

Patent Right	Date	December 19, 2019	Court	Intellectual Property High Court, Fourth Division
	Case number	2019 (Gyo-Ke) 10053		
- A case in which, concerning a patent for the invention titled "DOUBLE EYELID FORMING TAPE OR STRING AND METHOD FOR MANUFACTURE THEREOF", the court held that the plaintiff does not fall under an "interested party" according to Article 123, paragraph (2) of the Patent Act on the grounds that the parties had reached an agreement to the effect of the plaintiff not requesting a trial for patent invalidation.				

Case type: Rescission of Trial Decision of Dismissal

Result: Dismissed

References: Article 123, paragraph (2) and Article 135 of the Patent Act

Related rights, etc.: Registration No. 3277180, Invalidation Trial No. 2018-800040

### Summary of the Judgment

The present case is a case seeking rescission of a JPO decision, which dismissed the plaintiff's request for a trial for invalidation pertaining to Claims 1, 2, 4, and 5 of a patent for the invention titled "DOUBLE EYELID FORMING TAPE OR STRING AND METHOD FOR MANUFACTURE THEREOF" (Registration No. 3277180) on the grounds that the plaintiff does not fall under an "interested party" according to Article 123, paragraph (2) of the Patent Act. The plaintiff asserted, as reasons for the rescission, error in judgment on the determination of eligibility as a demandant, and procedural irregularities.

In the judgment of the present case, the court dismissed the plaintiff's request by holding as outlined below.

#### 1. Regarding error in judgment on determination of eligibility as a demandant

- (1) Article 2 of the settlement agreement between the plaintiff and the defendant (hereinafter referred to as "Settlement Agreement") stipulates that "Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right (Registration No. 3277180) by requesting a trial for invalidation or by any other method except for the case of asserting invalidation of the Patent Right as a defense in a lawsuit which is filed by the defendant against the Plaintiffs on the grounds of patent infringement". It can be naturally understood from the wording of the Article that the purport of these provisions is that the plaintiff will not be permitted at all to request a trial for invalidation of the Patent. This interpretation is reasonable even in light of the history of discussions between the attorneys representing the respective parties who reached an agreement after repeated negotiations, including each attorney

suggesting amended drafts.

- (2) The plaintiff asserts that: the settlement money according to the Settlement Agreement is payable in exchange for the defendant's promise not to exercise the Patent Right against the plaintiff's act of sale in the past; as such, the Settlement Agreement is substantively a patent licensing agreement for the plaintiff's act of sale in the past; on that premise, Article 2 of the Settlement Agreement is against the guidelines of the Anti-Monopoly Act and interferes with fair competition, and thus has no effect, and furthermore, a no contest clause has no effect in the case where the grounds for invalidation of a patent are clear.

However, since the settlement money according to the Settlement Agreement constitutes the damages for covering the defendant's damage resulting from the Plaintiffs' infringing act in the past, and it is clear that the settlement money does not have the nature of a payment that is made in exchange for the defendant granting the Patent Right to the plaintiff, it cannot be acknowledged that the Settlement Agreement substantively has the nature of a patent licensing agreement. Accordingly, the above assertion by the Plaintiff lacks its premise.

## 2. Regarding procedural irregularities

In the trial procedures of the Trial for Patent Invalidation, documentary proceedings, without oral proceedings being held, resulted in the rendering of the JPO Decision.

In the proceedings, the defendant asserted in a written answer in the trial case, that on the basis of the no contest clause of the Settlement Agreement, the plaintiff did not have any relationship of interest for requesting the Trial for Patent Invalidation and thus lacked eligibility as a demandant, so that the request for the Trial for Patent Invalidation should be dismissed. In response to the defendant's assertion, the plaintiff' counterargued on the extent of the effect of the no contest clause of the Settlement Agreement and the validity thereof and asserted that it had eligibility as a demandant. The judgment body rendered the JPO Decision by considering those assertions, and as such, it cannot be said that the plaintiff was deprived of an opportunity to make a counterargument.

Accordingly, it cannot be acknowledged that the rendering of the JPO Decision by documentary proceedings without holding oral proceedings is beyond the reasonable discretion of the chief trial examiner.

Judgment rendered on December 19, 2019

2019 (Gyo-Ke) 10053 A case of seeking rescission of the JPO decision

Date of conclusion of oral argument: November 7, 2019

### Judgment

Plaintiff: Feat Japan Co., Ltd.

Defendant: Arts Brains Corporation

### Main text

1. The Plaintiff's claims shall be dismissed.
2. The Plaintiff shall bear the court costs.

### Facts and reasons

#### No. 1 Claims

The decision rendered by the JPO on March 12, 2019 for the Case of Invalidation Trial No. 2018-800040 shall be rescinded.

#### No. 2 Outline of the Case

##### 1. Findings

- (1) On May 29, 2001, 'A' filed an application for a patent for the invention titled "DOUBLE EYELID FORMING TAPE OR STRING AND METHOD FOR MANUFACTURE THEREOF" (Patent Application No. 2001-160951 Priority date: October 3, 2000 (hereinafter referred to as "Priority Date") Priority claimed in Japan; hereinafter referred to as "Patent Application"). On February 8, 2002, registration of the creation of a patent right (Patent No. 3277180 Number of claims: 11 This patent is hereinafter referred to as "Patent", and the patent right for the Patent is hereinafter referred to as "Patent Right") was effected (Exhibits Ko 41, 44).

Later, 'A' assigned the Patent Right to the Defendant, and the transfer of the Patent Right was registered on January 11, 2017 (Exhibit Ko 41).

- (2) A. On August 21, 2017, the Defendant, and the Plaintiff, Centillion Japan Co., Ltd. (hereinafter referred to as "Centillion"), and 'B' entered into a settlement agreement (hereinafter referred to as "Settlement Agreement") by conclusion of a settlement agreement dated the same day (hereinafter referred to as "Agreement"; Exhibit Ko 17 (Trial Exhibit Otsu 3)).

Articles 1 through 4, 6, and 9 of the Settlement Agreement stipulate as follows. The abbreviations used therein mean the following: "Plaintiff 1" for

the Plaintiff; "Plaintiff 2" for Centillion; "Plaintiff 3" for 'B'; "Plaintiff Companies" for the Plaintiff and Centillion; and "Plaintiffs" for the Plaintiff, Centillion, and 'B'.

"1. Plaintiffs acknowledge to the Defendant that the patent right held by the Defendant for Patent No. 3277180 (hereinafter referred to as "Patent Right") is valid and effective.

2. Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method except for the case of asserting invalidation of the Patent Right as a defense in a lawsuit filed by the Defendant against the Plaintiffs on the grounds of patent infringement.

3. Plaintiffs acknowledge that Plaintiff Companies, of which Plaintiff 3 is the president, sold the products identified by the JAN Codes below (hereinafter referred to as 'Products') as described in Attachment (omitted), and Plaintiffs shall discontinue the sale of the same by August 31, 2017.

Note

'DEFY No. 1 ULTRA FIBER' series

(Clear 60 pieces 4573125480102)

(Nude 60 pieces 4573125480119)

'FD (MICRO) BRIDGE FIBER' series

(Clear 1.4 mm 100 pieces 4573125480010)

(Clear 1.6 mm 100 pieces 4573125480027)

(Clear 1.8 mm 100 pieces 4573125480034)

(Nude 1.4 mm 100 pieces 4573125480058)

'LUXE SUPER FIBER' series

(Clear 1.4 mm 100 pieces 4589585580016)

(Clear 1.6 mm 100 pieces 4589585580023)

(Clear 1.8 mm 100 pieces 4589585580030)

4. Starting on September 1, 2017, Plaintiffs, or a company which is governed by Plaintiffs or in which Plaintiffs are officers and employees (hereinafter referred to as 'Plaintiff's Related Company'), as well as officers and employees of Plaintiff Companies and Plaintiff's Related Company's (hereinafter collectively referred to as "Plaintiff's Related Parties" along with Plaintiff's Related Company) shall not engage in the manufacture, transfer, import, export, or offer to transfer or lease, the Products or the double eyelid forming tape belonging to the scope of claims of Patent No. 3277180, or an

infringing product of the Patent Right, or cause a third party to engage in the same, and Plaintiffs guarantee that Plaintiff's Related Parties comply with such obligation.

6. Plaintiffs acknowledge that they are jointly liable to the Defendant for payment of 45,000,000 yen, which corresponds to the amount of profits made by Plaintiffs for the sale of Products according to paragraph (3), as settlement money for solving the dispute over Products between the Defendant and Plaintiffs. Plaintiffs shall make the payment to the Defendant, no later than by the fifth day of the following month, starting on September 5, 2017 as the first payment date with May 5, 2021 being the 45th (final) payment date, in the monthly amount of 1,000,000 yen by transfer to the bank account separately designated by the Defendant. (remainder omitted)

9. The Defendant and Plaintiffs confirm that neither side has any claims and obligations against the other side concerning Products, other than what is stipulated herein."

B. On February 13, 2018, the Defendant asserted that the double eyelid forming tape of the products, "STRONG FIBER SINGLE WIDE II" and "STRONG FIBER DOUBLE TWIST II", which have been manufactured and sold by the Plaintiff since June 28, 2016 if not earlier, belong to the technical scope of the invention pertaining to Claim 1 of the Scope of Claims for the Patent (hereinafter referred to as "Invention 1"), and filed a lawsuit against the Plaintiff seeking an injunction against the manufacture and transfer and the like of the above products as well as compensation for damage (Tokyo District Court 2018 (Wa) 4329 Case of Claiming Compensation for Damage, etc.; hereinafter referred to as "Related Case"; Exhibit Ko 12).

(3) On April 18, 2018, the Plaintiff requested a trial for patent invalidation (hereinafter sometimes referred to as "Trial for Patent Invalidation") seeking patent invalidation for the inventions pertaining to Claims 1, 2, 4, and 5 of the Scope of Claims of the Patent (Exhibit Ko 31).

The JPO examined the above claims as Case of Invalidation Trial No. 2018-800040, and on March 12, 2019, rendered a decision to the effect that the "request for trial of the present case shall be dismissed" (hereinafter referred to as "JPO Decision"). A certified copy of the decision was delivered to the Plaintiff on the 22nd of the same month.

(4) On April 15, 2019, the Plaintiff filed the lawsuit of the present case seeking rescission of the JPO Decision.

## 2. Statements in the Scope of Claims

Claims 1, 2, 4, and 5 of the Scope of Claims of the Patent state as follows (the inventions pertaining to Claims 2, 4, and 5 are hereinafter referred to as "Invention 2" and the like according to the claim number, in the same manner as Invention 1; Exhibit Ko 44).

[Claim 1]

A double eyelid forming tape comprising a narrow tape member formed of synthetic resin, which is stretchable and exhibits resilient elasticity after being stretched, with an adhesive thereon.

[Claim 2]

A double eyelid forming tape according to Claim 1, wherein the adhesive is applied on one or both of the surfaces of the tape member.

[Claim 4]

A double eyelid forming tape according to Claim 1 or 2, wherein a release sheet is adhered on one or both of the surfaces of the tape member, the release sheet having a breaking point which is broken when stretched.

[Claim 5]

A double eyelid forming tape according to Claim 4, wherein the breaking point is formed by a notched groove that is generally at the center of the length of the sheet.

## 3. Summary of the reasons for the JPO Decision

Reasons for the JPO Decision are as indicated in the attached Written Decision (copy).

In summary, the JPO Decision is such that [i] while it can be said that the Plaintiff and the Defendant are involved in a lawsuit over the Patent (Related Case), the parties had agreed, before the JPO Decision and pursuant to the provisions of the main text of Article 2 of the Settlement Agreement, that the Plaintiff shall not request a trial for invalidation of the Patent on or after August 21, 2017, which is the date of conclusion of the Settlement Agreement, and [ii] in that case, since, as of the time of the JPO Decision, the Plaintiff is not in a position to contest the effect of the Patent Right by requesting a trial for patent invalidation, it cannot be said that the Plaintiff is an "interested party" as stipulated in Article 123, paragraph (2) of the Patent Act, [iii] and thus, since the request for the Trial for Patent Invalidation is unlawful and violates the provisions of said paragraph and cannot be amended, the Plaintiff's claim shall be dismissed pursuant to Article 135 of the same Act without having to consider the grounds for invalidation.

(omitted)

No. 4 Judgment of this court

1. Regarding Reason 1 for Rescission (erroneous judgment on eligibility of a demandant)

(1) Findings

When the findings and evidence (Exhibits Ko 13, 17, 29-1 to 29-12, 38, 41) of No. 2-1 above as well as the entire import of the oral argument are considered, the following facts are acknowledged.

A. (A) The Plaintiff is a business corporation whose purposes include planning and sale, and import and export of cosmetics.

(B) The Defendant is a business corporation whose purposes include research and development, manufacture, import, export, and sale of cosmetics. 'A' was in the position of the Defendant's president between August 2006 and November 30, 2016.

