



# WINDS FROM JAPAN

The Licensing Executives Society Japan

## *Intellectual Property Battle Between a Japanese Small-Sized Company and Apple*

By **Hisashi Watanabe\***

### 1. Summary

Shimano Manufacturing, which had been a primary supplier of Apple, sued Apple in Japan in 2014. Shimano Manufacturing is a Tokyo-based small-sized company in Japan and manufactures mechanical parts for electronic devices. This is an exceptional case in which a primary supplier of Apple sued Apple. Accordingly, we introduce these cases, taking into account the social and economic effect on Japanese companies.

### 2. Details of the Cases

In 2006, Shimano Manufacturing started to supply pins for notebook-style personal computers to Apple.

In 2012, Apple reduced orders to Shimano Manufacturing after Shimano Manufacturing increased their production according to Apple's requests. Apple started receiving its supply from other suppliers (as argued by Shimano Manufacturing).

In 2013, Apple demanded a price reduction and a rebate of USD 1.59 million in return for an order recovery request by Shimano Manufacturing (as argued by Shimano Manufacturing).

In 2014 (August), Shimano Manufacturing filed lawsuits against Apple alleging patent infringement and an Anti-Monopoly Law violation.

Shimano Manufacturing demanded compensation of USD 95 million for the damages from Apple's conducts violating the Anti-Monopoly Law.

Shimano Manufacturing further demanded compensation of USD 8.5 million from Apple over alleged infringement of Shimano Manufacturing's patent for a precision component embedded in the joint of the power adaptor for Apple's laptops. Shimano Manufacturing also sought an injunction against the sales of the Apple laptops in Japan.

In 2015, Apple filed an invalidation trial against Shimano Manufacturing's patent.

On February 15, 2016, the Tokyo District Court rendered an interlocutory judgement in the Anti-Monopoly Law violation lawsuit, holding that a jurisdiction clause in a master development and supply agreement is invalid in which parties agreed on the exclusive jurisdiction in California where Apple is headquartered.

On March 17, 2016, the Tokyo District Court rendered a judgment holding that the accused Apple products do not infringe Shimano Manufacturing's patent.

On March 30, 2016, Shimano Manufacturing appealed the district court decision to the IP High Court.

On August 16, 2016, the JPO issued an invalidation decision against Shimano Manufacturing's patent in the invalidation trial.

On October 26, 2016, the IP High Court rendered a judgment holding that the accused Apple products do not infringe Shimano Manufacturing's patent.

### 3. Details of the Lawsuits

#### A. Anti-Monopoly Law Violation Lawsuit

##### (1) Summary

On August 1, 2014, Shimano Manufacturing filed a lawsuit in Tokyo District Court against Apple Inc., demanding compensation for damages based on refusing transactions with Shimano Manufacturing and abuse of dominant position in demanding price reductions and a rebate.

##### (2) Interlocutory Judgment of Anti-Monopoly Law Violation Lawsuit

On February 15, 2016, the Tokyo District Court found invalid a dispute resolution clause in a transaction agreement between Shimano Manufacturing and Apple Inc., specifying a Delaware court in the US as the court of exclusive jurisdiction.

Apple argued that the Tokyo District Court does not have jurisdiction over this case.

Shimano Manufacturing argued that the clause was invalid because the clause is a fruit of Apples' abuse of

its dominant position prohibited by the Anti-Monopoly Law.

The court agreed with Shimano Manufacturing and held that the relevant clause was invalid. The court's reasoning was as follows.

The rationale underlying agreements restricting jurisdiction of domestic lawsuits is to ensure predictability for the benefit of the parties and to prevent unpredictable damages to the parties.

The court found the clause at issue ("If the parties are unable to resolve the dispute within 60 days after commencing mediation, either party may commence litigation in the state or federal courts in Santa Clara County, California. The parties irrevocably submit to the exclusive jurisdiction of those courts. The term of this Section applies whether or not the dispute arises out of or relates to the master development and supply agreement") to be invalid because this provision is too broad and it does not fulfill the requirement.

Since, procedurally, it is not allowed for Apple to oppose the interlocutory judgment, the Tokyo District Court continues to handle the case.

#### B. Patent Infringement Lawsuit

##### (1) Summary

On August 6, 2014, Shimano Manufacturing filed a lawsuit in Tokyo District Court against Apple Inc. and Apple Japan LLC, requesting an injunction against notebook-type personal computers and compensation.

