The Interaction between Infringement and Invalidation Decisions in Japanese Patent Disputes

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Permit me to begin by introducing myself. I started my professional career as a judge in 1979. I have worked as a judicial research official at the Supreme Court from 1993 to 1998, as a presiding judge of an IP division at the Tokyo District Court from 1998 to 2005, as a judge at the Intellectual Property High Court from 2005 to 2008 and in my last position as judge at the Tokyo High Court in a general civil division from 2008 to July 2009. Most of the time, i.e. for more than 19 years, I was active as a judge in the field of intellectual property law. I left the judiciary in 2009 and am now an attorney-at-law and partner in a major Japanese law firm, but I still specialize in intellectual property law.

An important event during my tenure as a judge was the establishment of the Intellectual Property High Court on April 1, 2005. The IP High Court assumed the cases that were formerly handled by the IP divisions of the Tokyo High Court. More information on this court can be found not only in Japanese and English, but also in German at the website www.ip.courts.co.jp.

Before I turn to the interaction between infringement and invalidity decisions in Japanese patent disputes, I will give you a brief overview of the institutions, jurisdiction and proceedings in patent matters in Japan.

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I. JURISDICTION AND APPEAL INSTANCES IN PATENT EXAMINATION AND NULLITY PROCEEDINGS

The Japanese Patent Office comprises examination and appeal departments. Its organization is similar to that of the German Patent and Trademark Office at the time before the establishment of the German Federal Patent Court. Patent grant proceedings begin at the examination department of the Patent Office. A patent application can be examined twice in the course of the grant proceedings, first by the examination department and by the appeal department. If the appeal department maintains the rejection of a patent application, the applicant has the right to bring the case before a court of law.

A third party may proceed against a decision to grant the patent by filing a request for trial of invalidation at the appeal department of the Patent Office. Different from Germany, patent invalidity proceedings are not started in a court but at the Japanese Patent Office. In January 2004, opposition proceedings were abolished.

Any aggrieved party may file an action for rescission of a decision by the appeal department of the Patent Office at the IP High Court. The IP High Court is the only competent court for actions against decisions of the appeal department of the Japanese Patent Office.

Contrary to this, patent infringement proceedings start and end before the courts of law. According to the provision governing jurisdiction for patent infringement actions (Section 6 Japanese Code of Civil Procedure[1]), patent and utility model infringement actions shall be filed exclusively at the Tokyo District Court for the court districts of East Japan and at the Osaka District Court for the court districts of West Japan. This exclusive jurisdiction of the two courts applies to infringement actions relating to patents, utility models, layout design exploitation rights and computer program copyrights. The IP High Court is the sole second-instance appeal court in these cases.

Patent infringement proceedings in Japan are basically similar to patent infringement proceedings in Germany.

II. JAPANESE PATENT OFFICE AND COURTS

The following institutions are involved in patent disputes.

1. Japanese Patent Office

As mentioned above, the Japanese Patent Office has two types of departments. The examination departments are staffed with presently about 1570 examiners, all of whom are technical staff. The appeal department handling trials for invalidation is staffed with about 350 technically educated persons; there is no legally educated staff.

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1 See Appendix 1.

2. Courts

The Tokyo and Osaka District Courts have divisions dealing with disputes in the field of intellectual property, namely infringement cases relating to patents, utility models, designs, trademarks and copyrights as well as unfair competition cases. There are four such divisions at the Tokyo District Court staffed with eighteen judges and seven court research officials. The District Court of Osaka has two divisions for IP rights with six judges and three court research officials. The IP High Court is composed of four divisions and one special division (grand panel) with eighteen judges and eleven court research officials. In addition, about 200 expert commissioners are at the disposal of these three courts.

There are no technical judges in Japan. All court judges are fully qualified jurists. The court research officials (*saiban-sho chōsa-kan*), on the other hand, all have either a technical or science degree from a university. They are appointed to the court for a limited duration of three years, as a rule. These court research officials are for the most part examiners or members of the appeal department of the Patent Office or patent attorneys. For the term of their appointment they work full time at the courts and assist the judges in understanding the technical issues. For example, they will explain the background of the invention or provide information on technical details.

