

2. PATENT INFRINGEMENT:

RIMAC and Teijin Ltd. v. Asahi Chemical Industry, et al.

Shizuoka District Court/ March 25, 1994/ Case 92(wa)524

Patent Law, §102

DAMAGES:

Action for monetary relief by a patentee and its exclusive patent licensee.

FACTS

Plaintiff Research Institute for Medicine and Chemistry Inc. (RIMAC) filed on June 9, 1974 a Japanese patent application claiming priority based on two U.S. applications. This patent application related to a method for manufacturing 1 alpha-hydroxy vitamin D compounds. Plaintiff Teijin obtained an exclusive license from RIMAC under the pending application on May 8, 1975. A patent was granted on Nov. 14, 1983 and Teijin registered the license as "sen-yo jisshiken" (exclusive license) in the Patent Register on Jan. 28, 1991. The patent expired on Jan. 9, 1994.

Defendant Asahi Chemical imported unprocessed 1 alpha-hydroxy vitamin D₃ material manufactured in the Netherlands by Duffer B/V from July 1990 through August 1992. Part of the imported material was sold to Fuso Yakuhin Kogyo (Fuso) to use in the preparation of an osteoporosis drug for sale by Fuso, while the remainder was encapsulated by Tokai Capsule Co. for sale by Asahi.

Teijin and RIMAC sued Asahi and Tokai, claiming damages for patent infringement. Defendants alleged defenses of patent invalidity in view of, among others, a Duffer patent and non-infringement.

ISSUES

1. Whether the damages claim should be rejected because a clear basis existed for invalidation of the patent.
2. Whether the allegedly infringing product can be regarded as a product made by the patented process.
3. Whether a process for manufacturing the allegedly infringing product is within the scope of the patented process.
4. Amount of damages.

HELD

1. Issues of patent invalidity should in principle, be argued before the Patent Office. Even if strong evidence existed to invalidate the patent at issue, and even if the patent were eventually found invalid by the Patent Office, the court must maintain a presumption of patent validity.

2. The court rejected all of the defendants' allegations concerning the differences in melting points and the analytical values of elements, as well as the defense of file wrapper estoppel. The court affirmed that there exists a presumption that the patented process was used, holding:

[T]he product according to the patented process was not publicly known in Japan at the time of claiming priority, so a presumption exists under Article 104 of Patent Law that the defendants' products were made by the patented process. As a result, the burden of proof that the manufacture and sale of the finished product using the defendants' starting materials does not constitute infringement of the patent rests on the defendants.

3. The court rejected defendants' allegations, mainly for two reasons under the defendants' interpretation of the claimed process: 1) the starting materials were unreasonably restricted, and 2) new unclaimed elements were read into the patent in order to limit the scope of the claims. The court concluded:

In this case where Article 104 of Patent Law is applied, it is clear that the requirement for proof that the defendants' process did not fall within the scope of the patent was not met. Thus, under this Article, it is held that acts of defendants and Fuso Yakuhin utilizing defendants' starting materials constituted infringement of the patent.

4. In determining the amount of Teijin's damages, the court presumed that exclusive licensee's lost profits was equal to infringer's illicit profits.

With respect to the period from the date of license registration (until the August 31, 1992), the amount of damages should be presumed under Article 102 (1) of Patent Law the amount of profits received by Asahi and Fuso by selling their products during the subject period.

As for the amount of damages for RIMAC, the court set the royalty rate at 3%, which was the rate agreed to in the plaintiffs' license agreement, and calculated the damages by "multiplying the agreed royalty of 3% by the net sales amounts of [the infringing products]." The court subtracted other costs such as wholesale margins and distribution costs from the actual sale amounts, and the result was then used as the net sales amount, just as was provided in the license agreement between the plaintiffs.

As a result, the court awarded ¥62,813,608 (about \$628,136) in damages to RIMAC and ¥804,769,570 (about \$8,047,695) in damages to Teijin.

With respect to products manufactured and sold by Fuso Yakuhin, the court found Asahi jointly and severally liable under the Civil Code, Article 719.

COMMENTS

Given the rarity of patent infringement cases upholding damages, this case is interesting because the court relied on the combination of lost profits and reasonable royalties as the basis for calculation of damages. (For details of calculation, please refer to a separate article by the author in this issue.)

Another interesting point is the implication of a belated registration of an exclusive license agreement. In this case, Teijin recorded its exclusive license in the Patent Register almost eight years after the patent was granted and a half year after the first importation of the infringing product. Delay in registration pre-

vented Teijin from recovering damages for any period prior to the date of recordation. In Japan, an unregistered license agreement does not allow an exclusive licensee to recover patent damages under Article 98 (1)(ii) of the Patent Law.

Finally, the Board of Appeals of the Patent Office decided that the RIMAC patent was invalid due to obviousness about a month after the court upheld the presumption of validity.

RIMAC filed a petition for amendment of its patent which will be re-examined at the Patent Office. Appeal of the court decision was filed in the Tokyo High Court, but that Court will wait for the Patent Office's decision on the patentability of the amended claim.

(Jinzo Fujino, Director of Operations, Morrison & Foerster, Tokyo)