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## Newsletter

This Newsletter contains summaries of the following:

- Supreme Court Ruling regarding Product-by-Process claims
- Revision of the Employee Invention Law
- Recent trends concerning three dimensional trademarks.

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## 1 Supreme Court Ruling on Product-by-Process Claims

The Supreme Court has indicated the following criteria concerning the interpretation of product-by-process (PBP) claims (Case Number: 2012 (*Ju*) 1204; Date of the Ruling: 5 June 2015):

- (1) The scope covered by PBP claims is products with the same structure and characteristics etc. as the product produced by said process.
- (2) PBP claims only fulfill the clarity requirement when the direct identification of the relevant product from its structure or characteristics is either impossible or totally impractical at the time of filing.

In the future, examination at the JPO and court litigation related to PBP claims will be carried out in accordance with these criteria.

### 1. Overview of the Supreme Court Ruling

#### 1. Background

##### Appellant (Teva) – Patentee of Japanese Patent JP 3737801

[Claim 1] Pravastatin sodium prepared by a process comprising the steps of:

- a) forming a concentrated organic solution of pravastatin;
- b) precipitating pravastatin as an ammonium salt thereof;
- c) purifying the ammonium salt by recrystallization;
- d) transposing the ammonium salt to pravastatin sodium; and
- e) isolating pravastatin sodium,

the pravastatin sodium containing less than 0.5 wt% pravastatin lactone and less than 0.2 wt% epiprava.

##### Appellee (Kyowa Hakko Kirin)

- Produces and sells Pravastatin Na 10 mg “KH” (hereafter referred to as “KH product”).
- The KH Product contains pravastatin sodium which has less than 0.5 wt% pravastatin lactone and less than 0.2 wt% epiprava.
- The process for producing the KH Product does not include “a) forming a concentrated organic solution of pravastatin”.

The Appellant filed a lawsuit, asserting that the KH Product of the Appellee infringes JP 3737801 and demanded an injunction against the Appellee producing or selling the KH Product and that the KH Product be disposed of.

In the original ruling (Intellectual Property High Court Case Number: 2010 (ne) 10043) upon generally permitting PBP claims, it was ruled that the scope of the above patent is limited to products produced by the production process recited in the claim and the process for producing the KH Product does not include the step of “a) forming a concentrated organic solution of pravastatin” and thus the KH product does not fall within the scope of the patent.

## 2. Summary of the Supreme Court Ruling

- As “a product”, “a process” and “a process of producing a product” are recognized as claimed inventions, a patent of “a product” invention covers products which have identical structure, characteristics etc. to the patented product, regardless of the production process. Therefore, even if the production process of a product is recited in the claims of a patent for a product invention, it should be understood that the scope thereof is determined to be products, the structure, characteristics etc. of which are identical to the product produced by the production process.
- It is problematic if, for every PBP claim, the patent right thereof covers products whose structure, characteristics etc. are identical to a product produced by the production process. For example, as it is in general unclear what sort of structure or characteristics are indicated by a production process, a person reading the claim cannot clearly understand the content of the invention. Consequently, it is difficult to predict in what scope the holder of the right has exclusive rights. On the other hand, it is possible that, depending on the specific nature or properties of the product, analysis of the product’s structure or characteristics at the time of filing is technically impossible or impractical (for example, the economic expenditure or time required is excessive). Therefore, it is not that PBP claims should, without exception, not be recognized. Furthermore, when there are the circumstances described above, it does not unduly harm the interests of a third party even if it is determined that a product falls in the scope of a patented invention, having the same structure, characteristics etc. as the product produced by the production process. According to the above, if a production process for a product invention is recited in the claims of the patent relating to the product, it should be understood that it can only be said that the descriptions in claims conform to so-called “Clarity Requirement” (Article 36(6)(ii) of the Patent Law) if it was impossible or totally impractical to directly identify a product by its structure or characteristics, at the time of filing.
- The Intellectual Property High Court ruling is in clear violation of the law and thus is quashed. In order that the scope of JP 3737801 can be determined at the IPHC in accordance with the present Supreme Court ruling and so that the determination as to whether or not the claim in question fulfills the clarity requirement can adequately proceed based on the existence of the abovementioned circumstances (impossibility or impracticality), the case is remanded back to the IPHC.

