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Establishment of Guidelines for License Negotiations for Standard Essential Patents

The Ministry of Economy, Trade and Industry (METI) has established the “Good Faith Negotiation Guidelines for Standard Essential Patent Licenses” (the “Guidelines”) as guidelines which Standard Essential Patent (SEP) holders and implementers should comply with during SEP license negotiations.

A Standard Essential Patent (SEP) is indispensable for the production and sale of products that meet standards. Recently, disputes over SEP license negotiations across different industries have increasingly arisen due to the widespread use of standards and the Internet of Things (IoT). The Guidelines were established based on the opinions of domestic and foreign companies as well as experts on intellectual property law and the Unfair Competition Prevention Law as well as industries in Japan. While the Guidelines are not legally binding and adhering to them does not guarantee that an adherent will be judged as a good faith negotiator in each individual litigation, it is expected that the Guidelines will be followed by various parties involved in SEP license negotiations, such as those in the negotiations and the judiciaries.

The Guidelines break down negotiation steps into four stages and indicate the necessary actions required in each stage, such as certification of patent infringement.

The four major steps in SEP license negotiations

Step 1: Licensing offer by an SEP holder

The SEP holder must provide the following information about the subject patent of the negotiations to the implementer:

- A list of patent registration numbers
- A claim chart mapping patent claims to standards element by element
- Information which shows that the products of the implementer comply with the corresponding standards
- Information which indicates the existence of FRAND* commitments and corresponding standard number

Step 2: Expression of willingness to conclude a contract under FRAND terms by the implementer

Even if the implementer expresses willingness while refraining from challenging the necessity, validity, or infringement of the subject patents in the negotiation process as appropriate, its willingness to obtain a license under FRAND terms in good faith will not be denied.

Step 3: Proposal of specific license terms by the SEP holder

Step 4: Proposal of counteroffer by the implementer (if the implementer does not accept the terms proposed in Step 3)

The SEP holder and the implementer should objectively explain that the license terms are FRAND terms by using appropriate information such as information regarding third party licensing, patent pool royalty rates, and past court decisions as well as the calculation method of

royalties.

For further information, please visit METI's website in English at the following link: https://www.meti.go.jp/policy/economy/chizai/sep_license/good-faith-negotiation-guidelines-for-SEPLicenses-en.pdf

*FRAND stands for Fair, Reasonable, and Non-Discriminatory. FRAND terms are those that a SEP holder provides in a SEP license agreement to indicate that everyone can use the patent equally for a reasonable royalty fee.

New Guidelines for Co-Ownership of Patents

On June 3, 2022, the Intellectual Property Strategy Headquarters, a Japanese governmental body, decided on the "Intellectual Property Promotion Plan 2022" indicating eight initiatives as follows:

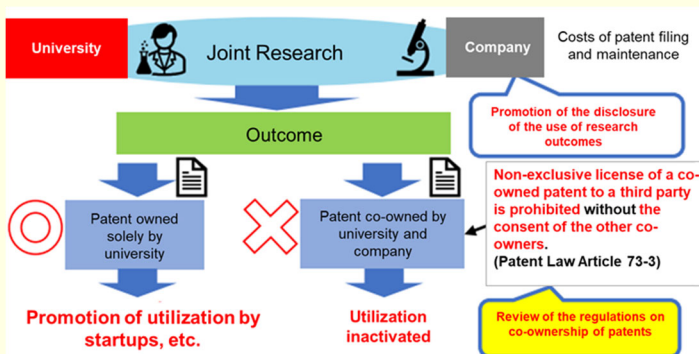
- Enhancement of IP ecosystem for startups and universities
- Enhancement of mechanism for investing in and promoting IP utilization and intangible assets
- Promotion of strategic utilization of standards
- Establishment of environment for transporting and utilizing data in a bid to realizing a digital society
- Development of contents strategy in the digital era
- Enhancement on IP utilization of SMEs, rural areas, and the agricultural and fishery industries
- Strengthening the foundation of regulations, operations, and human resources which support IP utilization
- Restarting Japan's "Cool Japan" initiative, while looking ahead to the post-COVID era

