil affairs issued on July 10, 2008 by the Supreme Court, vol. 62, no. 7, p.

1905), this revision clarifies that a request for correction in a patent invalidation trial and a request for correction trial can be filed for each claim.

	Invalidation trial		Correction trial
	No request for correction is filed	Request for correction is filed	
Determination unit	Validity is determined for each claim	Both correction and validity are determined for each claim	For each claim
Final and binding unit	Trial decision becomes final and binding for each claim	Both correction and validity become final and binding for each claim	For each claim

Further, the provision of the Patent Act applies mutatis mutandis to the Utility Model Act. In the Trademark Act, it has been clarified that a decision on opposition to registration and a trial decision on an invalidation trial become final and binding for each designated commercial product and each designated service (Article 41, Article 47(2) of the Utility Model Law as well as Article 43-14, Article 55-3, Article 60-2, Article 63(2) of the Trademark Act).

This revision will apply to trials demanded after the enforcement date.

vii) Abolition of effect of final and binding trial decision on invalidation trial on third parties (Article 167 of the Patent Act)

This revision will abolish the effect on third parties, among effects of trial decisions on a patent invalidation

trial and others.

The above Article stipulates that, when a final and binding trial decision in a patent invalidation trial or an invalidation trial of the registration of patent-term extension has been made, no one may file a request for a trial on the basis of the same facts and evidence (prohibition of double jeopardy). However, a possibility cannot be denied that even a request for a trial on the basis of the same facts and evidence may result in a different conclusion, depending on whether the allegation and presentation of evidence are made appropriately when a different person files a request for a trial. Therefore, it is not reasonable that the effect of a trial decision is extended to a third party who is given no opportunity to make any allegations in the above trial. In other words, it has been pointed out that it would be unreasonable to place restrictions on third parties not involved in a trial with regard to the right to contest the validity of the patent in the trial based on the same facts and evidence only on the grounds that a trial decision to the effect that a patent is valid has already become final and binding, or it would be unreasonable to place restrictions with regard to the right to contest whether the trial decision is right or wrong.

Regarding systems in other countries, the Republic of Korea and the People's Republic of China have a system similar to that of Japan in which a final and binding trial decision on an invalidation trial has an effect on

third parties, while no other major countries have a system that covers the effect on third parties.

As a result of the foregoing, among effects of trial decisions on a patent invalidation trial and others, the effect on third parties is to be abolished.

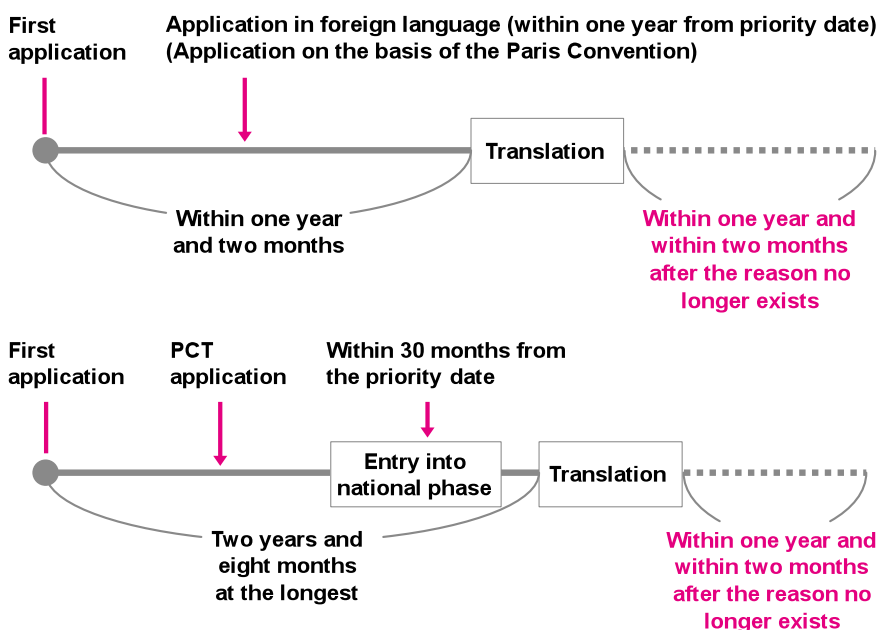
Further, similar provisions will be provided in the Utility Model Act, the Design Act and the Trademark Act (Article 41 of the Utility Model Act, Article 52 of the Design Act, and Article 56(1) of the Trademark Act).

