Patent Invalidation Trials in Japan

A patent invalidation trial is one countermeasure used by a party who has received a warning letter from a patentee and/or is sued for patent infringement by a patentee.

About 250 requests for patent invalidation trials are filed per year at the Japanese Patent Office (JPO) and most are considered to be related to inter partes disputes.

In this issue of Shiga IP News, we provide you with an overview of the patent invalidation trial system in Japan.

1. What is a Patent Invalidation Trial?
A patent invalidation trial is the only means for invalidating a patent right. A patent invalidation trial is a procedure which a party can request of the JPO in order to invalidate a patent which was granted by the JPO despite a possible lack of novelty or inventive step. When a request for a patent invalidation trial has been filed with the JPO, the validity of the patent right will be examined. Where a trial decision to the effect that the patent is to be invalidated has become final and binding, the patent right shall be deemed never to have existed. (Japanese Patent Law, Article 125)

1.1. Who Can File a Request for a Patent Invalidation Trial?
Any person and/or party may file a request for a patent invalidation trial at the JPO. Therefore, a straw man can be used as the demandant. However, in the case of a failure to satisfy the requirements for joint applications*1 or in the case of misappropriated applications*2, only persons who hold the right to obtain a patent may file a request for an invalidation trial. (Article 132, Paragraph 2)

Note*1 Failure to satisfy the requirements for joint applications: “A” and “B” should be joint applicants, but “A” files a patent application solely without the permission of “B”.

Note*2 Misappropriated applications: A party or a person other than the original inventor(s) steals the idea and files a patent application for that idea.

1.2. Subject of Invalidation Trials
A request for an invalidation trial may be filed not just for a patent right which is still in force but also for a patent right which has lapsed. (Article 123, Paragraph 3) When a patent has two or more claims, a separate request for a patent invalidation trial may be filed for each claim. (Article 123, Paragraph 1) The request may be withdrawn for any of the claims. (Article 155, Paragraph 3)

1.3. Grounds for Invalidation
Multiple grounds for invalidation may be raised for each claim. The grounds for invalidation are stipulated in Article 123, Paragraph 1, and no other grounds will be accepted as grounds for invalidation. A failure to satisfy formality requirements such as unity of invention (Article 37) is not acceptable as grounds for invalidation. In addition, a request to transfer rights (Article 74) for a failure to satisfy the requirements for joint applications or for misappropriated applications where the patent rights are transferred to the true right holder(s) does not serve as grounds for invalidation. Any additions and/or changes to the grounds for invalidation will, in principle, be deemed to change the gist of the request for trial. An amendment which changes the gist of the request for trial will be dismissed. (Article 133) For example, any additions and/or changes to the claims that are the subject of invalidation will be deemed to be an amendment which changes the “gist of the request” and will also be dismissed. Therefore, a new invalidation trial should be filed when changes to the content of the request become necessary after filing the request for trial.

1.4. Evidence
Not only documents, but also witnesses, expert witnesses, the parties involved, and objects to be inspected can be submitted as evidence. Recording media containing moving images, such as videotapes, can also be submitted.
2. Overview of the Proceedings of a Patent Invalidation Trial

The proceedings of a patent invalidation trial commence when the demandant files a request for trial. The trial is conducted at the JPO by a board of three or five JPO trial examiners. Some of the primary procedures to be carried out by the demandant and the patentee are listed below.

Demandant: Filing a request for trial with a brief and exhibits (evidence), Filing a rebuttal, Filing a brief for oral proceedings
Patentee: Filing a reply (arguments) and (optional) corrections, Filing a brief for oral proceedings, Filing a request for correction (if required)

The proceedings of a patent invalidation trial are illustrated by the following chart.

2.1. Filing a Reply (Arguments) and (Optional) Corrections
A copy of the request for trial prepared by the demandant will be served to the patentee, and the patentee may be given the opportunity to file arguments through the submission of a reply. In addition, the patentee can also file a request to correct the claims and other items together with the reply. In some cases, the demandant may be given an opportunity to file a rebuttal to the patentee's reply/corrections. Thus, each party is ordinarily given one opportunity (in some cases, more than one) to express their views.

2.2. Filing a Brief for Oral Proceedings
Before the oral proceedings are conducted, each party files a brief for the oral proceedings which includes a response to a Notice of Matters to be Examined that describes in detail the preliminary findings and questions of the board of trial examiners.

2.3. Oral Proceedings
During the oral proceedings, the parties assert their respective opinions based on the content of the briefs that had been filed in advance. Oral proceedings are normally held only once, but the timing and frequency depend on the case. In a patent invalidation trial, the trial examiners assemble and review the statements and arguments asserted by both parties through the request for trial, replies, and the oral proceedings, and will ultimately hand down a decision for the patent invalidation trial.