Enhancement of IP ecosystem for startups and universities

The IP Promotion Plan 2022 outlines the creation of new guidelines that will allow universities to grant licensing of a co-owned patent to a third party only at the discretion of the university, in the case where a company, a co-owner of the patent, does not enforce the patent for a certain period without legitimate reason. This is aimed at assisting startups in maximizing a patent derived from R&D activities by a university and moving forward to the technology's commercialization. The Japanese Patent Law principally stipulates that all the co-owners of a patent are deemed to be applicants of the patent and, therefore, the patent itself becomes a co-owned patent in the case where multiple parties are involved in jointly developing a certain invention. In this case, licensing of the patent to a third party is prohibited without consent from the other co-owners. The IP Promotion Plan 2022 states that "the JPO will create a new regulation that grants a university the right to solely offer a license to a third party if certain conditions are satisfied". The JPO will compile the "IP

Governance Guidelines for universities" (tentatively named), which contains the above regulations, by the end of this year.

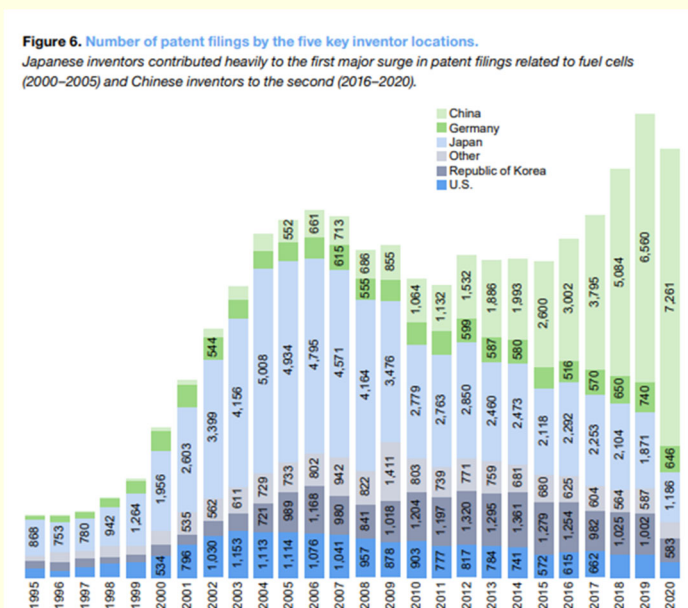
In addition, the current regulations will be revised so that startups are able to pay a licensing fee with their stocks and stock acquisition rights instead of cash when they utilize a patent held by a university.



Reference: Intellectual Property Strategy Headquarters (website of Prime Minister's Office of Japan) [Japanese only] <http://www.kantei.go.jp/jp/singi/titeki2/220603/gijisidai.html>

WIPO Report: Toyota has Most Active Patents related to Hydrogen Fuel Cells in Transportation

The World Intellectual Property Organization (WIPO) has released a patent landscape report, "Hydrogen Fuel Cells in Transportation". The report starts with statistics of patent applications relating to hydrogen fuel cells. Looking at the number of global patent applications in FY2020 classified by applicants' nationalities, China has the largest number of patent applications (7,261), accounting for 69% of the total, followed by Japan (1,186, 11.3%), Germany (646, 6.2%), Korea (583, 5.6%), and the U.S. (403, 3.8%). The details and yearly trends are shown below.



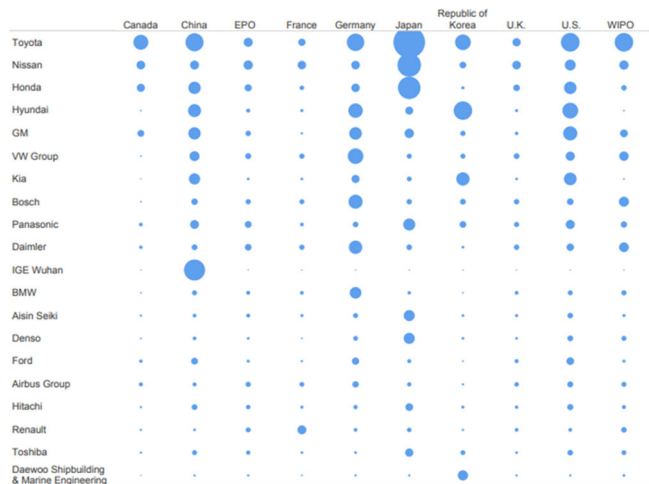
Next, looking at the number of global hydrogen cell

applications related to transportation, 3,189 cases were filed in 2020. In the same year, the number of hydrogen fuel cell applications overall was approximately 10,000, which means that transportation related applications account for nearly 30% of all patent applications. Breaking down segments of the transportation sectors, the road sector accounts for the largest share at 71%, followed by shipping (10%) and aviation (8%).

