



Newsletter

21COE-WIN-CLS RCLIP

❖ RCLIP Workshop Series No.14 (2006/5/26)

“License of Intellectual Property Right and the Antimonopoly Act with a Focus on the No-Contest Close”

Professor Katsuyuki Izumi, Faculty of Education of the University of Tokushima



RCLIP Workshop Series No. 14 on May 26, 2006 invited Professor Katsuyuki Izumi, the University of Tokushima, to deliver a report entitled “License of Intellectual Property Right and the Antimonopoly Act with a Focus on the No-Contest Close”. Unlike price and quantitative restriction of license, there have not been many cases related to the no-contest close. So that issue has not been much discussed so far. This report introduced the significance to examine that issue by referring to some cases, and further, examined it from the perspective of the Antimonopoly Act.

First, Professor Izumi mentioned “Guideline for Intellectual Property License Agreement”, which was being in review at that time and was scheduled to be published by Japan Fair Trade Commission (JFTC) in 2006. Although he did not refer to the concrete content of the guideline, he presented the view that the new guideline was characterized to have reference to software copyright, adoption of economic approach (safe harbor, judgment depending on the presence or absence of competitive relationship), presentation of judgment process, while the old

guidelines such as “Guideline for Patent and Know-how License Agreement” classified agreement closes as white, black, or gray closes.

Then, the report went on to the main subject. First, the case of metoclopramide (JFTC warning filed on April 23 of 1982) was introduced. In this case, a Japanese undertaking that received an exclusive license from a French undertaking entered into “an agreement” including the no-contest close with three domestic undertakings. The “agreement” specified that three domestic undertakings should pay the “respect fee”, which was calculated by multiplying the sales amount by a certain rate, to the licensor. It also specified that they agreed to block newcomers to the market and to maintain the market share for the purpose of market stability. The warning was issued to the four undertakings based on suspected violations of Article 3 of the Antimonopoly Act because the act of those four undertakings exceeded the scope of the exemption that Article 23 (current Article 21) of the Antimonopoly Act permitted as the exercise of the patent right.

Based on this case, it was pointed out that settling lawsuit should not be denied, however, because of the no-contest close, there would be a possibility not to examine the patent, the validity of which would be questioned originally.

Citing the case of tap fitting (Tokyo District Court Decision on July 30 of 1985, p.344 in Mutaisaisyu 17-2, p.181 in Hanrei Times No. 616), Professor Izumi introduced that the discussion about the relation between the Antimonopoly Act and IP laws in Japan had focused on a matter of licensee’s eligibility of demandant of an invalidation trial and a matter of principle of faith and trust. In association with that, he also introduced some common points

with the doctrine of licensee estoppel in the United States. The court's decision in *Lear Inc. v. Adkins*, 395 U.S. 653 (1969) reversed the doctrine estopping a licensee from challenging patent validity after the conclusion of the contract. Stressing a public interest of the Patent Law, the *Lear* decision concluded that the doctrine of licensee estoppel would contravene the patent policy. (However, the scope of the decision was later narrowed down in terms of royalty payment by the decision in *Studiengesellschaft Kohl v. Shell*, 112 F.3d 1561 (Fed. Cir. 1997) and the decision in *Foster v. Hallco*, 947 F.2d 469 (1991).) Such warranty of public interest by IP laws proved that there could be a certain affinity between the Antimonopoly Law and IP laws.

Also, to evaluate the no-contest close in Japan in terms of competition law, he introduced "Guideline for Patent and Know-how License Agreement"(July 1997) and "Guideline for Patent Pool"(June 2005). Last, he pointed out that the way of coping with the no-contest close could vary from know-how to patent.

Prior to the QA session, Professor Takabayashi gave a comment: In the rule of Patent Law, it could not really be said that an invalidation trial cannot be filed when the validity of the patent is legally questioned. There should be an appropriate affinity of this rule of Patent Law with the ruling under the Antimonopoly Law, which does not permit the no-contest close in the contract between private persons.