Shimano Manufacturing argued that the special pins used for the power supply adaptor of Apple computers infringes its patent.

Apple argued that they jointly developed the pins and Shimano Manufacturing obtained the patent without Apple's permission.

##### (2) Tokyo District Court Judgment

On February 18, 2016, the Tokyo District Court rejected Shimano Manufacturing's claim in the patent infringement lawsuit.

Although there were many issues involved, the court ruled that there was no patent infringement because Apple's products do not satisfy one feature of the patent claim. Because this issue was dispositive, the court did not rule on the other issues.

##### (3) IP High Court Judgment

On October 26, 2016, the IP High Court rejected Shimano Manufacturing's claim in the patent infringement lawsuit.

The court held that since Apple's product does not satisfy a plurality of features of the patent and the Doctrine of Equivalents is argued only for one feature of the patent, the plaintiff's argument for infringement fails.

##### 4. Next Judgment

The Anti-Monopoly law violation case, in which Shimano Manufacturing won at the interlocutory judgment stage, remains pending.

##### 5. Comments

The cases are very interesting because it shows the reality of the status of Japanese small or middle-sized parts companies under the influence of the global giant, Apple. Several articles in Japan dealing with this case praise Shimano Manufacturing for fighting with a giant company for justice. I guess that Japanese traditional tendency of having sympathy for a tragic hero will help this kind of understanding.

Regarding the patent infringement lawsuit, it is remarkable that Shimano Manufacturing had a patent and enforced it to protect its rights. However, Shimano Manufacturing lost the case, the patent was invalidated at the JPO, and it was held in the IP High Court that Apple's products do not infringe the patent.

We have to wait for the judgment in the Anti-Monopoly Law violation case related to the rebate payment. Since we only have Shimano Manufacturing's argument, it is difficult to predict the outcome at this time.

Regarding the interlocutory judgment, we can expect that the status of small or middle-sized Japanese companies relative to large foreign companies is improved, since this judgment allows them to file a lawsuit in a Japanese court with regard to disputes that fall outside of the transaction agreement, such as an unfair treatment of suppliers.

~~~~~

\* Editor / Patent Attorney, Shinjyu GIP

---

## *Use of JP Post-Grant Opposition System*

### **By Hideko Mihara\***

The JPO announced that the number of requests for Opposition exceeded 1,000 cases, or 100 cases/month, by Aug. 1<sup>st</sup>, 2016 after the System started from April 1<sup>st</sup>, 2015. Meanwhile the number of requests for an Invalidation Trial slightly declined to around 20 cases/month. The details of each number of requests are shown in Table 1<sup>(1)</sup>.

Regarding the status of trials, the JPO reports that the average trial period of Opposition is 2.4 months (5 cases were handled, and all patents were maintained). The average trial period of Invalidation is 10.5 months (234 cases were handled, among them 41 requests were admitted and 143 requests were denied).<sup>(2)</sup>

Table 1

| The Number of Requests for Trials and Appeals<br>:JPO Preliminary Statistical Data on Filing Applications and Requests (Created on November 15, 2016) |                  |              |                |                |                 |                |                   |                                  |               |                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------|----------------|----------------|-----------------|----------------|-------------------|----------------------------------|---------------|--------------------------------------|
| Patent                                                                                                                                                | 2016<br>4        | 5            | 6              | 7              | 8               | 9              | 2016<br>1-9       | 2016/4-9<br>Cum Sum of<br>FY2016 | 2015<br>1-9   | 2015/4<br>-2016/3<br>Total of FY2015 |
| Oppositions                                                                                                                                           | 118<br>(11700.0) | 121<br>(0.0) | 93<br>(9200.0) | 77<br>(1000.0) | 164<br>(2242.9) | 163<br>(352.8) | 1,031<br>(1882.7) | 736<br>(1315.4)                  | 52<br>(0.0)   | 684<br>(0.0)                         |
| Trials for Invalidation                                                                                                                               | 11<br>(▲42.1)    | 17<br>(88.9) | 12<br>(▲7.7)   | 14<br>(0.0)    | 15<br>(36.4)    | 9<br>(▲50.0)   | 115<br>(▲36.8)    | 78<br>(▲7.1)                     | 182<br>(12.3) | 166<br>(▲36.9)                       |

The percentages in the brackets ( ) indicate the increase/decrease from the previous year.

The number of Opposition requests is shown by IPC Sections in Table 2<sup>(3)</sup>. The number of requests of IPC Section C (Chemistry; Metallurgy) is the largest at 295. The JPO announced in its Notes on Proceedings that many deficiencies are often found with respect to the evidence submitted, such as Japanese translations of foreign literature is not attached, the publication date of magazine is not specified, or the distribution/issue date of the pamphlet is not specified.

Table 2

| IPC (International Patent Classification) Section              | Number of Requests |
|----------------------------------------------------------------|--------------------|
| A Human Necessities                                            | 202                |
| B Performing Operations: Transporting                          | 171                |
| C Chemistry: Metallurgy                                        | 295                |
| D Textiles: Paper                                              | 32                 |
| E Fixed Constructions                                          | 22                 |
| F Mechanical Engineering: Lighting; Heating; Weapons; Blasting | 44                 |
| G Physics                                                      | 102                |
| H Electricity                                                  | 133                |

## Remarks

- (1) JPO, "Patent Application etc. Statistical Bulletin (Nov. 15, 2016) Apr.-Sep. 2016"  
[https://www.jpo.go.jp/shiryoutoukei/pdf/syutugan\\_toukei\\_sokuho/201609\\_sokuho.pdf](https://www.jpo.go.jp/shiryoutoukei/pdf/syutugan_toukei_sokuho/201609_sokuho.pdf)
- (2) JPO "Status Report 2016"  
[https://www.jpo.go.jp/english/reference\\_room/statusreport/status2016\\_e.htm](https://www.jpo.go.jp/english/reference_room/statusreport/status2016_e.htm)
- (3) JPO, "Situation of Patent Opposition, Notes on the proceedings" (Aug., 2016)  
[https://www.jpo.go.jp/tetuzuki/sinpan/sinpan2/igimoushitate\\_ryuuiten.htm](https://www.jpo.go.jp/tetuzuki/sinpan/sinpan2/igimoushitate_ryuuiten.htm)

