

Sweeping Changes for Software & Business Method Patenting & Litigation

Obtaining and Litigating Software and Business Method Patents in Japan

Practicing Law Institute
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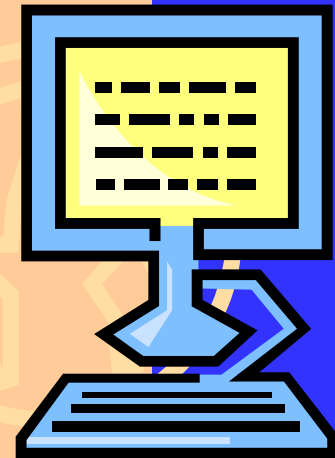
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1. Pro-Patent Era

1998—•Revisions of the Civil Procedure Law

- Partial Shift of Burden of Proof -Attorney-Client Privilege
- Optional jurisdiction for IP cases ⇒Tokyo and Osaka District Courts

•Revisions of the Japanese Patent Law

- Partial Shift of Burden of Proof to Defendant

*The defendant should show evidences of Non-infringement at an earlier stage.

- Amount of Damage

*Reasonable royalty *Lost profit *Hypothetically licensed royalty

*(Amount of product by defendant) × (Unit profit by plaintiff)

•Japan IP Arbitration Center

•Doctrine of Equivalents / Supreme Court Decision

2000—•Validity issue can be reviewed by a patent infringement litigation court / Supreme Court Decision

•Increased Amount of Damage, Lost Profit

2001—•New Patent Attorney Law made effective.

- 2002 —
 - **Intellectual Property Strategy Outline**
 - **Revisions of the Japanese Patent Law**
 - Program without storage medium, supplying program
 - Relaxed indirect infringement - Quasi-IDS
 - English text filing for PCT case
 - **Enactment of the Basic Law on Intellectual Property**
- 2003 —
 - **Inauguration of the Intellectual Property Policy Headquarters**
 - **New Patent Attorney Law**
 - ***FUKI-BENRISHI* for IP infringement litigation**
 - **New Civil Procedure Law (effective from April, 2004)**
 - **Convergence of IP* cases to the Tokyo and Osaka District Courts**
 - **Tokyo High Court has exclusive jurisdiction for IP* appeal cases**
 - **5-judge en banc panel - Technical advisor system**

* IP cases includes patent, utility model, mask layout and computer program copyright cases.

- 2004** —
- **Intellectual Property Strategic Program 2004**
 - **Registration of *FUKI-BENRISHI***
 - **New Civil Procedure Law was effective from April 1, 2004.**
 - **Law school started**
 - **Proposal by the IP litigation Study Group of the Judicial System Reform Promotion Headquarters**
 - **Validity issue can be reviewed by an IP infringement litigation Court**
 - **Effective use of expert knowledge**
 - **Facilitating proving infringement**
 - **Protective order**
- 2005** —
- **The new Civil Procedure Law was effective from April 1, 2005.**
 - **The IP High Court of Japan was opened April 1, 2005.**

2. Historical Developments

	Computer	JP	US
1960	General Purpose Computer		
1970	One-Chip Microprocessor	- 1976 Exam Stds (Part I) Mostly for Process Inventions	- 1972 Benson Decision - 1978 Flook Decision
1980	Developments of PC Developments of SW	- 1982 Exam GLs for Microprocessor Application Inventions - 1988 Exam Practice for PC Related Inventions	- 1980 Chakrabarty Decision - 1981 Diehr Decision - 1982 Freeman-Walter- Abele 2 step test

2. Historical Developments

	Computer	JP	US
1990-	Developments of Internet (PC+NW)	<ul style="list-style-type: none"> 1993 Exam Stds for SW-related Inventions 	<ul style="list-style-type: none"> 1994 Alappat Decision Lowry Decision
	Multi Media E-Commerce	<ul style="list-style-type: none"> 1997 Exam GLs/Storage Medium Claim 	<ul style="list-style-type: none"> 1995 Beauregard Decision 1996 Exam GLs/Computer Program Product Claim
	Business Method Patents	<ul style="list-style-type: none"> 1999 Exam Practice for Business Method Invention 	<ul style="list-style-type: none"> 1998 State Street Bank Decision 1999 AT&T Decision
2000-		<ul style="list-style-type: none"> 2001 Exam Stds/Computer Program without storage Medium 	<ul style="list-style-type: none"> 2001 Amazon Decision
		<ul style="list-style-type: none"> 2002 New Patent Law 	

