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SONODA & KOBAYASHI
INTELLECTUAL PROPERTY LAW



July 2019

Dear Valued Clients and Colleagues,

Sonoda & Kobayashi's bi-monthly Newsletter has been upgraded !

This new version includes two additional sections that will provide our experts' views on the latest IP law changes in Japan, as well as give you some insight on IP news in China.

Good reading!

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- News about Sonoda & Kobayashi -

1. Webinar : Software and AI-related Inventions : Overview of Legal Systems and Recent Trends in Europe and Japan

Sonoda & Kobayashi held its latest webinar on June 28th, 2019, in collaboration with the EU-Japan Centre for Industrial Cooperation and Murgitroyd Munich Office, titled "*Patents : Patentability of Software Invention and AI-Overview of Legal Systems and Recent Trends in Germany, Japan and other European jurisdictions*".

In this webinar we cover the following :

- When is software eligible subject matter and are the requirements different per jurisdiction (Japan, Germany etc.) ?
- What clarity requirements are imposed on software inventions and how should clarity rejections be overcome ?
- What are the inventive step requirements for software inventions ?
- How are AI-related inventions treated by the law and how can they be protected ?

[Watch the full webinar on Youtube.](#)

2. Publication of Sonoda & Kobayashi and Dr. Sonoda profiles in Eurobiz Japan

Sonoda & Kobayashi is pleased to announce that our firm's profile has been published in the May issue of Eurobiz Japan, a monthly print magazine about trade, business and investment from Europe to Japan. This issue features their annual *Who's Who of Legal*, a section in which top legal professionals talk about their company and areas of expertise. In addition to our firm's profile, the publication also refers to Dr. Sonoda and mentions Harumi Kokaji and Natalie Cox as Key People.

Read the full profile at p.41 of the magazine.

3. Ranking in IAM Patent 1000 : The World's Leading Patent Professionals 2019

Sonoda & Kobayashi has been 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.

[Read the full profile here.](#)

In addition, Dr. Sonoda has been ranked among the top Patent Prosecutors.

[Read more about his extensive experience and knowledge in the field here.](#)

4. Sonoda & Kobayashi successful at the IP High Court (Heisei 31(2019) (Gyo-ke) 10117)

On April 12, 2019, Division 1 of the Intellectual Property High Court (“IP High Court”) released an extensive written opinion in favor of plaintiff Asha Nutritional Sciences, Inc., represented by Sonoda & Kobayashi, cancelling a decision of a Board of Appeals of the defendant JPO.

Japanese patent application 2014-99072, which had received a trial decision of rejection by a Board of Appeals of the JPO, concerns compositions containing lipids and methods of use thereof. The IP High Court agreed with the claims of the plaintiff with respect to the erroneous rulings of the defendant on clarity and support. Specifically, with respect to clarity, the IP High Court ruled that, when taking into account the entirety of the specification, features of the claims were not so unclear as to unreasonably hinder a third party. With respect to support, the IP High Court ruled that the Board of Appeals had improperly engaged in a formalistic rather than substantial consideration of whether one skilled in the art would recognize from the totality of the specification and/or common technical knowledge that the invention could solve the problem to be solved by the application.

- Latest IP News in Japan -

1. New JPO Commissioner appointed

July 2019, Ministry for Economics, Trade and Industry (METI)

Earlier this month Mr. Akira Matsunaga was appointed as the Commissioner of the Japan Patent Office, succeeding Commissioner Naoko Munakata. From now on, he will manage JPO's operations and oversee Japan's policy on patents, trademarks, and design rights. Mr. Matsunaga previously served as Director-General for Regional Economic and Industrial Policy. He holds a Bachelor of Laws from the University of Tokyo and an LL.M. from Harvard Law School.

[Read the full article here](#)

2. Revision of Examination Guidelines for Design

June 14, 2019, Japan Patent Office (JPO)

The JPO released on its website information on the content of the revisions of the examination guidelines for Design applied to applications with filing dates on or after May 1, 2019)

The revised Design examination eases the requirements for applications and drawings and includes major amendments, such as the abolishment of the requirement of a set of drawings, the abolishment of the section "Partial Design" in the application documents and the acceptance of the inclusion of unclaimed objects in the drawings, which means other than those for which a design registration is sought, as long as the articles are sufficiently recognizable.

Furthermore, the revised guidelines allow applicants to use various methods to indicate omissions and suppress the requirement to mention in the application the measurements of parts that are omitted.

[Read the full article here](#)

3. Recent trends in AI-related inventions

July 2019, Japan Patent Office (JPO)

The JPO published a statistical report on AI-related patent applications worldwide.

