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IN THIS ISSUE

- ◆ Japan Likely to Consider Secret Patent Non-Disclosure System
- ◆ Mitsubishi Electric Discloses Their Technology Assets Online Aiming for "Co-Creation" with Other Companies
- ◆ Nippon Steel Files Patent Infringement Litigation against Toyota and others over Electromagnetic Steel Sheets
- ◆ Patent Infringement Litigation Case - Court Approved Compensation for Damages Calculated based on Sales of Product with Allegedly Infringing Component
- ◆ Pfizer Concludes License Agreement with the Medicines Patent Pool (MPP) for COVID-19 Therapeutic Medicines

Japan Likely to Consider Secret Patent Non-Disclosure System

Japanese Prime Minister, Fumio Kishida, instructed his cabinet to speed up the preparation of legislation promoting economic security at the first meeting of the "Council for the Promotion of Economic Security" in November 2021. The legislation is scheduled to be submitted to the 2022 Ordinary Diet session. The legislation aims to prevent sensitive technologies for military use from being transferred abroad and to swiftly secure important resources such as semiconductors. The legislation features the following four pillars:

1. Keeping patents of sensitive technologies secret / Limiting disclosure of patents related to sensitive technologies
2. Strengthening of supply chains
3. Supporting the research and development of cutting-edge technologies
4. Ensuring the security of key infrastructure

The objective of the non-disclosure of secret patents is to prevent the leakage of privately-developed technologies which could potentially be used for military weapons development abroad. Like in most global patent systems, patent applications in Japan are disclosed within a certain period after filing. The legislation will enable the government to limit the publication of patents regarding technologies which are important to national security. The Japanese government is considering a framework in which

companies that own such technologies will receive compensation for the patent income that may be earned from the publication. In a bid to guard national security, the government is also considering a process of selecting the subject technologies and sensitive inventions and the future scheme for filing of foreign applications.

Furthermore, the Economic Security Legislation will consider a system which offers subsidies to companies, to enhance the domestic manufacturing of important resources, such as semiconductors, as well as an examination system to determine whether foreign-made products that may pose a security risk are not included in key infrastructure facilities.

Mitsubishi Electric Discloses Their Technology Assets Online Aiming for "Co-Creation" with Other Companies

Mitsubishi Electric announced on October 12, 2021 the launch of their "Open Technology Bank" project to promote external collaboration through their intellectual property rights. By disclosing Mitsubishi Electric's own technology assets on their website and providing licenses to various industries and business areas, the company is actively promoting "Co-Creation" with other companies. This project aims to support the development of new products and services of partner companies by offering them technology licenses, and to create new value and business through "multiplication" of technologies and

ideas from partner companies. The company unveils technologies that can be licensed on their website, explaining their technical outline and industrial applicability. In addition, each technology is linked with a search tag for a corresponding issue/theme, which facilitates the search for a technology that meets the needs of a partner company.

At the launch of the project, the website listed 21 technologies that can be licensed. Mitsubishi Electric will gradually expand the list in the future. The current list includes plastic material recycling technology, microbubble cleaning technology, wind measurement lidar, remote control/operation technology for the visually impaired, Smart Air Coating®, seawater antenna, and more.

Mitsubishi Electric commented that they had been utilizing intellectual property rights mainly in response to "competition" (exclusive licensing, anti-counterfeiting, enforcement against other companies, etc.) between companies. However, as their current aim is to realize a sustainable future, they will not monopolize technologies that contribute to solving social issues, and will actively utilize intellectual property rights as a tool to promote "Co-Creation" with other companies so as to utilize their applications in many more industries and fields.

Reference: Excerpt from Japanese materials of the Patent Firm News, published in November 2021 by Management Data Center (Keieishiryō Center), Japan (Available in Japanese only)

Nippon Steel Files Patent Infringement Litigation against Toyota and others over Electromagnetic Steel Sheets

Nippon Steel Corporation, a major Japanese steel manufacturer, has announced that the company has filed a patent litigation suit at the Tokyo District Court for its non-oriented electromagnetic steel sheets, arguing that Toyota Motor Corporation (Toyota), a major Japanese automaker, and Baoshan Iron & Steel Co., Ltd. (Baosteel), a major Chinese steel maker, have allegedly infringed Nippon Steel's patent regarding electromagnetic steel sheets. The company has also sought 200 million USD in compensation for damages from each company (20 billion JPY / 1 USD =100 JPY).

