

## Report on the “Judicial Symposium on Intellectual Property Advanced Seminar for ASEAN+3 2018”

Yasufumi SHIROYAMA\*  
Yuriko SAGARA\*\*  
Yukari KOTANI\*\*\*

### 1. Overview of the symposium

On November 30, 2018, the symposium was held at the Bar Association Building by inviting judges from seven ASEAN countries, China, and South Korea.

The symposium started with inspiring greetings offered by Minister of Justice, Takashi Yamashita. Before noon, a panel discussion was conducted by the judges from Japan, China, and South Korea after the keynote speeches given by Makiko Takabe, Chief Judge, Intellectual Property High Court, and Reeko Imamura, Director General, Trial and

Appeal Department, Japan Patent Office. In the afternoon, another panel discussion was conducted on the same example case by the judges from the ASEAN countries. In both panel discussions, Shiroyama and Sagara served as moderators and took turns to ask questions to the panelists.

The judges from the participating countries who participated in the panel discussions held in the morning and in the afternoon are as follows.

In the morning:

People’s Republic of China:  
Supreme People’s Court, Judge Assistant Ma Yungpeng  
Republic of Korea: Patent Court of Korea, Judge Lee Jejeong  
Japan: Intellectual Property High Court, Judge Kenichi Furukawa

In the afternoon:

Brunei Darussalam: Supreme Court, Judge Rostaina Duraman  
Supreme Court, Judge Harnita Zelda Skinner



\* JFBA Committee on Intellectual Property Rights

\*\* JFBA Committee on Intellectual Property Rights

\*\*\* Instructor, International Cooperation Department, Research and Training Institute, Ministry of Justice

Kingdom of Cambodia: Court of First Instance in Phnom Penh, Judge Ly Sophana

Republic of Indonesia: Court of the Makassar District, Judicial Court of the Makassar District, Judge Tito Suhud (Director)

Lao People’s Democratic Republic: People’s Central High Court, Judge Somsack Taybounlack

Malaysia: The 13th and 15th Courts of Malaysia, Judge Mahd Aizuddin Bin Zolkeply

Republic of the Union of Myanmar: Supreme Court, Judge Tha Htay

Kingdom of Thailand: Supreme Court, Judge Watchanra Neitivanich  
Central Intellectual Property and International Trade Court, Judge Worranwong Atcharawongchai

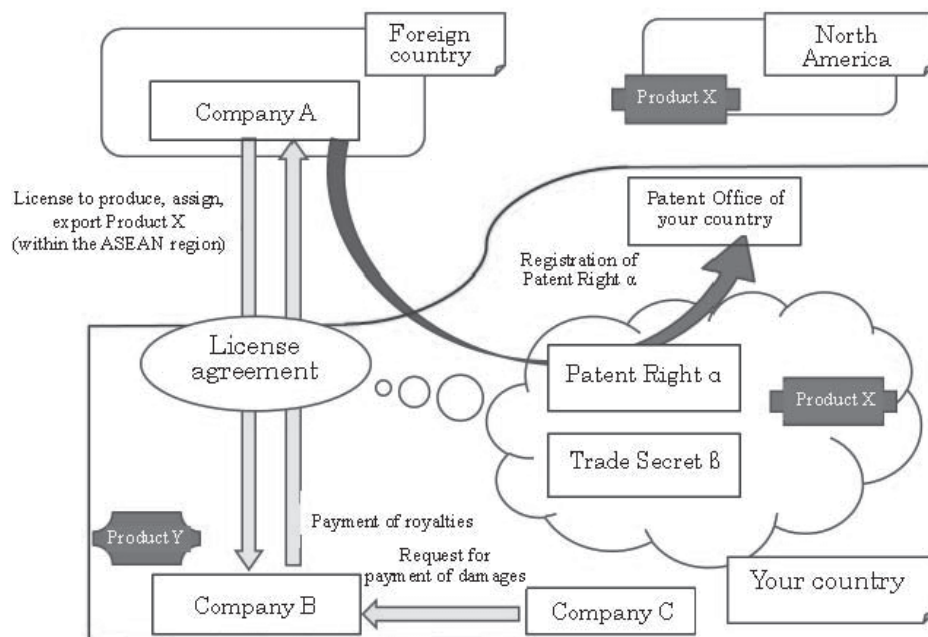
The symposium ended with passionate closing remarks from Wataru Sueyoshi, Director, Intellectual Property Lawyers Network Japan.