viii) Review of remedial procedures for applicants and patentees

To provide more effective remedies with regard to expiration of a time limit of the procedural period, the Patent Act was revised so as to be consistent with the Patent Act Treaty.

a) Submission of a translation of application in a foreign language and PCT application in a foreign language (Article 36-2 and Article 184-4 of the Patent Act)

An application made in a foreign language by filing of an application in English in Japan is approved. In this case, it is required to submit a translation thereof within one year and two months from the filing date (if the patent application is filed with claim of priority, the translation is to be submitted within one year and two months from the earliest claimed priority date). Further, in the case of a PCT application in a foreign



language, a translation into Japanese must be submitted within two years and six months from the priority date (when a national document for entering in Japan is submitted during a period shorter than two months prior to the date of expiry of the period, the translation must be submitted within two months from the date of submission of the national document). Then, under the current system, no remedies are provided for the case where the translation is submitted after the expiration of a time limit for submitting the translation. However, according to this revision, when a “legitimate reason” is found with regard to the expiration of a time limit of the period, remedial procedures allow the translation to be submitted within one year after the period has elapsed and within two months after the reason no longer exists. Further, similar remedies are additionally provided with regard to submission of a translation based on a PCT utility model application in a foreign language (Article 48-4 of the Utility Model Act).

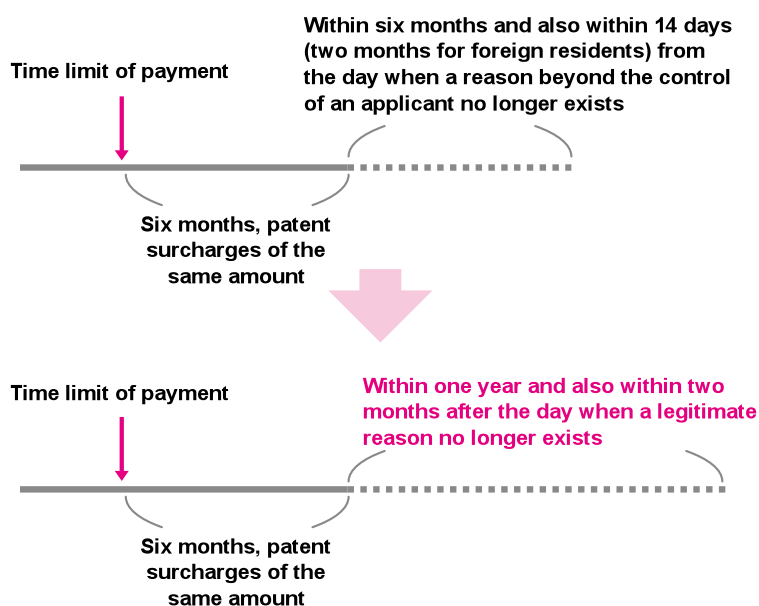
Here, it should be kept in mind that the above-described remedies are fundamental remedies for the expiration of a time limit of submitting the translation and not those for the expiration of a time limit of a priority period or expiration of a time limit of entry into the national phase of a PCT application. Entry into the national phase of a PCT application should still be carried out within 30 months from the priority date, with no remedies being available for exceeding the prescribed time limit.

b) Patent fees and additional payment of patent surcharges (Article 112-2 of the Patent Act)

Patent surcharges of the same amount as patent fees may be paid within six months after a payment period time limit has elapsed. A provision is made that after the above-described six-month period has elapsed and when the patent fees are not paid due to “a reason beyond the control of an applicant,” the patent fees and patent surcharges may be additionally paid only “within 14 days after the reason no longer exists (two months for foreign residents) and also within six months after the above-described six-month period has elapsed.”

