Panel Discussion with Participation of the Audience: Japanese and German Patent Infringement Litigation in Comparison

(Excerpts)

Rahn: Thank you very much, Mr Tani, for your interesting explanation of the new system in Japan according to which a Japanese patent attorney who passes a special examination is registered as a patent attorney permitted to represent clients in patent infringement lawsuits together with the attorney-at-law. As regards the productive teaming-up of the patent attorney and the attorney-at-law, I have not noticed any difference to what is done in Germany when the two professionals work together on a patent infringement case. However, it is a change of status in Japan if you are registered as a *fuki benri-shi* and you receive a power of attorney. One may expect that you would sign the complaint together with the attorney-at-law, which is not usually done in Germany at present. Are there any questions to Mr Tani regarding this system in Japan, which as such does not exist in Germany?

Participant: You have said that there are certain possibilities for single representation by the *fuki benri-shi* patent attorney, for example before the IP High Court in an appeal case coming from the JPO Trial Board. This is similar to the independent representation rights of German patent attorneys before the Federal Patent Court. On the other hand, you have said that a sole representation in a hearing before the infringement court is also possible at the discretion of the judge. What are the criteria for the judge's discretion to decide on the single representation by a *benri-shi*?

Tani: I am sorry, I don't know. Please ask a judge. Theoretically, I explained that in an infringement litigation case, if there is reason, we may ask the judge to permit that we appear in court by ourselves. This is up to the judge to decide. I have not made use of this possibility and am not sure whether such a case has occurred as yet.

Rahn: It seems that in practice not much has changed as of now in the courtroom by the introduction of the *fuki benri-shi* system. But legally there has been an improvement of the status combined with a special title. One will have to see how this evolves in the future. The system has been established, it is relatively new and the effects in practice do not seem to be so significant yet.

Are there any questions concerning Mr Suzuki's presentation of one user's view of the Japanese patent litigation system?

Participant: We patent attorneys are angry about the statement "raising the bar of unobviousness", also made in the European Patent Office. This general statement is unjustified and unjust to the individual applicant because you cannot raise something if you do not know where it is today. Unobviousness is a qualitative rather than a quantitative criterion. Raising the bar like on a horse track, just making it one meter higher so that the applicants fail, is in my opinion counterproductive for the patent system. In my understanding you, Mr Suzuki, have basically asked for the same. I would like to caution not to use such general statements as "raising the bar". It is correct, and I agree with you, that quality is better than quantity. I am fully in agreement with improving the qualification of patent examiners to seriously examine patent applications. The call for raising the bar comes from trivial patents, business patents, business method patents, etc., and this area has influenced the mechanical and electrical engineering and chemical areas of the patent system. So while your warning is correct, do not use the general term of raising the bar. The invalidating of 80 percent of patents is a disaster, but you should train examiners and qualify them, and not "raise the bar".

Suzuki: In my opinion, the problem is the variation of the quality of examination results. As I have shown, there are very lenient examiners and strict examiners. The lenient examiners grant the questionable patents. In Japan, the trial examiners are educated, but the ordinary examiners not really.

Tani: I have some comments: The purpose of the patent law is to contribute to the development of industry by encouraging inventions, according to Section 1 of the Japanese Patent Act. Therefore, patent law has an industrial policy objective which is determined by the government. On the other hand, there is the ultimate aim of an internationally unified patent law including the inventive step requirements. So if the level of inventive step in Japan were far higher than the level in other countries, this would not be appropriate. It should be in an acceptable range in the future. Another aspect is the following: When trial board decisions are remanded to the Patent Office by the IP High Court, this makes the Trial Boards very nervous. In the beginning, around the year 2000, many cases were remanded on the grounds of lack of inventive step, so in 2001 the examination guidelines were revised to enhance the level of inventive step. These guidelines are effective today. But in the meantime patents were enforced which were granted before 2002, and these patents ran the risk of being invalidated in accordance with the new examination guidelines. What I have sensed in recent years is that the understanding of the inventive step issue as well as the patentability issue by the IP High Court is beginning to change, maybe totally or partially. I am thus expecting further changes to be made by the IP High Court and the JPO. At least, this is my personal feeling.

Iimura: In regard to inventive step: By around 1998, the Tokyo High Court, the predecessor of the Intellectual Property High Court, rendered a number of decisions revoking the JPO's Trial Board decisions, which affirmed the inventive step of the patents at issue. Mr Suzuki pointed out that 70 or 80 percent of the JPO trial decision were revoked. These cases occurred before 2000 or 2001, and around 2000 the JPO restructured the examination approach regarding inventive step and published new inventive step guidelines. In these new guidelines, the JPO examination standard for inventive step became much higher than before. The Court has now rendered a number of decisions supporting such high standards of inventive step. Therefore, in my opinion, the standard of inventive step in Japan is very high nowadays.

