Issue #63, August 2018

WINDS FROM JAPAN

The Licensing Executives Society Japan

Grand Panel Decision of IP High Court

#1: Legal Interest for Litigating Decision on Patent Rights after Expiration of Patent

#2: Inventive Step over General Formula Having Enormous Number of Alternatives

By Yasuo Fujii, Ph.D.*

1. Summary

In Japan, the Intellectual Property High Court (IP High Court) has exclusive jurisdiction over an action against a decision by the Japan Patent Office (JPO) on a trial before the JPO such as a trial for invalidating a patent (invalidation trial).

The IP High Court decision introduced here was handed down in a case that litigated against a JPO decision dismissing a request for an invalidation trial, thereby upholding the validity of the patent in question. The litigation sought rescission of the JPO decision. Judgement was rendered by a grand panel of the IP High Court on April 13, 2018.

The patent in question is directed to a chemical compound for a drug manufactured by the patent owner. The term of the patent expired during the litigation against the JPO decision dismissing the invalidation trial request. The issues before the grand panel were: [1] legal interest for the litigation; and [2] whether the patent involved inventive step.

As for Issue 1, the grand panel held that, barring special circumstances, legal interest for litigation against the JPO decision dismissing the invalidation trial request would not be lost even after the expiration of the patent right.

As for Issue 2, the grand panel held that a specific technical concept cannot be derived from a cited document that merely discloses a general formula having an enormous number of alternatives, unless there is some condition whereby a technical concept entailing a specified one of the alternatives would be positively or preferentially selected.

2. Details

(a) Issue 1: Legal Interest for Litigation

Since the patent right expired due to lapse of the patent term on May 28, 2017 during the litigation against the JPO decision dismissing the invalidation trial request, the defendant (patent owner) asserted that legal interest for litigation by the plaintiff had already been diminished, and that the litigation should be dismissed.

However, the grand panel concluded that legal interest for litigation had not yet been lost. Firstly, the grand panel referred to Article 123, paragraph (2) of the Patent Act as of the date of the filing of the request for an invalidation trial (the Patent Act prior to its amendment in 2014), which provides that "a trial for invalidation of a patent may be demanded by anyone," and to Article 123, paragraph (3) which provides that “a trial for invalidation of a patent may be demanded even after the expiration of the term of the patent.” Then the grand panel stated that “even if the term of the patent has expired, legal interest to make a request for an invalidation trial, and thus legal interest for litigation to rescind a trial decision that dismissed a request for an invalidation trial obviously would not be diminished.” Consequently, the grand panel concluded that legal interest for litigation against a trial decision that dismissed a request for an invalidation trial would not be lost even after expiration of the patent right, in the absence of some special circumstance whereby there would be no possibility for anyone to be subjected to a claim for damages or unjust enrichment, or subjected to the imposition of criminal penalties.

In addition, the grand panel also referred to Article 123, paragraph (2) of the Patent Act after its amendment in 2014, which provides that “a request for a trial for invalidation of a patent may be filed only by an interested person.” Then the grand panel stated that in order to establish the fact that legal interest for litigation against a trial decision dismissing an invalidation trial request has been diminished after the expiration of patent right, it is necessary to find some special circumstance whereby

there is no possibility for the plaintiff to be subjected to a claim for damages or unjust enrichment, or be subjected to the imposition of criminal penalties.

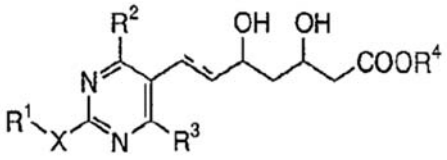
(b) Issue 2: Inventive Step

Defendant (SHIONOGI & CO., Ltd.) is the owner of the patent No. 2648897. Claim 1 of the patent after correction in the invalidation trial is as follows.

Claim 1

A compound, or a ring-closed lactone of the compound, represented by the following formula (I):

Formula 1



where

R^1 is a lower alkyl;

R^2 is a phenyl substituted with halogen;

R^3 is a lower alkyl;

R^4 is hydrogen or a calcium ion forming a hemicalcium salt;

X is an imino group substituted with an alkylsulfonyl group; and

the dashed line represents the presence or absence of a double bond.