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## 2. Examinations at the JPO from now onwards

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As described above, in order to receive a patent for an application which contains one or more PBP claims, said PBP claims must fulfill the clarity requirement from the point of view of the above criteria 1(2) (in addition to the other patent requirements, such as for example novelty and inventive step).

The JPO has announced how the examination regarding the clarity of PBP claims relating to the above criteria 1(2) will be handled henceforth. The summary thereof is as follows.

These handling procedures are not limited to applications filed after the Supreme Court ruling but also apply to already filed applications. Similarly they also apply to currently pending Appeals against a Decision of Rejection, Patent Invalidation Trials, Trials for Correction and Patent Oppositions etc. (hereafter referred to as “Trials etc.”), in addition to Trials etc. which are requested after the Ruling. Therefore, they also apply to Trials etc. directed at already established patents.

### **Examination Procedure**

- The Examiner determines\*1 whether or not the abovementioned “impossible or impractical circumstances” exist for the PBP claim\*2.**

**(i-1) The above circumstances are recognized as existing**

The PBP claim fulfills the clarity requirement regarding the above criteria 1(2).

**(i-2) The above circumstances are not recognized as existing**

The Examiner determines that the product invention defined by the PBP claim is unclear and notifies the applicant of the reason for rejection regarding clarity\*3.

**ii. In order to resolve the reason for rejection, the applicant can respond as follows:**

- (a) delete the PBP claim,
- (b) amend the PBP into a claim concerning an invention of a process for producing a product<sup>\*4</sup>,
- (c) amend the PBP into a claim concerning an invention of a product which does not include a manufacturing process<sup>\*4</sup>,
- (d) assert and prove the existence of “impossible or impractical circumstances” in an Argument.

**iii. As long as he or she has no reasonable doubts<sup>\*5</sup> about the content of the assertion and proof regarding “impossible or impractical circumstances” in ii.(d), the Examiner will determine that “impossible or impractical circumstances” exist and the reason for rejection will be resolved.**

In the above ii., if there is no amendment (a) ~ (c) and no assertion is made/proof is given or if there is no amendment (a) ~ (c) and the Examiner has reasonable doubts about the existence of the above described circumstances irrespective of the given assertion/proof then he or she will issue a Decision of Rejection.

<sup>\*1</sup> The Examiner will consider any assertion or evidence in the Specification that “impossible or impractical circumstances” exist when making this determination.

<sup>\*2</sup> This procedure is not limited to typical PBP claims, for example, it will also be applied for when the production process of an element in a product claim is specified, such as “a composition comprising substance A, substance B and substance C, wherein substance C is produced by process D”.

<sup>\*3</sup> One purpose of a notice of rejection is to offer the applicant an opportunity to assert/prove the existence of “impossible or impractical circumstances”, and an opportunity for rebuttal and amendment and so on, in order to avoid a patent, which contains a reason for invalidation, being established, and the interests of a third party being unduly impaired etc.

<sup>\*4</sup> In Japanese Patent Law, in addition to the prohibition on new matter, further requirements are imposed on amendments of claims when responding to a Final Notice of Reasons for Rejection or when requesting an Appeal against a Decision of Rejection, and therefore, amendments are severely limited. Even under these severe limitations, the amendments (b) and (c) are ordinarily seen as meeting these additional requirements.

<sup>\*5</sup> “no reasonable doubts” typically means the Examiner cannot indicate any specific doubt.

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### 3. Our View

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The current Supreme Court ruling clearly shows that the rights of PBP claims extend to products with the same structure and characteristics etc. as the product produced by said process regardless of the process by which they are made. However, at the same time it also shows that a PBP claim itself cannot receive a patent if there are no “impossible or impractical circumstances” and thus fails to fulfill the clarity requirement.