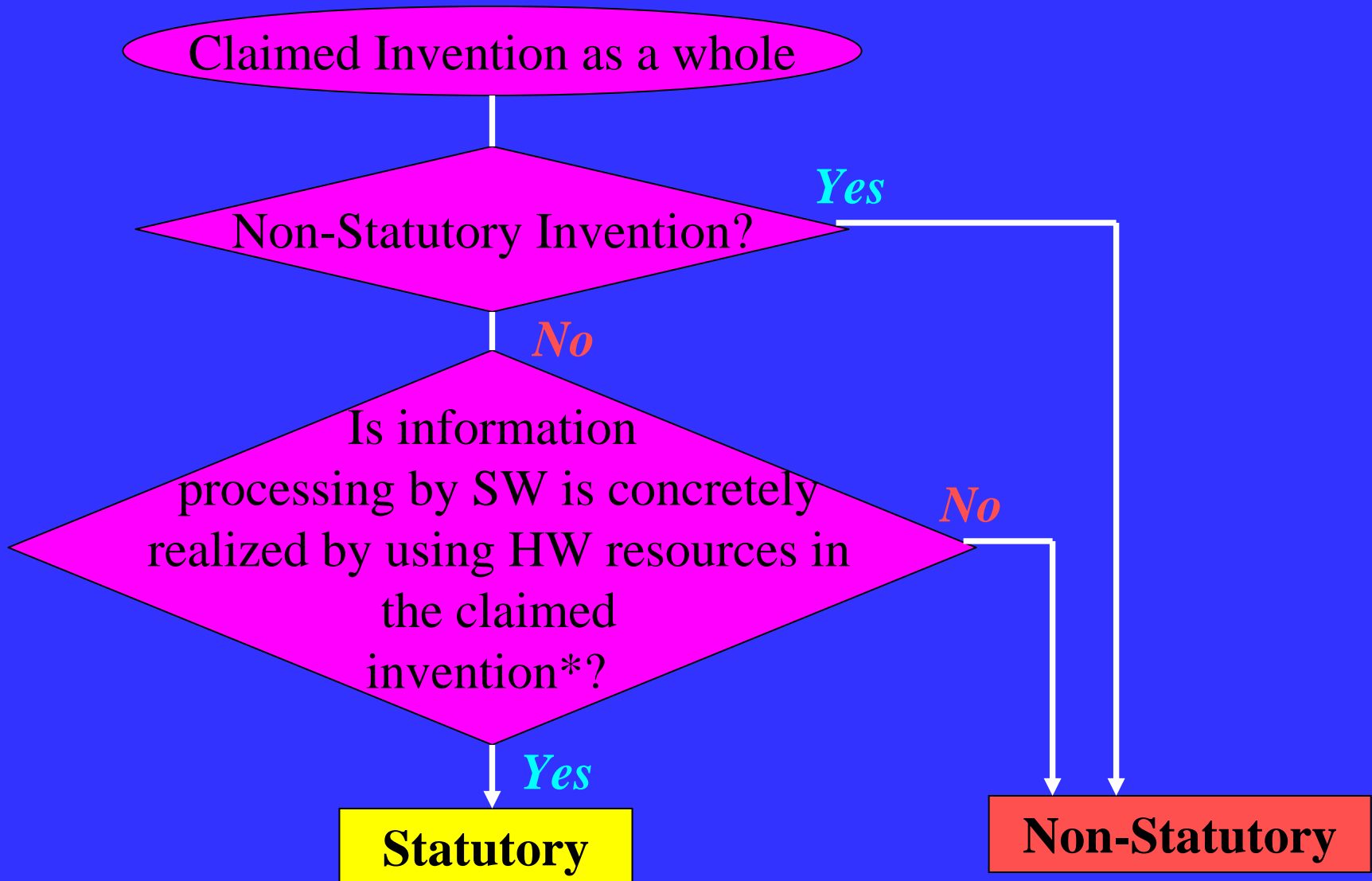
- **Statutory and Industrially Applicable Invention**

Section 2 of the JPL defines a statutory invention as technical ideas utilizing natural laws.

According to the first sentence of Section 29 of the JPL, “any person who has made an industrially applicable invention may obtain a patent therefor ...”

It has long been established in theory and practice to consider the first sentence of Section 29 requires an invention to be (1)statutory and (2)industrially applicable.

• Examination Guidelines



- **Examination Guidelines:**

Non-statutory Invention

Natural Laws Per Se

Mere Discovery

Violating Natural Laws

Laws other than Natural Laws

Man-made Rule

Mathematical Algorithm Per Se

Business Method Per Se

Statutory Invention

Claim Specifying the Way How SW Cooperates
with HW Resources

• Examination Guidelines

Information processing by SW is concretely realized by using HW resources:

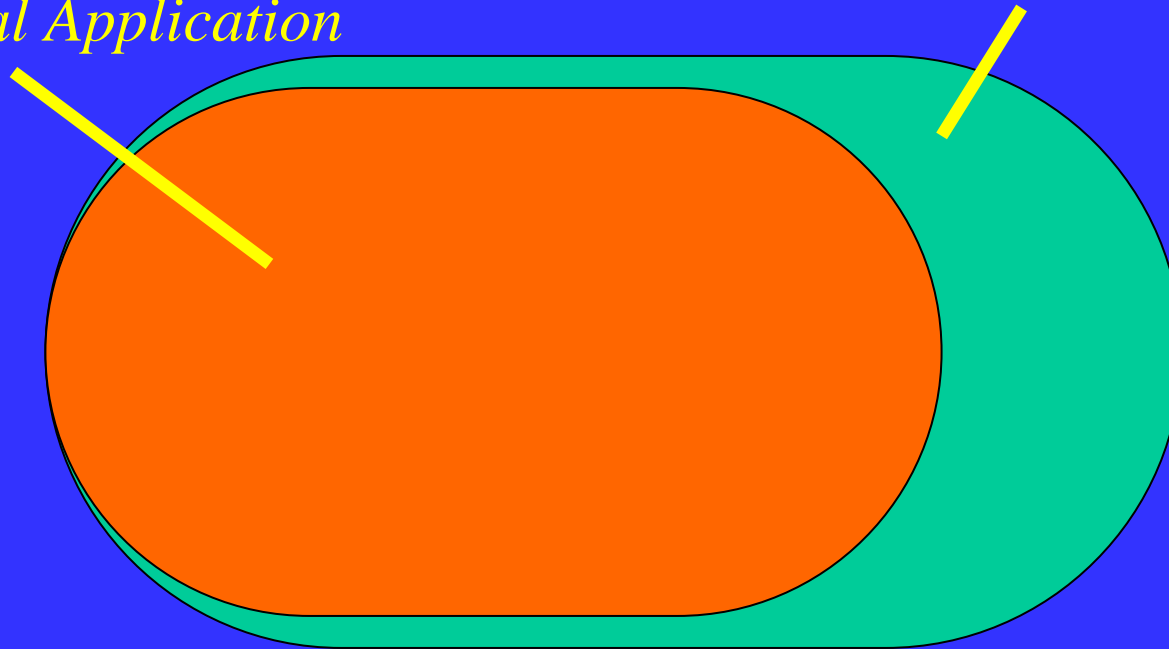
- As a result of reading the SW into the computer,
- the information processing machine or operational method of the machine particularly suitable for specific use purpose is constructed
- by concrete means for cooperatively working SW and HW resources
- to realize arithmetic operation or manipulation of information for the specific use purpose.