## 2. Example case and questions used in the panel discussions

The example case and questions used in the panel discussions are as follows.

The preparations for the panel discussions were made in the same manner as the one adopted in the previous year. First, the description of the example case and the questions scheduled to be asked were sent to the ASEAN countries in advance. Each country was requested to send their answers to the question in writing. One day before the symposium, the judges from the participating countries got together and conducted prior consultation (no prior consultation was conducted with the judges from China and South Korea).

On the day of the symposium, copies of the written answers were distributed to the participants as referential materials. During the panel discussions, the moderators orally summarized the written answer already submitted by each coun-



try prior to the symposium and asked further questions.

Company A is a foreign company engaged in the business of manufacturing and selling automobile parts. Company B is a company founded in your home country engaged in the business of manufacturing and selling automobile parts. Company A and Company B concluded a license agreement (the “Agreement”) on April 1, 2010, under which both companies agreed that Company A licensed Company B to use Patent Right  $\alpha$ , which Company A registered in your country, and Trade Secret  $\beta$  (collectively referred to as the “intellectual property of Company A”) on the following conditions.

**Product subject to the Agreement:**

*X (Note: Product X falls within the scope of Patent Right  $\alpha$ . Trade Secret  $\beta$  is used to produce Product X.)*

**Permitted acts:**

Production, assignment, export (only to the ASEAN region)

**Prohibited acts:**

User of the intellectual property of Company A for any product other than Product X

Export of Product X to any country other than the ASEAN countries

Disclosure of Trade Secret  $\beta$  to a third party or the use thereof for any purpose other than the original purpose

**Term:** 10 years

**Royalties:**

100,000 USD at the time of the conclusion of the Agreement

5% of the sales during the term of Patent Right  $\alpha$  and 2% of the sales after the expiration of Patent Right  $\alpha$

**Steps taken after the termination of the Agreement:**

Return of Trade Secret  $\beta$

Prohibition of the use of the invention protected by Patent Right  $\alpha$  (“Invention  $\alpha$ ”) (only during the term of Patent Right  $\alpha$ )

**Possible reason for cancellation of the Agreement:**

Violation of the Agreement by Company B

**Governing law:**

Law of your country

**Dispute settlement:**

Court of your country having jurisdiction over the location of Company B

Q1. Are Company A and Company B required to register the Agreement in your country? Or, can they register the Agreement if they want to? If the registration is required, would the failure to register the Agreement affect the effect of the Agreement? Would the failure be punished in some way? If they can register the agreement on a voluntary basis, what would be the effect of the registration? If the registration is required or possible, what is the registration organization? Would the registration organization check the contractual conditions specified in the Agreement?

Q2. Imagine the case as follows. Company B stops paying royalties without any legitimate reasons. Company A wants to receive royalties (or damages) from Company B. What legal procedures (such as a civil lawsuit, criminal lawsuit, administrative procedure, and ADR) would Company

A be able to carry out with which organization (such as a court, administrative agency)? What determination would such organization make? Would there be any difference in terms of the required procedure or the method to calculate royalties, etc. between the case where Company A requests payment of royalties based on the Agreement without canceling the Agreement and the case where Company A requests payment of damages after the cancellation of the Agreement?

Q3. Imagine the case as follows. Company A detected the following acts of Company B. Company A wants to stop such acts.