If, in the future, an application containing a PBP claim receives a patent via examination at the JPO, for example, via an assertion and proving of “impossible or impractical circumstances” during examination proceedings, it cannot be denied that the resultant patent right is unstable. Specifically, in the future, for example in infringement litigation, if the assertion that the patent should be invalidated is made, the possibility of the court coming to a different decision to the JPO regarding the existence of said circumstances cannot be ruled out. Consequently, the frivolous or carefree use of PBP claims should be avoided. In other words, it is necessary to identify, to the extent possible, the product claimed in a product claim by its properties and characteristics.

We recommend that when the use of a PBP claim cannot be avoided, a corresponding process claim be additionally included.

If an application contains only PBP claims, and fails to fulfill the clarity requirement, the application will be refused (or after receiving a patent, is judged to be invalid), then it is possible that even the product produced by the process can no longer be protected. To prevent this situation, it is advisable to secure rights relating to the product produced by the process at the minimum by addition of the abovementioned process claims. (In Japanese Patent Law, the patent right relating to “a process of producing a product” covers the product produced by the process, in addition to the process.)

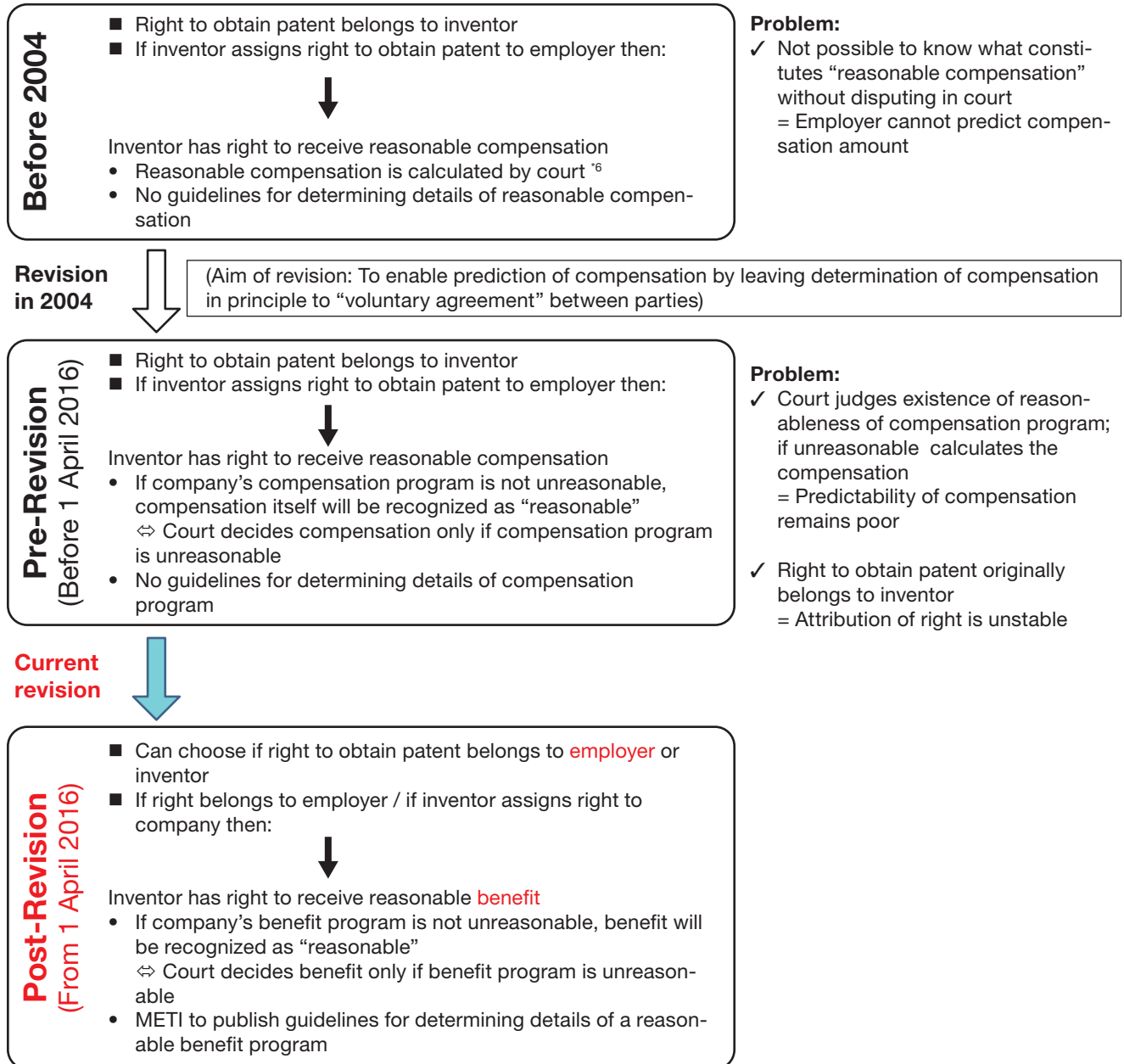
Furthermore, when PBP claims are used, the Examiner will consult the Specification when judging whether the “impossible or impractical circumstances” exist or not. Therefore, in order to avoid an unnecessary reason for rejection when using PBP claims, and to clearly indicate to third parties that said circumstances exist, it is recommended to specifically include a description of the “impossible or impractical circumstances” in the originally filed Specification.