The compound of claim 1 covers the active ingredient “rosuvastatin calcium” in the drug named “Crestor®.” The invention of claim 1 (Patent Invention) relates to a 3-hydroxy-3-methylglutaryl coenzyme A (HMGCoA) reductase inhibitor effective for the treatment of hypercholesteremia and hyperlipoproteinemia, and furthermore atherosclerosis, by specifically inhibiting HMGCoA reductase, a rate-limiting enzyme of cholesterol biosynthesis, to suppress the synthesis of cholesterols.

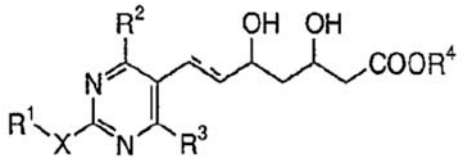
Cited Document 1 discloses an invention (D1 Invention) which relates to a competitive inhibitor of HMG-CoA, and relates to an agent for treating hypolipoproteinemic and antiatherosclerotic agents that decrease blood-cholesterol level.

Therein, there was no dispute between the parties as to the fact that Patent Invention and D1 Invention have the following “Common Features” in common.

Common Features

"A compound, or a ring-closed lactone of the compound, represented by the following formula (I):

Formula 1



;

where

R1 is a lower alkyl;

R2 is a phenyl substituted with a halogen;

R3 is a lower alkyl;

the dashed line represents the presence or absence of a double bond.”

Furthermore, there was no dispute between the parties as to the fact that Patent Invention and D1 Invention differ in the following “Differences.”

Differences

(1-i)

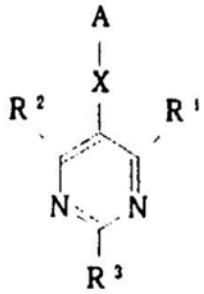
In Patent Invention, X is an imino group substituted with an alkylsulfonyl group, whereas in D1 Invention it is an imino group substituted with a methyl group.

(1-ii)

In Patent Invention, R^4 is hydrogen or a calcium ion forming a hemicalcium salt, whereas in D1 Invention it is a sodium ion forming a sodium salt.

Cited Document 2 discloses a substituted pyrimidine of the following general formula (I).

General Formula I



(I)

Plaintiff argued that Patent Invention would have been easily conceivable by combining D1 Invention with the invention of Document 2 (D2 Invention), specifically by replacing one of two methyl groups ($-CH_3$) of the dimethylamino group ($-N(CH_3)_2$) at the 2-position in the pyrimidine ring of D1 Invention compound with an alkylsulfonyl group ($-SO_2R'$(R' is an alkyl group)) of D2 Invention i.e., a "dimethylamino group" at the 2-position in the pyrimidine ring of the D1 Invention compound with "$-N(CH_3)$ (SO_2R').”

However, the grand panel concluded that Patent Invention would not have been easily conceivable by a person ordinarily skilled in the art by combining D1 Invention and D2 Invention.

That is, while Document 2 discloses the compound as an HMG-CoA reductase inhibitor, which covers D1 Invention, and may also disclose the specific substituent regarding the Difference (1-i) as a "particularly preferable compound," there are enormous number of alternatives for the "particularly preferable compound" of Document 2, with the number being at least 20 million. Thus, the specific substituent regarding the Difference (1-i) is one alternative among 20 million or more, where the plaintiff did not specifically argue this point.

In addition, while Document 2 further discloses a "particularly and exceeding preferable compound," the specific substituent regarding the Difference (1-i) is not disclosed as the "particularly and exceeding preferable compound."

Furthermore, while Document 2 discloses "Working Examples," the specific substituent regarding the Difference (1-i) is not employed in the Working Examples.

Thus, the grand panel asserted that it is impossible for a person ordinarily skilled in the art to find from Document 2 any circumstances whereby the specific substituent regarding the Difference (1-i) would be positively or preferentially selected and that Document 2 does not disclose the specific substituent regarding the Difference (1-i).

3. Comments

(a) Issue 1: Legal Interest for Litigation

Under the current Patent Act, legal interest for litigation against a trial decision dismissing a request for an invalidation trial would not be lost in principle, even after expiration of a patent.

If a party wishes to assert that a plaintiff's legal interest for litigation has been lost, that party should prove the existence of some special circumstance whereby there is no possibility for the plaintiff to be subjected to a claim for damages or unjust enrichment, or be subjected to the imposition of criminal penalties.

(b) Issue 2: Inventive Step

The grand panel held that if a compound is disclosed in the form of a general formula in a cited document and the general formula has an enormous number of alternatives, a person ordinarily skilled in the art would fail to derive a specific technical concept according to a specified alternative from the description of the document, in the absence of circumstances whereby the specific technical concept according to the specified alternative would be positively or preferentially selected.