According to this revision, requirements for approving the remedies will be relaxed from “a reason beyond the control of an applicant” to “a legitimate reason” and a period during which remedial procedures are available will be expanded to “within two months after the day when the reason thereof no longer exists and also within one year after the above-described six month period has elapsed.”

Further, similar remedial procedures will be provided in the Utility Model Act and the Design Act. In addition, when a request for the registration of renewal is filed after the expiration of a time limit in the Trademark Act, the request is allowed to be filed in accordance with similar remedial proce-



dures (Article 33-2 of the Utility Model Act, Article 44-2 of the Design Act and Article 21, and Article 65-3 of the Trademark Act).

IV. Other discussed items

An explanation will be made briefly for representative items.

i) “Double tracks” for determination of validity of patent

Determination of validity of a patent is made through two routes, that is, by the JPO in an invalidation trial and by a court in an infringement lawsuit. It has been pointed out that a possible discrepancy exists between a determination made by the JPO and that made by a court as well as socioeconomic inefficiency when a dispute is handled through two routes in an overlapping manner. Discussion was made about how to handle such “double tracks.”

With consideration given to characteristics of both routes and backgrounds of introduction to the system in which invalidation of a patent is also determined by a court, the validity of a patent is still to be determined through two routes in the same manner as that conducted at the current time.

ii) Prohibition on plural requests for invalidation trial by the same person

Under the current system of the Patent Act, the same person is allowed repeatedly to file a request for an invalidation trial for the same patent. However, there is an opinion that a patent endlessly exposed to the risk of invalidation may impair dispute-settling functions of an invalidation trial.

Further discussion is to be made about how to handle this issue of invalidation trials.

iii) How to handle the right to require an injunction

Where a request for infringement injunction is filed in an infringement lawsuit, exercise of a right to require an injunction is approved in a uniform manner if acts of infringement of rights are found. There is an opin-

ion that since an alleged infringer is heavily affected if obliged to stop business activities, the right to require an injunction should be restricted depending on the aim and aspect of execution of a right, as well as the business structure of an entity having the right.

With consideration given to actual conditions of the execution of a right as well as discussions conducted in other countries, further discussions on how to handle the right to require an injunction are desirable in Japan.

Reference literature:

- 1) WEB Tokkyo, No. 27, July, 2011, pp. 1-9
- 2) Report from the Patent System Subcommittee, the Intellectual Property Policy Committee, the Industrial Structure Council, “Legal Challenge with regard to Patent System,” February 2011
- 3) Tokkyo News, March 28, 2011, No. 12953, pp. 1-7
- 4) Open symposium, Assessment and challenge of revision of the Patent Act - In terms of practical business and theory, distributed materials, held on August 3, 2011

Osamu Yamamoto (Mr.);
Patent Attorney of the Patent Division

Y-Chair Determined to Acquire Distinctiveness as 3D Trademark

Plaintiff : Carl Hansen & Son Japan KK

Intervenor for Plaintiff : Carl Hansen & Son

Defendant : Commissioner, The Japan Patent Office

Case Number : (Gyo-Ke)10253/2010, IP High Court, June 29, 2011

1. Introduction

On June 29, 2011, the Intellectual Property High Court (hereinafter “IP High Court”) issued a decision that a three-dimensional shape of a chair has acquired secondary meaning under Article 3.2 of the Japanese Trademark Act. Unlike the other cases such as the Coca-Cola bottle case ((Gyo-ke) 10215/2007, IP High Court, May 29, 2008), Yakult drink bottle case ((Gyo-ke) 10169/2010, IP High Court, November 16, 2010), and JEAN PAUL GAULTIER’S perfume bottle cases ((Gyo-ke) 10366, 10386, 10406/2010, IP High Court, April 21, 2011), this case was not about shape of a container. It was about a chair, which is more functional and therefore requires careful judgment in allowing monopolization. In concrete terms, because of the basic structure (legs, seat, backrest, and armrest(s)), shapes of chairs are more or less similar to each other and generally it is hard to acknowledge distinctiveness to such a

shape as a trademark.

Accordingly, the applied-for shape of a chair seemed to be difficult to be registered.

