

Japan Moves Towards New Model for Managing IP

Good news for foreign players hoping to participate more actively in Japan's intellectual property market: Japanese companies' intellectual property strategy is moving towards a more inclusive model.

Several factors are contributing to the shift toward a more flexible IP climate in Japan, such as pro-patent legal changes, the indication of higher infringement awards, and a gradual acceptance of aggregate patent models, according to Yoshi Ryujin, president of Ryujin Patents and Licensing Japan.

But in order to encourage this evolution (and avoid stopping it in its tracks), foreign parties hoping to get a piece of the Japanese IP pie must first understand why criticisms from more conservative industry heavyweights like Cannon and Mitsubishi persist—and how to allay their fears.

Traditional IP Solutions

Despite filing a high volume of foreign patent applications e.g. in China or the United States, Japanese companies hesitate to enforce patents – probably to avoid upsetting each other. “Historically, we have enjoyed harmonization and coexistence with neighbors in the same industry,” said Ryujin at a presentation at the Massachusetts Institute of Technology. “We are afraid that enforcement of patents might harm such good relationships. We are sometimes their competitors, but in other times, they must be good partners for us.”

In order to protect this interest, Japanese firms have developed collective, defensive IP systems. For example, it's an open secret that electronics companies have private cross-licenses, generally including the exchange of about 100 to 200 patents and no royalties. “I cannot imagine any patent infringement case of Panasonic against Mitsubishi or Hotas against Toshiba — that's impossible in Japanese thinking,” Ryujin said.

Another way that Japanese companies have defended their IP is by developing internal patent pool systems. For example, when television broadcasting was converted to digital video broadcasting last year, a huge patent pool was created to standardize this technology. Each member company in this consortium contributed its patents to the pool, gained access to the collective technology, and shared the profit accordingly. “There maybe be underground discussions with the Japanese government to get some approval, but formally it's a private consortium,” said Ryujin.

Finally, given that most of the patent infringement cases in Japan are filed by foreign companies, especially U.S. non-practicing entities, said Ryujin, who likened this battle to “a Japanese samurai fighting against a patent troll, like Godzilla.” To protect themselves from this threat, Japanese firms find good prior arts to challenge the validity of patents, file re-examination requests, and pay close attention to timing, he said.

A Pro-Patent Regime?

Now, traditional IP defense solutions may be giving way to a new model. For one thing, the Japanese government has enacted pro-patent measures to use IP to boost the national economy. For example, the Japanese Patent Office now enables a patent right to be granted within just 6 months, if a special request with specific prior art information is filed. In addition, Japanese patent law was revised to allow higher damages for infringement cases. More recently, a famous judge of the Tokyo High Court used the lower standard of obviousness for similar patent infringement cases, which is expected to reduce the risk of invalidation of such patents during the infringement litigations, according to Ryujin.

Another recent change is that large Japanese companies are able to win millions through licensing negotiations with competitors. “They learned a lot from patent trolls' business model as to how to monetize the patents,” Ryujin said. Typically, the plaintiff firm abandons a business, collects “evidence of use,” prepares claim charts, and sends warning letters. The defendant cannot counterattack, however, since the business is already abandoned.



Conservatives vs. The New Model

Conservative Japanese firms are fighting such developments, arguing that patents should remain a tool for protecting products and strengthening business, rather than just a way to cash in. "We should watch which group will have survived in ten years," Ryujin noted.

Many Japanese companies remain hesitant to work with U.S. patent management companies because of worries that they will enforce patents against fellow Japanese companies, notwithstanding the fact that those companies may be competitors. The lesson learned? Don't show that you'll aggressively pursue litigation, Ryujin advised.

A few Japanese companies and universities have already contracted with Intellectual Ventures for patent services and to perform joint R&D projects, according to Ryujin. Other Japanese firms joined an electronics patent pool system overseen by the Italian company Sisvel S.p.A. In still another case, large Japanese companies' management accepted a patent insurance deal proposed by RPX Corp., the U.S. aggregator.

Collaborating on intellectual property with small Japanese companies requires a different tack. Although they may have no sanctioned legal budget to meet U.S. litigation costs, some have already won millions with the support of attorneys and reverse engineering companies working on a fully contingency fee basis, and profit-shared only after a successful settlement, said Ryujin, who has already joined such a project.

Looking Ahead

Still, Japan's IP improvements may just not be rapid enough to satisfy companies, speculated Ryujin. Until Japan fosters a more pro-litigation patent system and consistently awards higher damages, however, there is a high possibility that large Japanese companies will monetize their patents in the US market, rather than in the Japanese market.

In the future, two types of IP businesses in Japan will emerge, Ryujin predicted. The first will be businesses based purely on IP rights, since technology transfer and global open innovations will continue to grow. The second type will be joint research and development systems, such as the "Smart city project," which brings many different industries together, such as electronics, energy, and construction infrastructure.