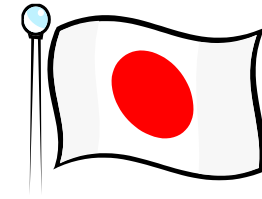


Professional Liability Issues in Japan



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Today's Topics

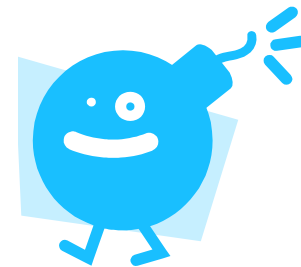
Disciplinary systems for patent attorneys in Japan

What JPAA does to raise the ethical awareness among its members

Professional liability insurance in Japan

Statistical data and representative cases

What if your JP associate does not pay?



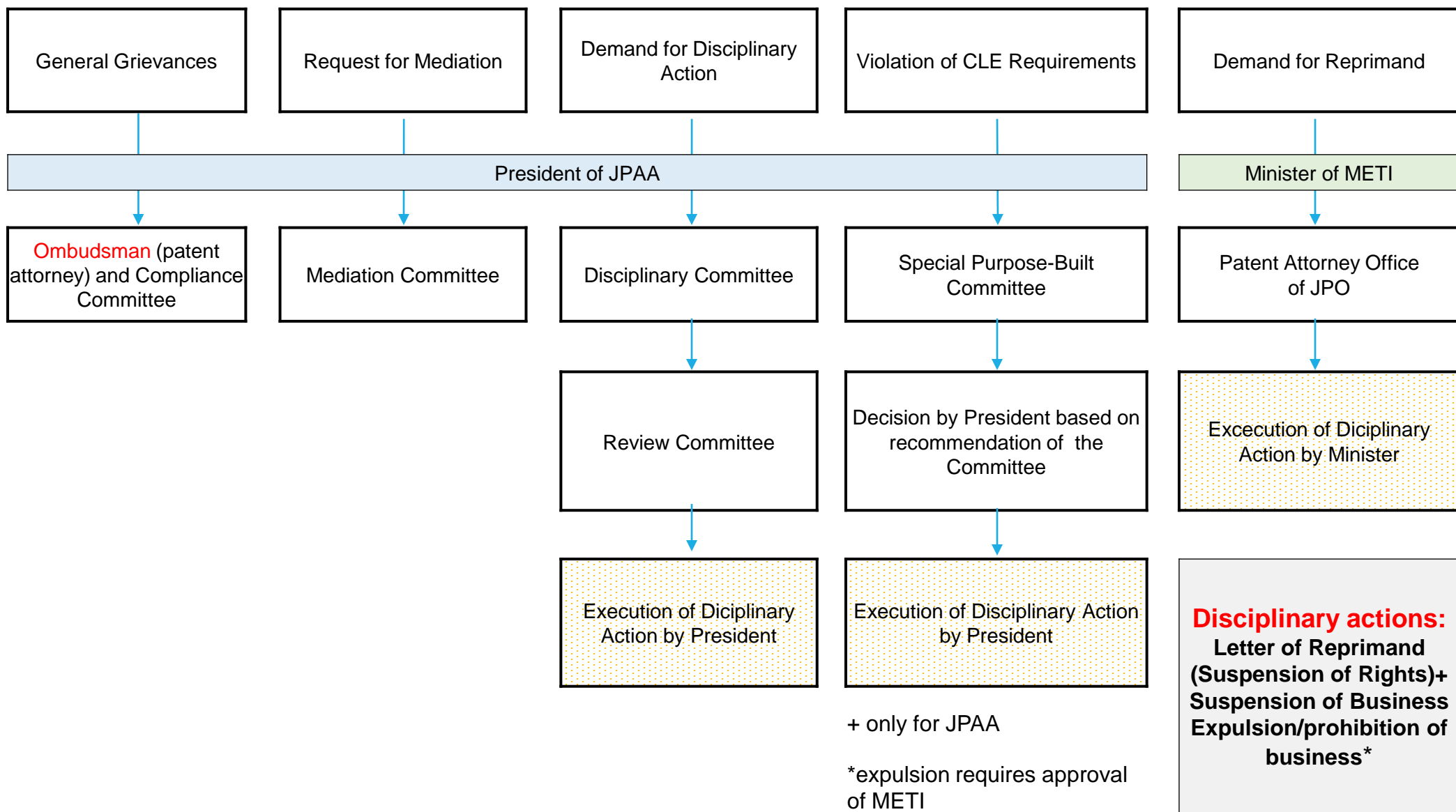
Disciplinary system for patent attorneys in Japan

