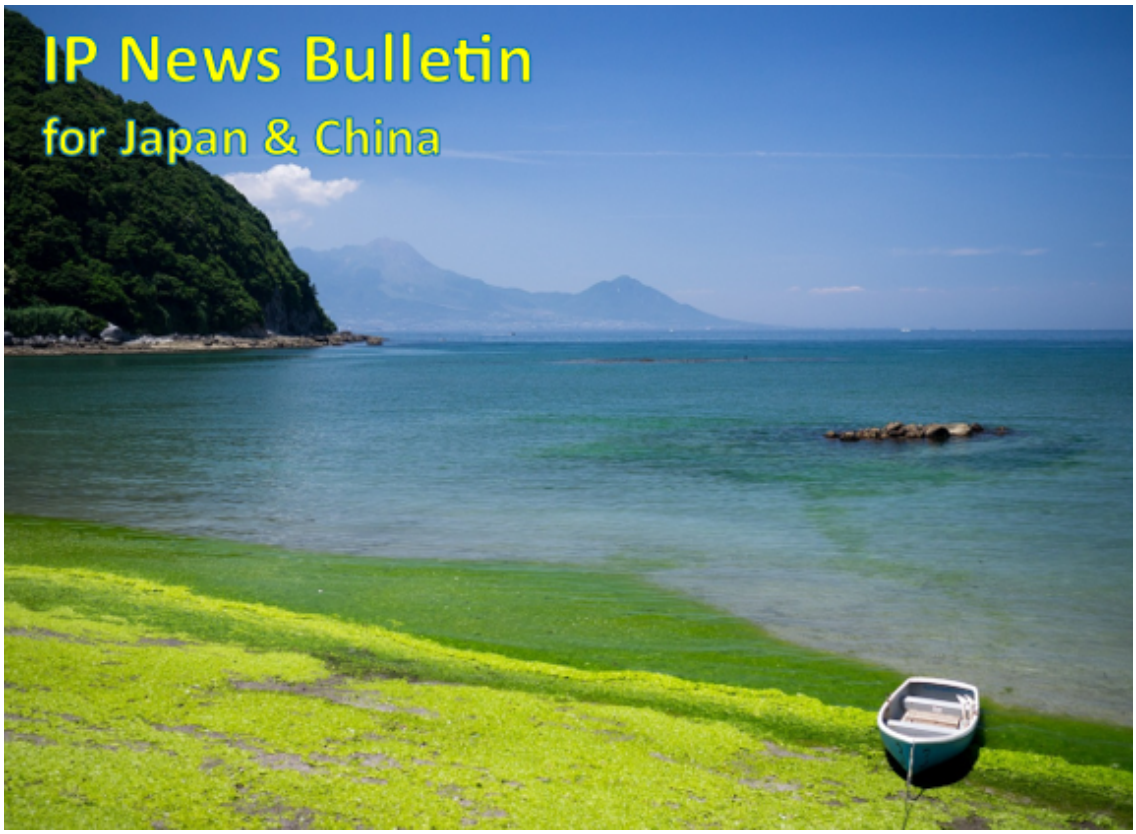
SONODA & KOBAYASHI
INTELLECTUAL PROPERTY LAW



July 2023

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- News about Sonoda & Kobayashi -

1. Sonoda & Kobayashi received awarded by Trademark Lawyer Magazine

The Trademark Lawyer Magazine has ranked Sonoda & Kobayashi among its top 10 law firms in Japan, and Sonoda & Kobayashi is hence an award-winning law firm 2023 in Japan.

2. Sonoda & Kobayashi ranked among IAM Patent 1000

Sonoda & Kobayashi IP Law is ranked among the top firms in Asia for the prosecution and enforcement of IP rights and recommended by IAM Patent 1000 for offering a unique combination of professional expertise and cosmopolitan awareness.
Dr. Yoshitaka Sonoda, Managing Partner, is also ranked among the top Patent Prosecutors and recommended by IAM Patent 1000.