2. Case History

The plaintiff, Carl Hansen & Son Japan KK, filed an application for a three-dimensional shape of what is called the “Y-Chair” (or “CH24”), as shown below, for Armchair in Class 20 (Japanese Trademark Application No.11532/2008).

The application was refused by the examiner, in which the primary factor for the refusal was that the shape of the Armchair falls under Article 3.1(iii)^{*1} of the Trademark Act, and further that it has not acquired secondary meaning under Article 3.2^{*2}. The Appeal Board of the JPO sustained the examiner’s refusal and dismissed the applicant’s appeal.

In an effort to reverse the refusal, the applicant filed an appeal to the IP High Court.

3. Judgment by the IP High Court

3.1 The Standards of Judgment for Article 3.1 (iii) and 3.2

The IP High Court analyzed the case by indicating the standards of judgment for Article 3.1 (iii) and 3.2 of the Trademark Act, as a premise, with regard to the examination of a three-dimensional trademark as follows:



(As for Article 3.1(iii))

“Usually, the shape of goods is chosen to enhance the aesthetic features and functions of the goods, rather than to indicate the source of the goods. Therefore, such a 3-D shape which only contributes to enhance aesthetic features and functions of the goods should fall under Article 3.1(iii) of the Trademark Act as a three-dimensional mark which consists solely of a mark indicating in a common manner the shape of the goods. As to the public interest point of view, exclusive use of such a mark by a particular person/manufacturer should not be allowed only because the person is the first-filter, because traders selling same type of goods would also want to use such a mark. Furthermore, a mark that enhances the aesthetic features and/or functions of goods should rather be protected as a patent or a design, because registering such a mark as a trademark may unfairly limit the free competition, since a registered trademark can exist almost permanently through renewal thereof.”

(As for Article 3.2)

“To judge whether a three-dimensional trademark has obtained distinctiveness through use, consideration must be made generally in regard to each condition such as the shape of the mark (or goods), the commencement date and duration of use, the area of use, the sales volume of the goods, the duration, area and scale of advertisement, and the existence of other goods having a similar shape.”

“Also, in order for the three-dimensional trademark to acquire secondary meaning under Article 3.2, it is necessary that the applied-for mark be identical with the mark actually used in the market. On this point, however, the requirements for identity of the marks should not be too strict. Since the shape of goods may change to preserve the quality and functionality of the goods in response for changes in the social environment and business practices, a slight change in the shape or changes in the materials or colors of the goods does not immediately mean lack of identity, but whether the shape easily

catches consumer’s eye and gives strong impression to the consumer or not should be considered as a factor.”

3.2 Acknowledgment of the Facts

Based on the above premise, the court acknowledged the following facts.

3.2.1 Structure of the Y-Chair

- (1) The Y-Chair consists of four legs, a seat, a backrest (back support), an armrest, and four crosspieces.
- (2) The semicircular bentwood arranged on top of the backrest (back support) extends to lateral sides of the chair so as to also serve as a 1-piece armrest.
- (3) The backrest (back support) is made of a board, which forms a Y-shape or V-shape from the front and rear views.
- (4) The hind-legs are each made of a long wooden piece, which extends from the backrest to the floor to form an S-shape or reverse S-shape viewed from front, rear, right or left angle.
- (5) The crosspieces are arranged horizontally, to each connect the adjacent legs of the Y-Chair.
- (6) The seat is made of paper cord woven within and around the rectangular wooden frame.

3.2.2 The Design of the Y-Chair

The Y-Chair was designed by Hans J. Wegner, who is famous as a great designer of modern furniture. Carl Hansen & Son requested Wegner to design an original chair in 1949, and he created the “Y-Chair” the next year. Presently, the “Y-Chair” (also called as “CH24” or “Decorative Chair”) is known as one of the best selling chair in the world. In addition, the trademark “Y-Chair” in standard letters is registered in Japan for Armchair in Class 20 in the name of the plaintiff (Reg. No.3348396).