This report references not only the number of applications, but also the number of active patent rights focusing on individual companies. The report shows that Toyota Motor had the largest number of active patents in 2021 (2,720), followed by Hyundai Motor (1,402), Honda Motor (1,191), General Motors (697) and Volkswagen Group (671). The major applicants and their application volumes filed in each country are also shown in Figure 29.

Figure 29. Patent filing strategy by company. Bubble size indicates the total number of individual patent filings, limited to only filings from 2015 to 2019, including active and inactive patents as well as utility models.

It is typical of companies to seek to protect their home market; for example, Toyota in Japan, VW Group in Germany and IGE Wuhan in China. It is, however, company strategy with regard to where in the world patent protection is extended that indicates the markets of most interest to these companies. In this respect, there is an obvious interest in China, the U.S., Japan, and also Germany and the Republic of Korea. Particularly of note is the number of PCT and EP filings, as this points to a broader, yet open strategy by some players.



One interesting analysis given by the WIPO is that the growth in the number of patent applications in China in recent years is clearly remarkable, even though only two Chinese companies are ranked in the top 20 in terms of the ranking of active patent portfolio holders. Although the number of applications from China is high, the patent portfolios of applicants in China tend to be relatively small, which is probably because they have only recently started filing a large number of applications.

As an introduction to this theme, we contributed an article titled "Current State and Our Analysis of Japanese Patent Applications related to Hydrogen" to Mondaq in June 2022. The article can be accessed on our website via the URL below.

<https://www.shigapatent.com/en/otherpublications/article/?title=Current-State-and-Our-Analysis-of-Japanese-Patent-Applications-Related-to->

Hydrogen&type=otherpublication

Reference: Patent Landscape Report Hydrogen Fuel Cells in Transportation, WIPO <https://www.wipo.int/edocs/pubdocs/en/wipo-pub-1076-en-patent-landscape-report-hydrogen-fuel-cells-in-transportation.pdf>

JPO Studying Easing of Registration Requirements of Name Trademarks

In March 2022, the JPO published a report* of research conducted on trademarks that include the names of people. The JPO is considering revising the Trademark Law to make it easier to register a brand name including the name of a person as a trademark. Currently, it is difficult to register a trademark that includes a name. In order to register a trademark of a business name that is identical to the name of the business owner, it is necessary to obtain the consent of all the persons who bear the name in order to protect their moral rights. In the fashion industry, a designer's name is often used as the brand name. However, in recent years, there have been a number of cases in which trademark registrations containing the name of the designer have been rejected. For example, when Ken Kikuchi, an accessory designer, attempted to register a logo containing the brand name "KEN KIKUCHI" as a trademark, the JPO refused to grant the trademark registration. The Intellectual Property High Court upheld the JPO's decision and ruled against his appeal to the Supreme Court.



Japanese Trademark Application 2017-69467

Upon receipt of the application of a name trademark, the JPO checks the White Pages, telephone directories, and web pages for any other people with the same name as that in the trademark application. In the case of the above-mentioned application, the trademark is an alphabetical mark "Ken Kikuchi", and consent is required from people whose name has the same pronunciation, even if the name is written in different Japanese characters. As "Ken Kikuchi" is a relatively common name, it is practically impossible to register "Ken Kikuchi" as a trademark under the current practice.

On the other hand, in the EU, the U.S., China, and South Korea, trademarks that include names are allowed to be registered under certain conditions. In Japan, such obstacles have been pointed out since there is a tendency to hinder a company's brand development. In light of the above, the JPO is now considering relaxation of the registration requirements to facilitate the registration of a trademark containing a name.