B. (A) 'A' and the attorney representing the Defendant sent a content-certified mail dated November 28, 2016 (Exhibit Ko 29-1) to the Plaintiff, Centillion, and 'B', who is the president of the two companies, informing them that the sale of "DEFY No. 1 ULTRA FIBER" series and "FD (MICRO) BRIDGE FIBER" series, with respect to which the Plaintiff is the original seller, and "LUXE SUPER FIBER" series, with respect to which Centillion is the original seller, falls under infringement of the Patent Right held by 'A' as well as of the Defendant's exclusive license for the Patent Right, thereby demanding that the sale of the products be discontinued.

Later, the Defendant received the Patent Right from 'A' by assignment, and the transfer of the Patent Right was registered on January 11, 2017.

(B) The Plaintiff, Centillion, and the attorney representing 'B' sent a content-certified mail dated February 10, 2017 (Exhibit Ko 29-2) to 'A' and the attorney representing the Defendant, informing them of the plan to decrease the sales volume of the "DEFY No. 1 ULTRA FIBER" series, "FD (MICRO) BRIDGE FIBER" series, and "LUXE SUPER FIBER" series gradually until the end of August of the same year so as to end the sale completely by the end of August, and asking for a

response on whether there is any room to consider options other than such gradual discontinuation of sale and a financial settlement.

The attorney representing the Defendant sent a content-certified mail (Exhibit Ko 29-3) to the Plaintiff, Centillion, and the attorney representing 'B' dated February 23, 2017, replying that they cannot agree with the gradual discontinuation of sale as suggested in the content-certified mail dated the 10th of the same month.

The Plaintiff, Centillion, and the attorney representing 'B' sent a content-certified mail (Exhibit Ko 29-4) dated March 16 of the same year to the attorney representing the Defendant, asking for permission to continue the sale of the above products until around the end of August of the same year in exchange for the disclosure of the time of start of sale, sales volume, price upon delivery, and product cost for the above products in addition to payment of compensation money.

The attorney representing the Defendant sent a content-certified mail (Exhibit Ko 29-5) dated March 22 of the same year to the Plaintiff, Centillion, and the attorney representing 'B', informing them that the Defendant requests immediate discontinuation of the manufacture and sale and the like of the above products so that the Defendant has no intention at all of approving the continued sale until August of the same year even in exchange for payment of damages, and asking them if they are willing to make a confession as to the above products infringing on the Patent, to give an apology for infringement of the Patent, and to make a promise to discontinue the manufacture and sale of the above products as soon as possible, and to make a promise not to manufacture or sell products that are in infringement of the Patent in the future.

The Plaintiff, Centillion, and the attorney representing 'B' sent a content-certified mail (Exhibit Ko 29-6) dated March 30 of the same year, responding that, as for a settlement out of court by way of payment of damages, they are willing to comply, depending on details thereof, in addition to asking for considering the continued sale until the end of June of the same year.

The attorney representing the Defendant sent a content-certified mail (Exhibit Ko 29-7) dated April 28 of the same year to the Plaintiff, Centillion, and the attorney representing 'B', informing them of the intention to settle the matter out of court, provided that they are willing



to conclude a settlement agreement mainly covering a promise not to make any objection as to the validity of the Patent in the future, a promise that the manufacture and sale of the above products be discontinued by the end of June at the latest, a promise never to engage in the future in the manufacture or sale or the like of the above products or similar eyelid products whose use involves stretching resin, and payment, as settlement money, of an amount which corresponds to the amount of profits from the sale of the above products up to the time of discontinuation of sale.

The Plaintiff, Centillion, and the attorney representing 'B' sent a content-certified mail dated May 10 of the same year (Exhibit Ko 29-8) to the attorney representing the Defendant, informing the attorney of the intention to conclude a settlement agreement by generally agreeing to the conditions set forth in the above notice.

- C. (A) On May 15, 2017, the attorney representing the Defendant sent to the Plaintiff, Centillion, and the attorney representing 'B', by fax, a draft settlement agreement (Exhibit Ko 29-10) as summarized below.

The abbreviations used in the draft settlement agreement mean the following: "Plaintiff 1" for the Plaintiff; "Plaintiff 2" for Centillion; "Plaintiff 3" for 'B'; "Plaintiff Companies" for the Plaintiff and Centillion; and "Plaintiffs" for the Plaintiff, Centillion, and 'B'.

Note

"1. Plaintiffs acknowledge to the Defendant that the patent right held by the Defendant for Patent No. 3277180 (hereinafter referred to as "Patent Right") is valid and effective.

2. Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method.

3. Plaintiffs acknowledge that Plaintiff Companies, of which Plaintiff 3 is the president, sold the products below (hereinafter referred to as 'Products') as described in Attachment (omitted), and Plaintiffs shall discontinue the sale of the same by [Month] [Day], 2017.

'DEFY No. 1 ULTRA FIBER' series

'FD (MICRO) BRIDGE FIBER' series

'LUXE SUPER FIBER' series

4. Starting on [Month] [Day], 2017, Plaintiffs, or a company which

is governed by Plaintiffs or in which Plaintiffs are officers and employees (hereinafter referred to as 'Plaintiff's Related Company'), as well as officers and employees of Plaintiff Companies and Plaintiff's Related Company's (hereinafter collectively referred to as 'Plaintiff's Related Parties' along with Plaintiff's Related Company) shall not engage in the manufacture, transfer, import, export, or offer to transfer or lease, the Products or similar eyelid products whose use involves stretching resin, or cause a third party to engage in the same, and Plaintiffs guarantee that Plaintiff's Related Parties comply with such obligation.

(omitted)

6. Plaintiffs acknowledge that they are jointly liable to the Defendant for payment of [Amount] yen, which corresponds to the amount of profits made by Plaintiffs for the sale of Products according to paragraph (3), as the settlement money for solving the dispute over Products between the Defendant and Plaintiffs. Plaintiffs shall pay said amount to the Defendant within [Day] days from the conclusion of the Agreement by transfer to the bank account separately designated by the Defendant. Plaintiffs shall bear the bank fees.

(omitted)

9. The Defendant and Plaintiffs confirm that neither side has any claims and obligations against the other side concerning Products, other than what is stipulated herein.