Read the full profile by clicking the below links.
Firm, Individual

IAM 1000 Sonoda & Kobayashi Recommended Firm 2023

IAM 1000 Yoshitaka Sonoda Recommended Individual 2023

- JPO and CNIPA News -

1. Bill for partial revision of the Unfair Competition Prevention Act in Japan

On March 10, 2023, the Cabinet approved draft amendments to IP laws (primarily the Unfair Competition Prevention Act (UCPA)). The bill has not yet passed, but part of this bill has been enacted through a Cabinet Order on June 27, 2023, and took effect from July 3, 2023.

One categories of changes that has already taken effect is enhanced protection of trade secrets and shared data under the UCPA. The new IP laws amend the defined of "Shared Data with Limited Access", and enable viewing restrictions when trade secrets are included in documents submitted in arbitration proceedings. Furthermore, damages under the UCPA that go beyond an infringed party's production capacity can now be claimed as license fee equivalent.

Specific information on this topic can be found here. (Japanese)

2. JPO announces termination of Written Memorandums made at the time of a decision to grant by an examiner

Since 2001, the JPO prepared and provided patent memorandums at the time of patent grants in order to ensure objectivity and transparency. However, in the past 20 years, a quality control system (that did not exist at the beginning of the operation of the patent memorandum system) was introduced in 2007, and a system for ensuring and checking the validity (objectivity) of judgments in examination including grants has been gradually developed.

Furthermore, the provision and dissemination of patent information, including file wrapper information, has progressed through the online patent information platform (J-PlatPat). Accordingly, the JPO decided to end the patent memorandum system on June 30, 2023.

Specific information on this topic can be found here. (Japanese)

3. Update on the status of Multi-Multi Claims at the JPO

Previously, the JPO prohibited multiple dependent claims depending on other multiple dependent claims ("multi-multi" claims) with an effective filing date later than April 1st, 2022. This change harmonized examination standards on this issue with the USPTO, KPO and CNIPA.

The JPO has been providing statistical data on this topic following this change. The ratio of "applications containing any multi-multi claim" to "total patent applications" was about 65% previously, and decreased to about 5% immediately after the restriction (6.0% for applications filed in April 2022 and 4.5% for those filed in May 2022). Furthermore, this decrease has continued to about 3% after one year of the change (2.9% for applications filed in February 2023 and 3.1% for those filed in March 2023). Accordingly, it is clear that applicants have taken action to change their approach on this issue at the JPO.

It Is important to avoid multi-multi claims in Japan because Examiners will reject multi-multi claims and not consider other reasons for rejection in a first office action. If other reasons for rejection are found after amendments, the examiner will immediately issue a final office action for the second office action. This limits an applicant's options with respect to potential amendments (stricter restrictions apply to amendments at the final office action stage). Accordingly, please take care to ensure that multi-multi claims are

amended prior to examination.

Specific information on this topic can be found here. (English)

4. China's State Council Information Office held a press briefing on intellectual property work in the first half of 2023

On July 18 2023, Hu Wenhui, deputy director of The State Council Information Office, said at the meeting that in the first half of this year, China's main intellectual property indicators ran smoothly, and the development of intellectual property undertakings made steady progress and showed improved quality.

The number of domestic patents and trademarks has steadily increased. As the end of June this year, the number of effective domestic invention patents in China was 3.683 million, an increase of 20.4%, of which the number of effective invention patents maintained for more than 10 years reached 559,000, accounting for 15.2%, an increase of 1.6 percentage points over the same period last year. The effective number of domestic registered trademarks was 42.177 million, an increase of 9.4%, showing a steady growth trend.

The number of innovative enterprises with patents has grown rapidly. As of the end of June this year, the number of enterprises with effective invention patents in China reached 385,000, an increase of 60,000 over the same period last year, and a total of 2.605 million effective invention patents, accounting for more than 70% of the domestic total, an increase of 1.8 percentage points over the same period last year. Among them, high-tech enterprises and specialized new 'small giant' enterprises had 1.804 million, an increase of 23.3% year-on-year, 2.9 percentage points higher than the domestic average growth rate.