(1) Production of Product Y (which is different from Product X although Product Y falls within the scope of Patent Right  $\alpha$ )

(2) Export of Product X to North America

What legal procedures (such as a civil lawsuit, criminal lawsuit, administrative procedure, and ADR) would Company A be able to carry out with which organization (such as a court, administrative agency)? What determination would such organization make? Would there be any difference in terms of the required procedure or the expected results between the case where Company A requests discontinuation of the acts specified in (1) or (2) based on the Agreement without canceling the Agreement and the case where Company A requests discontinuation of the acts specified in (1) or (2) based on Patent Right  $\alpha$  after the cancellation of the Agreement?

Q4. Imagine the case as follows. The term of Patent Right  $\alpha$  expired on December 1, 2018. The agreement was terminated on March 31, 2020. Company B continued producing and exporting Product X even on and after April 1, 2020, but stopped paying royalties. Company A wants Company B to stop producing Product X (by use of Trade Secret  $\beta$ ). What legal procedures (such as a civil lawsuit, criminal lawsuit, administrative procedure, and ADR) would Company A be able to carry out with which organization (such as a court, administrative agency)? What determination would such organization make? (on the assumption that the current law of your country has not been amended.)

Q5. Imagine the case as follows. Company B came to the conclusion that Patent Right  $\alpha$  is invalid. Company B wants to have Patent Right  $\alpha$  invalidated in order to reduce the royalties. What legal procedures (such as a civil lawsuit, criminal lawsuit, administrative procedure, and ADR) would Company B be able to carry out with which organization (such as a court, administrative agency)? If the agreement prohibits Company B from disputing the validity of Patent Right  $\alpha$ , would the agreement affect the possibility of having Patent Right  $\alpha$  invalidated? Can Company A or Company B file a complaint with regard to the determination made by the aforementioned organization?

Q6. Imagine the case as follows. Company B received a request for payment of damages from one of its

clients, Company C, which alleged that Product X was defective. Based on the results of court proceedings, Company B paid 50,000 USD as damages. Company B thought that Product X was defective because the intellectual property of Company A was incomplete. Company B wants to demand that Company A should pay Company B 50,000 USD to compensate the amount paid to Company C and that Company A should return the royalties already paid from Company B. What legal procedures (such as a civil lawsuit, criminal lawsuit, administrative procedure, and ADR) would Company B be able to carry out with which organization (such as a court, administrative agency)? What determination would such organization make?

### 3. Panel discussion conducted by Japan, China, and South Korea

Regarding the panel discussion conducted by Japan, China, and South Korea in the morning of the day of the symposium, the answers to each question are summarized below.



#### Q1. Registration of a license

In Japan, an exclusive license (Senyo-Jisshi-ken) takes effect only if it is registered with the Japan Patent Office (JPO). If a patentee agrees to grant an exclusive license, the patentee is obliged to register the license. The JPO does not examine the content of the license agreement.

The system of South Korea is similar to that of Japan. An exclusive license takes effect only if it is registered with the Korean Intellectual Property Office (KIPO). However, unless the obligation of registration is specified in the agreement, the patentee is not obliged to register the license. The KIPO does not examine the content of the agreement.

On the other hand, in China, it is possible, but not mandatory, to register a license with the State Intellectual Property Office of China (SIPO). The SIPO only conducts a formality check on the agreement. When an additional question was asked with regard to the merits of registration, China replied that the registration of a license could serve as evidence to prove the authorization of the licensor in a lawsuit or customs procedure.

#### Q2. Request for payment of outstanding royalties

All the countries said that it is possible to select either a civil lawsuit or ADR such as conciliation and arbitration and that a civil lawsuit could be a better option because the consensus of both parties is required to resolve a dispute.

Regarding the issue of whether it is possible to demand payment of damages after canceling the agreement, South Korea replied that, while it is possible, if additional damage is made after the

cancellation, there might be a difference between the case where payment of damages is requested after canceling the agreement and the case where payment of damages is requested without canceling the agreement.