3. Obtaining Software and Business Method Patents

Contrast Between the Industrial Application Standard and the US's Practical Application Standard

JP: Technical Nature
Technical Effects
Technical Application

US: Useful, Concrete and Tangible Results

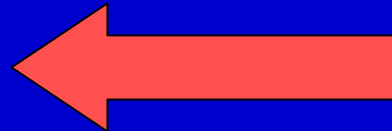
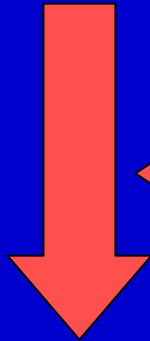


- Most of the US Statutory Inventions overlap the JP Statutory Inventions

• How to Grasp a Statutory Inventive Idea

- Mere Flashes of Idea / Business Scheme is Not Patentable.
- Add Technical Supports to Business Scheme.

Conception / Flashes of idea



Technical Supports:
How to Utilize HW Resources
(PC, NW)

Statutory Invention

3. Obtaining Software and Business Method Patents

• How To Draft Statutory Claims

NON-STATUTORY INVENTIONS:

- Pure Algorithm
- Pure Business Method



CLAIM LANGUAGE:

- How to Utilize H/W Resources
- Breakdown of Functions or Utilization of H/W Resources
- Mere Recitation of H/W Resources is Not Satisfactory



EMPHASIS ON:

- Technical Contribution
- Technical Effects
- Technical Application / Field (Utility)



STATUTORY INVENTION:

- Algorithm-Related Invention
 - Business Method Invention
- In terms of Apparatus / Method / Computer Program Product

3. Obtaining Software and Business Method Patents

• Claim Strategy

(1) USE COMBINATION + SUBCOMBINATION:

- Entire System + Subsystem
- Apparatus + Parts
- Method + Submethod

(2) CONSIDER 3 TYPES OF CLAIM:

- Apparatus / System Claim
- Method / Process Claim
- Computer Program Product Claim

(3) CONSIDER VARIOUS APPLICATIONS:

- Draft Claims in Various Fields to which the Invention is Applicable

(4) USE MULTI CLAIM SYSTEM:

- More Flexible than in Other Countries
- Use Multi Dependence to Save Cost
- Effective Utilization of Dependent Claims
- “Further Comprising” Claim
- Combination of Previous Claims

• Multi Claim System In Japan

- The Number of Independent Claims is Not Limited.
- Replacement Type Claim:
 - An Apparatus wherein Element *A* in Claim 1 is Replaced with Element *B*.
- Combination Type Claim:
 - An Apparatus Comprising Element *A* as Claimed in Claim 1 and Element *B* as Claimed in Claim 2.

3. Obtaining Software and Business Method Patents

• **Sufficient Disclosure**

(1) SPECIFY:

- Field of Technology (Industrial Applicability, Utility)

(2) DESCRIBE:

- Background of the Invention
- Objects of the Invention
- Resulted Operations and Technical Effects
- “Problem-solution Approach” in Japan

(3) EXPLAIN:

- The Invention in Full, Clear, Concise and Exact Terms
- Embodiments Satisfying Enablement
- Best Mode
- The Relationship Between Software and Hardware
- With Effective Reference to the Drawings
- With Effective Use of Detailed Flowcharts and Pseudo Code Listings
Instead of Program Listings / Microfiche

(4) APPEND:

- Glossary of Technical Jargons, Terms, Abbreviations Symbols, Rules, Functions, Commands, Task Blocks and so on

(5) NOT RECOMMENDED :

- Program Listings / Microfiche

- **Statutory Invention**

- Emphasis on Technical Nature of the Invention
- Drafting Claims by Following the Examination Guidelines
 - How to Cooperate SW with HW Resources
- Claim Should be Supported by Disclosure.
- Clearly Show Utility of the Invention
 - Field of the Invention

3. Obtaining Software and Business Method Patents

• Examples of Non-Statutory / Statutory Inventions

Non-Statutory Invention - ①

A method for determination of selling price of a commodity by attaching a label on the product to indicate the production time of the product, the expiration date and the list price at the production time, and to calculate the selling price at the selling time based on the formula:

$$\text{selling price} = f(\text{selling time}) \times \text{list price}$$

where the function 'f' is a monotonous decreasing function satisfying the condition:

$$0 \leq f \leq 1.$$

3. Obtaining Software and Business Method Patents

• Examples of Non-Statutory / Statutory Inventions

Statutory Invention - ①

“A method for determination of the selling price of a commodity in a cash register equipped with reading means for reading two dimensional bar codes indicating the production time, the expiration date and the list price of the product recorded on a label attached on the product, clocking means for outputting the current time, arithmetic means for calculating the selling price, display means for indicating the selling price, control means for controlling said reading means, clocking means, arithmetic means, and display means, the method comprising the steps of:

reading by said reading means, the two dimensional bar codes recorded on a label attached to the product;

receiving by said control means, the information of the two dimensional bar codes outputted from said reading means;

outputting by said control means, said received bar codes information and the current time obtained by said clocking means to the arithmetic means;

calculating by said arithmetic means, the selling price of the product based on the formula:

$$\text{selling price} = f(\text{selling time}) \times \text{list price}$$

where, the function ‘f’ is a monotonous decreasing function satisfying the condition:

$$0 < f < 1$$

and outputting the calculation result to said control means; and

indicating by said control means, the calculation result on said display means”, the amended claimed invention is deemed as the “creation of technological ideas utilizing a law of nature.”

3. Obtaining Software and Business Method Patents

• Examples of Non-Statutory / Statutory Inventions

Non-Statutory Invention - ②

A method for holding a party, comprising the steps of:

sending e-mails to invite to the party with message stating that those who respond early will receive a gift at the party, to the members based on the invitation list;

receiving e-mails to respond to said e-mail confirming the attendance;

registering the order of arrival of which said e-mail for response is received in the name list of expected participants;

collecting the party fee at the party reception desk; and

giving a gift in the order of arrival registered in said name list after collecting said party fee.