The number of patents in the field of digital technology also increased significantly. As of the end of June this year, China's domestic effective invention patent growth rate in the top three technical fields (i.e. computer technology management methods, computer technology, and basic communication procedures), showed an increase of 56.6%, 38.2% and 26.0% respectively. This means that the growth rate in these fields is much higher than the domestic average of 20.4%. Such growth rates may underlie the innovative development of China's digital economy.

Chinese applicants are more active in applying for foreign intellectual property rights. In the first half of this year, the Bureau accepted 33,000 PCT international patent applications submitted by domestic applicants, an increase of 7.1%, and 3,024 applications for international registration of Madrid trademarks, an increase of 12.0%. Since joining the Hague Agreement in May 2022, Chinese applicants have submitted more than 150 international design applications per month, ranking among the top in the world.

The scale of import and export of intellectual property in China has maintained steady growth. From January to May this year, the import value of China's intellectual property royalties was 120.8 billion yuan, and the export value was 36.98 billion yuan, with both import and export volume increasing, and the intellectual property trade showed strong resilience.

Specific information on this topic can be found here. (Chinese)

5. CNIPA announces progress on open licensing of patents

Since last year, CNIPA has issued a work plan and taken multiple measures to comprehensively promote the pilot work of patent open licensing. Since the launch of the pilot, as of the end of June 2023, more than 1,500 patentees from 22 provinces have

participated in the pilot, screened out 35,000 patent pilot open licenses which have market-oriented prospects and which are easy to promote and implement, matched and pushed to 76,000 small and medium-sized enterprises, and achieved nearly 8,000 licenses, achieving good results, and showing the following characteristics:
First, the active participation of various subjects. Nearly 600 universities and institutes and more than 900 enterprises participated in the pilot as patentee owners, including 110 national intellectual property pilot demonstration universities and many central enterprises.
Second, the advantages of the system have initially appeared. In the pilot, more than 1,100 patents have realized the licensing of one patent to multiple enterprises, accounting for 40% of the total number of licensed patents, and the "one-to-many" feature is obvious, which effectively improves the licensing efficiency.
Third, the results of the pilot have been widely recognized. Relevant surveys show that 48.3% of patentees are aware of the patent open licensing system, and 49.6% are willing to adopt the open licensing method, of which nearly 90% are university patentees.

Specific information on this topic can be found here. (Chinese)

- Latest IP News in Japan -

1. Japan leader in patents for innovative cancer treatments

Nikkei Asia, June 14th, 2023

On the 14th of June, Nikkei Asia reported on Japan's position as leader in innovative cancer treatment technologies.
It cites a survey by Tokyo-based company Patent Result that shows that Japan overtook the U.S. in 2021 when it came to new patents for these technologies. Number three is China, which has been increasing the number of leading patents it has.

As cancer is diagnosed millions of times per year around the world, and is a leading cause of death, many companies compete with regards to medical equipment or treatment for this disease.

Particularly promising technological fields in cancer treatment are heavy particle-beam therapy, boron neutron capture therapy (BNCT) and photo-immunotherapy, which could be new treatment options alongside anti-cancer drugs and immunotherapies.
From 2000 to 2022, some 3148 relevant patents were published in Europe, Japan and the U.S. Patent Result scored the competitiveness for these, using international applications and the amount of attention paid to the applications by competitors.
While the U.S. has more patent applications in these fields than Japan (which has the 2nd most), patents held by Japanese applicants were first in the competitiveness score. The survey notes that the number of leading patents in the fields of heavy particle therapy and BNCT is the cause of Japan overtaking the U.S. in the scoring.

Among the top 10 companies in these fields, a total of 8 of them were Japanese, among which were Hitachi and Toshiba.
The survey notes the Japanese government's efforts to develop treatment technologies, and that the three types of cancer treatment were supported by the country's national health insurance, ahead of other countries.

Further information can be found here. (English)

2. Japan to designate 25 fields in which patents will not be disclosed under the Economic Security Law

Asahi Shimbun, June 12th, 2023

On the 12th of June, the Asahi Shimbun reported on the recent development surrounding the Economic Security Promotion Act. This law was passed in May 2022 and, among other things, provides for a system that allows for patents in certain technological fields to be withheld from the public due to concerns about the outflow of certain technologies related to advanced weapons or nuclear power.
The Japanese government presented, at the meeting of an expert panel on this topic, 25 technological fields which would be covered by the law.