In the QA session, Professor Moridaira of Takachiho University introduced that, while the U.S. Supreme Court issued a decision against the contract, which set a longer license period than legal period of the patent, Posner put forward a theory to admit the contract between the related parties. Professor Takabayashi introduced Japan's Supreme Court decision (the case where the scope of the patent was narrowed down after the conclusion of the license agreement), comparable with the introduced U.S. case. That decision took a critical view against Posner's theory.

Attorney Tada asked two questions. The first was what kind of cases is expected other than the case which has alternate technology when the obligation of the no-contest in the Guideline for Patent and Know-how does not matter in terms of the Antimonopoly Act because there is no actual limitation of contest. The second was whether the handling of the no-contest close in EC went through changes from black to gray, then, gray to black. Professor Izumi answered the issue raised in the first question depended on whether the licensee could find other business partner. The second issue remained to be solved in the future.

(RC Yuka Aoyagi)

✦ RCLIP Workshop Series No.15 (2006/6/30)

Comparative Legal Analysis on the Issues under Patent Law and Competition Law about Replacement of Consumables

Professor Toshiko Takenaka, Law School, University of Washington, Visiting Professor of Law, Waseda University



On June 30 of 2006, RCLIP Workshop Series No.15 was held, inviting Professor Takenaka to report on "Comparative Legal Analysis on the Issues under Patent Law and Competition Law about Replacement of Consumables". A series of related cases has been reported in the U.S. or Japan recently, making this topic hot in the world. Nearly 100 people including judges, academics, professionals, and students participated.

Focusing on Japan's IP High Court's decision on the case of Canon ink cartridge and the U.S. Supreme Court's decision on the case of Illinois Tool Works, Professor Takenaka, from a view of



an American scholar, conducted a comparative legal analysis on the relation among various issues relating to replacement of consumables such as direct and indirect infringement, the exhaustion doctrine, patent misuse, and violation of the Antimonopoly Act by tie-in sale.

First, she introduced the background of these issues. As the price competition in the electric appliance market becomes severer, many businesses have adopted a business model to make their businesses profitable by sales or replacement service of consumables like ink or ink cartridge of a printer. Manufacturers obtained a patent for consumables or a method of replacing consumables. The increasing number of such manufacturers sued the distributors or recycling service providers.

The report examined the issue of an ink cartridge replacement, referring to Japan's IP Court's case from the view of the exhaustion doctrine as well as the U.S. Supreme Court's case from the view patent misuse and violation of the Antimonopoly Act. Then, it explored the problem whether an exclusive right of the patentee is legally effective to the entire component when that component needs ink, an unpatentable general-purpose product, as constituent features. To judge the exercise of the right, such a problem needed to consider not only the viewpoints under Patent Law including the balance between the patented product owner's profit and the patentee's profit, and the security of transaction, but also the viewpoints under Competition Law.

In Canon, Tokyo District Court applied the exhaustion doctrine and found no infringement, concluding that distributor's act constituted an act of repair. In contrast, the IP High Court reversed the district court's, stating the case was beyond the scope of the exhaustion doctrine because the distributor's act constituted replacement of elements which were included in an essential part of the invention. Professor Takenaka analyzed differences between two decisions with respect to the decision justification. Then, she determined

similarities and differences between Japan and the U.S. by reviewing the history of the grounds of the decision relating tie-in sale in the U.S. in addition to comparing the IP High Court's decision with the decision of the trial court and the court of appeal in Illinois Tool Works in the U.S., which judged whether violation of the Antimonopoly Act took place.