~~~~~

\*Editor / Patent Attorney

## *IP News from Japan*

**By Shoichi Okuyama, Ph.D.\***

### **Recent Product-by-Process Claiming Practice in Japan**

In June 2015, the Supreme Court of Japan rendered two decisions that greatly modified product-by-process claim drafting and interpretation practice (Pravastatin Sodium Case decisions, June 5, 2015, the Second Petty Bench of the Supreme Court of Japan, Case Nos. 2012(ju)1204 and 2012(ju)2658).<sup>1</sup> Japan's highest court reversed the Grand Panel of the IP High Court. The two decisions have upset current

practice and efforts toward international harmonization.

The following two points were emphasized in the opinion of the Supreme Court:

#### *Products made by a Different Process Infringe the Claim*

"[E]ven if a patent claim for a product invention recites the manufacturing process of a product, the technical scope of the patented invention should be determined to cover products

<sup>1</sup> See below for the translation of the majority opinion of the one of the decisions (excluding the supporting opinion of Justice Chiba and the occurring-in-judgement opinion of Justice Yamamoto).

that have the same structure and characteristics, etc., as those of the product made in accordance with the manufacturing process.”

#### *Product-by-Process Claims When Only Way to Define a Product*

“[W]hen patent claims concerning a product invention recite the manufacturing process of a product, such claims would satisfy the requirement [that] ‘the invention be clear’ according to Article 36(6)(ii), Patent Act, only if circumstances exist under which it is impossible or utterly impractical to directly identify the structure or characteristics of the product at the time of filing.”

The two cases were remanded to the IP High Court, but subsequently, the patentee withdrew the lawsuits. No further court decisions are expected in these cases.

As a result of these Supreme Court decisions, examiners at the Japan Patent Office now have to determine if they find a product-by-process limitation in a claim, that it was impossible or impractical to define the invention without using the product-by-process limitations, possibly by showing external evidence or statements from applicants. Nevertheless, the question of “impossibility or impracticality” is likely to arise again during patent infringement litigation.

In the aftermath of these Supreme Court decisions, the JPO published a revised version of its Examination Handbook on March 30, 2016, in an attempt to minimize negative effects of the decision after an interim announcement on July 6, 2015, and the revisions of its Examination Guidelines and Handbook dated September 16 and November 25, 2015, and January 27, 2016. This most recently revised version supersedes earlier statements and revisions made by the JPO.