3. Obtaining Software and Business Method Patents

• Examples of Non-Statutory / Statutory Inventions

Statutory Invention - ②

“An operation method of an information processing system for supporting party holding, comprising:

an input means;

an e-mail transmission and receiving means;

a storage means of anticipated participants list to memorize names, e-mail addresses, and the order of response e-mails confirming the attendance from the anticipated participants;

a storage means for memorizing a message telling that a gift will be given to the participants in the order of receiving the response e-mails;

a display means; and

a control means;

wherein, said control means comprising the steps of performing:

reading the e-mail addresses from said storage means of the anticipated participants list and the message stored in said message storage means;

3. Obtaining Software and Business Method Patents

Statutory Invention - ②'

continued

transmitting said message as an invitation e-mail requesting attendance confirmation to said e-mail addresses by the e-mail transmission and receiving means;

detecting response e-mails received by said e-mail transmission and receiving means;

memorizing a response e-mail received every time it is detected into said storage means of anticipated participants list in the order the response e-mails received; and

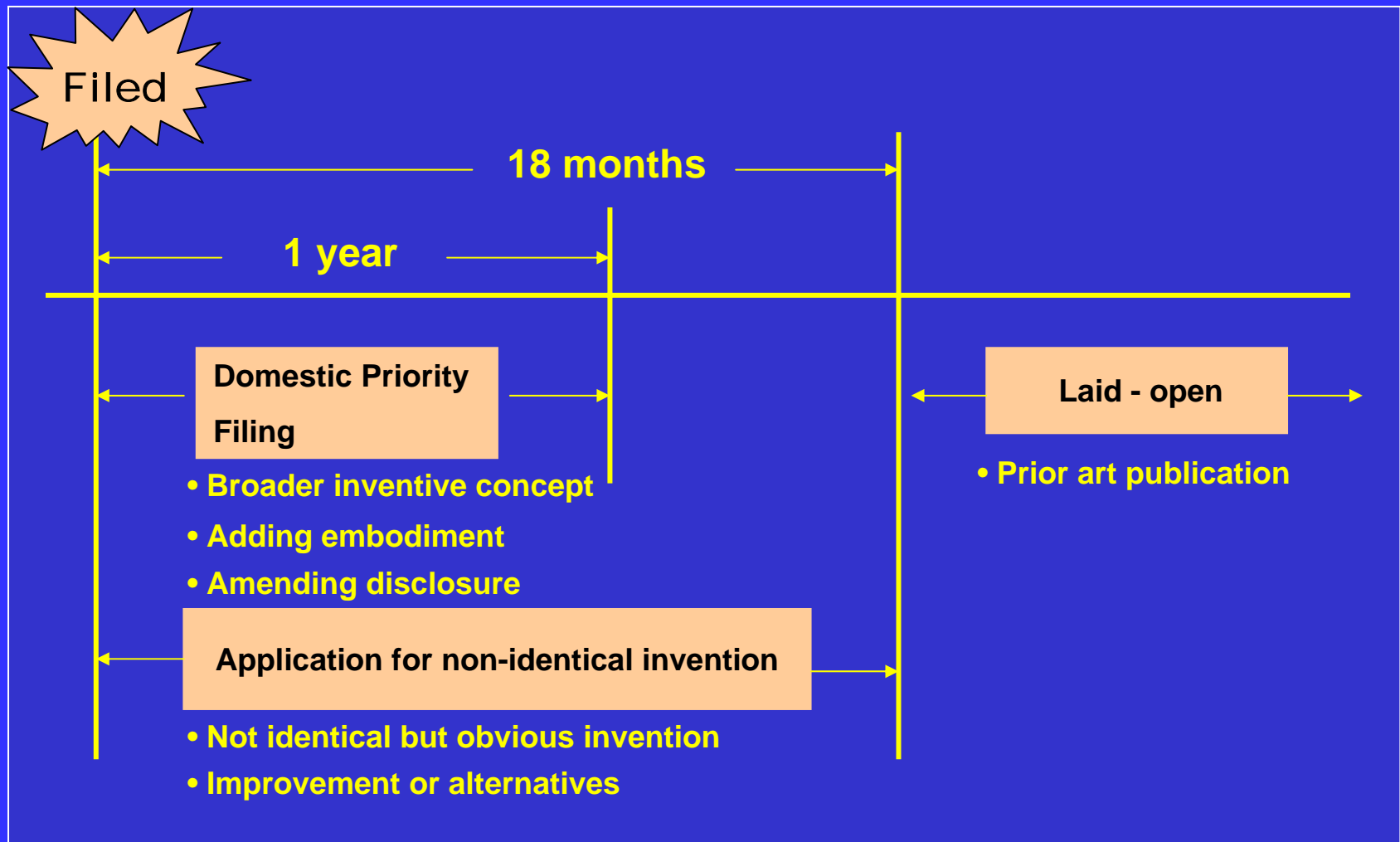
outputting all the names of anticipated participants of those who responded stored in said storage means of the anticipated participants list and the order of received response e-mails, when the instruction of the end of detection of response e-mails is sensed by said input means”.

• Prosecution Tips

- Pre-filing preparation is very important
 - Prior art search
 - Severe new matter practices
- Limited amendment after second final
- Proactively use one year and 18 months after filing

3. Obtaining Software and Business Method Patents

- Proactive use of one year and 18 months after filing



3. Obtaining Software and Business Method Patents

●JP 2,756,483 (June 13, 1998)

“Method of Supplying Advertisement and Method of Registering Advertisement”

–Combination of Advertisement Information with Map Information

【図13】



【図14】

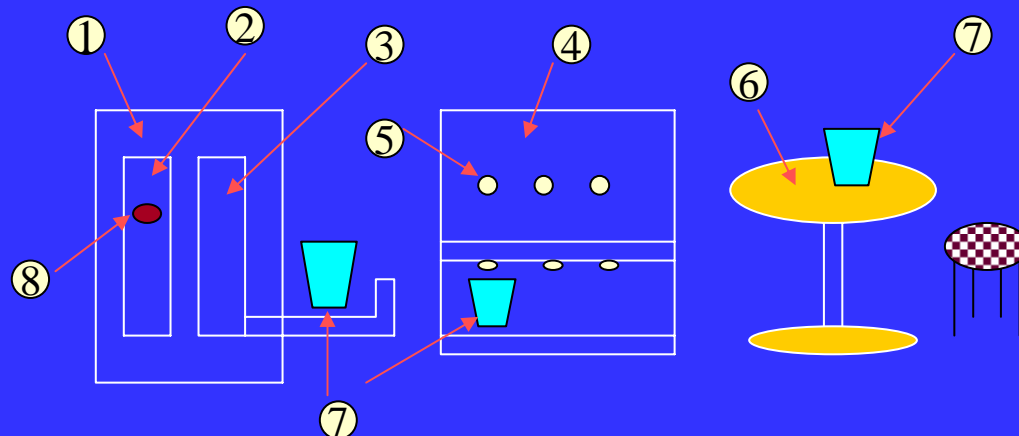


3. Obtaining Software and Business Method Patents

● *BAD EXAMPLE*

● JP 2,804,933 (July 24, 1998) “Automatic Cafe”

Claim: An automatic café characterized in that a customer visiting the café inserts coins(⑧) into an automatic tableware rental machine(①) to rent tableware(⑦), food/beverage is dispensed into the tableware by a dispenser(④), and the customer carries the tableware(⑦) with food/beverage to table (⑥) to eat/drink it.