In addition, if a demand for an injunction, claim for damages etc. will be made based on a patent (particularly a patent registered before the above ruling), it is desirable to check before taking any action whether or not the patent includes a PBP claim and if so, then consider whether it is possible to reformulate the PBP claim in advance, for example, via a Trial for Correction, such that it does not violate the clarity requirement described above in order to avoid providing the defendant a method of counterattack.

## 2 Revision of the Employee Invention System

Article 35 of the Japan Patent Law concerning employee inventions will be revised. Although the implementation date is not officially decided, it is expected to be 1 April 2016. We will inform you as soon as the official date is announced.

### 1. Revision History of Employment Invention System



<sup>\*6</sup> Even if compensation is determined by internal company rules, contracts etc. (hereafter referred to as company rules etc.), “reasonable compensation” is ultimately calculated by the court if litigation is initiated. When the amount of compensation paid in accordance with company rules etc. is not “reasonable compensation”, the employee can request the employer to pay the shortfall *ex post facto*.

### 2. Overview of the Amendment

The three important points in this amendment are as follows:

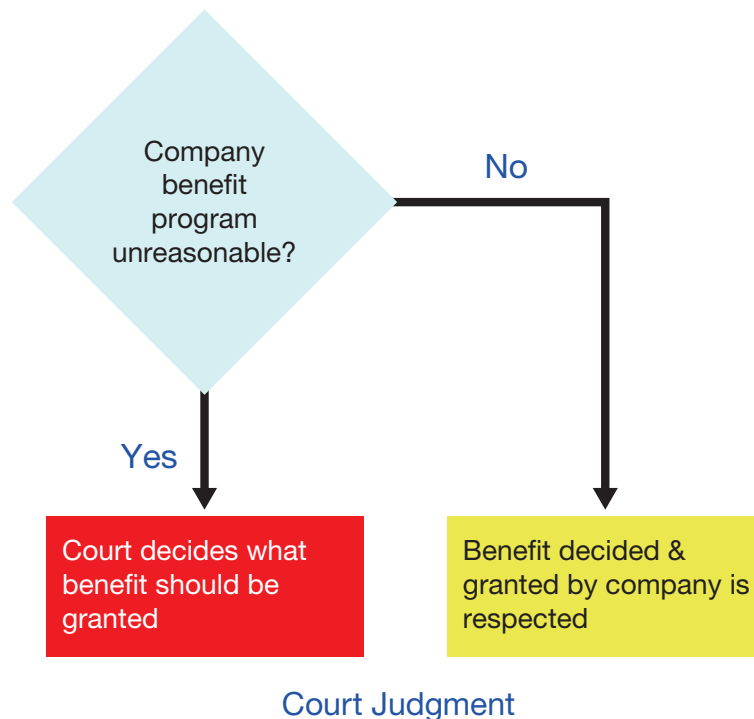
- 1. After the revision, an employer can attribute the right to receive a patent for an employee invention to the employer from the beginning. As with before the amendment, it is also possible for the right to be attributed to the inventor from the outset and thereafter assigned to the employer.**

- II. In either case, as with before the amendment, the inventor has the right to receive reasonable benefit from the employer.
- III. The Minister of Economy, Trade and Industry (METI) will publish guidelines for determining details of reasonable benefit program.