China also replied that, while it is possible to cancel the agreement, the payment of damages can be demanded. China also explained that, since the amount of damage would be the same regardless of whether the agreement is canceled or not, it would be better if a request for payment of royalties is made without canceling the agreement.

Japan replied that it is possible to demand payment of damages for an act of tort after canceling the agreement and explained that, in such case, the provisions of the Patent Act concerning the presumption of negligence (Article 103 of the Patent Act) and the presumption of the amount of damage (Article 102 of said Act) would apply. Japan said that, since the amount equivalent to the reasonable royalties would be calculated under Article 102 (3) of the Patent Act of Japan, the estimated amount of damage would be the same regardless of whether the agreement is canceled or not.

### **Q3. Violation of the license agreement**

South Korea replied that both the production of Product Y and the export of Product X to North America would not constitute patent infringement, but would merely violate the agreement. Unless the agreement is canceled, an injunction against such acts cannot be sought. Only a request for payment of damages can be made.

China replied that the production of Product Y constitutes patent infringement, while the export of Product X to America

would not constitute patent infringement and would merely constitute violation of the agreement. China further explained that, unless the agreement is canceled, an injunction against such export cannot be sought.

On the other hand, Japan replied that, while the production of Product Y constitutes patent infringement, the export of Product X constitutes patent infringement as well because exporting such product can be regarded as an act of working the patent right. Japan further explained that the patentee can seek an injunction against such acts without cancelling the agreement and can also request customs control.

### **Q4. Request for an injunction based on a license agreement concerning a trade secret**

All of the participating countries replied that they have a law that permits the filing of a request for an injunction against the unauthorized use of a trade secret and that, by providing proof for the satisfaction of the subjective requirements, it will be possible to investigate the criminal responsibility.

China and Japan replied that it is possible to request the return of the trade secret under a provision included in the agreement.

### **Q5. No-contest obligation of the licensee**

In South Korea, only an interested party or a KIPO examiner is entitled to request an invalidation trial. When a decision is made by the IP Trial and Appeal Board (IPTAB), if the demandant of the trial or the patentee is dissatisfied with the decision, the demandant or the patentee can file a lawsuit with the patent

court. The IPTAB will not be involved as a party to the lawsuit. It is also possible to dispute the validity of a patent in an infringement lawsuit.

In Japan, only an interested party is entitled to request an invalidation trial (it is widely believed that a licensee is entitled to request an invalidation trial as an interested party). Any interested party who is dissatisfied with the JPO decision can file a lawsuit with the Intellectual Property High Court in order to seek rescission of the JPO decision. Japan has a legal provision explicitly specifying that a dispute over patent validity can be raised in a patent infringement lawsuit. A provision that imposes a no-contest obligation on the licensee can be considered to be valid. Thus, it is widely believed that, if such provision is established, the licensee would lose eligibility to request an invalidation trial.

In China, no limitations are imposed on the range of people who are entitled to request an invalidation trial. Any person is entitled to file a request for an invalidation trial to the Patent Reexamination Board of the SIPO (A licensee is, of course, entitled to request an invalidation trial). If the person who requested such trial is dissatisfied with the decision of the Board, that person can file a lawsuit with the Beijing Intellectual Property Court (“Beijing IP Court”) against the Patent Reexamination Board. From January 1, 2019, if a party to the lawsuit is dissatisfied with the judgment of the Beijing IP Court, the party is able to file an appeal in the Supreme People’s Court while the High People’s Court used to be the court of appeal.

#### **Q6. Obligation of the licensor to assume defect liability**

South Korea replied that, on the presumption that a product defect can be rarely attributable solely to the incompleteness of intellectual property, if the patentee has intentionally concealed a defect and concluded a license agreement, the licensee would be entitled to request payment for damages equivalent to the damages that the licensee paid to a third party and also entitled to request the return of the royalties.

China replied that, while it is possible to request the payment of damages and the return of the royalties as long as the causation can be proven, the amount of damages, etc. would be determined based on the agreement. China explained that, if the agreement has a special provision to the effect that no defect liability is assumed by the licensor, a request for payment of damages cannot be made.