Nippon Steel's announcement indicated that Baosteel allegedly infringed the patent in question and produced steel sheets that Toyota then purchased for the production and sales of electric vehicles. Along with the patent litigation, Nippon Steel filed a preliminary injunction for the production and sales of Toyota's electric vehicles in which the electromagnetic sheets have been used.

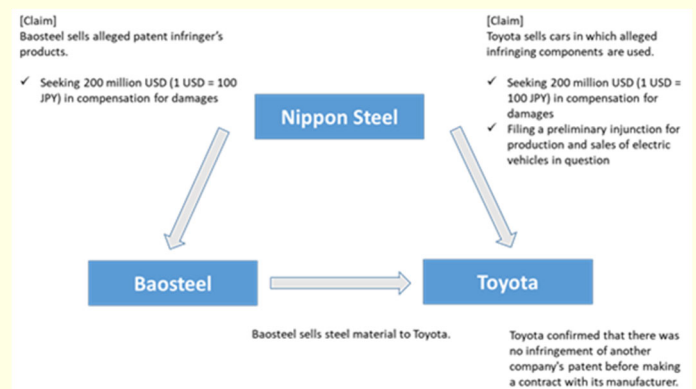
Meanwhile, Toyota stated that they always request confirmation that there is no patent infringement before a contract is made with a materials manufacturer. They also stated that they received a written statement from Baosteel (a manufacturer of the steel sheets) to that effect.

In addition, Toyota has argued that the patent infringement indicated by Nippon Steel regarding the composition of the steel is a matter that should be discussed between themselves and Baosteel, not Toyota, who is a user of the steel sheets.

This is the first court case filed by Nippon Steel against an automaker which also happens to be one of its clients, claiming the alleged patent infringement by the client. Such a patent litigation dispute between major companies with close business ties is unprecedented in Japanese IP practice.

Electromagnetic steel sheets are steel products used for iron-based cores of rotating machines, such as motors, which enable an increase in motor speed efficiently while reducing wasted energy. Among electromagnetic steel sheets are non-oriented electromagnetic steel sheets, which are high value-added steel sheets with crystal orientation controlled as randomly as possible within the plane of the steel sheet to prevent magnetic properties from occurring disproportionately in a certain orientation. Non-oriented electromagnetic steel sheets are widely used for iron-based cores of motor rotation machines in electric and hybrid vehicles.

Amidst automakers continuing to speed up electric vehicle development for the sake of the environment, Nippon Steel considers these non-oriented electromagnetic steel sheets to be materials that will contribute to a zero-emission society and will serve as the company's bread and butter in the next generation. Nippon Steel said that they took decisive legal action due to the fact that they can no longer ignore the patent infringement of their indispensable technology which is key to realizing a carbon neutral society.



Patent Infringement Litigation Case - Court Approved Compensation for Damages Calculated based on Sales of Product with Allegedly Infringing Component

Plaintiff (Patentee): Nichia Corporation

Defendant: TVS REGZA Corporation (formerly Toshiba Visual Solutions Corporation)

Subject Patents:

Patent 1: Light Emitting Device and Display Device (Japanese Patent Number: 5177317)

Patent 2: Light-Emitting Device, Resin Package, Resin Mold and Manufacturing Methods Thereof (Japanese Patent Number: 6056934)

Patent 3: Light-Emitting Device, Resin Package, Resin Molding and Method for Manufacturing Them (Japanese Patent Number: 5825390)

Court Case Number: 2020(ne)-10025

Judgment Date at the Supreme Court of Japan: November 18, 2020

In the patent infringement litigation in question, the plaintiff sought compensation for damages from the defendant, claiming that the components used in the defendant's LCD-TV products allegedly infringe the plaintiff's patented invention regarding light emitting diodes (LEDs). The Supreme Court eventually decided to not accept the defendant's request to a final appeal against the decision of the second instance. This Supreme Court decision affirmed the decision of the second instance by the Intellectual Property High Court (IPHC) that ordered the defendant to pay 1.32 million USD (132 million JPY: 1 USD = 100 JPY) in compensation for damages.