Two systems

- One by Japan Patent Attorneys Association (JPAA) under its rules
 - For maintaining healthy PA profession
 - To president of JPAA
 - Letter of reprimand, suspension of rights, and demand for disciplinary action by Minister of METI only
 - For expulsion, approval of METI is required
- The other by the government, Ministry of Economy, Trade and Industry (METI), under the Patent Attorney Act
 - For keeping public interest
 - To the Minister of METI
 - Letter of reprimand
 - Suspension of business up to 2 years
 - Prohibition of business

JPAA – supervised by Japan Patent Office/METI
mandatory membership to practice
10670 members (as of July 2014)
annual budget of 20 million US dollars

METI – Ministry of Economy, Trade and Industry
Japan Patent Office (JPO) is under METI



Statistics – not bad at all

FY 2011 (Apr 2011 – Mar 2012)

- 9 demands for disciplinary actions
- Only 1 suspension of rights
- 1 letter of reprimand for CLE violations

FY 2012 (Apr 2012 - Mar 2013)

- 16 demands for disciplinary actions
- Only 1 suspension of rights
- 5 letters of reprimand for CLE violations

FY 2013 (Apr 2013 - Mar 2014)

- 4 demands for disciplinary actions
- 2 suspension of rights
- 7 letters of reprimand and 1 suspension of rights for CLE violations

Over last 3 years

About **2 expulsions** per year for non-payment of membership fees

About **15 grievance cases** per year, and this is decreasing

About **1 request for mediation** per year

JFBA - 34,000 attorneys at law

About 1500 to 1900 demands for disciplinary actions each year (3800 in 2012, exceptional year)

About 4-5 % result in some action

0.2 – 0.35 % of all lawyers receive disciplinary actions each year

A Recent Case

On July 24, 2014, METI made a decision against one attorney in Osaka, and he was prohibited from practicing

- This was a third case since 2000 for prohibition of business
- At the same time, he lost patent attorney qualification
 - 11 applications were lost because he did not pay official fees although he received funds from clients
 - For 600 applications, he did not pay fees in a timely manner and caused various troubles to clients

What JPAA does to raise professionalism

Various rules and guidelines related to professional conducts

- JPAA published, and regularly updates, a **book on desirable standard practice** for patent attorneys
- JPAA requires attorneys to have their own **charge lists**
- Attorneys have to provide **written estimates** when requested

CLE (since April 2008)

- **70 hours over 5 years** – live lectures and e-learning courses
- Non-compliance is subject to sanctions
- 10 hours of **mandatory ethics course** over 5 years
 - Professionalism
 - Conflict of interest
 - Power or sexual harassment
 - Based on actual cases and discussions in small groups