Furthermore, she analyzed the exhaustion doctrine under the U.S. law from viewpoints of patent and competition law and stressed some points. Previously, a tie-in sale with unpatentable products might have been considered as a patent misuse or as a violation of the Antimonopoly Act. After the Illinois Tool Works case, only the tie-in sale by the patentee who had market power was judged as illegal. Even after the Illinois Tool Works case, if the element constitutes only a part of the invention, no matter how the element is essential, modification or replacement of that element is basically free. In addition, if the patentee of such an element is exercising the right to exclude to the entire invention, it will be considered as an improper extension of monopoly by verifying the patentee's market power. Such exercise of the right is permissible only when contributory infringement is established. It is the condition for applying the exhaustion doctrine that there should be no limitation for selling the patented invention legally in the U.S. Regarding the method of production, the patent for the method of production is exhausted by selling of the patented invention. Applying the doctrine depends on whether the act constitutes an act of "repair" or "reconstruction". Regarding a component, assignment of which constitutes indirect infringement, it is exceptionally considered that the sales of that component does not constitute infringement based on the implicit license doctrine from the view of contract law.

Next, Professor Takenaka examined the comparison of the grounds of applying the exhaustion doctrine among Japan, the U.S., and Germany. From the viewpoint of transaction

security, purchaser protection, or compensation ensured to the patentee who discloses an invention, the exhaustion doctrine applies for the purpose to maintain a competitive order of the post-sales market under competitive law in the U.S. The IP High Court applied two types of criteria to limit the exhaustion doctrine. The doctrine does not apply (1) if the product lost the function; and (2) if an essential part of the invention was modified or replaced. (1) is the same as the method for the patented product in the U.S. , but, (2), which considers the ratio of component is rather rejected in the U.S. Professor Takenaka pointed out (2) was rather closer to German criteria. But the criteria of indirect infringement in Germany weighs (1) and other factors involved. She suggested the conclusion might differ from Japan and Germany when the scope of exhaustion is judged whether the component is an essential part of the invention.

After the report mentioned above, Professor Takabayashi moderated a QA session, which took place with the participants, especially Judge Ryoichi Mimura and Professor Tetusya Oofuchi.

(RA Yu Fenglei)

❖ RCLIP Workshop Series No.16 (2006/7/19)

“Software Related Inventions and Intellectual Property Law –from the Viewpoint of Harmony between Protection by Patent Law and Innovation Development”

Associate Professor Ryuta Hirashima, College of Social Sciences, University of Tsukuba



RCLIP Workshop Series No. 16 invited Associate Professor Ryuta Hirashima, University

of Tsukuba to a report on “Software Related Inventions and Intellectual Property Law –from the Viewpoint of Harmony between Protection by Patent Law and Innovation Development”.

From the viewpoint of harmonizing innovation in software related creation with functional role of IP legislation, this report examined current conditions of recent protection (expansion) of software related inventions, pursuit of opposing legal methodologies, and so on, then, considered future directions by referring to a new development model by open source model.

First, to overview the current software related invention protection by Patent law, Associate Professor Hirashima introduced past practices and legal revisions in Japan as well as current conditions in the U.S. and Europe. He pointed out that, despite the difficulty to affirm natural law to software itself, technical ideas related to software had been protected by Patent Law in Japan by reconstituting those ideas as the inventions such as a device with the specified function realized by a certain software or a processing method.

Next, as an issue in protecting software related inventions by Patent Law, he pointed out that it was difficult to clearly distinguish between software related inventions and a simple mathematical formula or algorithm in some cases. Then, he stated that no one clarified the fundamental issue of what part of the creation should be evaluated in terms of utilizing natural law for software related inventions. Furthermore, pointing out the possibility that the exercise of the right might have a significant impact on society, he mentioned the aspect that the current patent protection in software related inventions possibly have the opposite effect, which is against the original purpose of the patent system. Despite the aspect, it was not rational to leave all software related inventions outside of the protection by Patent law. He concluded that it was necessary to pursue a good manner for innovation development of software related field.

As an approach from the view of IP legislation,

he proposed enforcement of source code disclosure at the stage of application procedure, and adoption of the theory of abuse of the right corresponding technical feature or industrial structure in relation to the exercise of the right.