(omitted)"

(B) On May 31, 2017, the Plaintiff, Centillion, and the attorney representing 'B' sent to the attorney representing the Defendant an amended draft of a draft settlement agreement (Exhibit Ko 29-11) containing the following amendments.

a. Amendment of "by requesting an invalidation trial or by any other method" in Article 2 to "by requesting an invalidation trial or by filing a lawsuit"

"(Comment) Although we have no intention of actively contesting the validity of the Patent in the future, we believe that the original wording excludes the case of responding to an action, and thus changed as shown above."

b. Identification of "Products" in Article 3 by JAN Codes, and

amendment of the time to discontinue the sale to June 30, 2017

c. Amendment of "Products or similar eyelid products whose use involves stretching resin" in Article 4 to "Products or the double eyelid forming tape belonging to the scope of claims of Patent No. 3277180"

"(Comment) In the original wording, the case of manufacturing, etc. products which are beyond the extent of the effect of the Patent Right would be prohibited, and thus this part should be rephrased differently."

d. Amendment of the "settlement money" in Article 6 to "30,000,000 yen", payable every month in 30 installments of 1,000,000 yen each

(C) On June 13, 2017, the attorney representing the Defendant made a suggestion to the Plaintiff, Centillion, and the attorney representing 'B' concerning further amendments to the draft settlement agreement to include the following changes (Exhibit Ko 29-12).

a. Delete "by filing a lawsuit" in Article 2 as suggested by the Plaintiff, and add a new proviso, so that the Article reads, "2. Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method except for the case of asserting invalidation of the Patent Right as a defense in a lawsuit which is filed by the Defendant against Plaintiffs on the grounds of patent infringement in spite of Plaintiffs not having violated the Agreement in any manner. [We understood the purport of the original wording and made the above change.]"

b. With the intent of more specifically identifying the "Products" in Article 3, amend the Article as follows. "3. Plaintiffs acknowledge that Plaintiff Companies, of which Plaintiff 3 is the president, sold the products identified below (hereinafter referred to as "Products") as described in Attachment (omitted), and Plaintiffs shall discontinue the sale of the same by June 30, 2017. The thirteen-digit numbers at the end inside the parentheses were placed there by referring to JAN Codes as of the time of conclusion of the Agreement. [According to your draft, Products can cease to be "Products" only by changing JAN Codes. Since this is not acceptable, amendment was made accordingly.]

c. Amend Article 4 as follows. "Starting on July 1, 2017, Plaintiffs, or a company which is governed by Plaintiffs or in which Plaintiffs are officers and employees (hereinafter referred to as

"Plaintiff's Related Company"), as well as officers and employees of Plaintiff Companies and Plaintiff's Related Company's (hereinafter collectively referred to as "Plaintiff's Related Parties" along with Plaintiff's Related Company) shall not engage in the manufacture, transfer, import, export, or offer to transfer or lease, the Products or similar eyelid products whose use involves stretching resin (including, irrespective of the usage and the manner of use indicated in a product specification, an eyelid product whose use involves stretching a resin tape which has a certain resilient elasticity when stretched to a length that is applicable to the upper eyelid and consequently forms a double eyelid by the same mechanism of action as the Patent Invention), or a product that infringes on the Patent Right, [By conclusion of the Settlement Agreement, we hope to prevent a similar dispute from being brought up again, and we hope you would refrain from handling products which may be suspected, even slightly, of infringing the Patent. Please consider this matter.] or cause a third party to engage in the same, and Plaintiffs guarantee that Plaintiff's Related Parties comply with such obligation."

(D) Later, the Plaintiff, Centillion, the attorney representing 'B', and the attorney representing the Defendant discussed amendments as summarized below (Exhibit Ko 38).

a. Regarding Article 2

In regards to the proviso of Article 2, Plaintiffs requested deletion of the words, "in spite of Plaintiffs not having violated the Agreement in any manner", and requested addition of the words, "It should be noted that if Plaintiffs respond to a request for provision of information concerning the Patent Right in a lawsuit in which Plaintiffs are non-parties, such case does not fall under a case of contesting the effect of the Patent Right".

In response, the Defendant refused to add the above proviso by reasoning that the determination of which act to prohibit and which act not to prohibit should be made based on whether or not such act falls under the provision stipulating that "Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method".

b. Regarding Article 3

Plaintiffs believe that products can be divided into different groups by time points; namely, that the products sold until August 31 are identified by JAN Codes and the products to be sold after September 1 are prohibited under Article 4. As such, Plaintiffs assert, in regards to the Defendant's concern as to the Products ceasing to be Products simply by changing JAN Codes, that if the coverage of prohibition by the "... series", as suggested by the Defendant, which can be apprehended pursuant to the provisions of Article 4, is extended, the effect of prohibition may extend to the use, per se, of product names, and thus Plaintiffs cannot agree to this suggestion. Accordingly, Plaintiffs offered an alternative suggestion that reads, "Plaintiffs acknowledge that Plaintiff Companies, of which Plaintiff 3 is the president, sold the products identified by the JAN Codes below (hereinafter referred to as "Products") as described in Attachment (omitted), and Plaintiffs shall discontinue the sale of the same by August 31, 2017 (omitted)", and the Defendant accepted this alternative suggestion.

c. Regarding Article 4

Plaintiffs requested change to the wording of the Defendant's draft because it would prohibit the manufacture and the like of products which are beyond the effect of the Patent Right, and the Defendant agreed to accept the Plaintiffs' suggestion provided that Plaintiffs agree to the deletion of the proviso of Article 2 and to the draft prepared by Plaintiffs.

In response, Plaintiffs responded as follows. "As we commented earlier, your suggestion will prohibit the manufacture and the like of products beyond the original effect of the Patent Right, so that we cannot comply. As for the prevention of a similar dispute from being brought up again, (Please note that, as indicated in Article 1, we are acknowledging the effect of Patent No. 3277180 on the condition that a settlement will be reached, so that there will be no situation in which we will contest the effect of the Patent Right and bring up a similar dispute) or the trouble you may go through in the search for patent right infringement cases of similar products, such acts are required of a patent holder to ensure its own rights, and must be tolerated given the nature of the right ...".

d. Regarding Article 6

Plaintiffs made a suggestion of increasing the total amount of payment to 45,000,000 yen in compensation for the extension of the time to end the sale of Products to the end of August and for not being able to offer collateral.

(E) On August 21, 2017, the Defendant, the Plaintiff, Centillion, and 'B' concluded the Settlement Agreement as follows based on the Agreement (Exhibit Ko 17).

"1. Plaintiffs acknowledge to the Defendant that the patent right held by the Defendant for Patent No. 3277180 (hereinafter referred to as "Patent Right") is valid and effective.

2. Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method except for the case of asserting invalidation of the Patent Right as a defense in a lawsuit which is filed by the Defendant against the Plaintiffs on the grounds of patent infringement.

3. Plaintiffs acknowledge that Plaintiff Companies, of which Plaintiff 3 is the president, sold the products identified by the JAN Codes below (hereinafter referred to as 'Products') as described in Attachment (omitted), and Plaintiffs shall discontinue the sale of the same by August 31, 2017.

Note

'DEFY No. 1 ULTRA FIBER' series

(Clear 60 pieces 4573125480102)

(Nude 60 pieces 4573125480119)

'FD (MICRO) BRIDGE FIBER' series

(Clear 1.4 mm 100 pieces 4573125480010)

(Clear 1.6 mm 100 pieces 4573125480027)

(Clear 1.8 mm 100 pieces 4573125480034)

(Nude 1.4 mm 100 pieces 4573125480058)

'LUXE S SUPER FIBER' series

(Clear 1.4 mm 100 pieces 4589585580016)

(Clear 1.6 mm 100 pieces 4589585580023)

(Clear 1.8 mm 100 pieces 4589585580030)

4. Starting on September 1, 2017, Plaintiffs, or a company which is governed by Plaintiffs or in which Plaintiffs are officers and employees

(hereinafter referred to as 'Plaintiff's Related Company'), as well as officers and employees of Plaintiff Companies and Plaintiff's Related Company's (hereinafter collectively referred to as "Plaintiff's Related Parties" along with Plaintiff's Related Company) shall not engage in the manufacture, transfer, import, export, or offer to transfer or lease, the Products or the double eyelid forming tape belonging to the scope of claims of Patent No. 3277180, or an infringing product of the Patent Right, or cause a third party to engage in the same, and Plaintiffs guarantee that Plaintiff's Related Parties comply with such obligation.

5. If, as of September 1, 2017, Plaintiffs have any goods in stock and goods in process of the Products prior to shipment, Plaintiffs shall discard the same at their own cost within 14 days from such date, in addition to submitting to the Defendant a certificate issued by the industrial waste disposer.

6. Plaintiffs acknowledge that they are jointly liable to the Defendant for payment of 45,000,000 yen, which corresponds to the amount of profits made by Plaintiffs for the sale of Products according to paragraph (3), as the settlement money for solving the dispute over Products between the Defendant and Plaintiffs. Plaintiffs shall make the payment to the Defendant, no later than by the fifth day of the following month, starting on September 5, 2017 being the first payment date with May 5, 2021 being the 45th (final) payment date, in the monthly amount of 1,000,000 yen by transfer to the bank account separately designated by the Defendant. (rest omitted)

("7" is omitted)

8. The Defendant and Plaintiffs shall mutually bear the obligation of confidentiality concerning the content of the Agreement and the background leading to the conclusion of the Agreement except with regards to the following facts which the Defendant plans to publicly announce, and, when either party discloses the same to a third party, must obtain the other party's prior written approval in this regard (provided that in the case of disclosure by the Defendant, only the approval by Plaintiff 3 is required, and if Plaintiffs are in violation of the Agreement, the Defendant's obligation under this Article shall be automatically cancelled).

Note

### Notice concerning Settlement

This is to notify you that we (Arts Brains Corporation) have reached a settlement with Feat Japan Co., Ltd. and Centillion Japan Co., Ltd. over the suspected infringement of our Patent No. 3277180 involving 'DEFY No. 1 ULTRA FIBER' series (sold by Feat Japan Co., Ltd. (address omitted)), 'FD (MICRO) BRIDGE FIBER' series (sold by Feat Japan Co., Ltd. (same as above)), and 'LUXE SUPER FIBER' series (sold by Centillion Japan Co., Ltd. (address omitted)), in relation to which we sent a notice to these companies and 'B', who is the president of these companies, seeking discontinuation of the patent infringing act. After discussions between the parties, Feat Japan Co., Ltd., and Centillion Japan Co., Ltd. agreed to discontinue the sale of the above products as of September 1, 2017.

In the future, we will continue to take strict measures against any act of infringement of our intellectual properties and other rights.

Arts Brains Corporation

9. The Defendant and Plaintiffs confirm that neither side has any claims and obligations against the other side concerning Products, other than what is stipulated herein.

10. Any matter not set forth herein or any doubt arising regarding the interpretation of the provisions hereof in future shall be negotiated and resolved in good faith between the Defendant and Plaintiffs."

- D. (A) On February 13, 2018, the Defendant asserted that the double eyelid forming tape of the products named "STRONG FIBER SINGLE WIDE II" and "STRONG FIBER DOUBLE TWIST II", which are manufactured and sold by the Plaintiff since June 28, 2016 if not earlier, belong to the technical scope of Invention 1 and filed a Related Case against the Plaintiff seeking an injunction against the manufacture and assignment and the like of the above products as well as compensation for damage.

Later, on June 8 of the same year, in the Related Case, the Defendant asserted that the double eyelid forming tape of the products named "DEFY ULTRA FIBER II" and "FD BRIDGE FIBER II", which are manufactured and sold by the Plaintiff, belong to the technical scope of Invention 1 and filed an additional amendment of claim to the effect of adding a claim for an injunction against the production and



transfer and the like of the above products as well as a claim for damage compensation (Exhibit Ko 13).

On the other hand, in the Related Case, the Plaintiff submitted a defense of invalidity, stating that the Patent pertaining to Invention 1 should be invalidated due to lack of novelty (Exhibits Ko 30-1, 30-2).

(B) On April 18, 2018, the Plaintiff requested the Trial for Patent Invalidation, seeking invalidation of the Patent pertaining to Inventions 1, 2, 4, and 5.

In response, the JPO rendered the JPO Decision on March 12, 2019, dismissing the request for the Trial for Patent Invalidation.

On April 15 of the same year, the Plaintiff filed a lawsuit of the present case seeking rescission of the JPO Decision.

(2) Regarding the error in judgment on the extent of the effect of the no contest clause of Article 2 of the Settlement Agreement

A. Article 2 of the Settlement Agreement stipulates that "Plaintiffs shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method except for the case of asserting invalidation of the Patent Right as a defense in a lawsuit which is filed by the Defendant against the Plaintiffs on the grounds of patent infringement".

In other words, the wording of Article 2 provides for the no-contest obligation borne by "Plaintiffs" (the Plaintiff, Centillion, and 'B') who shall not contest against the "Defendant" as to the effect (validity) of the Patent Right by requesting a trial for patent invalidation except for the case of asserting a defense of invalidity of the Patent in a lawsuit which is filed by the Defendant against the Plaintiffs on the grounds of patent infringement (the case stipulated in the proviso of the same Article), and it can be naturally understood that the purport of these provisions is that the Plaintiff will not be permitted at all to request a trial for invalidation of the Patent.