Aiming to have the system in operation by spring next year, the government is working out various details, such as the line between military and civilian disclosures and compensation for undisclosed technologies.

Among the 25 fields that would be eligible for non-disclosure under this law would be "stealth" technology that makes it difficult for aircraft to be detected by radar, solid fuel rocket engines, and technologies for reprocessing spent nuclear fuel. Moreover, technologies that could lead to the development of cutting edge weapons such as rail guns or guided missiles are also covered. Furthermore, technologies for linking or separating spacecraft or explosive devices that could be used in nuclear weapons are also included.

A separate department will be established in Japan's cabinet office to examine which of the nearly 300.000 annual patent applications in Japan should be kept undisclosed under this law.

Further information can be found here. (Japanese)

- Latest IP News in China -

1. Huawei reveals 5G, Wi-Fi royalty rates, undergoes negotiations with Japanese companies

Nikkei Asia, July 15th, 2023

On July 15, Nikkei Asia reported that China's Huawei Technologies unveiled its standardized royalty rates for Wi-Fi and smartphone patents in response to the impact of sanctions on its communication equipment sales. The company aims to compensate for declining product revenue through increased fee collection.

As part of its announcement, Huawei disclosed that it will charge 50 cents per unit for consumer devices utilizing next-generation Wi-Fi 6 technology. For smartphones supporting 5G, the royalty cap is set at $2.50 per unit, while for 4G phones, it is set at $1.50.

For Internet of Things (IoT) devices such as smart sensors and trackers using its cellular technology, Huawei collects 1 per cent of the selling price up to 75 cents per unit. Devices such as shared bikes that are enhanced by IoT technology have rates ranging from 30 cents to $1, which vary depending on wireless capacity.

The company has also launched a new webpage, where the public can monitor Huawei's licensing rates.

Huawei's vast collection of standard-essential patents in 5G and Wi-Fi means that products manufactured by other companies adhering to industry communication standards incorporate patented Huawei technologies. Companies that are not using Huawei products could also face licensing fee demands.

Nikkei Asia reported on June 18 that the company is seeking licensing fees from approximately 30 Japanese companies, including telecommunications equipment manufacturers. Talks are ongoing with these companies, marking a rare instance of a major manufacturer negotiating directly with smaller clients over patent fees.

The company's strategy involves seeking fees from manufacturers and entities that use wireless communication modules. This move has prompted concerns among Japanese companies, ranging from small businesses to startups, as they may face unexpected expenses and may be unfamiliar with patent negotiations.

Given that patent royalties are not subject to trade restrictions, this represents a potentially stable source of income for the company, which has seen its profits decline due to U.S. sanctions and data security concerns, making it difficult for the company to sell its products overseas.

To manage its intellectual property business in the Asia-Pacific region, Huawei has established an intellectual property strategy hub in Japan, overseeing countries like Singapore, South Korea, India, and Australia.

In an effort to incentivize innovation and adoption of their technologies, Huawei's head of Intellectual Property Rights Department, Alan Fan, emphasized the importance of reasonable royalty rates during the Shenzhen forum.

Further information can be found here and here. (English)

2. Chinese home appliance maker Gree sues rival Aux over trade secrets, claims for $13.7 million and transfer of patent ownership

Yicai Global, July 19th,2023

On July 19, Yicai Global and the Securities Daily reported that Gree Electric Appliances, a Chinese appliance manufacturer, has taken legal action against its domestic competitor, Aux Group, over alleged infringement of commercial secrets related to air conditioning compressor patents.

The Guangzhou Intellectual Property Court has accepted the lawsuit filed by the Zhuhai-based appliance maker, the People's Court announcement site disclosed recently.

Gree demands that Aux and its subsidiary, along with five natural persons, who are inventors of air conditioning-related patents, to immediately cease infringing on its commercial secrets. Additionally, Gree seeks the transfer of ownership of eight patents from Aux to itself and claims CNY99 million (USD13.7 million) in damages for economic losses.