Japan replied that, if the incompleteness of intellectual property can be regarded as “hidden defect,” it would be possible to cancel the agreement and demand payment of damages and that, if the agreement has a special provision to the effect that the licensor does not assume defect liability, such provision would be considered to be effective and would exempt the licensor from defect liability unless the licensor has intentionally hidden the defect as is the case in South Korea.

#### **4. Panel discussion conducted by ASEAN countries**

This section is a brief report of the panel discussion conducted by ASEAN countries in the afternoon. Their answers to each question are summarized below.



**Q1. Registration of a license**

Malaysia, Brunei, Laos, and Cambodia replied that no registration obligation is imposed and that, while registration is possible on a voluntary basis, no registration or a very small number of registrations have been actually made.

On the other hand, Thailand, Myanmar, and Indonesia replied that they impose a registration obligation.

Thailand is unique in that all the documents must be accompanied by Thai translations and must undergo a substantive examination (in accordance with guidelines) conducted by a legal officer

in order to ensure the agreement’s compliance with laws and regulations and also in that a patent might be invalidated without registration.

Myanmar replied that a technology transfer agreement would not take effect without registration, while the failure to register the agreement would not be punished and that a registration officer will conduct substantive examination (without any guidelines, etc.) to check whether the agreement complies with the current laws of Myanmar and also with the directives issued by the Council of Myanmar Science, Technology and Innovation. Myanmar explained that the patent bill currently under legislative proceedings also imposes a registration obligation (a license will not take effect unless registered) and requires substantive examination by the Intellectual Property Office.

Indonesia replied that all the documents must be accompanied by Indonesian translations and that a license for a patent would not take effect without registration, while the failure to register the license would not be punished. Indonesia explained that, while substantive examination is conducted to ensure the agreement’s compliance with laws and regulations, the registration of a license for a trade secret is not mandatory, but can be made on a voluntary basis.





## **Q2. Request for payment of outstanding royalties**

All the countries replied that, while a civil lawsuit is the most preferred option as the first step (however, Laos, Myanmar, and Brunei replied that it is possible to settle the case through ADR), the court that has the jurisdiction over such case is different from one country to another.

Brunei, Cambodia, and Myanmar replied that, since no special court had been established, such case would be handled by an ordinary court. Laos replied that such case would be handled by a special division called “commercial division” of an ordinary court.

On the other hand, Indonesia replied that such case would be handled by a Commercial Court, which exists in five different locations throughout the country. Malaysia replied that such case would be handled by the IP High Court, which specializes in IP-related cases. Thailand replied that such case would be handled by the Central Intellectual Property and International Trade Court (CIPIC), which consists of the special judges appointed from among ordinary judges and specializes in IP-related cases.

## **Q3. Violation of the license agreement**

In none of the participating countries, an act of exporting the goods to North America constitutes patent infringement (however, Myanmar is currently considering preparing a patent bill). Each country replied that it is possible to seek an injunction based on the agreement.

Cambodia replied that it is possible to file a criminal lawsuit concerning a violation of the agreement if the intention of the violating party provides grounds



for commencement of criminal proceedings.

Thailand also replied that it is possible to file a civil lawsuit with the CIPIC, while it is also possible to file a criminal lawsuit. However, the plaintiff’s claims might be considered to be unacceptable if the provision of the agreement that prohibits the export of the goods to North America is unreasonably anti-competitive (a determination as to whether such provision is anti-competitive or not will be made in accordance with guidelines. An act of export cannot be restricted in principle, while export restrictions might be possible if a licensee exists in the destination country).

Malaysia replied that, while it is possible to file a civil lawsuit with the IP High Court, the prohibition of an act of export might be considered to be anti-competitive.

## **Q4. Request for an injunction based on the license agreement concerning the trade secret**

All of the countries replied that it is possible to request payment of royalties based on the agreement. However, only one country has a special law to protect trade secrets.