Furthermore, according to the history of discussions on the Settlement Agreement as per the findings of the above (1), the draft provisions of Article 2 of the Settlement Agreement were finally agreed on through sufficient discussions between the attorney representing the Defendant, and the Plaintiff, Centillion, and the attorney representing 'B', with amendments proposed by each side, so that given such history of discussions, it is reasonable to interpret that the Article, as per the words used therein,

stipulates that it would not be permissible at all for the Plaintiff to request a trial for invalidation of the Patent.

In that case, it should be said that the Plaintiff's request for the Trial for Patent Invalidation is in violation of the no contest clause of Article 2 of the Settlement Agreement.

Therefore, there is no error with the JPO Decision which is based on the same purport.

- B. On the other hand, the Plaintiff asserts that [i] in light of the history of conclusion of the Settlement Agreement, including the history of discussions on Articles 1, 3, and 4 of the Settlement Agreement, as well as each of the provisions, Article 2 of the Settlement Agreement is a no contest clause which concerns a "dispute in future" after the conclusion for the Settlement Agreement and which provides that the effect of the Patent Right shall not be contested in a trial for patent invalidation and the like, but it should be said that the "dispute in future" as conceived therein is limited to a dispute that involves the "Products" (Past Products) which are identified by the JAN Codes indicated in Article 3 and the products having the same structures as the Past Products, so that in the case where the Defendant exercises the Patent Right for the products whose structures are different from those of Past Products, the Plaintiff shall not be prohibited under Article 2 from exercising the effect of the Patent Right in a trial for patent invalidation, and that [ii] the Plaintiff requests the Trial for Patent Invalidation because the Defendant filed the Related Case by exercising the Patent Right against similar products which do not have the same structures as the Past Products and which do not belong to the scope of right of the Patent, so that the effect of Article 2 of the Settlement Agreement does not extend to the request for the Trial for Patent Invalidation.

However, Article 2 of the Settlement Agreement does not contain any words to the effect of permitting the Plaintiff to contest the effect of the Patent Right by requesting a trial for patent invalidation in the case where the Defendant exercises the Patent Right for the products which have different structures from the "Products" ("Past Products" as asserted by the Plaintiff) as stipulated in Article 3, and words that are in line with the Plaintiff's assertion do not exist in any of Articles 1, 3, and 4.

Furthermore, even in light of the history of discussions over the Settlement Agreement as per the findings of the above (1), it cannot be

acknowledged that there is any fact that suggests that the Defendant, and the Plaintiff, Centillion, and 'B' confirmed or agreed that the effect of Article 2 does not extend to the above case asserted by the Plaintiff.

Rather, as explained in the above A., according to the words used in Article 2 of the Settlement Agreement and the history of discussions on the Settlement Agreement, it is natural to interpret that Article 2 provides for the purport to the effect that while it is permissible to assert a defense of invalidity for the Patent in a lawsuit which is filed by the Defendant against the Plaintiffs on the grounds of infringement of the Patent Right (the case according to the proviso of the Article), it is not permissible at all for the Plaintiff to request a trial for invalidation of the Patent.

Therefore, the above assertion by the Plaintiff cannot be accepted.

- (3) Regarding the error in judgment on the validity of the no contest clause of Article 2 of the Settlement Agreement

The Plaintiff asserts that [i] the settlement money according to Article 6 of the Settlement Agreement is equivalent to the amount of damages according to Article 102, paragraph (2) of the Patent Act, and is payable in exchange for the Defendant's promise not to exercise the Patent Right against the Plaintiff's act of sale in the past. As such, the Settlement Agreement is substantively a patent licensing agreement for the Plaintiff's act of sale in the past (License Agreement), and on that premise, the guidelines according to the Anti-Monopoly Act (No. 4-4 "(7) No-contest obligation") apply to the Settlement Agreement as well. On that note, given that the existence of the no contest clause of Article 2 of the Settlement Agreement prohibits the Plaintiff from requesting a trial for patent invalidation and the like, the Plaintiff is able to assert invalidity of the Patent as a defense in a patent infringement lawsuit on the grounds of the proviso of the same Article, but is unable to contest the validity of the Patent until the Defendant files a patent infringement lawsuit against the Plaintiff. Accordingly, in spite of there being grounds for invalidating the Patent, the Plaintiff must spend costs to sell the products first and wait for the impenetrably difficult situation of having a lawsuit filed by the Defendant, and such fact situation unjustifiably restricts the Plaintiff's economic activities, and consequently the Patent, which should normally be invalidated, interferes with a fair competition in a market for the double eyelid forming tape, which truly creates an unlawful situation according to the Anti-Monopoly Act, and thus such situation should not be permitted based on the

purport of the system of the Patent Act as well. The Plaintiff also asserts that [ii] even if an interested party other than the Plaintiff is able to request a trial for patent invalidation for the Patent, it is not always the case that such interested party requests a trial for patent invalidation every time, or that such interested party will make assertions on the same grounds for invalidity as the Plaintiff, so that there is no change to the probability of a technology, for which normally a patent should not be granted, continuing to exist as a patent, thereby failing to serve the public interest. Furthermore, the Plaintiff asserts that [iii] even if there is a no contest clause in a licensing agreement, in the case where there are clear grounds for invalidation of a patent, it should be interpreted that there is no need to maintain the patent while at the same time promoting the use of the technology, so that the no contest clause has no effect. However, Inventions 1, 2, 4, and 5 fall under the inventions which were publicly worked in Japan prior to the Patent Application (Article 29, paragraph (1), item (ii) of the Patent Act), and thus it is clear that there are grounds for invalidity due to lack of novelty, so that there is no need to maintain the Patent while at the same time promoting the use of technology. Accordingly, if the no contest clause of Article 2 of the Settlement Agreement restricts the Plaintiff from requesting the Trial for Patent Invalidation, the no contest clause of Article 2 of the Settlement Agreement is against public policy and has no effect.