In addition, he presented the possibility of innovation development based on the open source model as an approach from the view of different framework from IP legislation. In this approach, the open source model could be more excellent development model and share an important role in software innovation because the open source model enabled free copy, alternation, or putting on the market again under open source license agreements such as GNU-GPL. However, the open source model could not be a complete substitute for IP legislation, but be placed as a new way to use Intellectual Property right.

Last, as future prospects, he mentioned it was necessary to pursue the best constitutional design for each innovation after identifying innovations that should be covered by a different scheme from the traditional Patent law and innovations that should be the traditional Patent law.

A QA session followed the report above actively with the participants. (RC Motoki Kato)

❖ RCLIP Special Seminar (2006/7/26)

Copyright Law and Freedom of Expression

Mr. Jonathan Griffiths, Senior Lecturer, Department of Law, Queen Mary, University of London

Mr. Tetsuya Imamura, Lecturer, School of Information and Communication, Meiji University



Having “Copyright Law and Freedom of Expression” as a theme, RCLIP Special Seminar on July 26 of 2006 invited Mr. Jonathan Griffiths, Senior Lecturer, Department of Law, Queen Mary, University of London to have a lecture entitled “FAIR DEALING UNDER UNITED KINGDOM COPYRIGHT LAW – PRINCIPLES AND PROBLEMS”. Prior to Mr. Griffiths’s lecture, I also presented a report entitled “Copyright Law and Freedom of Expression –the Scheme of its Consideration ”.

In my report, first, I explained the background behind the discussion actively taken place about the copyright law and freedom of expression and the reason why those issues had not been much highlighted. Next, after pointing out the necessity to consider separately legislative theory and interpretation theory in examining the copyright law and freedom of expression, I introduced the discussion taken place in the United States about standard of judicial review, which regulates expression in relation to the legislation for copyright and freedom and expression. Referring to the Supreme Court’s decision in Eldred, I introduced that this decision rejected judicial review under UTEA in relation to the First Amendment because “that does not alter the ‘traditional contours of copyright protection’ based on the existence of internal free speech safety valves such as idea-expression dichotomy and fair use doctrine. I also introduced that some articles such as the article by Professor Netanel of UCLA after the Supreme Court’s decision in Eldred, were already published to develop an argument premised on the Eldred decision scheme. Next, as of the interpretation theory for individual clause of the Copyright law, I mentioned that, if we consider value of freedom in the interpretation of general clause by so-called “indirect application theory” according to which the fundamental rights are applicable indirectly among civil parties through general clauses of the civil law, the copyright law is close to freedom of expression in terms of the fact that



it realizes the copyright by limiting the expression act of others. So it should be natural to include the interpretation of freedom of expression in the interpretation of the first Article of the Copyright law. Furthermore, I concluded that, in interpreting individual clauses, we could flexibly examine value of expression such as right infringement related to adapting, copyrightability, or the interpretation of articles of limitations on copyright. In addition, articles of limitations on copyright under the Copyright Law of Japan do not take an approach to allow courts to flexibly interpret individual cases. I pointed out this kind of approach was not suitable for the age of current drastic reform of the copyright use. Therefore, I suggested that articles of limitations on copyright should be maintained to be on the premise of at least three-step test, which is globally recognized.

Mr. Jonathan Griffiths explained about fair use in the Copyright Act in the United Kingdom.

Under the United Kingdom's Copyright Designs and Patents Acts 1988 (CDPA 1988), "fair dealing" with copyright works is permitted for the purpose of research or private study (s 29), for the purpose of criticism or review (s 30(1)) and for the purpose of reporting current events (s 30(2)). The statutory precursors of these "permitted acts" were first introduced in the Copyright Act 1911. Prior to the coming into force of these provisions, the question of "fair dealing" had been considered by courts in determining whether a defendant had infringed the work of a claimant. The most recent amendments to the fair dealing scheme have occurred as a result of the United Kingdom's implementation of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society ("the Information Society Directive"). This Directive, implemented in the United Kingdom by the Copyright and Related Rights Regulations 2003 ("the 2003 Regulations"), has as one of its aims the partial harmonisation of exceptions and

limitations to copyright infringement within the European Union. As a result of the 2003 Regulations, the scope of the permitted acts set out in ss 29 and 30 has been restricted. For example, the defence of fair dealing for the purpose of research under s 29(1) is now only available in the case of research "for a non-commercial purpose" and where a "sufficient acknowledgement" is provided. The defence of fair dealing for the purpose of criticism or review under s 30(1) is only available where a work has been "made available to the public". To take the benefit of these provisions, a user of a copyright work must surmount at least three hurdles:

(1) First, he or she must demonstrate that the use in question is for one of the permitted purposes – that is, for example, for the purpose of private study rather than to facilitate study by others or for the purpose of criticism or review of a work that has been made available to the public, rather than of one that has not. In this respect, the United Kingdom's fair dealing provisions differ markedly from the defence of "fair use" under s 106 of the United States Copyright Act. While s 106 does contain a list of potentially permitted purposes, that list is exemplary rather than exhaustive.

(2) Secondly, where required by the statute, the user must show that he or she has provided a "sufficient acknowledgement" of the work and its author.

(3) Finally, and crucially, the use must be demonstrated to be "fair".

Next, Mr. Griffiths elaborated on the judicial approach to the question of "fairness". Courts mainly take into consideration the following factors: amount of the claimant's work used, commercial harm to the copyright owner, defendant's financial gain, the fact whether the work has been published or not, the motives of the user, the impropriety / propriety of the user's actions, the fact the use is genuinely for one of the statutory purposes or not, proportionality of the use, and positive value of the defendant's use.



Then, Mr. Griffiths pointed out the problems with this approach to fairness. Factors are applied unsystematically, some factors overlap, some factors rest on questionable assumptions, the scope of certain factors remains uncertain, and some factors are ignored or under-emphasized.

After explaining those problems, Mr. Griffiths introduced *Ashdown v Telegraph Group Ltd* [2002] Ch 149 (CA), and *IPC Media Ltd v. News Group Newspapers Ltd* [2005] EMLR 23 as an example of the problems with this approach. He concluded that these judgments were made because the court was not constrained by any obligation to determine the question of fairness within a sufficiently disciplined structure.

Following the report stated above, a QA session actively took place with the participants. Mr. Griffiths' article delivered at the seminar (tentative translation) will be published in Waseda COE's quarterly publication and others.

(RC Tetsuya Imamura)

The RCLIP's

Asian IP Precedents Database Project

The database is available in English, free of use at: <http://www.21coe-win-cls.org/rclip/db/>

❖IP Database Project: China

The RCLIP Asia Seminar, "Dispute settlement of the courts related to Industrial Property in East Asia - China", held at Kosai Kaikan (Tokyo) last February, received great feedback. The Quarterly Review of Corporation Law and Society, Issue 8, by Waseda Institute for Corporation Law and Society will feature the articles written for the seminar by Chinese professors. Those articles include "Copyright Dispute over the Work of Applied Art Using LEGO Toy Building Block and Legal Grounds of Protection for Foreign Work of Applied Art in China", "Personal Views on Conditions of Trademark Trials in Beijing-Focusing on a Part of Trademark Trials in 2005 at Beijing Court", "Current Conditions and Challenges of Patent Protection in China",

"Fundamental Judging Method for Patent Infringement in China", and "Circumstances related to IPR and IPR Trials in Guangdong".

With a completion of Trademark data of Beijing, the project was completed as planned. Collecting important precedents for the fiscal year of 2005 was almost finished. For addition of new 50 precedents, the RCLIP continuously asks for support from Professor Zhang Ping of Peking Univ., Professor Wang Bing of Tsinghua Univ., Professor Guo He of Renmin Univ., Associate Professor Li Zhenghua of Zhongshan Univ., and Judge Zhang Xiaodu of Higher People's Court of Shanghai.