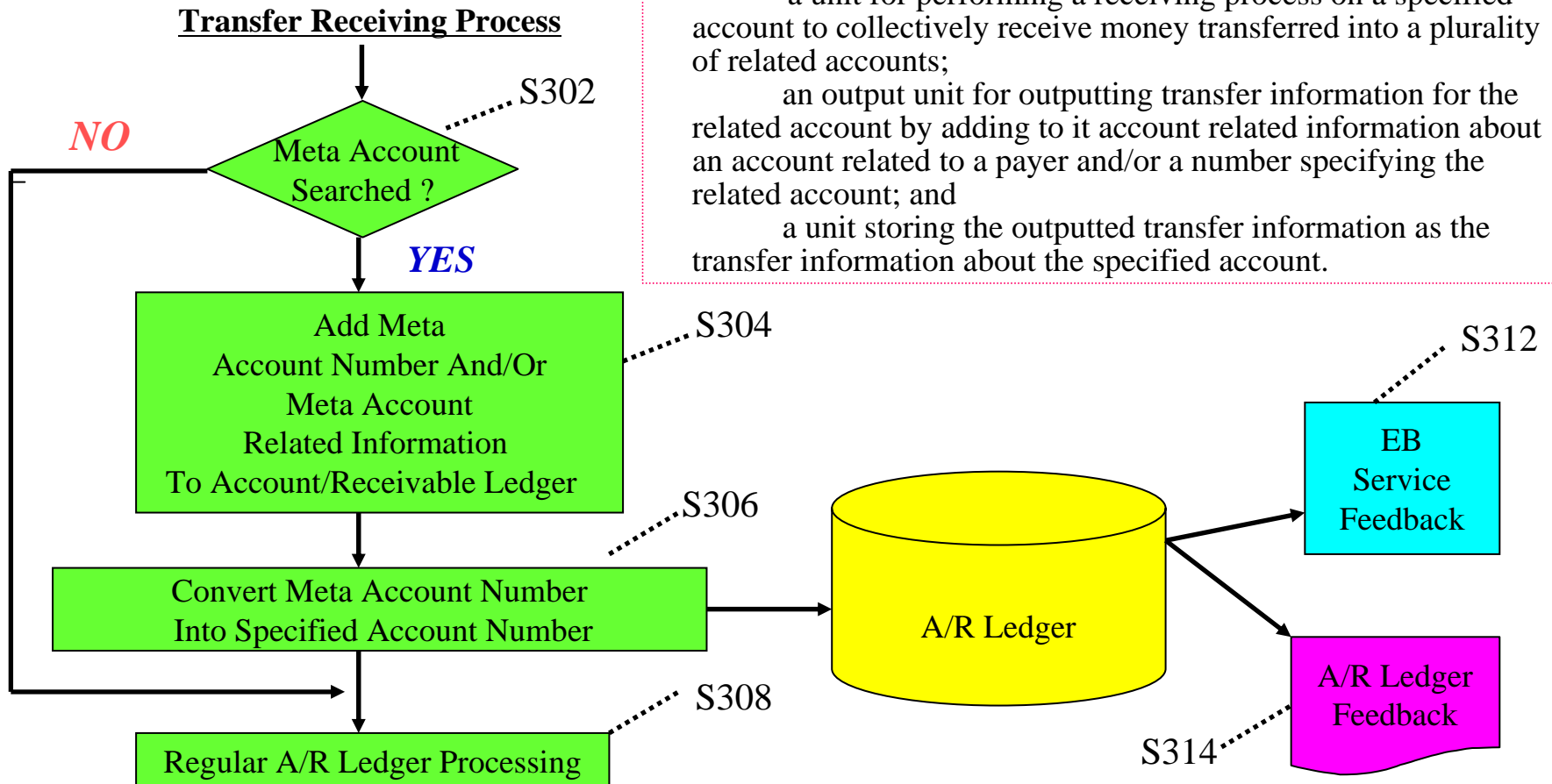
3. Obtaining Software and Business Method Patents

●JP 3,029,421 (February 4, 2000)

“Money transfer processing system ”

