

Two Decisions on Patent Law

Patent Act Secs. 104ter (1), 125 – “Seaweed Purifying Apparatus”

1. The fact that a patent has been revoked with retroactive effect by the Patent Office is a ground for re-opening infringement proceedings even after the decision has become final and conclusive. This is not altered by the fact that the court dealing with patent infringement may hold the patent invalid *inter partes*.
2. A court settlement on the quantum of damages containing a clause that even in case of patent revocation such payment should not be returned, is no bar to a re-opening of proceedings to the extent that the request for reconsideration is for the repeal of the injunctive order.

Tokyo IP High Court, 14 July 2008

Furuta Denki v. Shinwa Seisakushô

Facts

The defendant in these proceedings, Shinwa, is the owner of two patents of a machine and apparatus for purifying *nor*i seaweed that is used for rolling sushi. Back in 1998, Shinwa sued the plaintiff in the current proceedings, Furuta, for infringement of its two patents. In first instance, the Tokyo District on 23 February 2000 affirmed an infringement by equivalents, a decision upheld on appeal by the Tokyo High Court on 26 October 2000. A final appeal was rejected by the Supreme Court 11 April 2001. The courts denied that the patent was obviously invalid due to insufficient disclosure, an argument on which Furuta subsequently based its request for revocation of patent 1 before the Patent Office. On 16 June 2003, the Patent Office upheld the patent, but on appeal, the Tokyo High Court found the patent invalid by decision of 28 February 2005. The Patent Office complied with this ruling and revoked patent 1 on 12 May 2005, a decision confirmed by the Tokyo High Court on 17 November 2005 and the Supreme Court on 4 April 2006. On request of Furuta, patent 2 was revoked by the Patent Office on 19 July 2006, a decision confirmed by the Tokyo High Court on 28 March 2007, and the Supreme Court on 19 July 2007. On 6 April 2006, Furuta made a request before the Tokyo High Court to re-open infringement proceedings in light of the patent's retro-

active invalidity (Sec. 125 Patent Act). The Tokyo High Court granted this request on 29 November 2006 for patent 1, and on a second request by Furuta also for patent 2 on 10 March 2008. In these proceedings that are a retrial of the infringement action, Furuta requests the decision of 26 October 2000 to be set aside. Shinwa contests this on two grounds. First, that according to the Supreme Court's Kilby decision of 11 April 2000¹ (and now Sec. 104^{ter} Patent Act), the courts can examine patent validity. Although the Patent Office's decision to revoke the patent had become final, the court in the previous proceedings had dealt with the issue of validity and found the patent valid. There was thus no need to decide this question anew. Second, that a retrial would contravene a court settlement between the parties made in the course of proceedings to establish the quantum of patent damages. This settlement concluded on 22 October 2003 obliged Furuta to pay about 2 million Euro. The settlement did not contain any clause not to attack the patents at issue, but a clause that allowed Shinwa to keep the damage amount even in case the patent was subsequently revoked.

From the decision:

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2. The defendant claims that after the Kilby decision, the courts in patent infringement procedures could determine about the validity of patents. While the plaintiff in these proceedings relied on the invalidity of the patent, such argument should be barred due to the fact that in the previous infringement proceedings, the defendant's request had been partially granted. This decision had become final and had decided about the validity or invalidity of the patent. Even if there should be a reason for invalidity, the plaintiff was barred from arguing it...According to the Kilby decision, „the court that examines a case of patent infringement may judge whether the patent has an obvious reason for annulment or not, even before a patent invalidation decision becomes final. If it is found that the patent is obviously invalid as a result of the court hearing, it is reasonable that a claim for injunction etc. based on the patent is considered an abuse of rights unless there are special circumstances to the contrary.” This established the doctrine of patent misuse. After Kilby, a court dealing with a claim for patent infringement could determine upon the estoppel of an abuse of rights in that it could determine whether the patent at issue was obviously tainted with a ground for its revocation, and, if so, could accept the estoppel of abuse of rights (as facts clearly established by the court) and dismiss the patentee's request accordingly. To that extent, in the previous proceedings, the court followed the Kilby approach and considered the estoppel of patent invalidity based on Sec. 36 (4) – (6) Patent Act, yet rejected it. Also the final appeal was dismissed, and the defendant's request for damages and injunctive relief was successful in the first proceed-