It is Thailand that has a special law to protect trade secrets. Thailand explained that any trade secret protected by means of secrecy protection is protected under the Trade Secrets Act and that said Act allows a request for an injunction and also provides criminal protection.

Malaysia replied that, while a decision as to whether to protect a trade secret or not is made based not on a special law but on the common law, only civil protection is provided in principle.

On the other hand, Brunei replied that a trade secret cannot be protected unless the agreement contains a provision requiring such protection.

Cambodia replied that it is currently considering the establishment of a new system to protect trade secrets.

#### **Q5. No-contest obligation of the licensee**

The participating countries were divided in their answers to the question as to whether a dispute over patent validity should be subject to court proceedings or a procedure at the Patent Office.

Brunei replied that, while patent validity must be determined by a registration officer of the Patent Office in principle, it is possible to subsequently conduct court proceedings.

Laos also replied that, while patent validity must be determined by the Patent

Office in principle, it is possible to subsequently conduct court proceedings.

In any other countries, court proceedings are conducted to determine patent validity in principle.

Thailand replied that a patent can be invalidated in a lawsuit filed with the CIPIC without any involvement by the Patent Office. Thailand explained that, since they do not have a system of judicial research officials unlike Japan, a determination will be made based on the testimony of the expert witnesses appointed by the parties to the lawsuit and that, in some cases, a technical expert support the two judges presiding over the case.

Malaysia replied that a patent can be invalidated in a lawsuit filed with the IP High Court against the patentee as the defendant and that the Patent Office will not get involved at all.

Indonesia also replied that the patent can be invalidated in a lawsuit filed with the Commercial Court against the patentee as the defendant.

Malaysia, which was one of the countries that answered to the question with regard to the validity of a provision concerning a no-contest obligation, replied that such provision can be considered to be valid, but could be disputed in some cases depending on how the validity is alleged or how the relevant provision is interpreted. On the other hand, Thailand and Myanmar replied that the establishment of a provision concerning a no-contest obligation would not be approved. In particular, Thailand replied that such provision would be considered to be unreasonably anti-competitive and therefore highly likely to be considered to be unenforceable. Thailand explained that a request for license registration would be



rejected due to the existence of such provision in the first place.

#### **Q6. Obligation of the licensor to assume defect liability**

This question cannot be considered to have been sufficiently discussed. All the participating countries replied that, under such circumstances, if the licensee files a civil lawsuit to claim payment of damages that is equivalent to the damages paid by the licensee and to claim the return of the royalties, those claims would be accepted as long as the incompleteness of the patent can be proven.

Thailand replied that, if the incompleteness of the patent was unpredictable by the patentee, the responsibilities of the patentee would be limited.

Malaysia replied that, if a patent is found to have a defect, the patent as a whole can be invalidated.

### **5. Conclusion**

Following the symposium held in the previous year, Shiroyama and Sagara served as moderators in this symposium once again, strongly feeling the difficulty in leading a panel discussion conducted in English. The example case used in this symposium was about a license agreement concerning a patent right and a trade secret, which is a very difficult topic for some countries to talk about.

Despite such difficulty, the judges of the participating countries actively participated in a discussion and learned from each other about the legal systems of their home countries. It can be said that this symposium provided a great opportunity for the participants to review the legal systems of their home countries with newly acquired insights.

Having learned from our experience gained last year, we held a prior consultation and invited everyone so that the scheduled panel discussion among the ASEAN countries would proceed smoothly. This consultation was extremely beneficial for both moderators and the participants. One day before the symposium, we held a non-official party. This was also beneficial not only to promote the mutual understanding among the participants, but also to cultivate solidarity and friendship. We believe that such solidarity and friendship significantly contributed to the success of the panel discussion on the day of symposium and also to the future development of the cooperation among Asian countries in conducting IP-related activities.

We hope that this symposium, which was conducted last year and this year, will be recognized by the international community as a platform to share IP-related information about Asian countries and to promote active opinion exchange and face-to-face communication.