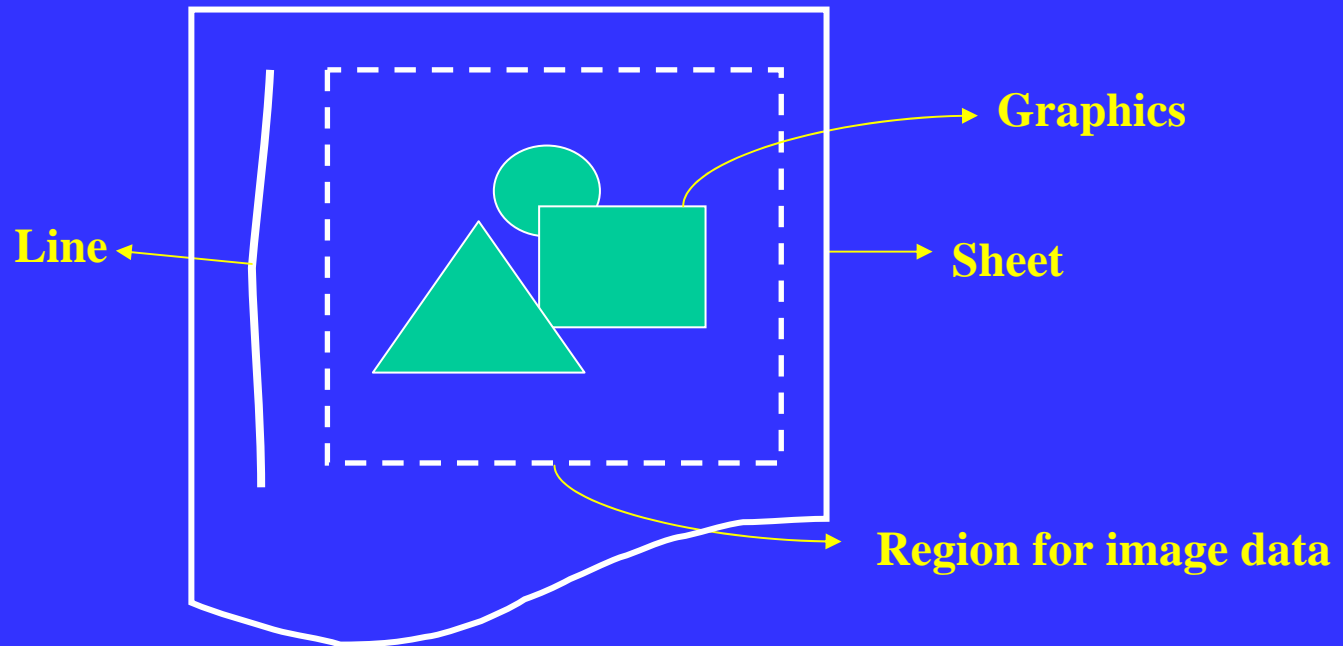
- The system enables a creditor to receive automatic notice of settlement of money transfer by debtors(payers) by means of virtual accounts as meta accounts assigned to payers.
- Licensing arrangements
- Three opposition cases field

Claim1: A transfer system in a bank system for transferring money using a plurality of related (meta) accounts to payers, comprising:
a unit for performing a receiving process on a specified account to collectively receive money transferred into a plurality of related accounts;
an output unit for outputting transfer information for the related account by adding to it account related information about an account related to a payer and/or a number specifying the related account; and
a unit storing the outputted transfer information as the transfer information about the specified account.



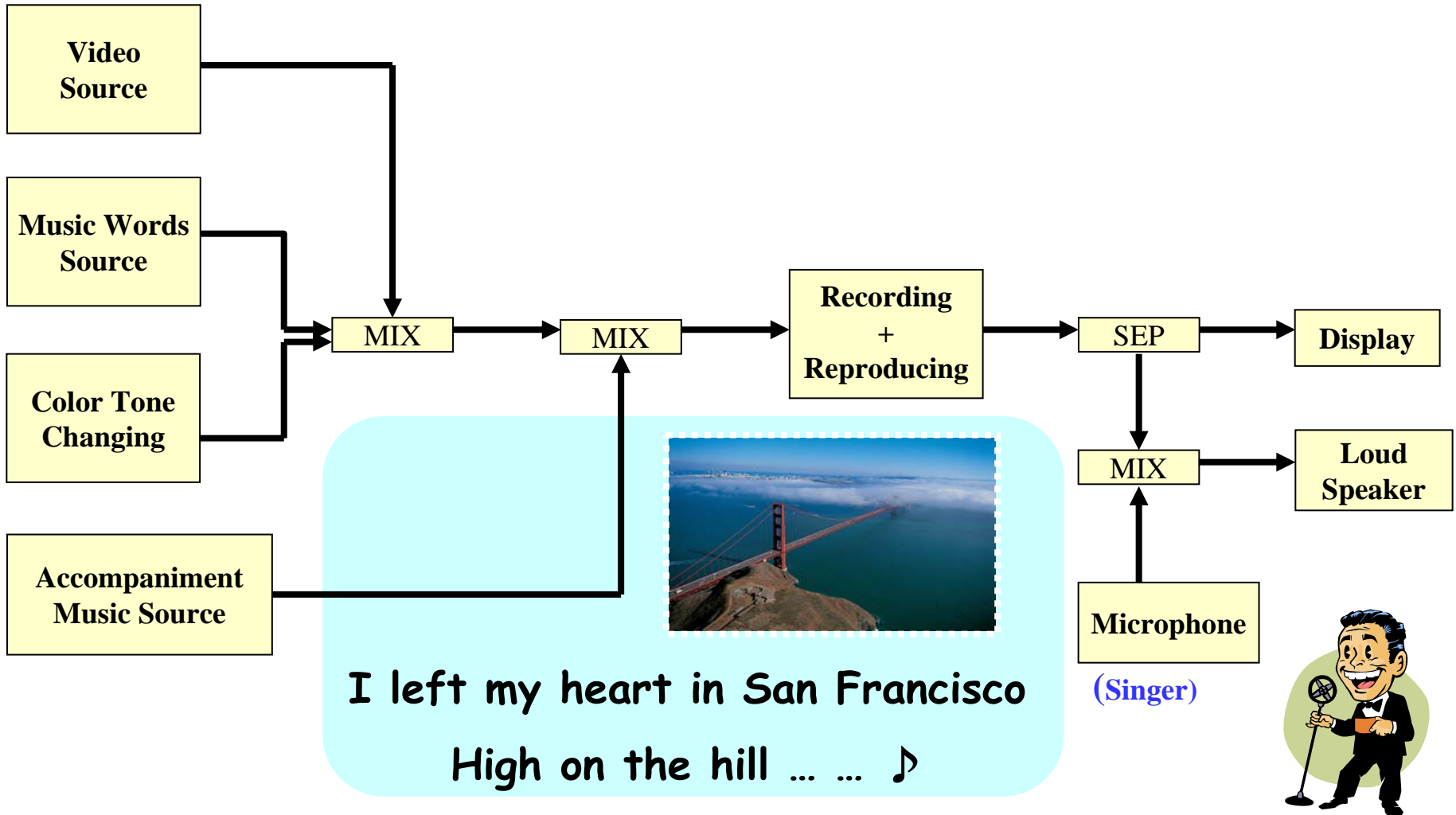
3. Obtaining Software and Business Method Patents

• JP3,309,084 (May 17, 2002) “Graphics Digitizing Method”



3. Obtaining Software and Business Method Patents

• JP2,141,259 (Feb. 18, 2000) “Video Recording Medium”



• **Validity Issue**

Validity issue can be reviewed by a court in a patent litigation case.