Rahn: May I ask an additional question, Mr Iimura? I read in an article quite recently that the IP High Court in the beginning of 2009 held a number of patents to be valid on appeal which the JPO Trial Boards had invalidated, and that on the grounds of these decisions the IP High Court had elaborated a method for examining inventive step. In this article it said that this method of assessing inventive step seemed to be quite similar to the problem-solution approach of the European Patent Office, even going so far as to also adopt the could-would approach. Was this presentation in the article correct, or do you see this differently?

Iimura: This is a very difficult question; the answer would have to be given on a case-by-case basis.

Participant: Thank you very much for your excellent lectures. I have a question concerning the calculation of damages. I understand that the patentee can usually claim damages from the infringer in Japan and in Germany. But who is the infringer? Normally we have a supply chain from producer to the retailer. My question is whether in Japan the patentee can claim damages from all the infringers in the supply chain, and is there any interaction between the calculation of the damages? And of course, I would be pleased if the German judges could inform me whether the *Tripp-Trapp-Stuhl* decision, which was mentioned by Judge Grabinski, will apply in patent law, too.

Iimura: All those in the supply chain can be sued for infringement as defendants. In Section 102(1) of the Japanese Patent Act,[1] the presumption is provided that the amount of damage which the patentee may claim is equal to the amount of his profit per unit of the patented product multiplied by the quantity of the infringing product sold by the infringer. It has been pointed out that if sales of the infringing product have been made from A to B to C, an incoherence may arise.

1 See Appendix.

Participant: But does that mean that I can claim damages from the producer and then claim damages from the trading company and then claim damages from the retail company?

Iimura: Yes.

Grabinski: I think basically the same is true for Germany. You mentioned the *Tripp-Trapp-Stuhl* decision, which clearly goes in this direction. But of course, costs that have been incurred may be deducted from the damages in the next step of the chain.

Meier-Beck: The *Tripp-Trapp-Stuhl* decision covers a lot of pretty intricate questions, and it is a difficult question that you have asked. Generally speaking, the meaning of profit and of costs and of recovery of costs should not be different in patent law on the one hand and in copyright law and trademark law on the other hand. I believe an important point is that the 1st Civil Division deciding this case adopted the principle that the profit is only to be surrendered as far as it is based on the use of the infringed IP right. The amount of this part of the profit has to be assessed by the judge, and I think that this is what Klaus Grabinski reported from the patent law decisions rendered by the Regional Court Düsseldorf in the last years. One question I am not sure how to answer is whether it is correct that the profit to be surrendered has to be reduced by the amount the producer has to pay to his customers to compensate them for the damages they have had to pay to the injured party. This is a point that has not been discussed so far, and we will have to see. But generally speaking, as I have said, the same principles should apply in the different fields of IP law.

Rahn: We are in the midst of the discussion between the audience and the members of the panel in this last part of the symposium, which has the title "Japanese patent litigation and German patent litigation in comparison". Today we talked about differences in the court organization: the technical experts assisting the courts in Japan, which we do not have in Germany. We talked about the difference in proceedings: one infringement lawsuit in Japan, two in Germany, if you include the claim to the amount of damages; the settlement recommendation in Japan, which we have heard is partly made in Germany as well, but which forms an important part in Japanese patent disputes. The separation principle was a topic, which is reconcilable with the objection of invalidity in infringement proceedings in Japan, but not in Germany. And the calculation of damages, the amount of damages to be awarded to the patentee, was the fourth topic. Are there still questions regarding these topics that we have addressed today?

Participant: Thank you for your valuable presentations. My question relates to the patent litigation statistics cited in Dr Rahn's paper. Frankly speaking,

what is the number of cases won by the patentee in Düsseldorf, either in statistical data or your opinion? And can anything statistical be said about the outcome of the invalidity proceedings in the cases won by the patentee in the infringement lawsuit?

Rahn: As an attorney-at-law representing the patentee in infringement cases, I would say, we win some and we lose some, but we do not keep statistical records in this respect. Maybe Dr Grabinski, as a former presiding judge at the Regional Court Düsseldorf, can add something from his experience.

Grabinski: As you rightly mentioned, there is no data on which party wins or loses since we are not interested in this as a matter of statistics. But my feeling is that patentees win more than they lose over the years. That is all that I would say in this respect. Regarding the interrelationship between infringement proceedings and validity proceedings comprising opposition and invalidity proceedings, I would like to add that in about 15 percent of all cases we stay the infringement proceedings based on the expectation that there is a high prospect of success for the parallel invalidation proceedings. So this may be an indication of how we handle this. But there are no official statistics either in the Federal Patent Court or even the Federal Supreme Court on the success rates.