Thus, in a case where a document disclosing a compound in the form of a general formula is cited during the patent examination in Japan, it may be effective to make an attempt to argue that the general formula has an enormous number of alternatives and that there is no circumstance whereby a specific technical concept employing a specified alternative would be positively or preferentially selected.

(c) Rotation of Presiding Judge of IP High Court

Presiding Judge Misao Shimizu retired soon after rendering this grand panel decision, even as this was the first grand panel case in his term as presiding judge. Subsequently, Judge Makiko Takabe became the new presiding judge of the IP High Court on May 5, 2018. Cases decided by the IP High Court in her new term should be a continued focus of attention.

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JPO issues the 'SEP' Licensing Guide

By Jinzo Fujino *

The Japan Patent Office (JPO) announced the final draft of the GUIDE TO LICENSING NEGOTIATIONS INVOLVING STANDARD ESSENTIAL PATENTS on June 5, 2018. The guide summarizes issues in general terms concerning licensing negotiations which reflect the recent development of court decisions and competition policies all over the world. The guide explains what would be regarded as good faith negotiations in the context of SEP licensing. In view of uncertain legal environments around SEP licensing negotiations, the JPO plans to review and revise it to make it open and updated. The English text of this guide is available from the JPO website at:
http://www.meti.go.jp/press/2018/06/20180605003/20180605003-2.pdf.

In late 2017, the JPO publicly called for proposals of the draft guide and received around 50 proposals. A draft guide was prepared based on them while seeking views from experts on the issues. The draft guide was released in last March in both Japanese and English and the JPO called for public comments on the draft. Reflecting the public comments which were sent from not only from Japan but other parts of the world, the final draft was publicly released on June 5, 2018 in two languages.

In Japan, there is the IP licensing guideline published by the Japan Fair Trade Commission (JFTC) so called "The Guidelines for the Use of Intellectual Property under the Antimonopoly Act." (English text is available from the JFTC website at:
https://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/IPGL_Frand.pdf.) When the JFTC guideline was partly revised in 2016, there were requests from the IP arena for the inclusion of provisions on SEP licensing on FRAND terms. In view of public comments collected, the JFTC guideline added two paragraphs: Part 3 (viewpoints from private monopolization and unreasonable restraint of trade) and Part 4 (viewpoints from unfair trade practices.) For details on these additions, refer to the WINDS from Japan, No. 56
(https://lesj.org/en/image/04wind/winds_pdf/Winds56.pdf).

With this background in mind, readers may be inquisitive about the intent of the JPO to publish the licensing guide. To answer this inquiry, the JPO notes in the postscript of the guide: "Why has the Japan Patent Office engaged with the issue of SEP licensing negotiations? A year ago, it was proposed that the JPO look into the introduction of an administrative adjudication system to determine SEP licensing terms. We concluded that a system based on implementer petitions would upset the balance between rights holders and implementers. We were also concerned that introducing such a system would send the wrong message at home and abroad that JPO is dismissive of rights holders' concerns."

Thus, the JPO's ambition has gone, but a new project has started. The JPO officially starts the service of providing technical analysis of essentiality of SEP upon request from standard-implementers on April 1, 2018. When a party files the essentiality examination with the JPO, the SEP holder shall be given a chance to file its answer. The panel of appeal examiners shall determine whether the declared SEP at issue is in fact essential to the declared standard. When the panel concludes that the allegedly standard-implementing product reads on the claim of the SEP at issue, the conclusion shall be regarded as an affirmation of essentiality. It can be understood that the new essentiality determination system and the guide are two sides of the same coin.

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*Editor / Office of Fujino IP Management
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IP News from Japan

By Shoichi Okuyama, Ph.D.*

New international IP arbitration center to open in September

In March 2018, the Commissioner of the Japan Patent Office (JPO) announced that a new international arbitration center for intellectual property disputes would be soon created in Tokyo. This new center will be tentatively called the International Arbitration Center in Tokyo or "IACT". Professor Katsuya Tamai of the University of Tokyo will be the chief director. The center is now in preparation and will open in September 2018 with an international list of experienced arbitrators including Mr. Randall Radar, former chief judge of the Federal Circuit.