Fujitsu vs. TI

Heisei 10 (0) 364.

Decided April 11, 2000

Kilby's '275 patent/USP 3,138,743

The patent enforcement shall not be admitted based upon abuse of patent right if the infringement litigation court found that the patent is not valid. If the defendant raises this issue, the court reviews the validity issue.

- **Claim Interpretation**

- ① **Reference to Specification**

- Basically, claim should be interpreted on the basis of the claim language (§ 70,Para1).
- Meaning of a term or terms in the claim shall be interpreted in the light of the specification including drawings (§ 70,Para2).

- Claim Interpretation

Doctrine of Equivalents

Supreme Court Decision on February 24, 1998 Heisei 6 (0) 1083.
The Supreme Court for the first time confirmed the existence of doctrine of equivalents.

The Supreme Court specified 5 conditions when the doctrine of equivalents is applied.

- (1) Doctrine of Equivalents is applicable when the difference between the patented invention and the accused device is not a substantial portion of the patented invention.
- (2) Interchangeability
- (3) Ease of interchange at the time of manufacturing the accused device.
- (4) Exclusion of the publicly known prior art or its obvious version from the scope of the claim.
- (5) File wrapper estoppel confirmed.

- Claim Interpretation

Prosecution history Estoppel

Prosecution history estoppel is applicable when interpreting claim.

Usually, we review a file wrapper in Japan. If necessary, we also review a file wrapper of a corresponding case filed outside Japan.

History of examination, opposition, appeal against final rejection, etc.

No Festo practice.

- Claim Interpretation

Functional Claim

In the case of a functional claim, a term such as functional means/step is not limited to those disclosed in the specification, if the term is clear by itself.

If the term is not clear, the term may be construed by referring to the specification.

No § 112 Para 6 requirement

4. Litigating Software and Business Method Patents

• Patent Infringement Litigation in Japan

● Expedited Court Proceedings

- 1-2 years
- Exchange of information between JPO and courts

● Partial Shift of Burden of Proof to Defendant

- The defendant should show evidences of Non-infringement at an earlier stage.

● Amount of Damage

- Reasonable royalty
- Lost profit
- (Amount of product by defendant) × (Unit profit by plaintiff)
- Hypothetically licensed royalty

● Preliminary Injunction

- More frequently affirmed than in the past
- Powerful to plaintiff. Serious influence to defendant.

● Validity issue can be reviewed by a court since April, 2000.

• Expedited Litigation Situation in Japan

- Points that the court, counsel and the parties involved should keep in mind:

- Pre-filing preparation -filing a complaint -planned court proceedings*
- specifying an accused device -infringement discussion*
- damage discussion -settlement -mediation*

- Late submission of documents would lead to disadvantageous result (earlier conviction by the judges)