Rahn: I would like to add here that while the statistics presented by Mr Suzuki looked quite extreme, you have to take into consideration that the majority of infringement lawsuits in Japan are settled, and these of course are not reflected in the statistics Mr Suzuki presented. And if you compare the two systems, Mr Iimura has said that there is not much case law yet in Japan on the presumption provisions relating to damages.[2] The reason is that most of the cases are settled, so the second part of the Japanese infringement proceedings relating to damages is rather rare. Thus there is actually a similarity to what Dr Grabinski has pointed out, namely that in 90 percent of the cases in Germany, the parties settle their dispute in regard to the amount of damages. In other words, the second lawsuits on the amount of damages are rather rare in Germany. Since in Japan the second part of the lawsuit on damages is also rare because the parties settle, the difference is that in Germany the parties settle after receiving the judgment on infringement, while in Japan the parties settle before receiving this judgment. Now, as a proposal for reform of the German proceedings, German judges may welcome the Japanese system because it will save them writing judgments. So this may be an attractive aspect of the Japanese litigation system for judges.

2 Cf. Section 102 Japanese Patent Act; see Appendix.

Grabinski: May I add a comment? You are absolutely right in mentioning this. There are usually different points in time during a proceeding when the parties tend to settle. The first point of time is before the judgment of the regional court. This generally happens outside of the court. The court is not involved. We simply get the message, "We withdraw our action", and that is it. The second point of time to settle the case is after the regional court has issued its final decision and an appeal has been formally filed. Then while the appeal is pending, the case is settled because the parties are in possession of the judgment, which indicates a tendency, gives the reasons, etc. The parallel invalidity proceedings also give some indication to the parties, and this may also induce a settlement. But if the parties still want to continue, of course they can, and the next point of time for a settlement is when you have final decisions with regard to infringement and validity. This leads to the issue of damage calculation and is an instance when the parties may say, "We now have final decisions that there is an infringement and the patent is valid, so we want to settle about the numbers." So there are different stages where you get wiser and wiser during the proceedings or maybe more tired, and then you settle at some point in time. But there are parties who want to have all the fun and they continue. In sum, there are a lot of possibilities for the parties to attain what they wish to achieve with a litigation.

Iimura: Regarding the Japanese infringement cases: around 50 percent of the total litigation cases are settled in court. It is more important that many companies reach a settlement on their disputes before bringing the case to court. I do not know the exact ratio of such settlements, but in reality the number of such settlements is very large. The win rate of patentees in the district courts is around 15 to more or less 30 percent in 2006.

Participant: I have just one comment about statistics: As is well known, Americans believe in statistics and in win rates and decision trees, so the published decisions of the Düsseldorf Court of First Instance were analysed over a period of three years, and I can tell you that with regard to the published decisions, the win rate for patentees was close to 60 percent. This is, of course, not the whole picture since the figure is based only on the published decisions.

Grabinski: Was the basis for these statistics the decisions published by the University of Düsseldorf?

Participant: Yes.

Mimura: I would like to add a remark regarding settlements in the court. It was said that around 50 percet or more of the litigation cases are concluded by settlement in court. That is correct. And it is also correct that these cases are settled before a court decision is rendered. But to reach a settlement, several meetings take place with the court, and at such a meeting

the court will usually express its thoughts on the case, even to the extent of what the decision would be. Such statement of the court will ensure that an appropriate settlement is reached.

Participant: I have a question for Judge Meier-Beck: You explained as exceptions to the double-track system the utility model and the *Formstein* defence. But you did not mention the provisional injunction proceedings. In provisional injunction proceedings, it is the responsibility of the judge to assess the validity of the patent right as granted. And according to the *Olanzapin* decision rendered by the Düsseldorf Higher Regional Court, the court has to make an assessment contrary to the *Bundespatentgericht* decision under certain circumstances. But in main proceedings, the court only has one choice: to stay. As a non-German practitioner, this seems unbalanced to me. If my view is correct, I wonder how German practitioners justify this unbalanced situation?