2.4. Advance Notice of Trial Decision and Opportunity for Corrections
When a case has reached the point at which a trial decision may be rendered and grounds for invalidation have been accepted, the JPO will issue an Advance Notice of Trial Decision to each party. When there is no Advance Notice of Trial Decision, usually, the trial will be concluded and a favorable trial decision for the patentee will be issued. The patentee can file a request for correction to the claims, specification, and/or drawings in response to an Advance Notice of Trial Decision. Therefore, the patentee can respond so as to avoid an unfavorable trial decision after the issuance of an Advance Notice of Trial Decision. In the event that a patentee does not file a request for correction, the trial will be concluded and a trial decision will be made. The scope of corrections and the purpose of the corrections in response to an Advance Notice of Trial Decision are as follows.

Scope of Corrections:
- For two or more claims, a request for correction may be filed for each claim in the claim set. On the other hand, for the case of groups of related claims, a request for correction must be filed for each claim group.
- For corrections to the specification or drawings, a request for correction must be filed for all claims or groups of claims which relate to the corrections of the specification or drawings.

Purpose of Corrections:
- Restriction of the scope of the claims
- Correction of an error or an incorrect translation
- Clarification of an unclear statement
- Elimination of a dependency relationship between claims (to avoid citing the statement of a claim(s) which cites the statement of another claim(s))

2.5. Trial Decision
Where a trial decision to the effect that a patent is to be invalidated has become final and binding, the patent right shall be deemed never to have existed. (Article 125)

In the event that a request for an invalidation trial is not accepted, the patent right will be maintained.

2.6. Suit to Revoke the Trial Decision
Either of the parties may file a lawsuit concerning the trial decision with the Intellectual Property (IP) High Court in an attempt to revoke the trial decision. (Article 178, Paragraph 3) An action shall be instituted within 30 days from the date on which a certified copy of the trial decision has reached the parties. An additional period (90 days) may be given to a party residing outside of Japan for preparing a translation etc., and the additional period will be indicated in the trial decision. If neither of the parties files a lawsuit with the IP High Court, the trial decision will become final and binding.
3. Statistics
Average period between filing a request for a patent invalidation trial and the issuance of a final trial decision: 8.7 months

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Requests</th>
<th>Invalidated Patents (including partial invalidations)</th>
<th>Maintained Patents (including dismissed requests for trial)</th>
<th>Withdrawn or Abandoned Requests</th>
</tr>
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<tbody>
<tr>
<td>2006</td>
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<td>2011</td>
<td>269</td>
<td>91</td>
<td>140</td>
<td>28</td>
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Recent IP High Court Case
Patent Infringement Litigation regarding Waste Storage Device

The method for calculating the amount of compensation for damages relating to patent infringement has recently been undergoing changes at the Intellectual Property (IP) High Court. Conventionally, infringement litigation in Japan tended to focus on the possibility of an injunction because the courts often made rulings resulting in relatively low amounts of compensation. In this issue, we introduce a current IP High Court case that presents a new interpretation of the method for calculating compensation for damages where the method is based on the profits earned by the infringer.

Overview of the IP High Court Case
Case No.: Hei-24[Ne] 10015
Plaintiff: Sangenic International Ltd. (United Kingdom)
Defendant: Aprica Children’s Products (Japan)
Court Ruling: Defendant ordered to pay 148 million JPY in compensation for damages relating to patent infringement

On February 1, 2013, a patent infringement litigation case regarding a waste storage device for disposable diapers was concluded at the IP High Court. Chief Judge Toshiaki Iimura accepted the request for injunction and compensation for damages for patent infringement that Sangenic International, a nursery item manufacturer in the U.K., sought against Aprica Children’s Products of Osaka, Japan. The amount of compensation was set at 148 million JPY which is seven times the amount decided at the Tokyo District Court.

It is worthy to note that the IP High Court handed down a decision in which Japanese Patent Law, Article 102, Paragraph 2 was applied even to a situation where the patentee did not work the patented invention that was infringed by a third party's products in Japan, for instance, the patentee did not manufacture its products in Japan. According to Article 102, Paragraph 2, the amount of profits earned by the infringer is regarded as the amount of damages sustained by the patentee.

Aprica has filed an appeal at the Supreme Court against the IP High Court decision.

