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### **Agreement between Apple and Shimano Over International Jurisdiction Judged to be Invalid by Tokyo District Court**

Shimano Manufacturing Co., Ltd. (Shimano), a supplier of power adapter pins located in Tokyo, Japan, filed a request for compensation in the amount of ten billion JPY (equivalent to about 91 million USD) against Apple Inc. (Apple). Prior to a court hearing concerning a claim for damages, the Tokyo District Court handed down an interlocutory decision on February 15, 2016, indicating that the two companies' agreement regarding international jurisdiction was deemed to be invalid. The agreement between the companies states that their disputes are to be resolved by a court in the U.S. However, the Tokyo District Court decided to continue the hearing for the claim for damages. It is unprecedented for the Tokyo District Court to find an agreement among companies over international jurisdiction to be invalid.

According to media coverage, the outline of the case is as described below.

The Tokyo District Court made a finding on the jurisdiction for this case: i.e., under which jurisdiction, the U.S. or Japan, the hearing should be held. The companies already had a contractual agreement stating that disputes are to be resolved in the Courts of California in the U.S. where Apple is located. However, the Tokyo District Court stated that "An agreement on jurisdiction is invalid unless it is concluded in view of lawsuits on the basis of certain laws in order to avoid unforeseen damages to one of the parties". The Tokyo District Court also stated that "The agreement between the companies which only provides that 'all disputes are to be under the jurisdiction of the Courts of California regardless of the content of the contract' is deemed to be invalid because it is too extensive". Under the Code of Civil Procedure in Japan, agreement on jurisdiction must be provided in each business contract. Oppositions to interlocutory decisions are not allowed under conventional law in Japan. The hearing for this case will be held at the Tokyo District Court.

Shimano claimed that Apple reduced trade with Shimano just after Shimano made a capital investment to accommodate a request from Apple to increase production. Apple had bypassed Shimano and directly placed an order to another supplier subcontracted by Shimano, thereby decreasing the volume of orders to Shimano. Apple also requested that Shimano reduce the cost on delivery price to less than half the previous price. Furthermore, this price cut was applied even to inventory components for which delivery had already been completed, and Apple demanded payment of 1,590,000 USD (approximately 160 million JPY) as a rebate. Shimano claimed that this was an "abuse of a position of superiority" to a contractor and filed a lawsuit in August 2014 citing violation of the Antitrust Law.

It can be learned from this case that jurisdiction agreements should be provided in each contract. Since an agreement stating that "all disputes are under the jurisdiction of the Courts... regardless of the content of the contract" is at risk of being judged invalid, careful attention needs to be paid when preparing such agreements.

## Grand Panel Case of the IP High Court regarding the Doctrine of Equivalents

In the past, the Japanese Supreme Court had ruled that an allegedly infringing product should be considered to be equivalent to the elements of an invention described in a patented claim and belong to the scope of the patented claim even if there is some element of the allegedly infringing product that is different from that of the patented invention in the event that the following five conditions are fulfilled:

1. An element of the patented invention that is different from that of the allegedly infringing product is not essential to the patented invention (non-essentialness);
2. Even if the differing element were to be replaced by that of the allegedly infringing product, the purpose of the patented invention could be achieved with the same function and effect (same function and effect);
3. A person skilled in the art could easily replace the differing element at the time the allegedly infringing product was manufactured (easily replaceable at the time of manufacturing);
4. The allegedly infringing product is not the same as a publicly known technology at the time of filing of the application for the patented invention, and a skilled person could not easily conceive of the allegedly infringing product at the time of filing (easily conceivable at the time of filing of the application); and
5. The allegedly infringing product was not deliberately excluded from the claims during prosecution of the application for the patented invention (deliberate exclusion).

(Ball Spline Bearing Case, 1998)

The Grand Panel of the Japanese IP High Court, which consists of five judges, recently issued a judgment on the Doctrine of Equivalents in order to unify interpretation of the requirements shown by the Japanese Supreme Court decision above (Case No.: H27(Ne)10014: March 25, 2016).

The points of this judgment regarding the Doctrine of Equivalents and possible effects in the future are given below.

### Points of the judgment regarding the Doctrine of Equivalents

- i. The judgment presents guidelines for two requirements (Requirements 1 and 5 described above) which often became points of contention when interpreting the Doctrine of Equivalents at the District Courts and the IP High Court in recent years.
- ii. The judgment shows that “non-essentialness” (Requirement 1) should be acknowledged through an understanding of the problems, solutions, and effects of the patented invention and by determining a particular element(s) which constitute(s) a characteristic technical idea that does not exist in the prior art, and should be broadly judged based on precedent to conceptualize the element broader than or the same as the description in the claim.
- iii. The judgment shows that “deliberate exclusion” (Requirement 5) cannot be acknowledged just because differences from the allegedly infringing product are described in the specification of the application for the patented invention.

### Possible effects of the Grand Panel’s judgment on the Doctrine of Equivalents

- i. It is believed that the guidelines for interpreting the Doctrine of Equivalents have been clarified and that judgments on the Doctrine of Equivalents at the District Courts and the IP High Court will become more unified. In addition, the number of judgments with a finding of infringement under the Doctrine of Equivalents will increase.

[With regard to Requirement 1, “non-essentialness”]

- ii. “Non-essentialness” will be broadly judged in light of circumstances at hand depending on characteristics of the patented invention compared with the prior art as to whether an element is conceptualized as being broader than, the same as, or narrower than the description in the claim. Therefore, it is expected that judgments during court proceedings on whether or not the scope of the patented invention should be widely viewed or not will be emphasized more than judgments on whether or not the patented invention has grounds for invalidation. In addition, the points used in evaluation of inventions may shift to an evaluation of the scope of equivalents.
- iii. Equivalents of an invention which contain novel and particular technical ideas as compared with the prior art will be more widely acknowledged, and the number of cases finding infringement will increase.

[With regard to Requirement 5, “deliberate exclusion”]

- iv. The judgment shows that “deliberate exclusion” (Requirement 5) cannot be acknowledged just because differences from the allegedly infringing product are described in the specification. Therefore, it is thought that patentees will need to reconsider the possibility of patent enforcement due to expansion of the scope of equivalence. On the other hand, non-patentees will need to reconsider whether or not there is a possibility that the scope of equivalents will be widely interpreted.