Rahn: Let me add one aspect: The principle of separation as such is also still valid in Japan. The provision on the Patent Act which allows the objection of invalidity says the court can hold that the patent should be invalidated by the Patent Office.[3] The legal doctrine of this provision is based on the decision of the Japanese Supreme Court, which held that enforcing an invalid patent constitutes an abuse of a civil right. The abuse of a civil right, in German *Rechtsmissbrauch*, is explicitly prohibited in Section 1(3) of the Japanese Civil Code. Under the German Civil Code, the prohibition of abuse of right is considered to be part of the overriding principle of *Treu und Glauben*. Therefore, if you argue theoretically, it should be possible for a German court to also hold that the enforcement of an evidently invalid patent right should not be permitted as an abuse of right, resulting in the infringement action being dismissed. Actually, in the journal *GRUR* of 1978, a judge of the Federal Patent Court made this proposal for the German legal system. However, it was never picked up and discussed. Nevertheless, it goes to show that if you want to provide a theoretical foundation for the objection of invalidity in German patent infringement proceedings, this would be possible as a further exception of the principle of separation. So the question is: what about the objection of invalidity in Germany, if you take into consideration that German legal theory could provide a basis to allow it?

Meier-Beck: These are very difficult questions, which I should answer in German, but I will try in English. I do not believe that interim injunctive relief is a third exception to the principle of separation of infringement proceedings and invalidity proceedings. What the court assesses when consider-

3 Cf. Section 104-3 Patent Act; see Appendix.

ing the validity of a patent on which interim injunctive relief shall be based, is the same as when the court has to answer the question whether the proceedings on the merits shall be stayed, namely: what is the prospect of success of invalidity proceedings? In the proceedings on the merits, a sufficient prospect of success results in the staying of the proceedings, and in interim relief proceedings it results in the rejection of the claim for injunctive relief. This also applies in the *Olanzapin* case. If the court considers it likely that the patent is invalid, it can stay the proceedings; if the court considers it likely that the patent is valid, it will not stay the proceedings. And it can do this even if the Federal Patent Court has already revoked the patent but the decision is not final because it is appealed to the Federal Court of Justice. This happens very rarely, and what we have seen in *Olanzapin* was another very extraordinary case, i.e. the court was so sure that the patent would be held valid that the Düsseldorf Higher Regional Court was not only able to continue the proceedings on the merits but also to grant interim injunctive relief. And in the very end, this expectation of the final outcome of the invalidity proceedings was correct because our court upheld the *Olanzapin* patent. But I think, while this can happen, it was really an extraordinary case. You should not expect the German courts to every day or every second day grant interim relief while at the same time the Federal Patent Court revokes the patent. This is the reason why we decided this case so quickly to avoid this impression of what you considered to be an unbalanced situation in regard to the interests of the parties.

Grabinski: I have a short comment to what Mr Rahn suggested: I am a bit critical with regard to this. I would say, don't abuse abuses. I am always a bit sceptical about the objection of abuse of legal rights. If the court expects in patent infringement proceedings that the patent will probably be invalidated in parallel opposition or invalidation proceedings, they will stay the proceedings and wait for the body that has jurisdiction on the validity issue to decide on it. It is as simple as that. So I do not see any reason in this system that the infringement court should decide on abuse of rights since it simply can wait for the decision on validity. This is the solution.

Rahn: Yes, thank you very much. It is interesting that the objection of invalidity was actually introduced into the Japanese patent law at the request of the Japanese industry, which said that it wanted a decision on whether there is patent infringement in a fast and single proceeding. This is why it was introduced there, and then everybody was surprised that so many patents were held invalid by the infringement courts.[4]

4 *Editor's note:* Recent decisions of the Intellectual Property High Court indicate that the seeming trend to hold patents either non-infringed or invalid has been turned around;

We have actually overrun our time. We have been comparing how infringement proceedings are resolved by the courts in Japan and Germany this whole day. The Japanese and the German legal system belong to the same *Rechtsfamilie* (legal family), as we say in German. I think we have learned much today about these two relatives that live in different cultures and have developed differently. Time was too short to reach conclusions on the merits and demerits of the existing differences. From the German point of view, these questions remain: Are technical experts who are readily available to the infringement courts preferable to formal expert witnesses? Is one lawsuit covering infringement and damages compensation preferable to requiring two lawsuits? Should settling patent disputes be a task of the courts equal to deciding disputes? Should validity be decided finally with *inter partes* effect in infringement lawsuits? Is there merit in legal presumptions to help the patentee collect damages from the infringer? These questions are food for thought, which we invite you to take home from this symposium.

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cf. Chizai Kōsai, Judgment of 23 June 2001, Heisei 22 (ne) No. 10089 – *Foodstuff Wrapping* case (finding equivalent infringement); Chizai Kōsai, Interlocutory Judgment of 7 September 2011, Heisei 23 (ne) No. 10002 – *Mochi* case. According to a Japanese comment of September 2011, “Japan has recently been shifting to a pro-patent forum.”