However, in regards to the point made in the above [i], Article 3 of the Settlement Agreement provides that Plaintiff, Centillion, and 'B' will discontinue the sale of Products on and after August 31, 2017, and Article 4 provides that starting on September 1 of the same year, Plaintiff, Centillion, and 'B' will not engage in the manufacture, transfer, and the like of "Products or the double eyelid forming tape belonging to the scope of claims of Patent No. 3277180, or any product infringing the Patent Right", and Article 6 provides that the Plaintiff, Centillion, and 'B' shall jointly pay to the Defendant the settlement money of 45,000,000 yen, which is equivalent to the amount of profits from the sale of Products, and Article 8 provides that both sides shall mutually bear the confidentiality obligation concerning the content of the Settlement Agreement and the background leading to the conclusion of the Settlement Agreement, except in regards to publicly announcing that a settlement was reached between the Plaintiff and Centillion to the effect that the Plaintiff and Centillion shall discontinue the sale of the above products, as

a result of discussions between the parties which took place after the Defendant, suspecting infringement of the Patent, sent a notice seeking discontinuation and the like of the patent infringing act, and in regards to publicly announcing that strict measures will be taken against any act of infringing on the Defendant's intellectual properties and other rights in "Notice concerning Settlement". Given these provisions, it is clear that the settlement money according to Article 6 constitutes the damages which supplement the Defendant's damage resulting from the Plaintiffs' act of infringing the Patent Right in the past, and does not have the nature of payment in exchange for the Defendant granting the Patent Right to the Plaintiff. Accordingly, it cannot be acknowledged that the Settlement Agreement substantively has the nature of a patent licensing agreement concerning the Plaintiff's act of sales in the past (License Agreement).

In that case, the point made above in [i] to the effect that the no contest clause of Article 2 of the Settlement Agreement interferes with fair competition in the market for the double eyelid forming tape and creates an unlawful situation under the Anti-Monopoly Act lacks its premise.

Next, in regard to the point made above in [ii], the no contest clause of Article 2 of the Settlement Agreement does not restrict any person other than the Plaintiff from requesting a trial for invalidation of the Patent, so that it cannot be said that the reaching of an agreement on the burden of no-contest obligation between the parties concerning a patent right, which is a private right, would immediately constitute failure to serve public interest.

Furthermore, in regards to the point made in the above [iii], as described above, it cannot be acknowledged that the Settlement Agreement substantively has the nature of a patent licensing agreement (License Agreement) concerning the Plaintiff's act of sale in the past, so that the point made lacks its premise, and as for the proviso of Article 2 of the Settlement Agreement, given that the Plaintiff is allowed to assert a defense of invalidity and contest the validity of the Patent in the event that the Defendant files a lawsuit for patent right infringement against the Plaintiff on the grounds of infringement of the Patent Right (in fact, the Plaintiff currently contests the validity of the Patent by asserting a defense of invalidity in the Related Case), it cannot be said that it is unreasonable for the Plaintiff to be restricted from requesting the Trial for Patent Invalidation due to the no contest clause of the same Article.

Therefore, the above assertion by the Plaintiff is unreasonable.

(4) Summary

Based on what is described above, it is not permissible for the Plaintiff to claim invalidation of the Patent due to the no contest clause of Article 2 of the Settlement Agreement between the Plaintiff and the Defendant, so that it cannot be acknowledged that the Plaintiff falls under an "interested party" (Article 123, paragraph (2) of the Patent Act) who is eligible for requesting a trial for patent invalidation of the Patent.

Therefore, it is acknowledged that the Plaintiff's request for Trial for Patent Invalidation is unlawful, and cannot be amended, so that the request shall be dismissed pursuant to Article 135 of the same Act.

There is no error with the JPO Decision which is based on the same purport.

2. Regarding Reason 2 for Rescission (Procedural irregularities)

- (1) The Plaintiff asserts that the procedural defects in the trial procedures of the Trial for Patent Invalidation are erroneous to the extent of affecting the conclusion of the JPO Decision when the following factors are taken into consideration. First, in a request for trial of the Trial for Patent Invalidation, the Plaintiff asserted specific grounds for invalidation of the Patent, and asserted, in a rebuttal in the trial case, that the no contest clause of Article 2 of the Settlement Agreement was restricted or had no effect. Nevertheless, the judgment body changed, ex officio, the examination from oral proceedings to documentary proceedings, and furthermore, without sending a notice to that effect to either of the attorneys representing the respective parties, sent the Defendant's rebuttal (2) in the trial case to the Plaintiff and concluded the examination, followed by rendering of the JPO Decision, so that the trial procedures of the Trial for Patent Invalidation significantly lack fairness in that it deprived the Plaintiff of an opportunity to make a counterargument, and in that the grounds for invalidation were not examined. Next, the trial procedures of the Trial for Patent Invalidation are also in violation of the Manual of Appeal and Trial Proceedings (Exhibit Ko 37) which stipulates that both parties and intervenors must be notified of documentary proceedings in a case where a request for a trial is dismissed by a decision on the grounds of the request being unlawful and where the respondent is given an opportunity to submit a written answer, so that said trial procedures constitute the transition to documentary proceedings in a manner that disregards the purport of the principle of oral proceedings (Article 145, paragraph (1) of the Patent Act), and thus, even when considering that the judgment body can render a decision

in its reasonable discretion, the procedures are defective beyond such discretion. Finally, since it is clear that the Inventions 1, 2, 4, and 5, which were publicly worked in Japan prior to the Patent Application, lack novelty, the no contest clause of Article 2 of the Settlement Agreement should be acknowledged as having no effect. Given these circumstances, the matter shall be determined below.

A. As explained in the above 1 (3), it cannot be said that the Settlement Agreement substantively has the nature of a patent licensing agreement (License Agreement) for the Plaintiff's act of sale in the past. As such, the Plaintiff's assertion to the effect that the validity of the no contest clause of Article 2 of the Settlement Agreement cannot be decided unless a determination is made as to whether or not there are grounds for invalidity with regard to the Inventions 1, 2, 4, and 5 lacks its premise.

B. (A) According to the findings and evidence (Exhibits Ko 1 to 8, 31 to 36) of the above 1 (1), the following facts are acknowledged in the development of the trial leading to the JPO Decision.

a On April 18, 2018, the Plaintiff requested the Trial for Patent Invalidation seeking invalidation of the Patent pertaining to Inventions 1, 2, 4, and 5.