The past few years, Artificial Intelligence (AI) related technology has considerably grown, especially

regarding deep learning methods. Therefore, the number of patent applications is globally increasing across technological fields and the report shows this trend in Japan and other leading countries.

Among the most significant data collected, it is worth mentioning that in 2017, about 3,100 applications for AI-related inventions were filed (+ 65 % compared with the previous year), including about 900 applications for AI-core inventions (+55% compared with the previous year). Furthermore, the major used AI-related inventions are machine learning with half of it referring to deep learning in the application documents.

[Read the full article here](#)

4. The 12th IP5 Heads of Office Meeting held

June 17, 2019, Ministry for Economics, Trade and Industry (METI)

On June 13, 2019, the 12th IP5 Heads Meeting was held in Incheon, Republic of Korea, gathering the heads of the five-intellectual property (IP) offices of Japan, Europe, Republic of Korea, China, and the U.S.

Among the decisions taken as part of the meeting, the Heads of the IP5 Offices approved the launching of a New Emerging Technologies and Artificial Intelligence (NET/AI) taskforce for discussion on the impact of NET/AI and preparations for it, including examination guidelines for AI-related inventions. Also, they agreed on the final results of patent harmonization projects for these five years and the definition of metrics for evaluating the benefit of the PPH scheme.

[Read the full article here](#)

5. Japan's blockchain sandbox is paving the way for the fintech future

June 26, 2019, Forbes

After creating effective laws governing cryptocurrency businesses, Japan is currently incubating blockchain innovation via a unique regulatory sandbox system under the Cabinet Secretariat of Japan.

According to Forbes, the Government of Japan introduced the sandbox regime in June 2018 to speed up

the introduction of new business models and innovative technologies. Domestic organizations and companies and ones located abroad as well can apply to demonstrate and experiment with new technologies such as blockchain, artificial intelligence, and Internet of Things (IoT) in fields such as financial services, healthcare and transportation.

The sandbox aims to check whether the new business will work in the real market and the experiments take place in virtual space without any geographical restrictions. After reviewing the results of the tests, the government intends to introduce deregulation measures.

Tokyo-based cryptofinance firm Crypto Garage was chosen for the sandbox program and since its launch, the sandbox has approved six projects for experiments involving a wide range of business applications.

[Read the full article here](#)

6. Huawei's chipmaking ambitions at risk after Arm cuts tie

May 1, 2019, Nikkei Asian Review

The U.K.-based chip designer Arm Holdings owned by Japan's SoftBank Group, and which provides intellectual property used in 90% of the world's mobile processors, decided to suspend business with Huawei Technologies to "comply with all the laws and regulations set forth by the U.S government".

According to the Nikkei Asian Review, Arm's move jeopardizes Huawei's business as the company holds chip designs crucial to the Chinese group's semiconductor program. However, Huawei seems to have anticipated Arm's decision, as the company made sure to seal an advanced deal by signing contracts to obtain a broader portfolio of the designer's intellectual properties. Therefore, Arm's decision will not impact Huawei's chip design for now but might be a serious issue in the future.

Furthermore, the Nikkei Asian Review reported that Japanese mobile carriers SoftBank Corp. and KDDI, Taiwan's Chunghwa Telecom, British Telecom's EE and Vodafone UK decided to delay or suspend plans to sell new Huawei smartphones. Japan's Panasonic will halt supplies of certain components to Huawei. Also, German chipmaker Infineon became the first non-U.S. supplier to express its need to stop American-origin shipments to Huawei to observe U.S. laws.

[Read the full article here](#)

7. Japanese companies opposed to U.S slapping additional tariffs on Chinese goods

June 15, 2019, The Japan Times

In response to alleged intellectual property and technology theft by Chinese companies, the Trump administration hiked on May 10, U.S. tariffs on \$200 billion of Chinese goods to 25 percent from 10 percent, which is the most significant move in Washington's trade war with Beijing.

According to the Japan Times, US affiliates of Japanese companies, as well as American and Chinese businesses, have expressed their objection to President Donald Trump's proposed tariffs of up to 25 percent on an additional \$300 billion of Chinese products.

Effectively, several companies such as Mitsubishi Chemicals Corp. strongly disagree with the proposed tariffs on the grounds that the additional tariffs will have substantial, negative and long-term impact on American businesses, farmers, families and the U.S economy. Furthermore, those tariffs might not be an effective tool to change China's trade practices.

A hearing was held in June before the Office of the U.S. Trade Representative where business leaders converged to talk about what would happen if the government goes through with plans to impose those tariffs on all Chinese goods.

