Patent Litigation in Japan and Germany

Contributions to an International Symposium held in Munich on 23 September 2009

Edited by

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Preface

1. On September 19, 2007 a symposium on “Patent Litigation in Germany and Japan” was held at Keidanren Hall in Tokyo. This symposium was co-organized by the Japan Intellectual Property Association (JIPA), the Japan Patent Attorneys Association (JPAA) and the Japanese Group of AIPPI (AIPPI Japan). Papers were presented by Dr. Klaus Grabinski (at the time presiding judge at the Regional Court Düsseldorf), Dr. Guntram Rahn (attorney-at-law, Munich) and Ryoichi Mimura (at the time judge at the Intellectual Property High Court, Tokyo). The topics of the presentations were “Patent Infringement Proceedings in the Federal Republic of Germany”, “The Approach of Enterprises to Patent Disputes in Germany” and “The Function of the Intellectual Property High Court in Patent Litigation”. Attorney-at-law Eiji Katayama moderated the subsequent panel discussion; further panelists were Kazuo Kamisugi (consultant of JIPA, former president of JIPA, adviser to Wako Pure Chemical Industries, Inc.) and patent attorney Yuzuru Okabe.[1] With more than 400 participants, the symposium was an extraordinary success in the view of the co-organizers, who had for the first time jointly organized such a symposium. Observers noted that in recent times in Japan, it had not been possible to attract such a large number of participants to an event of this kind.[2] At the end of this symposium in Tokyo, the idea was born to continue the discussion and exchange of information between Japanese and German patent professionals in a second symposium in Munich.

This follow-up symposium on “Patent Infringement Litigation in Japan and Germany” was held at the European Patent Office in Munich on September 23, 2009. After an introductory overview of patent litigation proceedings in Japan and Germany that highlighted the similarities and differences of the two systems, specific topics of common interest in Japanese and German patent infringement proceedings were each presented by Japanese and German judges respectively. In addition, a Japanese attorney-at-law, a speaker from Japanese industry and a Japanese patent attorney presented views on the system and practice of Japanese patent litigation. A panel discussion with questions from the audience concluded the symposium. Thus this symposium offered the rare opportunity of a practice-oriented comparison of patent dispute proceedings in Japan and Germany, two leading industrial countries whose legal systems are generally similar but distinct in detail.

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1 The papers, PowerPoint presentations and panel discussion of the symposium are published on the website of AIPPI Japan (*www.aippi.or.jp/japan/ news-4200.html*).

2 A report on the symposium (in Japanese) can be found on the website of JIPA (*www.jipa.or.jp/content/jyohou_hasin/sympo/kokusai-sympo.htm*).

The symposium in Munich was hosted by the German Japanese Association of Jurists (Deutsch-Japanische Juristenvereinigung e.V. – DJJV). The DJJV is a non-profit organization with at present approximately 700 members in Germany and abroad. The following Japanese associations provided their support as co-organizers:

– the Japan Intellectual Property Association (JIPA), an association of representatives of Japanese industries in the field of industrial property protection, with approximately 1200 member companies;
– the Japanese Group of AIPPI (AIPPI Japan), the Japanese national group of the International Association for the Protection of Intellectual Property, composed of approximately 1120 members; and
– the Japan Patent Attorneys Association (JPAA), comprising approximately 8000 members.

As in Japan, the symposium attracted great interest with more than 250 participants, further applicants having to be refused due to the limited seating capacity. The papers presented at this symposium and excerpts from the panel discussion are published in this volume.

2. In the Tokyo and Munich symposiums, due to time constraints, the practice of the Düsseldorf courts was presented as "the German" court procedure in patent infringement cases. Since half of all patent litigation in Germany is said to be brought through the Regional Court of Düsseldorf, equating German and Düsseldorf proceedings seems acceptable when time does not allow more elaboration. However, it cannot be ignored that in recent years other courts in Germany have begun to actively compete with Düsseldorf as forums for patent infringement cases by devising their own distinct procedures in the framework of the Code of Civil Procedure, and they have gained popularity. For this reason, papers on "Patent Infringement Proceedings before the Regional Court Mannheim and the Higher Regional Court Karlsruhe" and "The New Munich Patent Litigation Procedure: First Feedback after One Year" have been added to this volume to reflect the variety of patent litigation court practice – and choices for the litigator – in Germany.