On the request for trial (Exhibit Ko 31) dated the same day pertaining to the Trial for Patent Invalidation, the reasons for invalidation of Inventions 1, 2, 4, and 5 are stated as follows; namely, [i] lack of novelty on the basis of the publicly worked inventions pertaining to the Defendant's products (Article 29, paragraph (1), item (ii) and Article 123, paragraph (1), item (ii) of the Patent Act), [ii] and lack of an inventive step on the basis of primary references (Article 29, paragraph 2 and Article 123, paragraph (1), item (ii) of the Patent Act) of the publication of Registered Utility Model No. 3050392 (Exhibit Ko 5), CD-ROM (Exhibit Ko 6) of Utility Model Application No. 1993-12228 (Unexamined Utility Model Application Publication No. 1994-61225), "Kawaii! November Issue" (Vol. 5, 13th Issue, 61st issue in total, Shufunotomo Co., Ltd., October 2, 2000, page 126) (Exhibit Ko 7), or the specification (Exhibit Ko 8) of U.S. Patent No. 3645835.

b The Defendant submitted a rebuttal in the trial case (Exhibit Ko 32) dated July 12, 2018, stating that the request for the Trial for Patent Invalidation should be dismissed by asserting that, since the Plaintiff

and the Defendant have finalized the Settlement Agreement, which is premised on the Plaintiff's acknowledgement of the validity of the Patent and which stipulates that the Plaintiff "shall not, either personally or through a third party, contest the effect of the Patent Right by requesting an invalidation trial or by any other method", the Plaintiff does not have any relationship of interest in regards to the request for the Trial for Patent Invalidation, and thus lacks the eligibility of a demandant.

In response, the Plaintiff asserted that the Plaintiff and the Defendant have the Related Case pending over products that are different from the products covered by the Settlement Agreement, and that the effect of the no contest clause of the Settlement Agreement does not extend to the case in which the Defendant requests the Trial for Patent Invalidation in the Related Case, and that, if said clause restricts the Trial for Patent Invalidation, the no contest clause of the Settlement Agreement would be against public policy and would have no effect in light of the Anti-Monopoly Act and the Patent Act, so that the Plaintiff is not restricted by the no contest clause of the Settlement Agreement from requesting the Trial for Patent Invalidation, and thus submitted a rebuttal in the trial case (Exhibit Ko 33) dated August 22 of the same year, which stated that the Plaintiff had the eligibility as a demandant. On the other hand, the Plaintiff did not assert in a rebuttal in the trial case that the no contest clause of the Settlement Agreement has no effect if there are clear grounds for invalidation of the Patent.

Later, the Defendant submitted a written answer (2) in the trial case (Exhibit Ko 34) dated October 19, 2018 stating a counterargument against the rebuttal in the trial case.

c On February 22, 2019, the JPO (judgment body) sent a copy of a written answer (2) in the trial case to the Plaintiff, and in addition, after sending a notice of conclusion of examination (Exhibit Ko 36), rendered the JPO Decision on March 12, 2019 to the effect that, since it cannot be said that the Plaintiff is an "interested party" as stipulated in Article 123, paragraph (2) of the Patent Act due to the no contest clause of Article 2 of the Settlement Agreement, the request for the Trial for Patent Invalidation violates the provisions of the same paragraph and is unlawful, and cannot be amended (Article 135 of the Patent Act), and



thus the request for the Trial for Patent Invalidation shall be dismissed.

(B) Article 145, paragraph (1) of the Patent Act provides that "a trial for patent invalidation and a trial for invalidation of the registration of extension of the duration of a patent shall be conducted by oral proceedings; provided, however, that the chief trial examiner may, upon a motion by a party or intervenor in the case, or ex officio decide to conduct the trial by documentary proceedings".

Given that the same paragraph does not specifically provide for any requirement for the case in which the trial may be conducted by documentary proceedings, it is reasonable to interpret that whether or not to conduct the trial by documentary proceedings is up to the reasonable discretion of the chief trial examiner.

However, according to the findings of the above (A), in the trial procedures of the Trial for Patent Invalidation, documentary proceedings, without oral proceedings being held, resulted in the rendering of the JPO Decision. In the proceedings, the Defendant asserted, in a written answer in the trial case, on the basis of the no contest clause of the Settlement Agreement, that the request for the Trial for Patent Invalidation should be dismissed because the Plaintiff does not have any relationship of interest in relation to requesting the Trial for Patent Invalidation and thus lacks the eligibility as a demandant. In response to the Defendant's assertion, the Plaintiff' counterargued on the extent of the effect of the no contest clause of the Settlement Agreement and the validity thereof and asserted that it had eligibility as a demandant. It is then acknowledged that the judgment body concluded the examination and rendered the JPO Decision by considering those assertions. Accordingly, it cannot be said that the rendering of the JPO Decision by documentary proceedings without holding oral proceedings deprives the Plaintiff of an opportunity to make a counterargument and significantly lacks fairness.

Therefore, it cannot be acknowledged that the rendering of the JPO Decision by the judgment body by documentary proceedings without holding oral proceedings is beyond the reasonable discretion of the chief trial examiner.

Next, in the trial procedures of the Trial for Patent Invalidation, the judgment body did not notify the parties of documentary proceedings, but Chapter 32, Section 1 of the Manual of Appeal and Trial Proceedings

prepared by the JPO Board (Exhibit Ko 37) stipulates, under the title of "Notification of Documentary Proceedings in a Trial for Invalidation", that in the case of dismissing a request for a trial by rendering a decision on the basis of unlawfulness pursuant to Article 135 of the Patent Act, "if the respondent is given an opportunity to submit a written answer, both parties and the intervenors must be notified of documentary proceedings" (4. (2)). As such, it is acknowledged that the failure by the JPO to notify the parties of documentary proceedings is a procedure that is not in conformity with the provisions of the above Manual of Appeal and Trial Proceedings. Of course, the notification of documentary proceedings does not have any legal basis, so that it cannot be acknowledged that the violation of provisions of the Manual of Appeal and Trial Proceedings immediately constitutes unlawfulness, and it also cannot be acknowledged, even from a substantive perspective, that in the present case, there are circumstances leading to depriving the Plaintiff of an opportunity to make a counterargument.

- (2) Based on the above, the Plaintiff's assertion that the JPO Decision is erroneous to the extent of affecting the conclusion of the JPO Decision due to its procedural defects in the trial procedures of the Trial for Patent Invalidation is unreasonable.

Therefore, Reason 2 for Rescission as asserted by the Plaintiff is unreasonable.

### 3. Conclusion

As described above, the reasons for rescission as asserted by the Plaintiff are unreasonable, and it cannot be acknowledged that the JPO Decision has any unlawfulness due to which the JPO Decision should be rescinded.

Therefore, the Plaintiff's claims shall be dismissed.

Intellectual Property High Court, Fourth Division

Presiding Judge: OTAKA Ichiro  
Judge: FURUKAWA Kenichi  
Judge: OKAYAMA Tadahiro