[Read the full article here](#)

8. Japan aims to protect its high-end fruit varieties

June 16, 2019, The Japan Times

According to the Japan Times, the Agriculture, Forestry and Fisheries Ministry will shortly launch comprehensive measures to prevent its premium fresh fruits from falling into the hands of foreign growers. Under this initiative, the relevant rules, regulations, and legislation will be restricted to protect these varieties.

As an example, it's worth mentioning the case of Shine Muscat, a high-end variety grape invented in Japan that has had intellectual property protection under the Plant Variety Protection and Seed Law since 2006. However, Japan did not register this variety overseas and the grapes are being grown in China and South Korea without authorization and exported to Malaysia, Thailand, and other Southeast Asian countries at

very competitive prices compared with the Japanese fruit.

Therefore, the Ministry aims to prevent similar cases from occurring in the future.

[Read the full article here](#)

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

1. Update of Guidelines for recovery of lapsed deadlines for justifiable reasons

June 20, 2019

Author : [Dr. Yoshitaka Sonoda](#)

The JPO published on June 20, 2019 updated English guidelines for recovery of lapsed deadline for justifiable reasons.

According to [the JPO's explanation](#), the content is substantially identical to those published in 2016. It should be noted that there are two types of recovery, those accepted when there is a) a "justifiable reason" and when there is b) a "reason not attributable to the applicant" for the lapse of deadline, as described below. The published guidelines apply only for the former.

a) a "justifiable reason" for the lapse of deadline

"Justifiable reasons" are those unexpected despite the precautionary measures taken by the applicant, such as, earthquakes, disorder of computers unpredictable for users, data errors which occurred for unpredictable reasons despite the measure taken to avoid errors, etc.

Deadlines which may be recovered:

- claim for priority;
- filing of a Japanese translation subsequent to a PCT or Japanese application in a foreign language;
- request for examination;
- assignment of patent administrator;
- retroactive payment of registration/maintenance fee.

b) a "reason not attributable to the applicant" for the lapse of deadline (this one is even more difficult

than a))

- filing of evidence regarding exemption from loss of novelty;
- filing in response to the Commissioner's reminder of a certified copy of a priority application;
- filing of a divisional application within a predetermined period after decision of grant/rejection by the examiner;
- transfer of an UM or a design application or a registered UM to a patent application;
- filing of an advance announcement relating to an extension of patent term;
- filing of an Appeal against Rejection by the Examiner;
- filing of a re-Appeal;
- request of refund of a payment made in error.
- filing of an advance announcement relating to an extension of patent term;
- filing of an Appeal against Rejection by the Examiner;
- request of refund of a payment made in error.

[Read the full guidelines here](#)

2. Amendments of Japanese Patent Law 2019

June 21, 2019

Author : [Dr. Yoshitaka Sonoda](#)

The law amending the Patent Law passed the parliament on May 10, 2019 and was published on May 17, 2019. [The amendments](#) will be enacted within one year but the date of enactment is yet to be determined.

The amendments introduce an on-site inspection and a new procedure for damage calculation to the Patent Law. The amended damage calculation is also introduced into the Utility Model Law and the Design Law while the on-site inspection is introduced only into the Patent Law.

I. On-site inspection

Under the introduced on-site inspection system, the court can order an independent specialist to visit the site of the alleged infringer and collect evidence relevant to the dispute at issue and make a report thereon. (Patent Law, Art. 105bis, Section 1)

Requirements for the Order

1. A patent infringement lawsuit is ongoing
2. The defendant possesses the evidence
3. The evidence is necessary for the proof of infringement or damage
4. The evidence cannot be obtained otherwise
5. Infringement is strongly likely
6. On-site inspection is reasonable in view of all the circumstances

Flow of on-site inspection

1. Request of an on-site inspection by a party
2. Hearing of the opinion of the other party
3. Decision by court whether to order an on-site inspection
4. On-site inspection by an independent specialist
5. Submission of an on-site inspection report by the independent specialist :
 - a. Drafting an on-site inspection report by the independent specialist
 - b. Sending the draft report to the other party
 - c. Request to conceal confidential information in the draft report
 - d. Decision by court whether to conceal or not (if the other party agrees, the draft is disclosed to the party to decide whether to conceal or not)
 - e. Transfer of the report to the party for potential use in the lawsuit as evidence

Comments

- Many systems have been implemented in the Patent Law and the Code of Civil Procedure in the last 20 years to facilitate the plaintiff to collect evidence of infringement, i.e., obligation of the defendant to disprove the infringement allegation (Art. 102bis), court order for the submission of evidence necessary to prove infringement and/or damage (Art. 105), presumption of the method when the method of making is unknown (Art. 104), etc. However, these provisions have not been often used in lawsuits because discretion was given to courts which have been reluctant to exercise these provisions in the fear of losing the balance between the necessity of the patentee to prove infringement and the necessity of the defendant to protect its trade secret.
- A strong likelihood of infringement and reasonableness in view of all the circumstances are required so that an on-site inspection is ordered, and we are not sure how high the thresholds are

for these requirements.