1 Supreme Court, 11 April 2000, 35 IIC 91 [2004] – “Kilby III” w. comment by HEATH and MÖRL.

ings....So, the court in the previous proceedings made an assessment on the estoppel of obvious invalidity of the patent and affirmed the defendant's request. If this defence that the patent was tainted with a different ground for its revocation was raised in proceedings after the infringement suit had become final, one could dispute whether the subject of such suit (*Streitgegenstand*) would be different, and whether the functions of a final decision to ultimately determine a dispute, the principle of legal certainty and the trust of the parties in a final and conclusive decision would not be prejudiced. For these reasons, the defence is not completely groundless. However, even if this would be so, the defence raised by the defendant based on the conclusiveness of *res judicata* (*Umfang der Rechtskraft*) cannot succeed...Even after Kilby, the patent in suit remains valid, as the court merely makes an assessment whether the defence that the patent is tainted with a ground for revocation can succeed, while it does not make an assessment about the patent's validity as such. The Kilby defence of patent misuse and the defence that a final and conclusive decision has revoked the patent must legally be distinguished...Even if the court makes an assessment whether the defence of patent misuse is well-founded or not, this is not an assessment about the validity of the patent...

3. The defendant further alleges that subsequent to the final decision affirming infringement, the parties made a settlement in the course of proceedings for establishing the quantum of damages. Thus, even if the patent had now been invalidated, the court order for injunctive relief based on an infringement of the patent should as such be maintained, as there was agreement about it, and the current request would undermine the trust in the past settlement...While the court settlement contained a clause that precluded a restitution of paid damages once the patent at issue was revoked, it did not contain any clause that precluded the plaintiff either at that point in time or in the future to make a request for revocation of the patent...thus, the court settlement cannot be interpreted as establishing an agreement to cease the infringing activity...

Translated from the original by Christopher Heath

Comment

1. The question of what should happen if after a successful (and final) infringement action, the patent is subsequently invalidated, has haunted legislation and jurisprudence in a number of countries. In Japan, such a possibility is explicitly provided for by sec. 338 (1) Code of Civil Procedure: "A final decision that has become *res iudicata* can be reopened in one of the following cases unless the party could have raised the ground for the reopening of proceedings in an appeal or a final appeal, or did not appeal the

decision despite the knowledge of such ground: (viii) Where an administrative act on which the decision is based has been subsequently revoked or is amended.”. In applying this provision, the courts have therefore allowed for a retrial and indicated that the patentee in such case was liable for wrongful patent enforcement with the possibility of the defendant to request damages². On a comparative note, it is worth-while mentioning that the possibility of re-opening infringement proceedings after a final decision has also been allowed in Korea³, and in Germany⁴: In China (Sec. 47(2) Patent Act, Italy (Sec. 77 IP Code) and France⁵, the alleged (and convicted) infringer cannot claim back what has already been performed prior to the patent being invalidated, yet is not obliged to pay any damages outstanding at this point. In the UK, the subsequent invalidation of a patent has no effect whatsoever on obligations to pay outstanding damages⁶.

2. Both in Germany and Japan, countries that do not allow the courts to invalidate a patent in infringement proceedings, there have been reasonings by the court that link the possibility of reopening proceedings after a patent has been invalidated to the split in jurisdiction between the Patent Office and the courts. In an obiter dictum, the Düsseldorf Appeal court held the following:

„The claim for setting aside a previous final decision allows a scrutiny of decisions whose foundations have been undermined to a degree that is for everyone to see and unacceptable for the general perception of justice...In principle, this is the case where a judicial decision on which a decision is based, has been subsequently set aside. This must also apply to a decision of the administration (the patent grant as an administrative act) whose correctness the deciding court cannot verify, as it is strictly bound thereby (Düsseldorf District Court, GRUR 1987, 628 – Request for Retrial I). The analogy is justified, since the setting aside of a binding administrative act, similar to the setting aside of a final decision, results in an undermining of the basics of the decision to be set aside. Due to the binding effect of the patent grant as an administrative act, the infringement court may not disregard such act of grant although it may take the view that the patent is invalid. Once the patent that the infringement court had to regard as valid is subsequently revoked, the basis of the previous decision on finding for patent infringement has been undermined to the same extent as a decision that was based on a previous judicial decision....“⁷

2 Osaka High Court, decisions of 15 October 2004 and 29 March 2005, 39 IIC 228 [2008] – “Fire Door”; Tokyo High Court, 31 January 2005, 39 IIC 359 [2008] – “Platform Planks”.

3 Korean Supreme Court, 28 December 2004, German translation in GRUR Int. 2006, 617.

4 Düsseldorf Appeal Court, decision of 11 May 2006, 39 IIC 355 [2008] – “Request for Retrial III” and Düsseldorf Appeal Court, decision of 9 August 2007, 39 IIC 357 [2008] – “Tighthead Drum II2”.

