

MP3

JAPAN

Internet patent
owner fails in
court action

CHINA

Trade mark law
revamped

AUSTRALIA

Product liability
confronts biotech
industry

INTERNATIONAL

The headache of spectrum
distribution

Online content: How to get paid for what you create

First-time judgements go against patent owner



Nobuo Hito

On December 12 2000, the Tokyo District Court issued what are said to be Japan's first-ever judgements on a business model patent. Kabushiki Kaisha International Scientific, (I. S. Company), a Tokyo-based corporation, sued four companies for infringement of a patent it had obtained in the US and Japan for a "time-based fee-charging system for internet services". It is doubtful, however, whether this patent was originally a business-model patent.

In April 2000, I. S. Company sent e-mails, faxes, and letters to internet-related companies such as internet service providers (ISP), warning that they were infringing the company's patent and demanding that licensing agreements be concluded and licence fees be paid.

In its warning letter, I. S. Company states:

Outline of a time-based fee-charging system for the Internet services as a business model patent: In short, a time-based fee-charging system developed and patented by I. S. Company assumes that when any business deal is made on the Internet, such as by the internet service providers, such a deal is likely to infringe I. S. Company's patent. That is how I. S. Company interprets the patent. Because of the business model patent, the deal is likely to infringe the patent regardless of any mode of server hardware or software.

This sounding out is being sent to the Internet-related firms likely to infringe the patent. After receiving

Case A (Heisei 12th year (Yo) Case 22138: Defendant; Bit Cash K.K.)
Case B (Heisei 12th year (Yo) Case 22139: Defendant; K.K. Web Money)
Case C (Heisei 12th year (Yo) Case 22140: Defendant; Zero K.K.)
Case D (Heisei 12th year (Yo) Case 22152: Defendant; Digital Check K.K.)

a reply, I. S. Company will consider concluding an agreement or any other means to deal with the matter. Regarding means to deal with a case of infringing the business model patent, since the Internet business is borderless, and thus there are cases of the U.S.A. patents applying in Japan, the International Scientific U.S.A. corporation (or the I. S. Company in Japan) may send a warning letter or a notice of patent infringement to an infringer. If the case leads to a civil action against I. S. Company's will, the court to institute the case could be in New York State, Texas State or elsewhere.

It is unknown how many firms I. S. Company sent the warning letter to. As the warning letters have wide repercussions, the writer was asked by the Japan Internet Association, an association of internet-related corporations, to speak to its members:

The I. S. Company's patent is one for product invention, or apparatus invention, regarding "a time-based fee-charging system" comprising constituents stated in the

claims. It must be understood that in internet-related patents there are often method patents covering a wide range of method inventions. The I. S. Company patent is however not a method patent. Thus an argument can start only after determining "the apparatus," such as the manufacture, sale, and use of the "apparatus" stated in claims of the I. S. Company patent."

When claiming patent infringement based on an apparatus patent, the subject matter of the infringement becomes the defendant's apparatus. Thus, to begin with, it is necessary to determine the defendant's apparatus. Then it is essential to prove whether individual components of such apparatus correspond to different components or constituents stated in the claims.

To respond to the patent infringement complaint, it is necessary to review, in sequence, first, if the subject matter of the infringement is properly specified, second, if the subject matter of the infringement fulfills all the constituent elements of the patent, and third, whether the patent is valid or not. In any event, it is essential to interpret what the claims mean and to compare the defendant's subject matter with the constituent elements of the claims, as otherwise it is impossible to respond to the patent infringement complaint.

PATENT OWNER TAKES ACTION

On September 12 2000, I. S. Company filed for preliminary injunctions against