Business-related inventions in Japan

The Japan Patent Office (JPO) recently published an update on "business-related inventions" which, according to the JPO, materialize business methods using information and communication technologies. Even if an inventor has a remarkable idea relating to sales or production management, such an idea alone is not patent eligible in Japan. However, if the idea is practiced using computers or other hardware resources and is claimed as such, it may be patentable. In the statistics below, patent applications that have been assigned to the IPC class G06Q (since January 2006) or G06F17/60 (up to December 2005) are counted.

In Fig.1, the sharp increase in 2000 was triggered by the 1998 U.S. Federal Circuit decision in the *State Street Bank* case and the ensuing media hype. As we can see from Fig. 2, the allowance rates for such applications filed around 2000 were low at less than ten percent. As the JPO updated examination guidelines on software-related inventions and improved examination practice, standards emerged among examiners and applicants, and we now have a fairly high allowance rate of nearly 70%.

Fig. 1 Number of "business-related" applications filed annually

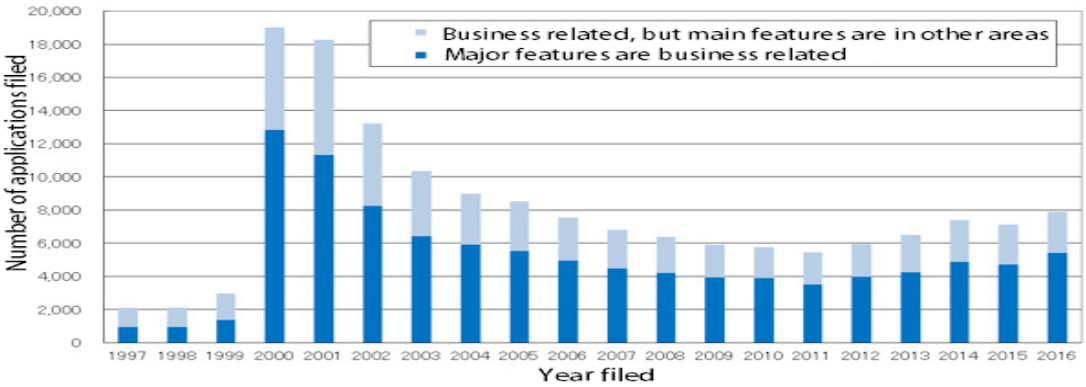
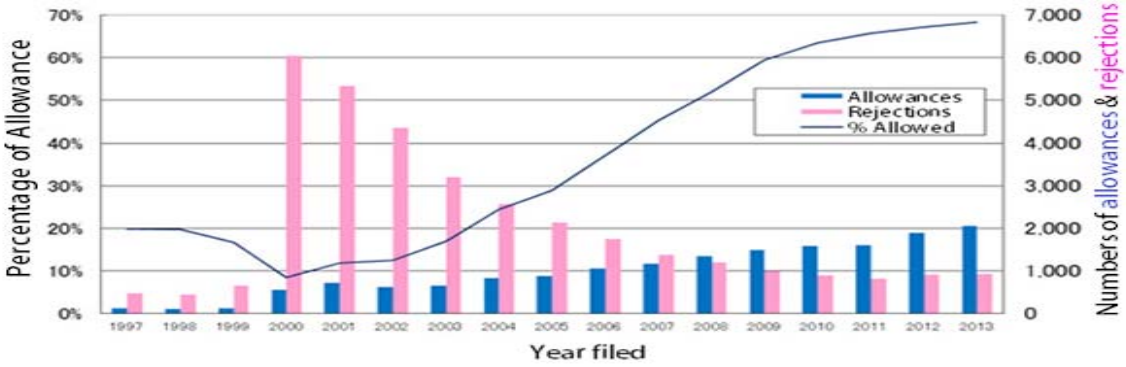