First, in the revised Handbook (Part II, Chapter 2), it is clarified that process expressions such as "inserted," "hardened" or "coated" do not necessarily render a claim unclear in view of the Supreme Court decisions if the expression is considered to be merely another way to express the structure or characteristics of a claimed

element. Second, if the applicant can fairly argue in a response to an office action that it was very impractical and costly, as of the filing date, to measure and recite the structure of what is claimed, such as "an oxide semiconductor film formed on a substrate by sputtering with a metal oxide target on the surface of the substrate at a temperature of x to y degrees Celsius", the claim may be allowable.

The revised Examination Handbook contains several examples of potentially successful arguments. An English translation of the revised Examination Handbook is available at: <https://goo.gl/drmtJV> or [https://www.jpo.go.jp/tetuzuki\\_e/t\\_tokkyo\\_e/handbook\\_sinsa\\_e.htm](https://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/handbook_sinsa_e.htm)

Also, the JPO has allowed the conversion of patented product-by-process claims to corresponding method-of-production claims through Trial for Correction in several cases.<sup>2</sup> While it is generally not allowed to change the category of patented claims, for product-by-process claims which the Supreme Court recognized as being unclear under Article 36(6)(ii) of the Patent Act, the JPO applied Article 126(1)(iii) of the Patent Act, which allows clarification of unclear statements even after patent grant, and permitted category change from product to method. Thus, it may be possible to resolve problems created by the Supreme Court decisions through trial for correction proceedings at the JPO before, or even during, infringement proceedings before a court.

Furthermore, a JPO official recently noted that although 15 % of office actions had product-by-process issues immediately after the Supreme Court decisions, the figure has now settled down to 2-3 %, and this is mostly in the fields of chemistry and biotechnology.

Largely through the efforts of the JPO, uncertainty in product-by-process claim practice in Japan has been greatly reduced.

<sup>2</sup> See published decisions in Trial for Correction Case Nos. 2016-390005 (dated March 15, 2016) and 2016-390085, and Opposition Case Nos. 2015-700105 and 2016-700161.

## New Patent Classification Created for the Internet of Things

In November 2016, the Japan Patent Office announced that it had created a special class for Internet of Things (IoT) technology and started to use the class for patent applications. Because the IoT encompasses many different fields of technology, it may be difficult to find relevant patent applications related to IoT. This additional classification should help solve the problem.

Also, the JPO announced twelve additional examples concerning the patentability of IoT-related inventions in September 2016. The new examples should help examiners and applicants evaluate the patentability of IoT-related inventions. They are now incorporated into the Examination Handbook published by the JPO. An English translation of these examples is available at:

[https://www.jpo.go.jp/tetuzuki\\_e/t\\_tokkyo\\_e/files\\_handbook\\_sinsa\\_e/app\\_z\\_e.pdf](https://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/files_handbook_sinsa_e/app_z_e.pdf)

## Six Shops in Osaka Busted for Trademark Infringement

Police raided six retailers in Osaka that were selling parody T-shirts, and arrested thirteen shopkeepers for trademark infringement. The T-shirts had printing that clearly mimics logo marks of famous brands such as Nike and Adidas for amusement. Parody T-shirts are popular mostly among the young. While it is rather clear that in

terms of ordinary trademark infringement, such printings of parody T-shirts and the original logos of famous brands are distinguishable, the police apparently considered they infringe trademark rights of the brands. Since “brand tarnishing” is not well-established for trademark dilution in Japan, although a small number of court decisions mention it, the actions taken by the police will stimulate discussion in legal circles.

Examples of T-shirts in question



~~~~~

\* Editor / Patent Attorney, Okuyama & Sasajima

## Editors' Note

This issue includes articles relating to “Intellectual Property Battle between a Japanese small-sized company and Apple”; “Use of JP Post-Grant Opposition System” and “IP News from Japan.”

Thank you for your support of “*Winds from Japan.*” This newsletter will continue to provide you with useful information on activities at LES Japan and up-to-date information on IP and licensing activities in Japan.

If you would like to refer to any back issues of our newsletters, you can access them via the following URL: <http://www.lesj.org>

(MK)

## WINDS from Japan Editorial Board Members, 2016

Editor in Chief:

**Mitsuo Kariya**

Editors:

**Jinzo Fujino; Shoichi Okuyama;  
Kazuaki Okimoto; Junichi Yamazaki;  
Kei Konishi; Robert Hollingshead;  
Naoki Yoshida; Takao Yagi;  
Hideko Mihara; Yasuo Fujii;  
Yoko Natsume; Hisashi Watanabe.**