It is relatively rare to see requests of patent ownership transfers in trade secret disputes, according to the Securities Daily, citing Zhang Liang, director of Beijing Yunjia Law Firm. This approach was likely chosen by Gree as they may not have sufficient evidence to prove that they used the patents first. As a result, they are pursuing legal action based on the

grounds of a trade secrets dispute.

There has been a history of tension between the two companies, with a patent dispute over air conditioning compressor patents gaining significant attention. Patent disputes between Aux and Gree have continued, with the row over air con compressors drawing most attention. The case began in December 2018, when Aux acquired the compressor patents from Japan's Toshiba and later sued Gree for rights infringements.

In August of last year, a Hangzhou court ordered Gree to pay approximately CNY55 million in compensation to Aux. Adding to this, a Ningbo court ruled in favor of Aux, awarding them more than CNY220 million (USD30.5 million) in total compensation.

At present, Gree has refused to accept all verdicts in the case, with Aux filing an appeal for a judgement. This case progressed to a public hearing at the Supreme People's Court in April earlier this year.

Further information can be found here and here. (English and Chinese)

- IP Law Updates in Japan: Insights from Sonoda & Kobayashi -

1. Strategic Use of JPO Advisory Opinions: Insights from the Samsung Display vs. BOE Case

One of the most contentious points in intellectual property disputes worldwide is the scope of patents, as the patentee and the alleged infringer disagree on whether products or methods are covered by patents.
In Japan, the Japanese Patent Office (JPO) offers a mechanism known as advisory opinions, which can provide insights on the claim scope of a patent. These opinions can be requested by interested parties to assess whether a patent reads or does not read on a specific product or method.
In this article, we will cover the benefits and limitations of advisory opinions as well as reveal how they are being used in a strategic way in a recent dispute between Samsung Display and BOE.

Understanding JPO advisory opinions

Advisory opinions, issued by the JPO, are official expressions of the JPO's opinion on whether a patent's claims read or do not read on a particular product or method. They can be requested by parties who wish to gain more clarity on patent claim interpretation. Such parties must have a proper interest, meaning there is an existing or potential dispute on claim scope.

In essence, the purpose of advisory opinions is then to serve for prevention and prompt resolution of disputes and in doing so enhancing the protection and utilization of patented inventions.
The following points further elaborate on the features of advisory opinions in Japan.

1. Non-binding nature: It is important to note that JPO advisory opinions are not legally binding, as was made clear by an amendment of the law on this topic. Japanese courts, however, have stated advisory opinions are expected to be valued by those

involved because of the JPO's technical and legal expertise as well as neutrality.

2. Scope limited to claim interpretation: Advisory opinions focus solely on claim interpretation of the patent in question. They do not consider broader legal and factual aspects that might arise in infringement lawsuits, such as patent validity, prior use rights, or indirect infringement.

3. Product or method defined by requesting party: The description of the product or method is provided by the requester, and is a crucial element of the request. The JPO relies solely on this description to determine whether it falls within the scope of the patent. However, it is precisely this definition of product or method that is often disputed in patent infringement lawsuits.

4. Not appealable: since an advisory opinion is just a non-binding expression of opinion by the JPO, the parties cannot file an appeal against the advisory opinion. In that regard, the opinion becomes definitive as soon as it is issued which is unlike a court decision which can remain indefinite theoretically until the appeal process is exhausted.

The above features provide clear limits to the use of advisory opinions. It is perhaps because of this that advisory opinions in Japan are requested less than 30 times per year. The advisory opinion has generally been seen as most valuable when two parties agree in advance to resolve the dispute in line with the advisory opinion.

Strategic use in dispute between Samsung Display and BOE

Nevertheless, the ongoing dispute between Samsung Display and BOE on the matter of OLED displays made and sold by BOE to be used in various iPhone models has involved the advisory opinion system in a novel and interesting way.