Overview of the Trial at the IP High Court
The patented invention includes a plastic cassette which fits into a container in order to individually seal each diaper away in seconds. Sangenic, the patentee, produces the diaper disposal containers and cassettes outside Japan and sells the products in Japan through a Japanese company. Aprica imports similar products from China and sells them in Japan.

Aprica had been importing and selling the diaper disposal container and its associated cassettes under an exclusive license agreement with Sangenic. However, after the agreement ended in 2008, Aprica continued importing similar cassettes from China and selling them for containers purchased by users. Afterwards, Sangenic concluded a new agreement with Combi, another major nursery item manufacturer in Japan. Combi imports Sangenic’s diaper disposal containers and associated cassettes which are manufactured overseas and sells them in Japan.

The methods for calculating the amount of compensation for damages are defined in Article 102, Paragraphs 1 to 3 of the Japanese Patent Law (see below). The basic concept for each calculation is as follows.

Japanese Patent Law, Article 102, Paragraph 1
Amount of Compensation = “Profits Earned per Unit of Patentee’s Products” × “Number of Infringing Products Sold”

Japanese Patent Law, Article 102, Paragraph 2
Amount of Compensation = “Profits Earned by Infringer”

Japanese Patent Law, Article 102, Paragraph 3
Amount of Compensation = “Amount Corresponding to Appropriate Royalties”

In previous court cases, when calculating the amount of compensation for damages for patent infringement, Articles 1 and 2 of Article 102 were applied under the premise that the patented invention was worked by the patentee; otherwise, Paragraph 3 was applied.

In this case, the IP High Court introduced a new guideline for Article 102, Paragraph 2 stating that whether or not a patent right is worked in Japan is “not a requirement for application of this stipulation” and found that Article 102, Paragraph 2 is applicable to the situation where “a patentee would have earned profits if patent infringement had not occurred”.

In this court case, the IP High Court accepted the following:
- Sangenic had been selling the disposal container in Japan under a license agreement with Combi.
- As Aprica had been importing and selling infringing products in Japan, it may be said that not only Combi but also Sangenic came to be competitors of Aprica in the diaper disposal container market in Japan.
- It is obvious that Sangenic’s disposal container had seen a decline in sales due to Aprica’s selling of infringing products.

The IP High Court found that if Aprica had not infringed the patent, then Sangenic would have earned profits from the sale of their products in an amount corresponding to the number of products sold by Aprica, and ruled that the amount of compensation for damages is 148 million JPY in total based on the profits earned by the infringer under Article 102, Paragraph 2, instead of the amount that would be obtained from an exclusive license fee.
Examples of Amount of Compensation for Damages Awarded in Past Patent Infringement Litigation Cases

Japanese Patent Law, Article 102, Paragraph 2
Where a patentee or an exclusive licensee claims against an infringer compensation for damage sustained as a result of the intentional or negligent infringement of the patent right or exclusive license, and the infringer assigns articles that composed the act of infringement, the amount of damage sustained by the patentee or the exclusive licensee may be presumed to be the amount of profit per unit of articles which would have been sold by the patentee or the exclusive licensee if there had been no such act of infringement, multiplied by the quantity (hereinafter referred to in this paragraph as the “assigned quantity”) of articles assigned by the infringer, the maximum of which shall be the amount attainable by the patentee or the exclusive licensee in light of the capability of the patentee or the exclusive licensee to work such articles; provided, however, that if any circumstances exist under which the patentee or the exclusive licensee would have been unable to sell the assigned quantity in whole or in part, the amount calculated as the number of articles not able to be sold due to such circumstances shall be deducted.

Japanese Patent Law, Article 102, Paragraph 3
A patentee or an exclusive licensee may claim against an infringer compensation for damage sustained as a result of the intentional or negligent infringement of the patent right or exclusive license, by regarding the amount the patentee or exclusive licensee would have been entitled to receive for the working of the patented invention as the amount of damage sustained.

Ranking of Companies Based on Number of Patent Grants

Top 10 Japanese Applicants Based on the Number of Patent Grants in 2011

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Number of Grants</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Panasonic Corporation</td>
<td>6,881</td>
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<tr>
<td>2</td>
<td>Toyota Motor Corporation</td>
<td>5,027</td>
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<tr>
<td>3</td>
<td>Canon, Inc.</td>
<td>4,292</td>
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<td>4</td>
<td>Toshiba Corporation</td>
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<td>5</td>
<td>Mitsubishi Electric Corporation</td>
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<td>Ricoh Company, Ltd.</td>
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<td>Fujitsu</td>
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<td>Honda Motor Co., Ltd.</td>
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<td>Sharp Corporation</td>
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Top 10 Foreign Applicants Based on the Number of Patent Grants in 2011

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