The system of expert commissioners (*senmon i'in*) was established in 2004. These expert commissioners are usually professors at universities or researchers at public institutions. They are registered in an expert commissioners list at the three courts (Tokyo and Osaka District Courts and IP High Court), and are consulted for court proceedings relating to the technology of their respective fields when the technical issues are particularly demanding. An expert commissioner does not work at court every day, but only for a few days a year when called upon.

The Supreme Court is composed of 15 judges. There are three petty benches, each comprising five judges, and one grand bench. Until the end of World War II, the Supreme Court comprised more than a hundred judges, similar to the present German Federal Court of Justice. After the war it was modelled on the US Supreme Court, and since then it has mainly heard cases on constitutional law that do not require a hundred judges. The Supreme Court also accepts appeals on points of law in civil cases under specific requirements and thus also appeals against decisions rendered by the IP High Court. But it has no schedule for the functional distribution of cases, and no special panels exist. In addition to its judges, the Supreme Court is staffed with 37 court research officials who are generally district court judges. Three of these are responsible for disputes relating to IP rights. All court research officials work for only a limited duration of five years at the Supreme Court.

III. PATENT GRANT PROCEEDINGS

The patent grant proceedings start in the examination department (*shinsa-bu*) of the Patent Office. An examiner examines whether the invention is patentable. If the patent is granted, opposition proceedings are no longer available. The only option a third party has is to file a request for trial of invalidation. Appeals against a decision of refusal of grant are handled by the appeal department (*shimpan-bu*) at the Patent Office where a panel reviews the examiner's decision. These panels are usually made up of three or, in important cases, five technical members.

The applicant may bring a suit for rescission of the decision by the appeal department (*shinketsu torikeshi soshō*) at the IP High Court if the refusal of grant is confirmed. This is a kind of administrative law action. In the proceedings before the IP High Court, the applicant is the plaintiff and the Patent Office is the defendant. The case is usually heard by a panel of three judges, and in very important cases the panel will consist of five legal members. However, only one or two cases are heard by a Grand Panel per year. All of the judges at the courts are fully qualified jurists (*Volljuristen*).

The IP High Court hears both factual and legal issues. The judges understand the technical issues with the assistance of the court research officials and expert commissioners. Expert opinions in formal evidence taking are required only in rare cases. Thus proceedings at the IP High Court do not take an overly long time. The final decision is rendered by judgment.

The judgments of the IP High Court can be appealed on points of law to the Supreme Court. Either party – i.e. the applicant or the Patent Office – may appeal if aggrieved. Since the Supreme Court reviews only issues of law, it does not need technical consultants. The Supreme Court renders its decisions by judgment or order.

IV. PATENT INVALIDITY PROCEEDINGS

Patent invalidity proceedings are available to invalidate a patent. Proceedings start at the Appeal Department of the Japanese Patent Office. Any third party may file a request for trial of invalidation. The grounds for invalidity are examined by a panel of the Appeal Department consisting of three – and in important cases, of five – technical members.

The petitioner or the patentee may bring a suit for rescission of the decision of the Appeal Department at the IP High Court. Again, this is a kind of administrative law action. However, in invalidity proceedings the parties before the IP High Court are the petitioner and the patentee; the Patent Office is not involved. The proceedings are conducted by a panel of three or five legal judges. The IP High Court reviews both issues of fact and law. Expert opinions are rarely required. The proceedings before the IP High Court are decided by judgment.

Again, an appeal on point of law against a judgment of the IP High Court may be lodged at the Supreme Court.

V. PATENT INFRINGEMENT PROCEEDINGS

Patent infringement proceedings start at the district courts. The District Courts of Tokyo and Osaka have exclusive jurisdiction in these cases. The exclusive second-instance appeal court is the IP High Court in Tokyo.