Samsung Display requested the JPO provide four separate advisory opinions in November and December 2022, claiming that the BOE displays fall within the scope of some of its Japanese patents. Samsung Display had filed a patent infringement lawsuit against BOE in the US, but has not yet done so in Japan. A few months later in April of 2023, BOE filed nullity actions against Samsung Display's patents in question and also submitted Reply Briefs in response to the advisory opinions requested by Samsung Display. They stated that their filing of arguments is withheld because the validity of the patents must be determined first by the nullity actions.
In this context, what could have been Samsung Display's intent in requesting the advisory opinions?
We suspect that Samsung Display sought an advisory opinions to strategically position themselves in their overall conflict with BOE.
By considering potential positive and negative outcomes in the advisory opinions, they could gain some advantages in view of future patent infringement lawsuits.

1. A positive advisory opinion provides a strong basis to argue similarly in a potential patent infringement lawsuit.
    - Although an advisory opinion is not legally binding, there is a high likelihood that the infringement court will come to the same conclusion if the same arguments are made. The opponent will be given strong pressure to make more convincing arguments if possible when a lawsuit is filed.

2. If additionally, the patent is also found valid in the nullity action, it would increase confidence to proceed with the suit.
    - Moreover, positive outcomes in both the advisory opinion and the nullity action could further increase the pressure Samsung Display is putting on BOE to stop infringement, settle or enter license negotiations even before an infringement lawsuit is filed. Furthermore, if BOE continues to make and sell the infringing products after the validity of the patent is confirmed by the nullity action and the advisory opinion finds that the patent reads on the products, a serious question of willful infringement might arise in an extreme situation.

3. A negative advisory opinion conversely means that Samsung Display may want to reconstruct the arguments in the infringement lawsuit or avoid filing an infringement lawsuit, resulting in saving costs (qdvisory opinions will almost certainly be cheaper than corresponding infringement lawsuits).
    - As mentioned above, there is a high likelihood that the infringement court will come to the same conclusion if the same arguments are made. Using the advisory opinion, Samsung Display can file an infringement lawsuit with enhanced arguments. If there is no better arguments to make, Samsung Display may decide not to file an infringement lawsuit unless there is a good reason to believe that an infringement court will find differently.

4. If a patent is invalidated by a nullity action, the option to file an infringement lawsuit disappears without question.
    - The issue of patent validity is likely to be raised sooner or later in a patent dispute and if the patent is invalidated by a nullity action, the patentee loses the legal grounds to assert infringement. Since the decision of nullity action is obtainable relatively quickly, Samsung Display can save the cost of infringement lawsuit by knowing the invalidity of the patent earlier.

We should however not forget about the circumstances that allowed for this strategy. Samsung Display had all the information to the describe the products/methods in question, which is important given that unlike an infringement suit, no evidence can be collected from the adverse party on this point.
Furthermore, Samsung Display must be willing to shoulder the additional costs for an advisory opinion because should it wish to obtain an injunction and damage, it must file a patent infringement lawsuit anyway and a nullity action will likely be filed by the defendant.

Conclusion

Despite important limitations, JPO advisory opinions may be tactically used to enhance the patentee's position in patent disputes as was done by Samsung Display in its dispute with BOE. If an advisory opinion favorable to Samsung Display is obtained, there is no question that the outcome can be used to leverage Samsung Display's position in the dispute by providing more pressure to BOE to stop infringement, settle or enter into license negotiations. However, even if the advisory opinion or outcome of a nullity action filed by BOE as a countermeasure is unfavorable, the outcome can be used to strengthen the arguments in an infringement lawsuit or to give up filing a lawsuit and thereby save costs. It must be noted however that, in order to use this tactic, the patentee must have information sufficient to describe the product/method in question and be ready to spend the extra cost for a JPO advisory opinion because an ultimate resolution by injunction and damage compensation can only be obtainable by lawsuit.
Although a JPO advisory opinion may provide an earlier resolution by putting more

pressure on the alleged infringer, if the dispute continues through ultimate resolution by lawsuit, it costs more than just filing a lawsuit. By carefully considering these factors and this case study, companies can make informed decisions regarding their use of advisory opinions in their intellectual property conflicts.

About

SONODA & KOBAYASHI is a law firm offering dependable legal services for intellectual property. Our multinational team of about 100 experts in technology, law, languages and international communication has served companies worldwide and gained a reputation for thoroughness and reliability.

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