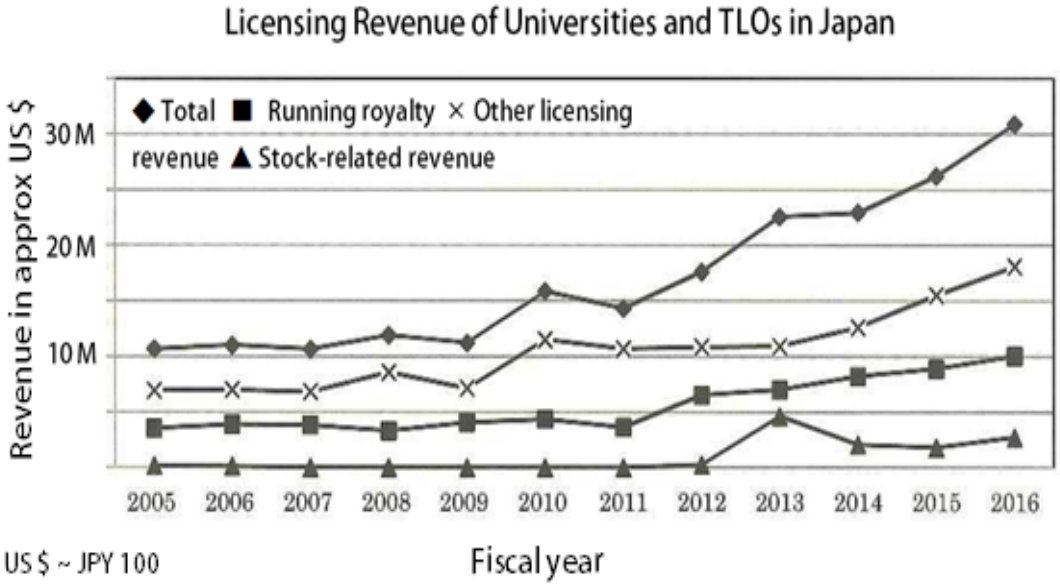
Fig. 2 % Allowance, and numbers of allowances and rejections



The rate of allowance is defined as the number of allowed applications divided by the total number of allowed cases, applications rejected in the first office action, and applications abandoned or withdrawn after the first office action.

Licensing revenues hit US$30 million

According to a survey published in May 2018 by the University Network for Innovation and Technology Transfer (UNITT), the Japanese counterpart of AUTM in the U.S., the licensing revenues of Japanese universities and technology licensing organizations hit US$30 million in FY 2016, which ended in March 2017. This is much smaller than the comparable figure in the U.S. of about US$2.5 billion or about US$ 300 million in the U.K., but it is increasing. Public research organizations also earned about US$15 million in licensing revenues in FY 2016.



Statistics of the revived opposition system

With the then-mounting backlog of unexamined patent applications, the once-popular opposition system was abolished in 2004 to make better use of the examining corps, and invalidation proceedings before the JPO were made easier. However, the number of invalidation petitions never increased.

With the increasing speed of substantive examination at the JPO and early or expedited examination often resulting in grant even before the 18-month publication, it became necessary to again have public review of granted patents. In April 2015, the opposition system was revived in much the same form as it existed more than a decade ago.

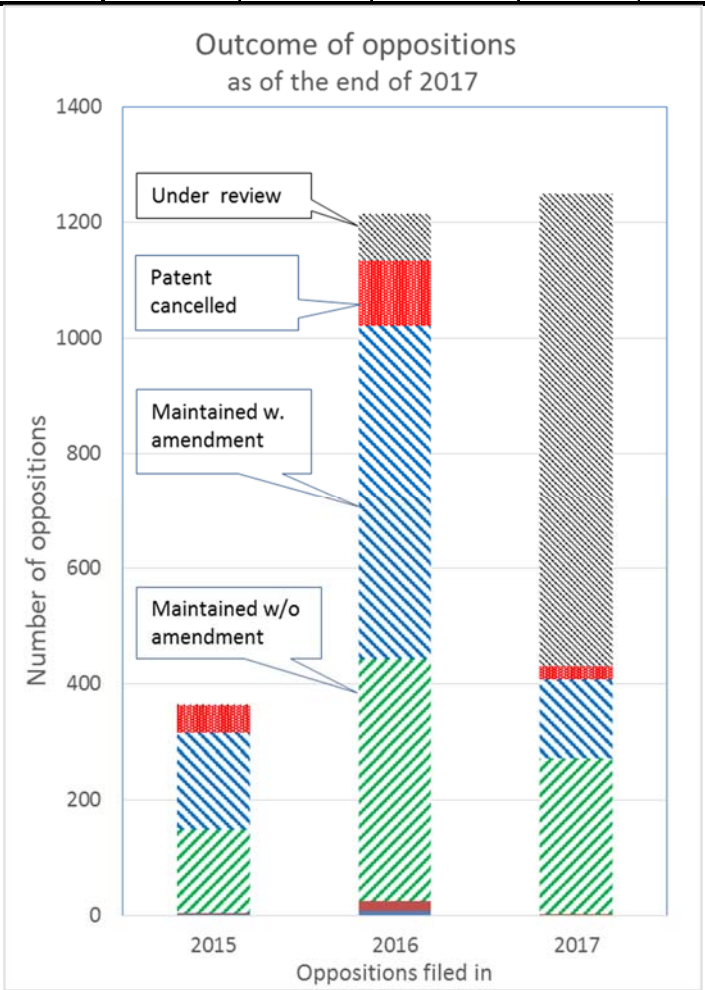
Currently, about 1,200 oppositions are filed per year, which is far fewer than the approximately 3,500 cases filed annually under the old opposition system.