- In view of the above-described requirements, it is unlikely that the on-site inspection is ordered in an early stage of proving the infringement, it would be necessary that the infringement is almost proved but only a relatively small part is left to be proved.
- The infringement courts are expected to be more positive to the application of the on-site inspection in view of the backgrounds on which the new provision was considered to be necessary.

II. New procedure for Damage Calculation

The new procedure for damage calculation increases damages especially when the number of infringing products made or sold by the infringer exceeds the production capacity of the patentee. Under the provision before the amendments, when the number of infringing products exceeds the production capacity of the patentee, damages were limited by the production capacity of the patentee as long as the provision which allows the damages calculation based on the expected profit of the patentee is relied on. (Art. 102, Section 1)

The calculation under the new law is as follows :

a. If the number of infringing products exceeds the production capacity of the patentee

$$\begin{aligned} \text{Damages} &= (\text{production capacity of the patentee}) \times (\text{per unit profit of the patentee}) \\ &+ (\text{number of infringing products} - \text{production capacity of the patentee}) \times \text{royalty} \end{aligned}$$

(the second line was added by the amendments)

b. If the number of infringing products is within the production capacity of the patentee

$$\text{Damages} = (\text{number of infringing products}) \times (\text{per unit profit of the patentee})$$

There are three provisions in the Patent Law which provide the calculation of damages caused by patent infringement. The above-described provision (Art. 102, Section 1) which has been amended this time, is one of them. In addition to the provision, there is a provision which allows the profit of the infringer to be

deemed the damages of the patentee (Art. 102, Section 2), and a provision which allows the hypothetical royalty to be the damage (Art. 102, Section 3), which remain unchanged.

(This article is solely for general information and cannot substitute for legal advice and consultation.)

[You can see the JPO's review in English here.](#)

- IP News in China-

1. Semi-annual statistics on patents, trademarks, geographical indications and integrated circuit layout design released

July 9, 2019

Author : [Yan Hui Wang](#) from Sonoda & Kobayashi

The State Intellectual Property Office of China released semi-annual statistics on patents, trademarks, geographical indications and integrated circuit layout design applied by China in the first half of 2019.

(1) With respect to patents, in the first half of 2019, the number of patent applications for inventions dropped by 9.4% compared with the same period of last year, while 238,000 patents were authorized, an increase of 9.9% compared with the same period last year. Among them, 192,000 patents were authorized for invention in China. In the first half of the year, the top three enterprises in China (excluding Hong Kong, Macao and Taiwan) in terms of patent authorization for invention were Huawei Technology Co., Ltd. (2314), China Petrochemical Co., Ltd. (1595) and OPPO Guangdong Mobile Communications Co., Ltd. (1312).

In the first half of 2019, a total of 24,000 PCT international patent applications were accepted, an increase of 4.9% over the same period last year. Among them, there were 22,000 domestic applications, an increase of 2.8% over the same period last year. The number of requests for invalidation increased by 12.8% compared with the same period last year, while the number of closures increased by 18.9% compared with the same period last year.

In the first half of 2019, China's patent review cycle for invention was 22.7 months, for high-value patents 20.5 months, for utility models 6.2 months, for designs 4.0 months, for patent review requests 11.7 months and for invalidation of patents 5.0 months.

(2) In terms of trademarks, in the first half of 2019, the number of applications for trademark registration in China was 3.438 million, down 4.1% from the previous year; the number of trademark registrations was 3.515 million, up 67.8% from the previous year.

(3) Regarding geographical indications, 229 registered geographical indications trademarks were approved in the first half of 2019.

(4) In IC layout design, 2904 applications for IC layout design registration were received in the first half of 2019, an increase of 45.7% over the previous year.

[Read the full article here \(Chinese only\).](#)

About

SONODA & KOBAYASHI is a law firm offering dependable legal services for intellectual property. Our multinational team of about 90 experts in technology, law, languages and international communication has served companies worldwide and gained a reputation for thoroughness and reliability.

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