According to the judgment, the sales of about 730,000 units of the defendant's accused products amounted to approximately 249 million USD (approx. 24.9 billion JPY). In the first instance, the Tokyo District Court judged that the amount of compensation is to be the amount that is equivalent to the royalties, which should be calculated based on the amount of sales of LEDs used for the defendant's accused products. As a result, the Tokyo District Court ordered the defendant to pay approximately 179,500 USD (approx. 17.95 million JPY) on the basis of the calculation where 20 to 30 JPY for each LCD-TV was considered to be reasonable as the aforementioned amount equivalent to the royalties.

On the other hand, the plaintiff filed an appeal against the decision of the first instance, claiming that the calculation should be based upon not the amount of sales of LEDs but the amount of sales of the accused final products (LCD-TVs) equipped with the LEDs, due to the significant contribution the patented LEDs have made to the accused final products.

In November 2020, the IPHC approved the plaintiff's claim and determined the amount of compensation of 1.32

million USD (approx. 132 million JPY), calculated based on the amount of sales of the accused final products (LCD-TVs). This IPHC decision implies that, in a patent infringement litigation, even if a patent right exists only on a component, the amount of damages may be calculated based on the amount of sales of the final product equipped with the patented component.

This IPHC decision was handed down on the following grounds:

- Japanese Patent Law, Article 102, Paragraph 3 stipulates that a patentee could seek compensation for damages which are "equivalent to royalties" received by an infringer. In accordance with the calculation for compensation for damages prescribed in Article 102, Paragraph 3, in principle, the amount of sales of infringing products should be a basis for the calculation and a royalty rate should be multiplied thereto.
- In determining the royalty rate, the degree of contribution of the patented invention should be taken into account in relation to the amount of sales of the allegedly infringing products. In this patent infringement case, LEDs were key components of the accused products (LCD-TVs), and the IPHC found that the technical contribution of the plaintiff's Patents 1 to 3 was fairly significant.

ONO Pharmaceutical and Dr. Tasuku Honjo Reach Settlement over Patent Royalty Fee for Cancer-Treatment Drug

Litigation raised by Dr. Honjo against Ono Pharmaceutical Co., Ltd. which manufactures and sells "Opdivo", a cancer-treating drug, ended in a settlement at the Osaka District Court. Honjo claimed dividends of the royalty fee for Opdivo of which he was involved in the development. Honjo is a 2018 Nobel laureate in Physiology or Medicine and a Deputy Director-General and distinguished Professor of Kyoto University. To resolve the litigation, Ono will pay Honjo 5 billion JPY (44 million USD) as a settlement fee and will donate 23 billion JPY (200 million USD) to Kyoto University.

In June 2020, Honjo lodged the litigation against Ono at the Osaka District Court, alleging that the dividends to Honjo for a royalty payment, which was agreed upon during a patent infringement case between Ono and U.S. Merck, were disproportionately low. He claimed 26.2 billion JPY (229 million USD) as an additional dividend to Ono. While the main issue of the litigation was the reasonableness of the dividend rate, both parties did not wish to meet halfway during negotiations and remained in a head-on conflict. Nevertheless, following the repeated recommendations of settlement by the Court, the two parties consulted with each other and finally reached a settlement.