If we look at opposition outcomes, the low probability of success is most notable. Only 9.5% of

opposed patents have been revoked. This compares with 37% being revoked during the final year of the old opposition system. According to recent JPO statistics, about 45% of opposed patents are maintained without amendment, and about 46% with amendment.

Statistics for Revived Opposition System as of the end of 2017

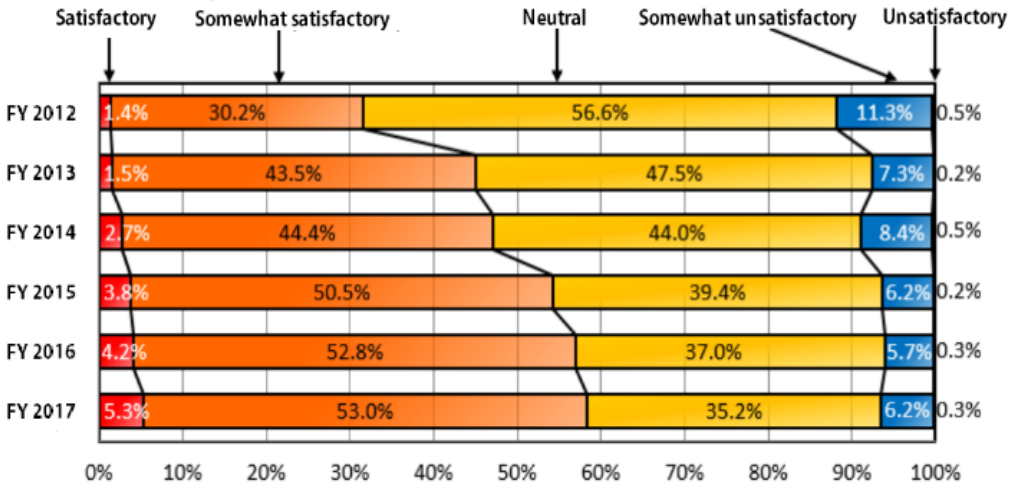
Year filed	Oppositions filed	Withdrawn	Not admitted	Maintained		Patent cancelled	Under review
				w/o amend	amended		
2015	364	2	2	145	167	46	2
2016	1214	7	19	417	578	114	79
2017	1250	0	2	271	134	23	820
Total	2828	9	23	833	879	183	901



JPO customer survey

Last year, the JPO conducted another survey of customer satisfaction regarding the quality of examination for domestic applications and international search for PCT applications and published a 72-page report in February 2018. The results of the survey were analyzed for a number of aspects, including consistency of examination in general, determination of inventive step, and thoroughness of prior art searches. The survey covered 681 attorneys and applicants, including 59 non-Japanese applicants.

The graph below shows improving customer satisfaction in quality of substantive examination for domestic patent applications.



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LES Japan 41st Annual Summer Conference 2018 in Sapporo

By Mitsuo Kariya*

The LES Japan 41st Annual Summer Conference 2018 was held on 6th and 7th of July 2018 in Sapporo city, Hokkaido prefecture, which is located in the northern part of Japan. Hokkaido has a relatively short history in Japan and the 150th anniversary of naming is cerebrated this year. Sapporo is known as the city which hosted the Winter Olympics in 1972 and became one of the popular winter resorts in east Asia. The meeting venue was the Sapporo Prince Hotel located in the center of Sapporo city.

