JAPAN

ABE & PARTNERS
Osaka

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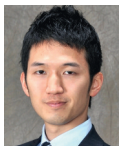

and
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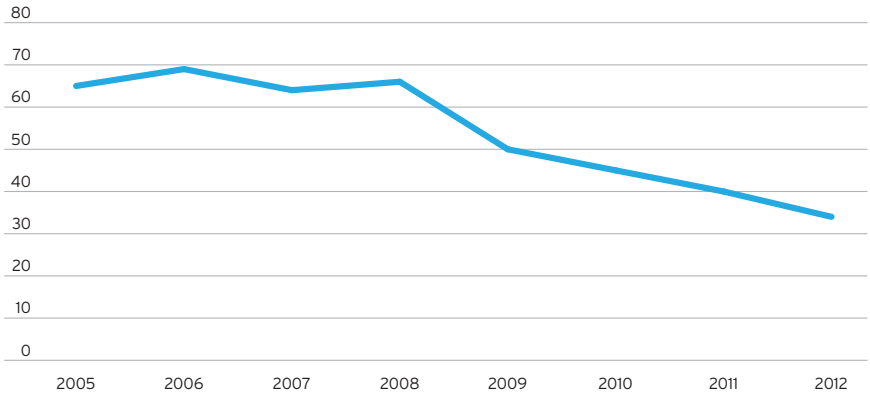
Hindsight excluded in inventive step

Patent invalidation rate in JPO (See JPO Annual Reports)



As is clear from the figure, the patent invalidation rate at the JPO was very high before 2008. Similarly, in patent infringement cases, many of the patentee's claims were dismissed due to patent being found invalid. However, the patent invalidation rate in the JPO has been declining since 2009 and the same trend is apparent in patent infringement cases. One of the reasons for this drastic change may be an IP High Court judgment in January 2009 by Judge Iimura, the current chief judge of the IP High Court. How did the way of determining inventive step in Japan change?

According to Judge Iimura, the reason patents had been easily invalidated due to lack of inventive step before 2008 was that in 2000 the JPO started its new practice on determining inventive step where an invention claimed in a patent is compared with prior art, and if "a technological field", "problems to be resolved by the invention", or "functions and effects" are common or if "a suggestion about the invention in a prior art" is found, the JPO could evaluate or determine that a person skilled in the art would have easily arrived at the invention. Thus, when any of these circumstances are found, the JPO can deny inventive step. As a result of such flexible reasoning, the criteria on inventive step became strict.

Judge Iimura criticised this situation where patents were easily invalidated: the JPO's examination guidelines have too many ways of denying inventive step and permit flexible reasoning, and this does not exclude hindsight. Although the JPO's examination guidelines literally adopt the US teaching-suggestion-motivation (TSM) test and the EPO problem-solution approach, in contrast to the US and the EPO, these methods are merely examples of reasoning to deny inventive step. Therefore, the JPO can deny inventive step with other logic as well.

Moreover, in the United States, there have not been so many patent infringement cases where the plaintiff's (patentee's) claim was dismissed due to the invalidity of a patent. Japan is different. Thus, there is a great difference between Japan and the United States in patent enforcement. Even though the patent was once granted, predictability on patent validity and legal stability is lacking at the patent infringement stage. Therefore, it is important to objectify the criteria on inventive step and to improve predictability on the validity of the patent.

Based on this perspective, in a judgment of January 28 2009, the IP High Court (Judge Iimura) made the following holdings on the criteria on inventive step:

> (i) whether the requirements in Article 29 (2) of Japanese Patent Act are fulfilled, ie whether a person skilled in the art would have easily arrived at the invention claimed in a patent application based on prior art, depends on whether a person skilled in the art would have easily arrived at a characteristic point of the invention claimed in a patent application (a different composition from prior art). A characteristic point of the invention claimed in a patent application (a different composition from prior art) is intended to resolve the problem to be resolved by the said invention. Therefore, in determining inventive step objectively, it is necessary to understand the characteristic point of the said invention, ie the problem to be resolved by the said invention accurately. Moreover, since posterior analysis and illogical reasoning must be excluded from a process of determining inventive step, when understanding "solutions" of the invention, "means for solutions" or "results of solutions" shall not enter subconsciously into "solutions".
> (ii) Furthermore, in order to make a determination that a person skilled in the art would have easily arrived at the invention, it is insufficient, in the course of examining the prior art, that it can be presumed that such person would have made an attempt by which he/she could reach the characteristics of the invention, but it is necessary that there is an implication or the like suggesting that he/she must have made such an attempt with the intention of reaching the characteristics of the invention.

As to holding (i), the similarity with the EPO's problem-solution approach has been pointed out. As to holding (ii), the suggestion is said to have a similarity with the TSM test and "must have made" is said to have a similarity with the EPO's could-would approach. As to the TSM test, although in 2007 the US Supreme Court in *KSR* held that the TSM test was not the only criteria on obviousness, Judge Iimura adopted the criteria which demanded suggestions or motivations in references just like the TSM test.

The reason Judge Iimura adopted it may be because he believes "the TSM test is a well thought out and calculated criteria". The US has been applying the TSM test strictly for fear of hindsight, but changed its practice to make it easier to invalidate patents than before. On the other hand, Japan gives the TSM test the function to exclude hindsight and make it more difficult to invalidate patents than before. Thus, it can be evaluated that the difference between the US and Japan has been falling.

Though it is still uncertain whether the criteria on inventive step held by this judgment will be adopted by divisions other than Judge Iimura's, the patent invalidation rate in the JPO and

courts has fallen since this judgment. Therefore, although even Japanese companies once hesitated to enforce in Japan because of the high risk of patent invalidity and chose to enforce in the United States or Germany, the predictability on patent validity has increased recently and a patentee can enforce its patents more aggressively in Japan. For global companies, Japan has evolved into the pro-patent jurisdiction just like Dusseldorf in Germany and the Eastern District of Texas in the US. In contrast, for accused infringers, it will be quite difficult to invalidate patents on the ground of lack of inventive step. For global companies' IP strategies, Japan's latest trend must be considered.