3.2.3 The Commencement Date and Duration of Use

Since 1950, the Y-Chair has been manufactured exclusively by Carl Hansen & Son and sold throughout the world. Although they have more colors and materials for the Y-Chair nowadays, the shape of the Y-Chair has made no changes until now. In 1958, the Y-Chair made its first appearance in Japan through an exhibi-

tion at Shirokiya (later Tokyu-Department Store), and from 1962 to 1989, Matsuya, Isetan and other several department stores started to import and sell Y-Chair. Thereafter, the plaintiff, Carl Hansen & Son Japan KK, was founded by Carl Hansen & Son on September 25, 1990, and has been importing and selling the Y-Chair as an exclusive distributor in Japan ever since.

3.2.4 The Area of Use

The plaintiff and Carl Hanson & Son have been selling the Y-Chair in Japan directly or through their customers, such as famous department stores (like Isetan, Takashimaya, etc.), famous furniture stores, major home builders, and so forth. The market of the Y-Chair has been extended to all over Japan (while 60% of the sales is in Kanto-Region), and the product is also available through the internet and phone order. The Y-Chair is used not only in ordinary homes, but in hotels, restaurants, and libraries.

3.2.5 The Sales Performance

It is estimated that, since 1950, more than 700,000 Y-Chair has been sold throughout the world and more than 97,000 Y-Chair was sold in Japan from July of 1994 to June of 2010. These numbers show that the Y-Chair has achieved significant sales for furniture and become a long-selling item.

3.2.6 Advertisement

- (1) From 1993 to 2009, exhibitions were held in Japan for several times and at least ¥30,000,000 was spent for it.
- (2) Since the 1960's, the Y-Chair has been advertised many times in Japan in magazines, news-papers, etc., and over ¥120,000,000 was spent for the advertisement from 1989 to 2010.
- (3) Most of the articles regarding the Y-Chair in magazines etc. included photo(s) of the product so that the readers of the articles could recognize its shape.

3.2.7 Third-Party Product

Similar goods are sold through the internet being referred to as “generic product” or “reproduction” of the Y-Chair. The plaintiff has sent cease-and-desist letters

or warned verbally based on the Unfair Competition Prevention Act and the Trademark Act, to those who sell chairs having a similar shape to the Y-Chair and to those who use the registered trademark “Y-Chair (word mark)”.

3.3 Judgment of the IP High Court

Based on the above facts, the IP High Court concluded that the Y-Chair should be recognized as a trademark capable of distinguishing the plaintiff's product from others. To be more specific, the IP High Court maintained the JPO's decision under Article 3.1(iii), but recognized the acquisition of secondary meaning under Article 3.2. The detail of the conclusion is as follows.

(As for Inherent Registrability (Article 3.1(iii)))

“With regard to the shape of the Y-Chair (REF:3.2.1), despite that the Y-Chair has a characteristic shape, all the characteristics only serve to provide the chair with aesthetic features and enhance its function as an armchair, thus giving an impression as a superior product to consumers. That is, these characteristics cannot identify the source of the goods apart from giving such an impression. From the above, the trademark application for the shape of the “Y-Chair” falls under Article 3.1(iii) of the Trademark Act as a three-dimensional mark which consists solely of a mark indicating in a common manner the shape of the goods.”

(As for Acquisition of Secondary Meaning (Article 3.2))

“According to the above mentioned facts that: (a) the Y-Chair has a characteristic shape (REF:3.2.1); (b) the Y-Chair has maintained approximately the same shape since the start of its marketing (REF:3.2.3), it has been advertised extensively since then (REF:3.2.6), and a huge number of Y-Chair has been sold (REF:3.2.5); and (c) as a result, consumers are able to recognize the source of the Y-Chair based on the features of its shape, the applied-for 3-D shape of the Y-Chair should be recognized as a trademark capable of distinguishing the plaintiff's goods from others and it

has acquired secondary meaning under Article 3.2 through use, and thus should be registered.”

3.4 Supplement for the Court’s Conclusion

Other than the above mentioned conclusion, some interesting points were indicated by the IP High Court against JPO’s claim:

The JPO claimed that, “since the Y-Chair has been sold in several variations of colors or materials (REF:3.2.3), the applied-for three-dimensional mark of Y-Chair and the chairs actually sold in the market should not be acknowledged as identical.” Against this claim, the IP High Court judged that “the variation in colors or materials is not an important factor, because consumers recognize the Y-Chair for its shape and not by the colors or materials.”