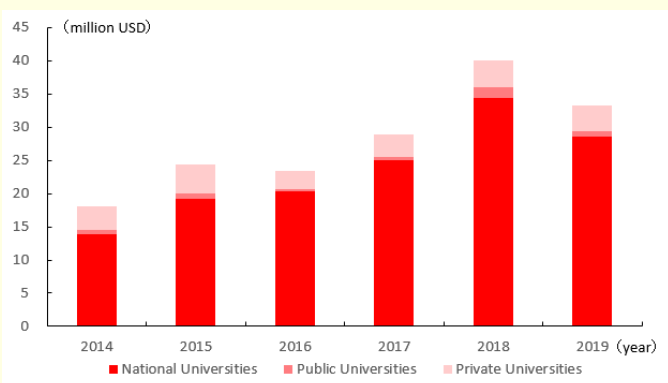
Background of the litigation

Although Ono and Honjo made an agreement in 2006 in which Ono would pay Honjo 1% of the royalty payments received from a third party, both sides were in conflict over the dividends thereafter. In 2014, Ono suggested that they would allow 40% of the settlement fee to be paid to Honjo for the infringement case between Merck and Ono, provided that Honjo cooperate with Ono in the case. The negotiation subsequently broke down. In 2017, together with Bristol Myers Squibb, Ono reached a settlement with Merck in an infringement case over a cancer immunotherapeutic, “Keytruda”, which is a drug similar to Opdivo, on condition that Merck pay 625 million USD and royalties based on the net global sales of Keytruda (the allotment to Ono was 25% of the payment). The main issue of the infringement case was who discovered the PD-1 protein which is a premised substance of Opdivo. Honjo was involved in the invention and discovery of the substance and thus insisted that all his efforts and cooperation contributed to Ono winning this settlement fee. However, the amount which Honjo received from Ono was only 1% of the settlement fee. This ratio was based on the agreement made in 2006.

Conclusion

With this settlement, the “ONO Pharmaceutical and Dr. Honjo Honorary Research Fund” was established at Kyoto University with the aim of enhancing the education of junior researchers. The fund will be used for employment of researchers and research expenses.

On a separate note, the following chart shows the patent royalty income of universities in Japan. It shows that the combined amount of yearly income of all universities in Japan has barely reached 4 billion JPY (35 million USD) in recent years. Although the settlement fees and funds in this litigation paid by Ono will not be added to the royalty income of Kyoto University, it should be noted that the amount paid to Honjo is well above the current income earned by universities.



Only patent rights (including rights to receive) are covered, and income from licensing and transfers is included.

Source: Japanese Patent Office Annual Report 2021

Pfizer Concludes License Agreement with the Medicines Patent Pool (MPP) for COVID-19 Therapeutic Medicines

Pfizer, a US-based pharmaceutical giant, announced that it has signed a license agreement with the MPP for Paxlovid, an oral antiviral medicine for COVID-19. The MPP is a public health organization in Kenilworth, New Jersey, and is supported by the United Nations and governments including Japan. Patented medicines licensed to the MPP can be produced in generic form without the need to wait for the expiry of the patent. The MPP has a track record of distributing anti-HIV drugs in the past. They offer low- and middle-income countries not only negotiations and licensing agreements, but also technical guidance on manufacturing know-how, etc., which cannot be easily understood from only the description of a patent. The agreement allows pharmaceutical manufacturers in various countries to manufacture Paxlovid without paying patent fees, and thus facilitates the low-cost purchase of Paxlovid in 95 countries which are home to 53% of the world's population. Another U.S. pharmaceutical giant, Merck, has also signed a licensing agreement with the MPP for Molnupiravir, a new oral antiviral medicine for COVID-19.

The "Medicines Patent Pool" is a system that grants third parties access to patents held by drug manufacturers at reasonable prices and allows them to produce and/or improve the patented drugs. A “patent pool” is a system originally designed to facilitate standardization of a certain technology. However, the MPP manages patent rights held by multiple patent holders in the field of pharmaceuticals, and allows generic pharmaceutical manufacturers to receive the licenses necessary to produce generic versions of medicines, while the patent holders receive their royalties from the MPP.

Since the research and development of medicines requires extensive budgets and time, pharmaceutical companies that hold patent rights are granted exclusive rights to manufacture and sell their products during the term up until the patents expire (generally 20 years from the filing date). Taking the extensive budgets and time into consideration, this type of protection by patent rights cannot be ignored. On the other hand, if only the protection by patent rights is seen as being important, it is likely that medicines cannot be supplied at reasonable prices. As countermeasures to the above circumstances, several solutions, such as a compulsory licensing system and liberalization of generic medicine sales, have been offered. If a compulsory license is enforced, the technology can be used without permission of the patentee. As for vaccines, there were discussions on the issue of compulsory licenses, but this did not move forward because vaccine production cannot be solved only by the issuance of rights; it also requires advanced production technologies.

In order to ensure the supply of vaccines to low-income countries in the future, many issues still need to be addressed, such as those related to the mass production and supply system of medicines, as well as patent rights. On January 20, 2022, the MPP issued a news release titled “27 generic manufacturers sign agreements with MPP to produce low-cost versions of COVID-19 antiviral medication molnupiravir for supply in 105 low- and-middle-income countries”. The MPP noted in this news release that the sublicense agreements are the outcome of the voluntary licensing agreement between the MPP and MSD (a trade name of Merck & Co., Inc.) to expedite affordable global access for molnupiravir.

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