As described in I above, it will be possible for the right to receive a patent to be attributed to the employer from the outset. In this case, **this must be established a priori by company rules etc.**

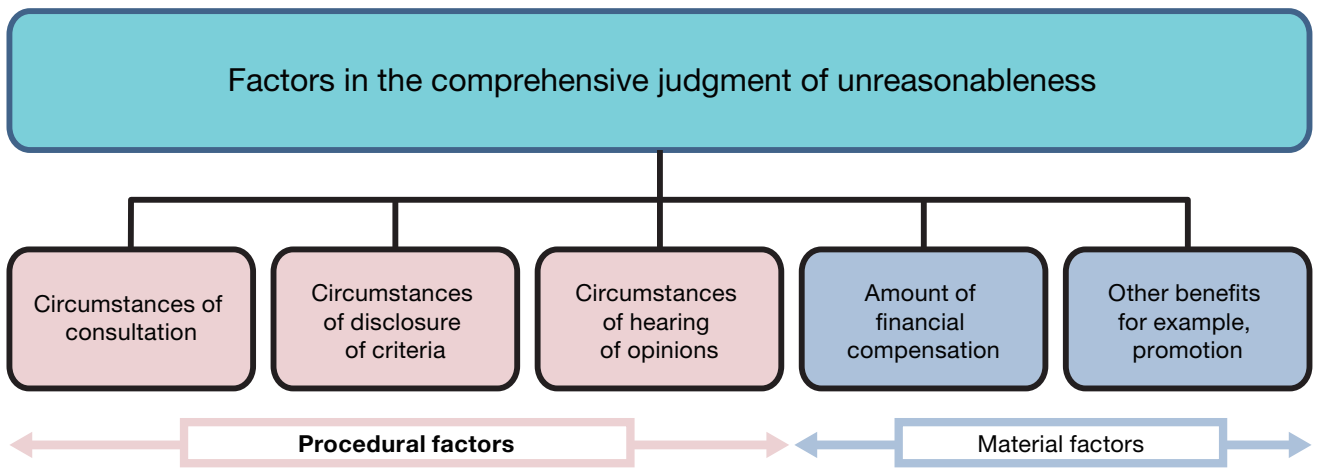
In addition, as described in II above, **even if the right to receive a patent belongs to the employer from the beginning, the inventor has the right to receive reasonable benefit.** It should be noted here that following this amendment, “reasonable compensation” has been changed to “reasonable benefit” in order to clarify that what is received by the inventor can be something other than financial compensation.

Accordingly, as with before the amendment, **the company benefit program by which the employer awards the reasonable benefit to the inventor must not be unreasonable.** If litigation is initiated by the employee (including former employees), and the company benefit program is judged to be unreasonable, the court will determine what constitutes reasonable benefit. If it is judged to be not unreasonable, the granted benefit is respected (see figure below).



In the discussions about the amendment, there was the request, particularly from industry, that the law be amended such that the right to receive a patent be attributed to the employer from the outset and that awarding of benefit to the inventor be unnecessary. However, there were many counter arguments to this proposal and so ultimately, a compromise was found in the above I and II.

For example, if an employee of a company is dissatisfied with the benefit and files a lawsuit, the court makes the judgment about whether the company benefit program is unreasonable or not by comprehensively taking into consideration the entire process from the establishing by the company of the criteria that determine the benefit (including financial compensation) to the awarding of the benefit determined by said criteria. At that time, procedural factors will be particularly emphasized and material factors (for example, the amount of financial compensation) will be considered in a complementary manner (see figure below). However, there is the possibility that if the amount of financial compensation is excessively small, it will be judged to be unreasonable.