Second claim of the JPO was that, “since chairs having similar shapes to the Y-Chair are sold by the third parties through the internet, the consumers are not able to tell which chair belongs to the plaintiff and therefore the applied-for three-dimensional shape of the Y-Chair has not acquired secondary meaning under Article 3.2.” The IP High Court rejected this claim and judged that “based on the fact that plaintiff has sent warning letters or warned verbally to prevent such a situation (REF:3.2.7), the presence of similar chairs does not constitute a bar in acknowledging that the applied-for three-dimensional mark “Y-Chair” has acquired secondary meaning under Article 3.2, even if the chairs with similar shapes are still sold through the internet.”

These made the evaluation standards clear on acknowledgement of Article 3.2 for three-dimensional trademarks. Whether the applied-for 3-D mark and the mark actually used in the market are identical/similar and whether the applied-for mark has acquired distinctiveness through use are very important points in applying Article 3.2 and therefore it is a meaningful judgment.

4. Author’s Comment

Regarding the shape of a three-dimensional trademark,

the IP High Court has revoked the refusal decisions of the JPO for three cases in a row since the Yakult bottle case, approving acquirement of distinctiveness through use. In either case, the IP High Court supported the refusal of the JPO in connection with Article 3.1(iii) of the Trademark Act, but the decisions were different with regard to Article 3.2 of the Trademark Act.

As to the Coca-Cola bottle case and the Yakult bottle case, the transaction documents, the results of the consumer surveys and the data of the market share were adopted to prove the duration of use, the sales volumes of the goods and the duration, area and scale of the advertisement. However, these proofs were not required to recognize secondary meaning under Article 3.2 for the Y-Chair’s case. The IP High Court adopted the facts that, photos of the Y-Chair have been included in most of the advertisements to emphasize its shape, and that plaintiff has put efforts into excluding others use of similar marks, to acknowledge acquirement of secondary meaning under Article 3.2. In other words, the fact that the Y-Chair has been used under the recognition that the shape is quite distinct led this case to success. However, the fact that the chair has been called as “Y-Chair” from its features of the shape and the long-time usage may have affected the judgment in favor.

Based on the judgments by the IP High Court, certain standards and directions seem to be established for the judgment about acquirement of secondary meaning under Article 3.2 for the three-dimensional trademark, such as about the acknowledgement of identity between an applied-for trademark and an actually-used mark, the evaluation of the results of the consumer surveys, the market share, and the viewpoints in comparing the applicant’s goods and the later-sold similar goods. These standards will definitely influence JPO’s judgment for the application of Article 3.2 of the Trademark Act hereafter.

*1 Trademark Act, Article 3.1
Any trademark to be used in connection with goods or services pertaining to the business of an applicant may be reg-

istered, unless the mark:

...

(iii) consists solely of a mark indicating, in a common manner, in the case of goods, the place of origin, place of sale, quality, materials, efficacy, intended purposes, quantity, shape (including shape of package), price, the method or time of production or use, or, in the case of services, the location of provision, quality, articles to be used in such provision, efficacy, intended purposes, quantity, modes, pieces or method or time of provision;

*2 Trademark Act, Article 3.2

Notwithstanding the preceding paragraph, a trademark that falls under any of items (iii) to (v) of the preceding paragraph may be registered if, as a result of the use of the trademark, consumers are able to recognize the goods or services as those pertaining to a business of a particular person.

Hiroki Otsuka (Mr.)

Patent Attorney of the Trademark & Design Division

Mr. Torii received the Award of Excellence in recognition of outstanding patent prosecution in 2010 from Microsoft

Kenichi Torii, a patent attorney of the Microsoft prosecution team of Yuasa and Hara, received the Award of Excellence in recognition of outstanding patent prosecution in 2010, from the IP & Licensing–Patent Group of Microsoft Corporation.