The Conference started with an introductory speech by Mr. Tsuyosi Dai (photo 1), Chair of the Organizing Committee; a speech by Mr. François Painchaud (photo 2), President of LES International; and opening remarks by Mr. Makoto Ogino (photo 3), President of LES Japan. Mr. Dai introduced the theme of the conference, "Open up a Frontier of Knowledge." Mr. Painchaud discussed the importance of networking among LES national societies and LES International. Mr. Ogino announced the opening of a meeting and discussed his expectation on the conference.

photo 1
Introductory Speech by Mr. Dai

photo 2
Speech by Mr. Painchaud

photo 3
Opening Remarks by Mr. Ogino

The first program of the conference was a keynote speech, "Useful Reaction of Organic Compound Synthesis" by Dr. Akira Suzuki (photo 4), University Professor and Professor Emeritus, Hokkaido University, a 2010 Nobel prize laureate in chemistry.

Dr. Suzuki discussed how he started studying organic chemistry and how he found the subject of research. He lectured about "Suzuki Coupling Reaction" which obtains various useful organic compounds in an efficient way. He also talked about his experiences during the Nobel prize winning. It was a great opportunity for the attendees to directly listen to the Nobel prize laureate and a significant learning opportunity for driving innovations as IP practitioners.

photo 4
Speech by Dr. Suzuki

The second program was a guest speech, “Sweet Treat creating Happiness” by Mr. Hajime Ishimizu (photo 5), President and CEO, Ishiya Co., Ltd. and Ishiya Shoji Co., Ltd., a confectionary company producing “Shiroi Koibito” which is widely known as a souvenir from Hokkaido. Mr. Ishimizu discussed his branding and marketing strategy which led to a successful business.

photo 5
Speech by Mr. Ishimizu

The banquet started with a congratulatory speech by Ms. Harumi Takahashi (photo 6), Governor of Hokkaido; a speech by Mr. Makoto Jozuka (photo 7), President Judge, Sapporo District Court; and a toast to a drink by Mr. Makoto Nakajima (photo 8), Vice Chairman, Senior Executive Managing Director, Hatsumei Kyokai.

photo 6
Speech by Ms. Takahashi

photo 7
Speech by Mr. Jozuka

photo 8
A Toast by Mr. Nakajima

All participants enjoyed precious moments for chatting and networking with selected drinks and a good combination of local foods and international foods (photo 9).

Photo 9
Networking Banquet

In the middle of the banquet, Dr. Ichiro Nakatomi, Mr.Yuji Ohmagari and Mr.Takao Yagi were commended for their numerous long-term contributions to the society (photo 10).

Photo10
Award Ceremony
(From the left, Mr. Ohmagari, Mr. Yagi, Dr. Nakatomi and Mr. Ogino)

The participants also enjoyed a performance, "Yosakoi Soran" by a university student team, "Coca Cola Sapporo International University" which won the outstanding performance award in the 2017 Yosakoi Soran Competition (photo 11).

photo 11
Performance

On the second day, five workshops (photo 12) were organized by working groups of LES Japan. Latest IP topics were discussed by: 1) US Issues WG; 2) Healthcare WG; 3) Branding WG; 4) Asian Issues WG; and 5) Industry-Academia Issues WG.

photo 12
Workshop

After the workshops, a panel discussion (photo 13) was held based on the theme of "Fourth Industrial Revolution and Intellectual Property - protection, utilization of data and issues concerning SEP" by Mr. Yoshiyuki Tamura, Professor, Graduate School of Law, Hokkaido University; Mr. Maki Ohmizu, Deputy Chief Legal Officer, Intellectual Property, Legal, Compliance &IP Unit, Fujitsu Limited; and Mr. Hirokazu Bessho, Head of Supervisory Unit, Intellectual Property and Standardization Supervisory Unit, Honda Motor Co., Ltd.

The panelists discussed positive effects of the amendment of Unfair Competition Prevention Act regarding data protection and various perspectives on issues concerning Standard Essential Patent. The discussion was facilitated by Mr. Hiroki Saito, Attorney at Law, Mori Hamada & Matsumoto. The participants were inspired by active discussions among the knowledgeable IP experts.

photo 13
Panel discussion

photo 14
Closing Speech by Ms. Sugimura

The conference concluded successfully with a closing speech by Ms. Junko Sugimura, Chair of the Organizing Committee for the 2019 LES International Annual Conference announcing the Conference in Yokohama city, Kanagawa prefecture on May 26 through 28, 2019.

We look forward to seeing you in Yokohama next year.

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Editors' Note

This issue includes articles relating to Grand Panel Decision of IP High Court; JPO issues the 'SEP' Licensing Guide; "IP News from Japan"; and LES Japan 41st Annual Summer Conference 2018 in Sapporo.

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

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