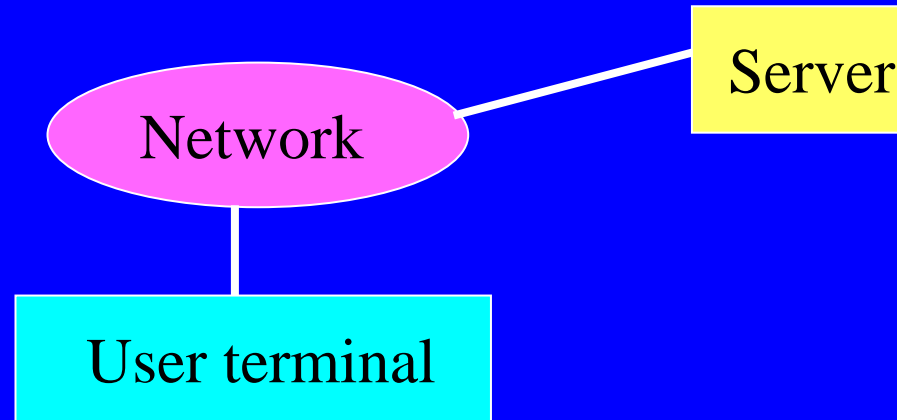
- Time/schedule-sensitive management

- Proactive management for expedited court proceedings

- Internet publication of the IP-related decision on the next day

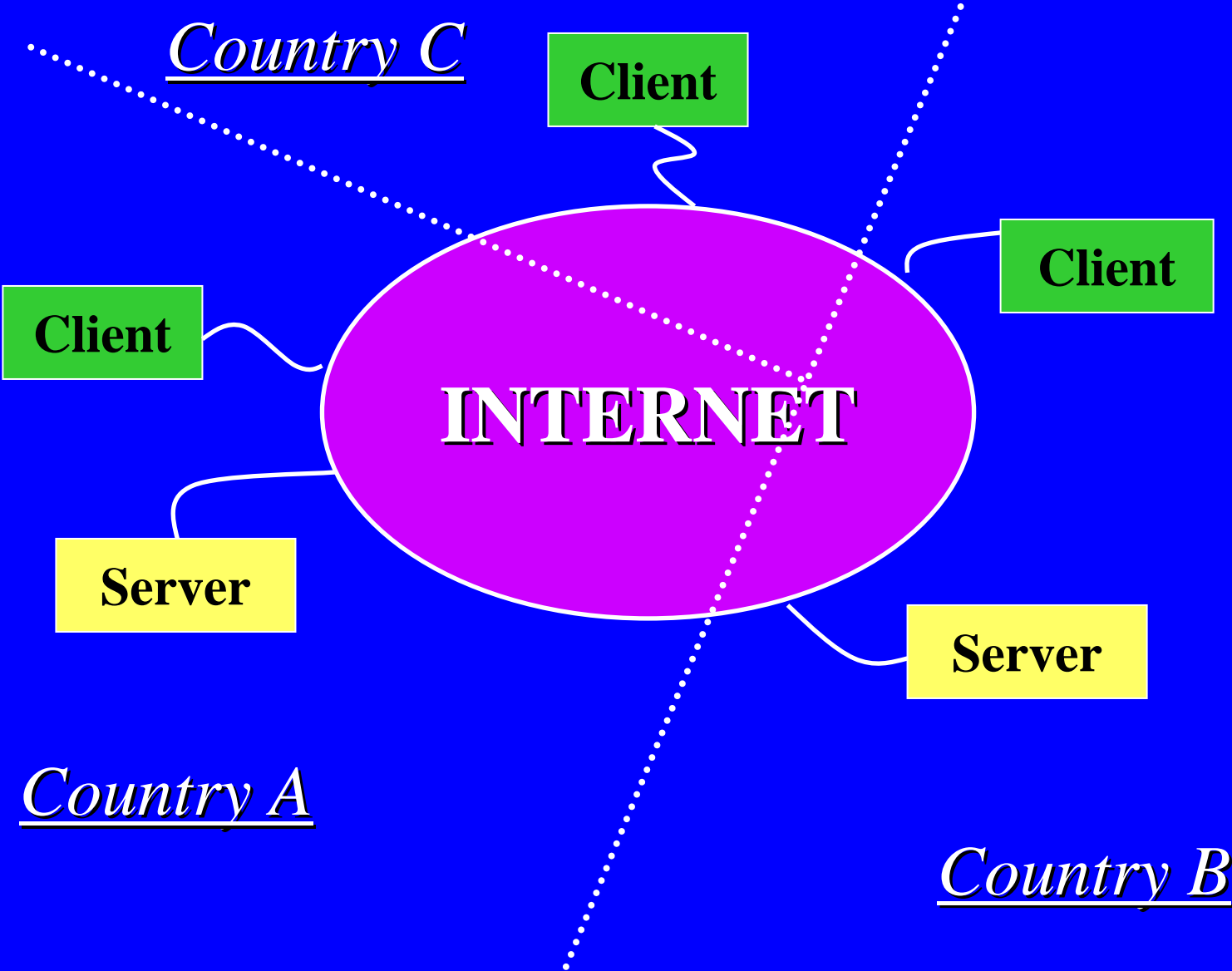
• Distributed Transaction / Processing

- System Claim Comprising Server, Network and User Terminal:



- Joint Tort Issue
Server, network and user terminal are partly involved in the entire infringement act.
- Cross Border Issue
- Enforceable Claims Directed to Each Part of the Entire System

4. Litigating Software and Business Method Patents



• Indirect Infringement

• Previous Provision:

- Exclusive article
- Preparatory and assisting acts of direct infringement
- Objective criterion

• New Provision:

- Relaxed concept of indirect infringement
- Exclusive article or Neutral article having other usage except staple article
- Important article from technical viewpoints of the invention
- Knowing that the invention is patented and that the article is used when working the invention
- Either objective criterion or limited subjective criterion

4. Litigating Software and Business Method Patents

• Case Study - *Patent Infringement Litigation in Japan*

(1) ASSE V. MICROSOFT

H11 (Wa) 1346 [Filed: January 29, 1999, Decided: July 18, 2000]

JP 2,613,766 - A block copy design apparatus (characters in an arc-shaped arrangement)

JP 2,627,886 - A block copy design data forming method (multiple character pattern)

JP 2,799,499 - A block copy design apparatus (character register/deletion ---undo function)

Accused device : Microsoft Word (WordArt)

Direct Infringement : Denied

Indirect Infringement : Denied

Validity Issues : JP 2,613,766, JP 2,799,499 invalidated

The Tokyo High Court affirmed the decision rendered by the Tokyo District Court.

4. Litigating Software and Business Method Patents

- Case Study — *Patent Infringement Litigation in Japan*

(2) CASIO V. SOTEC

H13(Wa)15719 [Filed: 26 July, 2001, Decided: April 16, 2003]

JP 2,134,277 - Multi Window Display Control
Apparatus

Accused Device : Windows type PC

Infringement : Not reviewed/decided

Validity : Denied

4. Litigating Software and Business Method Patents

- Case Study — *Patent Infringement Litigation in Japan*

(3) MATSUSHITA(=PANASONIC) V. JUSTSYSTEM H16(Wa)16732 [Decided: February 1, 2005]

JP 2,803,236 - Information Processing System and Information Processing Method

- The “help mode” button and the “print” button displayed by the personal computer loaded with the Defendant’s product correspond to the icons as claimed.
- Indirect infringement (Section 101, Paragraphs 2 and 4)
- The patent has inventive step and is valid.
- The manufacture and sales of “Ichitaro” and “Hanako” (accused device) shall be terminated and the products shall be destructed.
- *Justsystem* immediately appealed to the Intellectual Property High Court (Feb. 8, 2005).

4. Litigating Software and Business Method Patents

• Case Study — *Patent Infringement Litigation in Japan*

(4) MATSUSHITA(=PANASONIC) V. JUSTSYSTEM

Appeal : H17(Ne)10040 [Decided : September 30, 2005]

(En banc panel)

Appellant : Justsystem Corporation

Appellee : Matsushita Electric Industrial Co., Ltd.

- The “help mode” button and the “print” button correspond to the icons as claimed.
 - Indirect infringement confirmed.
 - The patent lacks inventive step and shall be invalidated.
 - The Defendant’s additional contention and demonstration were admitted.
- **Matsushita* abandoned appeal to the Supreme Court, and the case was decided in favor of *Justsystem*.

4. Litigating Software and Business Method Patents

- Case Study — *Patent Infringement Litigation in Japan*

(5) JALI V. ANA

H16(Wa)15616 [Abandoned:Dec.21, 2005]

Plaintiff : Japan Airlines International (JALI)

Defendant: All Nippon Airways (ANA)

JP 3,179,409 (Apr. 13, 2001), JP3,400,447 (Feb. 21, 2003)

- Boarding Card Issuing System Using ID information

- The Plaintiff (*JALI*) made a claim for damages in the amount of 15.6 billion yen against the Defendant (*ANA*) on the ground that *ANA* infringes the patent right in respect of an on-line service system for companies that allow boarding a reserved aircraft without carrying a boarding card.
- The Defendant insisted that the patent right of *JALI* was invalid, and demanded an invalidation trial.
- A notice of reason for invalidation of the patent was issued from the Patent Office to *JALI* (Oct., 2005).
- The Plaintiff restricted the claims.