The above logic of the judgment of unreasonableness of the compensation (“benefit” after the current amendment) program was introduced by the 2004 amendment. The subsequent single judicial precedent illustrated the fact that the procedure by which the decision of the compensation/benefit is taken is extremely important but did not concretely teach what sort of procedure the employer should undertake. Therefore, ultimately, the current situation is that each company must independently judge what constitutes the benefit, typically the amount of financial compensation, while referring to the judgments which were based on the law before the 2004 amendment. In that case, focus needs to be placed on the procedure which determines what constitutes “benefit”, and in particular the discussion between employee and employer when formulating the criteria for determining what constitutes benefit, the disclosure of the criteria, the obtaining of the opinions of employees regarding the decision of what constitutes benefit.

With the current amendment, it will become possible for the right to receive a patent for an employee invention to be originally attributed to the employer, though the fact that the employee receives benefit remains unchanged. Even after the revision, there is the concern that, as before, the predictableness of the benefit (typically financial compensation) is low because the judgment of the existence of reasonableness of the company benefit program (and if found that reasonableness does not exist, the determination of reasonable benefit) will be handled by the court. As described in III above, the amendment stipulates that guidelines will be established in order to raise the level of predictability. The guidelines themselves will have no legal effect, however, it is expected that guidelines which can contribute to raising the predictability will be published. At the time of writing, it is unclear when these guidelines will be published, though we will of course notify you as soon as they are made officially announced.

### 3 Recent trends in three dimensional trademarks - three dimensional trademarks consisting only of the shape of the goods / packaging

As we reported in the previous issue, the revision of the Trademark Law, which came into effect on the 1 April 2015, made it possible to apply for new types of trademarks (motion, hologram, color, sound, position trademarks). According to the JPO database, there is a high level of interest: from April until the time of writing, there have been about 300 applications for trademarks consisting solely of color, about 200 applications for sound trademarks and so on. However, we expect that it will take time before we can report on examination trends. Therefore, in this issue, we will summarize the recent developments concerning three dimensional trademarks, the protection of which as a new type of trademark became possible earlier.

#### 1. Overview of the examination of three dimensional trademarks in Japan

Since the introduction of the system in 1996, three dimensional trademarks which consist solely of the shape of goods / packaging have been strictly examined from the point of view of the distinctive character of the trademark. Currently, trademarks which consist solely of shape are ordinarily rejected as “not having the power to distinguish itself from others being nothing more than something indicating the shape of the goods (including the shape of the packaging) in a common manner”. To overcome this reason for rejection, it is necessary to prove that through use, a distinctive character (i.e. secondary meaning) has been acquired. The proof of acquisition of a distinctive character through use, particularly the identicalness of the trademark as used and the trademark applied for, is strictly examined and, conventionally, the trademark applied for has



not been registered even if contested in a suit to cancel a trial decision. However, recently the number of cases which have become registered at the appeal trial stage (Appeal against Decision of Rejection) has started to increase.

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## 2. Registered Cases

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### 1. Yakult (Intellectual Property High Court, Appeal against Decision of Rejection, Case Number 2010 (*gyoke*) 10169)

Applicant / Owner: Yakult Honsha Co., Ltd.  
Application No.: 2008-72349  
Application Date: 3 September 2008  
Registration No.: 5384525  
Registration Date: 21 January 2011  
Designated Goods: Class 29 Lactic acid drinks

Trademark:



Explanation: The three dimensional shape according to the present trademark was adopted in 1968 as the container of “Yakult” lactic acid drinks which the applicant manufactures and sells, and has used for 40 years in substantially the same form. In practice, it has been used in the form where a design and the applicant’s famous word mark “Yakult” and so on are present. However, in questionnaire surveys when presented with just the three dimensional shape, the majority of respondents answered that it was evocative of the product “Yakult” and consumers exist who recognize the many products which closely resemble the three dimensional shape of the Yakult container as “Yakult look-a-likes” and hence, the three dimensional form of the Yakult container itself has acquired distinctiveness. In addition to this, the phenomenal sales performance and market share of “Yakult”, the enormous amount spent on advertising and adoption of an advertising method which strongly impressed the three dimensional form of the container on consumers and so forth, was comprehensively taken into account in the ruling.