5 Supreme Court decision, 12 June 2007, 39 IIC 354 [2008] – “False Ceiling”.

6 *Unilin Beheer v. Berry Floor*, English High Court, 25 April 2007, [2007] EWCA Civ. 364.

7 Düsseldorf Appeal Court, decision of 11 May 2006, 39 IIC 355 [2008] – “Request for Retrial III”.

And in Japan, judge Izumi in a minority opinion on a case of reverse facts (the patent was held invalid by the courts, but its validity confirmed by the Patent Office) held as follows:

“...for the defendant to raise the estoppel of invalidity, no invalidation decision by the Patent Office is necessary. The estoppel can be successfully raised once the patent is likely to be invalidated by the Patent Office. Vice versa, a defence against such estoppel does not require a final decision of validity by the Patent Office. Rather, it is sufficient to convince the infringement court that the patent could be successfully restricted in a limitation action, while the defendant’s products would still fall within the scope of the patent....Thus, in determining the estoppel of invalidity under Sec. 104^{ter} Patent Act, the infringement court not only scrutinises the Patent Office’s decision to grant the patent, but also the likelihood that a request for limitation will be successful...”⁸

3. The 2011 amendment of the Japanese Patent Act that was passed on 31 May 2011 (Law no. 63/2011) now limits the above possibility of a retrial by introducing a new section 104^{ter} (4) according to which the parties to a previous infringement suit are barred from asserting the subsequent invalidation of the patent at issue (subsection (i)). The amendment also implements the above-mentioned Supreme Court case “Knife-Processing Device” in that it bars a patentee to (again) enforce a patent after the infringement court has held the patent voidable, but its validity was subsequently confirmed by the Patent Office (subsection (ii)). And, in reversing the above-mentioned decisions “Fire Door” and “Platform Planks”, remedies for the wrongful execution of a preliminary court order after the subsequent invalidation of the patent will be barred (subsection (iii)). These rules should also apply to cases for utility model, design or trade mark infringement (subsection (iv)).

4. While it is clear in UK case law that a subsequent invalidation of the patent does not affect any previously established claims for damages, the defendant is free to use the patented technology henceforth⁹, the above decision in connection with the Patent Act Amendment 2011 leave doubts about this in Japan. While there may be good reasons to deny a re-opening of the Pandora’s box for all financial claims, barring the defendant from doing what everyone else would be free to do once the patent has been invalidated does not look equitable.

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8 Japanese Supreme Court, decision of 24 April 2008, 40 IIC 721, 723 [2009] – “Knife-Processing Device”.

9 *Daw v. Eley* (1867) L. R. 3 Eq. 496, 508. A right of continuation has also been advocated in France: Chavanne/Burst, *Droit de la propriété industrielle* (Intellectual Property Law), 1998 Dalloz note 246.

**Patent Act Sec. 104^{ter}, Utility Model Act Sec. 30 –
“Fuminosuke Original Ball Point Pen”**

A proposed limitation of the patent in order to overcome the estoppel of invalidity in an infringement action requires at least a pending correction trial before the Japanese Patent Office.

Intellectual Property High Court, 27 April 2010

K.K. Kotobuki v. Japan Post

Summary

The plaintiff is the owner of a utility model for a ‘clip for writing utensils’. The defendant distributed ball point pens together with New Year’s cards. According to the plaintiff, these infringed its utility model. The plaintiff claims damages in the amount of 200 million Yen. The defendant alleges that the patent should be revoked and is therefore unenforceable according to Sec. 104^{ter} Patent Act, 30 Utility Model Act. The first instance court in this case found the patent non-inventive over prior art. In order to overcome the estoppel of invalidity, the patentee suggested an amendment of the patent to the court that would overcome the prior art objections while still making the defendant’s device fall into the scope of the patent claims. The first instance court (Tokyo District Court, 27 February 2009, 2082 Hanrei Jihô 128) dismissed the action, but stated three requirements for a suggested patent amendment to be considered by the court:

1. The plaintiff has already requested a correction trial before the Patent Office and submitted a new wording of his claims;
2. The limitation is able to overcome the prior art against which the patent is deemed not novel or non-inventive;
3. Even after the limitation, the defendant’s device will fall within the scope of the amended patent.

The IP High Court dismissed the appeal, but held that only the first of the above three requirements is necessary for a patentee to counter the invalidity defence.

Note: For the relationship between patent validity and infringement in Japan, see also the decision by the Supreme Court, 24 April 2008, 40 IIC 721 (2009) – “Knife Processing Device”.

Summarized from the original by Christopher Heath