(RA Yu Fenglei)

❖IP Database Project: Thailand

Currently 254 Thai precedents have already been placed at the database. More 50 cases will be added at an early date.

(RC Tetsuya Imamura)

❖IP Database Project: Indonesia

After 80 precedents were uploaded at the database in May, the RCLIP have been working on the concrete future program with local collaborators to continuously ask their help for additional precedents.

(RA Akiko Ogawa)

❖IP Database Project: Taiwan

As announced in the last newsletter, 300 precedents were already uploaded as planned. We are now working on the updating process after next fiscal year, hoping to develop a more useful DB by constantly adding precedents.

(RC Yuka Aoyagi)

❖IP Database Project: Vietnam

The project prepares for precedent uploading within this fiscal year in addition to collecting the information about the new IP law, which Vietnam put into effect last July. At the beginning of next year, the second visit to Vietnam by an RCLIP member is planned for this purpose. Before or after this visit, we will decide the detail about precedents for the DB.

(RA Asuka Gomi)



❖ IP Database Project: Korea

Currently 30 Korean precedents have already been placed at the database. A workshop was held in March inviting Mr. Choi Sung-Joon, Senior Judge, Patent Court of Korea. This research theme was adopted as a specified research subject of Waseda University. The RCLIP will add Korean precedents continuously this year. At the end of August, an RCLIP member in charge of the project will visit Seoul to meet professionals for precedent selection as well as a translation agency.

(COE Research Associate Lea Chang)

❖ Events and Seminars

RCLIP will hold a series of workshops from October of 2006 with the new theme of "Review of IP Basic Theories"

For inquiries, please visit our website.

❖ RCLIP Workshop Series No.17

【Date】 October 12, 2006, 18:30-20:30

【Place】 Waseda Univ., Bldg 8, Conf. Room #3

【Lecturer】 Yasuto Komada, Associate Professor of International Legal Studies, Sophia University

【Theme】 Exclusive License Patentee's Demand for Injunction

❖ RCLIP Workshop Series No.18

【Date】 November 9, 2006, 18:30-20:30

【Place】 Waseda Univ., Bldg 8, Conf. Room #3

【Lecturer】 Shigetoshi Matsumoto, attorney at law

【Theme】 TBD

❖ RCLIP International Symposium

【Date】 December 15, 2006, 14:00-20:00

【Place】 Takebashi Kyoiku-Kaikan (Tokyo)

【Theme】 The Goal of Intellectual Property Protection – Lights and Darks of Protection Reinforcement

(Simultaneous interpretation, Japanese-English)

【Program】

Coordinator: Ryu Takabayashi (Waseda Univ.)

Keynote Speech: Rochelle Dreyfuss (NYU)

Panel #1: Copyright (14:30-16:30)

Hiroshi Sato (Sensyu University), Moderator

Michael Lehman (Max Planck - U of Munich)

Jeremy Phillips (Queen Mary IP Research Institute)

Jane Ginsburg (Columbia)

Tatsuki Shibuya (Waseda Univeristy)

16:30-17:00 Break

Panel #2: Patent (17:00-19:00)

Toshiko Takenaka (UW-Waseda) , Moderator

Meier-Beck(German Supreme Court • Dusseldorf Univ.)

Sean O'Connor (UW)

Ryouichi Mimura (Intellectual Property High Court)

Yoshiyuki Tamura (Hokkaido University)

Commentators:

Heinz Goddar (German Patent Attorney)

Eiji Katayama (Attorney at law)

Eiji Tomioka (Attorney at law)

❖ Announcements

The RCLIP project (leader: Ryu Takabayashi) was selected as a developing country related research project funded by Mitsui Sumitomo Foundation. This fund will be used for research and seminar relating to IP precedents of Vietnam and Indonesia.

The RCLIP project (leader: Ryu Takabayashi) was selected as a specified research subject of Waseda University. This research funding will be used for Korean precedents DB project and related seminar events just as last year.

Editor/issuer

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http://www.21coe-win-cls.org/e_index.html