Mr. Torii was commended as an outstanding patent attorney in 2010 by Mr. Banowsky, Senior Director, Worldwide Patent Procurement of Microsoft Corporation, in the regular annual meeting between the Microsoft Corporation and the Microsoft team of Yuasa and Hara held on June 29, 2011 at our firm in Tokyo.

We are very proud that the Award has been granted to Mr. Torii, who performed outstandingly and recorded 83% allowance rate (3) (the team's allowance rate (3) was 70%) in 2010, but we consider that the Award reflects the performance not only of Mr. Torii but also of our entire team.

The Microsoft prosecution team, which comprises seven patent attorneys and one administrator led by Mr. Ueda, a partner of our firm, was set up to prosecute patent cases of Microsoft Corporation by using the Patent Prosecution Highway (PPH) in 2006.

The total number of cases handled through PPH is 70 to date. Our team has accumulated expertise in prosecution in Japan by making the best use of patented claims and prosecution history in the US.

We use the Anaqua system to prosecute Microsoft applications, through which we can access all information relating to patent family cases. We usually do not receive instructions on individual Japanese cases; rather, persons in charge develop and propose our strategy including draft arguments and amendments to prosecute cases in Japan by referring to the foregoing information.

In other words, our team members are requested to make the best use of their expertise and creativity to bring cases to fruition in Japan.

During the prosecution through the PPH, our team members often consulted each other to attain the best result and the person in charge makes the best use of interviews with an examiner by phone and/or in person.



Mr. Torii Mr. Banowsky



Since 2009, we have been gradually expanding our acquired expertise to prosecution of ordinary cases and are requested to report prosecution results every month.

During last three years, the number of dispositions and granted patents has increased at the rate of 100% every year. Further, the allowance rate (3) had improved from 68.9% to 72.4%, as of August 31, 2011.

Our team aims to achieve grant of patent of every case during normal examination, without filing an appeal. The ratio has improved from 77% in 2009 to 82% as of August 31, 2011.

Our team members continue to renew their commitment to make every effort to achieve satisfactory results for our client in cases with which we are entrusted.

Table : Allowance Rate of the Microsoft prosecution team of Yuasa and Hara

year	Number of disposition	Number of Allowance	Type 1	Type 2	Type 3	Final Rejection	Allowance Rate (1)	Allowance Rate (2)	Allowance Rate (3)
2011	*116	*84	*69	*13	*2	*32	*68.3%	*71.9%	*72.4%
2010	87	61	49	9	3	26	65.3%	69.0%	70.1%
2009	45	31	24	3	4	14	63.2%	65.9%	68.9%

*As of August 31, 2011 (Prediction in 2011: number of disposition is 174, number of patent is 126)

Remarks:

“Type 1:” allowance in an examination stage;
 “Type 2:” allowance in a **re-consideration stage; and
 “Type 3:” allowance in an appeal stage.

“Allowance Rate (1):”
 number of allowance type 1 / ((number of allowance type 1) + (number of final rejection));

“Allowance Rate (2):”
 number of allowance types 1+2 / ((number of allowance types 1+2) + (number of final rejection)); and

“Allowance Rate (3):”
 number of allowance types 1+2+3 / ((number of allowance types 1+2+3) + (number of final rejection)).

**Re-consideration in Japan:

If an applicant files an Appeal with an amendment, the case will be brought to the original examination for re-consideration.

Shinjiro Ono (Mr.);
 Patent Attorney of the Patent Division

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Sincerely yours,
YUASA AND HARA

YUASA AND HARA

LAW, PATENT, TRADEMARK & DESIGN and ACCOUNTING

Section 206, New-Ohtemachi Building, 2-1, Ohtemachi 2-chome
Chiyoda-ku, Tokyo 100-0004, Japan

HOME PAGE ADDRESS: <http://www.yuasa-hara.co.jp>

Chief editor: YABE, Kozo

Assistant editor: EJIRI, Hiroko

Editorial staff: ITO, Reiko; OKAMOTO, Yoshinori;
HIROSE, Shinobu; KOISO, Takako;
AKUTSU, Katsuhisa;
AOSHIMA, Emi

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