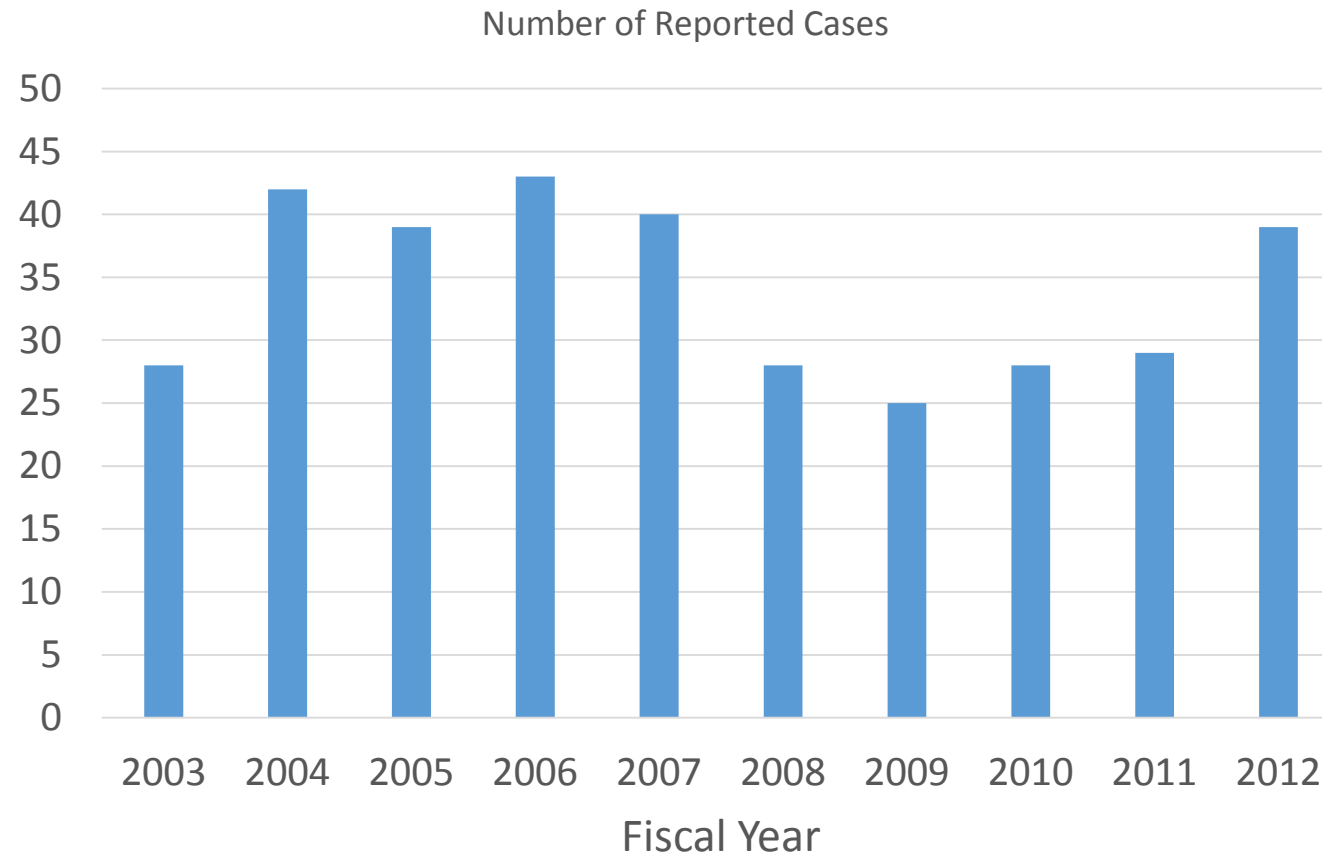
Professional Liability Insurance

Patent Attorney Cooperative Association of Japan sells professional liability insurance policies specifically designed for patent attorneys

- 1,515 patent firms and **5,734 patent attorneys** are covered as of 2013
- Insurer is Tokyo Marine & Nichido Fire Insurance Co., Ltd. – 3rd biggest fire insurance company in Japan
- Coverage is up to **about 3 million US dollars per case** and about 9 million US dollar per year
- Our firm pays about **14,000 US dollars annually** for 16 attorneys and 65 staff members
- Extra coverage is also possible, but disproportionately more expensive