Although the applicant filed an application for the shape of the Yakult container as a three dimensional trademark in 1997, the rejection decision was maintained in the suit to cancel the trial decision (13 July 2001, Tokyo High Court Case Number 2000 (*gyoke*) 10215). At that time, because containers with a “neck” similar to the three dimensional shape of the trademark application were already frequently used by other suppliers at the time of filing and of a lack of evidence sufficient to recognize Yakult containers have been used without the word trademark on the container, it was judged that it is difficult to recognize that the container of the plaintiff’s product, “Yakult”, has acquired distinctiveness. It was thought that guiding a three dimensional trademark consisting solely of the shape of a packaging container to registration was essentially impossible because packaging containers are always used together with word trademarks. However, following the ruling that Coca-Cola’s three dimensional returnable bottle trademark had acquired distinctiveness through use (29 May 2008, Intellectual Property High Court Case Number 2007 (*gyoke*) 10215) etc., the ruling in the 2010 suit was in Yakult’s favor.

### 2. Hermès “Birkin” (Appeal against Decision of Rejection Appeal No. 2010-11402)

Applicant / Owner: Hermès International  
Application No.: 2008-16949  
Application Date: 6 March 2008  
Registration No.: 5438059  
Registration Date: 9 September 2011  
Designated Goods: Class 8 Handbags

Trademark:



Explanation: This trademark is the shape of the globally well-known “Birkin” handbag which has been sold, including in Japan, since 1984. In the trial decision it was recognized and judged that the three dimensional shape of the trademark is famous and has acquired distinctiveness because in addition to “Birkin” handbags having been sold over many years, and the fact that it has been published many times in fashion magazines and newspapers etc., the reality is that other companies manufacture similar products that mimic the “Birkin” and these are sold as “Birkin type”. In addition, the trademark owner,

Hermès International, had made an application for the shape of the world famous “Kelly” handbag at the same time, and registration thereof was approved in the Appeal against Decision of Rejection Appeal (No. 2010-19401).

Worthy of special mention is that Hermès International filed and won an infringement trial based on the “Birkin” three dimensional trademark (21 May 2014 Tokyo District Court Case Number 2013 (wa) 31446). As far as we are aware, this was the first case in Japan in which a decision of infringement of the trademark right pertaining to a three dimensional trademark.

### 3. Honda “Super Cub” (Appeal against Decision of Rejection Appeal No. 2013-9036)

Applicant / Owner: Honda Motor Co., td.

Trademark:

Application No.: 2011-10905

Application Date: 18 February 2011

Registration No.: 5674666

Registration Date: 6 June 2014

Designated Goods: Class 12 Two-wheeled motor vehicles



Explanation: In the trial decision it was recognized that “the current trademark application is for the three dimensional shape of the “Super Cub” which is a two wheeled motor vehicle which has been manufactured by the appellant over 50 years until the present decision without making any changes in its characteristics (although there have been repeated model changes and derived models) and the production volume of which has been consistently extremely large, and has been sold all over Japan and used by a wide range of consumers. In addition, the shape represented by the current trademark application has been shown in a number of advertisements and magazines, and has been selected for various design awards because of the continuity of the design, and furthermore, it can be said that other two wheeled motor vehicles, that have the possibility of having their origin confused with the current trademark application, are not seen” and through use, the current trademark had acquired distinctiveness.

Of interest here is that against design applications for products where the models are continuously changing while the essential characteristics are maintained, the design of the previous models may be cited and the application cannot then proceed to registration. The “Super Cub” case demonstrates that in such a situation, it is possible to have it registered as a three dimensional trademark.

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### 3. Conclusion

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Each of the above examples of registered three dimensional trademarks has been used over a long period of time and the three dimensional shape is itself famous. Therefore, there is no doubt that although it has been lowered somewhat, the hurdle to the registration of three dimensional marks remains high. Although it is advisable to wait for the accumulation of trial decisions in infringement trials based on the rights relating to three dimensional trademarks, it could be that trademarks which consist solely of shape may be valuable as an alternative to a design right or as an anti-counterfeiting strategy.