Patent infringement proceedings in Japan are generally similar to the proceedings in Germany. There are, however, some essential differences.

Court research officials and expert commissioners assist the judges for their better understanding of the technical issues. Expert opinions are rarely obtained.

If a claim for damages is raised, the court will decide on the amount of damages in the infringement proceedings. The Japanese Patent Act provides three methods to calculate the amount of damages:

(1) the number of infringing goods sold by the infringer multiplied by the profit earned per item if sold by the patentee,
(2) infringer's profit, and
(3) license analogy.

Furthermore, the defendant can validly assert the invalidity of the patent in the patent infringement proceedings. Since the court can draw on the assistance of court research officials and expert commissioners regarding technical issues, it is sufficiently equipped to assess the validity of the patent. The court has the option to dismiss the infringement action if it holds that the patent should be invalidated, or to stay the proceedings if a patent invalidation trial has been initiated at the Patent Office. Under the old law, it did not have this option. It could only stay the proceedings, since the defendant was not permitted to raise the objection of invalidity in infringement proceedings. This was changed by the Supreme Court decision of April 11, 2000 in the Kilby case.[2] When the Patent Act was amended in 2004, the objection of invalidity was introduced into the law (Section 104-3 Patent Act), effective from April 1, 2005. This provision reads:

> *Section 104-3 PA* (Restriction of the exercise of the rights of the patentee, etc.)
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> (1) Where, in a lawsuit concerning the infringement of a patent right or an exclusive license, the said patent is recognized as one that should be invalidated in a patent invalidation trial, the patentee or exclusive licensee cannot exercise their rights against the adverse party.
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> (2) Where the court recognises that means for attack or defence under the preceding paragraph are submitted for the purpose of unreasonably delaying the proceedings, the court may, upon request or *ex officio*, render a ruling rejecting their submission.

However, a decision of the infringement court on invalidity pursuant to subsection (1) only has *inter partes* effect and does not invalidate the patent retroactively.

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2 Minshū Vol. 54, No. 4, 136 et seq.; Hanrei Jihō No. 1710, 68 et seq.; IIC 2004, 91.

VI. INTERACTION OF INFRINGEMENT AND INVALIDITY DECISIONS AT THE IP HIGH COURT

1. Unitary Decision

In the case of parallel proceedings, i.e. if patent infringement and patent invalidation proceedings are being conducted in parallel, the proceedings can only be joined when they come before the IP High Court.

2. Parallel Proceedings

When the patentee files an infringement action, the adversary will usually also file a trial for invalidation of the patent, regardless of raising the objection of invalidity in the infringement proceedings. The infringement proceedings and the invalidation proceedings are then conducted in parallel. The patent infringement proceedings are conducted at the Tokyo District Court or the Osaka District Court. On the other hand, the trial for invalidation is conducted at the JPO. With regard to the assessment of validity of the patent in both proceedings, this is called the "double track system". There is a discussion presently in Japan whether this double track system should be maintained or whether a single track system is preferable.[3]

3. Joined at the IP High Court

It is often the case that both proceedings come before the IP High Court at the same time. In such cases, the two proceedings – i.e. the appeal against the judgment of the District Court, which may have decided on the objection of invalidity, and the rescission action against the decision of the Patent Office – will be heard before the same panel. Thus, it is possible to render a unitary decision on the issue of invalidity, raised in both prior proceedings, in the second instance. The reason is that the IP High Court reviews both the facts and the law; therefore, a decision on technical issues will also be rendered.

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3 See MATSUMOTO, *Daburu torakku sei no kaisei-ron ni tsuite* (On the discussion of reform of the double track system), Festschrift Eiji Katayama, 2010, 519; SHITARA, *Mukō no kōben dōnyū go no mukō shinpan oyobi shinketsu torikeshi soshō no arubeki sugata ni tsuite* (How invalidation trials and suits for rescission of invalidation decisions should be after the introduction of the objection of invalidity), op. cit., 293.