Reference:

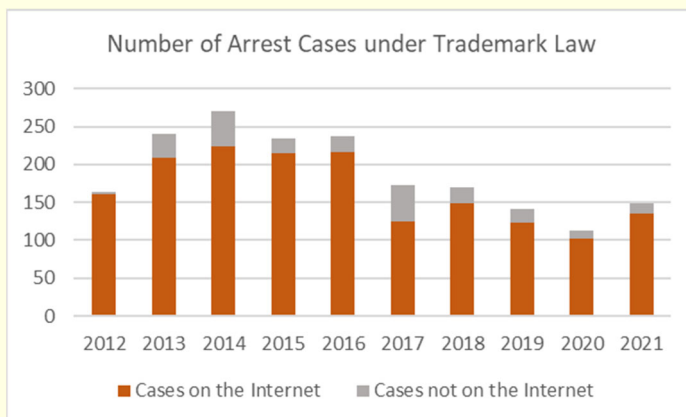
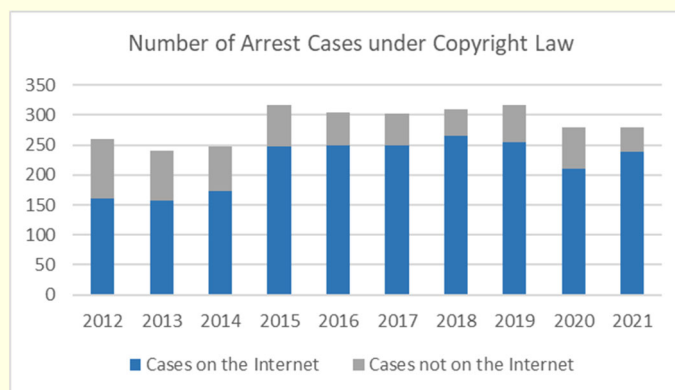
*JPO FY 2021 Project of Industrial Property Rights System Comparative Study in Different Countries, “Report on Research and Study Concerning Trademarks Containing the Names of Other Persons”

https://www.jpo.go.jp/resources/report/takoku/document/zaisanken_kouhyou/2021_04-summary.pdf [Japanese only]

Violations of Unfair Competition Prevention, Copyright, and Trademark Laws are on the Rise

According to an announcement by the National Police Agency of Japan (NPA), the number of people arrested under the Unfair Competition Prevention Law for illegally obtaining trade secrets from companies in 2021 reached the highest on record with 49 people, an increase of 11 over the previous year. The number of cases also marked the highest on record at 23. The NPA also received 60 inquiries, an increase of 23 compared to the previous year. The NPA presumes that there has been an increase in the illegal transfer of information when people switch their jobs or establish their own businesses. Although the number of the cases is not considered high, the number is on the rise. Considering the significant impact on business activities, companies and police are taking countermeasures to combat it.

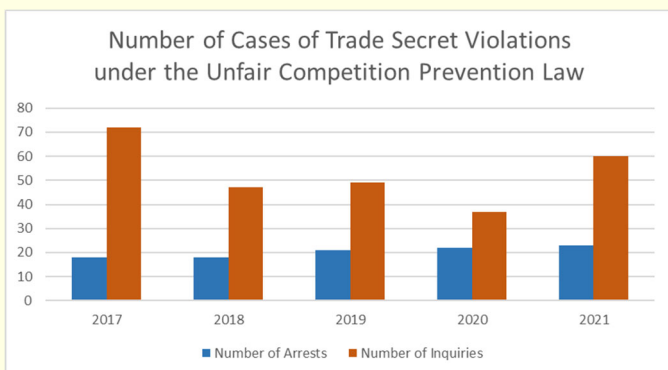
a trademark case example.



Trademark Law Case Example:

The Tokyo Metropolitan Police arrested a suspect under the Trademark Law for selling counterfeit models of a replica of the special airplane “TOKYO 2020” that carried the Olympic torch for the Tokyo Olympics. These counterfeits have the Tokyo Olympics and other emblems on their body and the suspect is alleged to have infringed the trademark rights of the Organizing Committee. The suspect sold the counterfeit models to three people through a free-market app, earning about 400 USD over June and July 2020.

Reference: https://www.npa.go.jp/safetylife/seikeikan/R03_seikatsukeizaijihan.pdf [Japanese only]



Unfair Competition Prevention Law Case Example:

In October 2020, the Osaka Prefectural Police arrested a former employee of a major chemical manufacturer for violating the Unfair Competition Prevention Law (infringement of trade secrets) by leaking confidential information. The suspect had been contacted by a Chinese company employee through social media.

Arrests under the Copyright Law have also increased as pirated copies of creative media such as comics and movies on the Internet are becoming a critical issue. The number of cases of violation of the Copyright Law increased to 148, up 36 from the previous year, and the number of individuals arrested also increased to 149, up 26 from the previous year. The following graphs show the number of arrest cases for copyrights/trademarks and are followed by