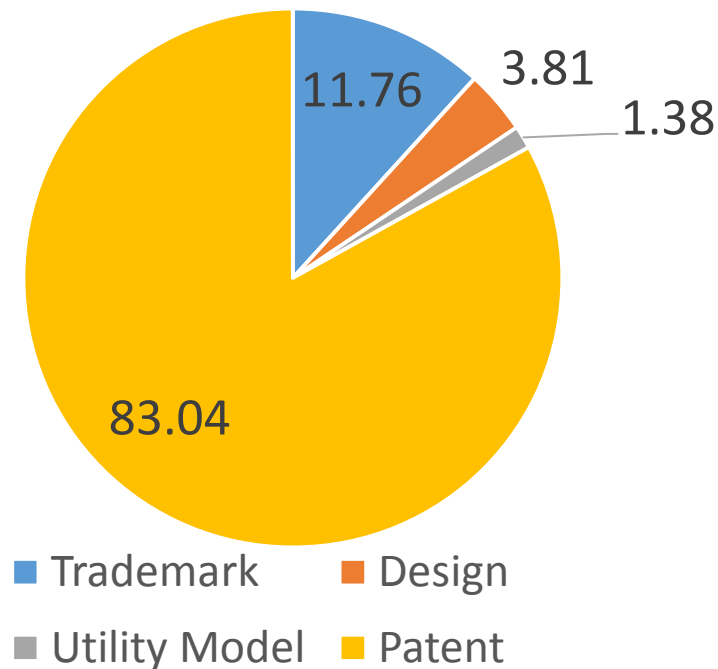


Number of Cases Reported to Insurer



Statutory Breakdown of 289 Cases

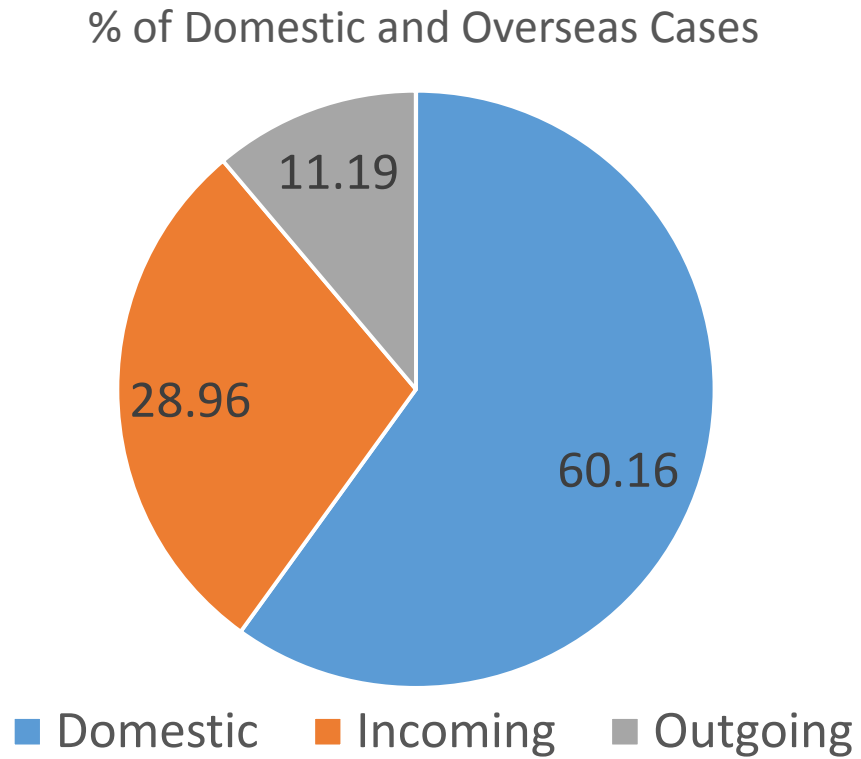
Breakdown by Statutes



83% is patent related and more than 70% relates to missing deadlines

27% of trademark cases involve imperfect searches

Domestic v. Overseas



Overseas cases are on the rise

Example 1

Missed deadline for the payment of an annuity

- Client: Jewelry maker in Japan
- Patent Attorney was responsible for the timely payment of annuities and was aware of the need for an annuity payment, but he missed the deadline and the patent expired
- Patent Attorney was found liable
- Causation relationship between the damages and the expiration of the patent was in question
- Client asked for about 3 million US dollars for damages
- Patent Attorney actually paid about 113,000 US dollars to Client
 - This amount was calculated by a certified accountant and a tax lawyer Insurer retained based on documents Client submitted
- Insurer paid the same amount to Patent Attorney

Example 2

US Attorney failed to report, and respond to, an official action from the USPTO

- The US application was listed as abandoned in the PTO database
- The cost was \$100,000 for review and successful revival of the application
- JP Attorney was found **liable** because he selected US Attorney and failed to check the status of the US application
- Client had no fault
- Client asked for \$100,000
- JP Attorney paid \$100,000 to Client
- Insurer paid about \$93,000 to JP Attorney – the difference was due to lack of communication with Insurer about US attorney costs
- Insurer obtained \$60,000 from US Attorney

What if your JP attorney does not pay?

JPAA would like to hear from you any impropriety of JP patent attorneys

- Your letter will get proper attention at JPAA
- The ombudsman (patent attorney employed by JPAA) will communicate your information to the non-paying JP patent attorney and encourage immediate resolution
- If appropriate, your information will be reviewed by Compliance Committee. Based on a report prepared by Compliance Committee, President of JPAA may initiate procedures for disciplinary action with the Disciplinary Committee
- Of course, legal action at a JP court is also an option



Thank you for your attention!

Thank you