3. Papers on law cannot do without citations of legal provisions. For the benefit of the reader, all legal provisions of Japanese and German law cited in the various papers of this volume are reproduced in English translation in an Appendix. The English translation of the current German Patent Act referred to was prepared by the firm of Hoffmann Eitle, Patent Attorneys and Attorneys-at-Law. For translations of the Japanese legal provisions, the exemplary website *www.japaneselawtranslation.go.jp/* has been consulted. It is unfortunate that in this age of international communication, no comparable website for English translations of German statutes exists. The translations as reproduced in the

Appendix have been modified whenever a more literal adaption of the original text into English seemed appropriate.

4. Translations of Japanese and German legal terms into English are not standardized. For example, the patent law enacted by the legislature (*Tokkyo-hō* in Japanese, *Patentgesetz* in German) is sometimes translated as "Patent Law" and sometimes as "Patent Act"; its legal provisions are termed "articles" or "sections", etc. Such translations are often used according to individual preferences and therefore may differ from author to author. To improve comprehension, in this volume one and the same English translation is used throughout for one legal concept. For example, *Tokkyo-hō* and *Patentgesetz* are translated uniformly as "Patent Act". If a number of English translations are available for a specific legal term in one language, the most literal translation has been chosen if it correctly conveys the meaning. For example, the technical support staff at Japanese infringement courts are called *saiban-sho chōsa-kan*, literally "Court Research Officials", which is also translated as "Judicial Court Officials"; however, in this volume the literal translation is used. References to court decisions follow the method of citation in the original language, with which the reader wishing to refer to the original text will be familiar.

5. Finally, the editor would like to thank the IP law firm Hoffmann Eitle for its generous funding of the Munich symposium based on the understanding that this was not a marketing opportunity but a project to bring together Japanese and German professionals to promote mutual understanding in the field of patent enforcement, and to reciprocate the hospitality that German patent professionals have enjoyed many times at similar events in Japan. The editor is also grateful to the Foundation for the Advancement of Japanese German Relations in Science and Culture (Stiftung zur Förderung japanisch-deutscher Wissenschafts- und Kulturbeziehungen – JaDe-Stiftung), which, together with Hoffmann Eitle, contributed to the printing costs of this publication. Last but not least, thanks go to my colleague Dr. Anja Petersen-Padberg for her substantial help in the organization of the symposium and the publication of this conference volume.

Guntram Rahn

Munich, September 2011

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Authors' Profiles

Dr Klaus Grabinski

Dr Grabinski is a judge at the Federal Court of Justice (*Bundesgerichtshof*) and a member of the court's Tenth (Xth) Civil Panel, which is responsible, *inter alia*, for patent and utility model cases. Before being appointed to the Federal Court of Justice, Dr Grabinski was presiding judge of one of the two patent dispute divisions of the Düsseldorf Regional Court (*Landgericht Düsseldorf*). Dr Grabinski is a co-author of the current Benkard commentaries on the European Patent Convention and the German Patent Act. He is the author of numerous articles and a speaker on patent and procedural law topics at national and international conferences.

Dr Marcus Grosch, LL.M. (Yale)

Dr Grosch is an attorney-at-law and the managing partner in the law firm of Quinn Emanuel Urquhart & Sullivan LLP in Germany. His primary focus is on patent litigation. His expertise encompasses clients and patents of various industries (high-tech, medical devices, pharma-bio). He has more than a decade of experience in patent litigation, including the coordination of lawsuits in multiple jurisdictions. He has pleaded IP litigation cases (mostly patent), both in the German patent infringement courts (trial and appellate level) and in opposition proceedings at the EPO (including appeal proceedings) as well as before the German Patent and Trademark Office (cancellation actions) and the Federal Patent Court (invalidity actions). Dr Grosch is a lecturer in patent law at Freiburg University and the author of numerous articles on intellectual property law topics.

Dr Christopher Heath

A judge of the Boards of Appeal at the European Patent Office in Munich, Dr Heath studied at the Universities of Konstanz, Edinburgh and the London School of Economics. He lived and worked in Japan for three years, and between 1992 and 2005 headed the Asian Department of the Max Planck Institute for Patent, Copyright and Competition Law in Munich, before being appointed a judge of the Boards of Appeal at the European Patent Office. Christopher Heath is the editor of the Max Planck Institute's Asian Intellectual Property Series published by Kluwer Law International and the Asian editor of the Max Planck Institute's publication IIC.

Toshiaki Iimura

A presiding judge at the Intellectual Property High Court (*Chiteki zaisan Kōtō Saiban-sho*), Judge Iimura graduated from the Law Faculty of the University of Tokyo in 1972. Since 1974 he has served as a judge in various divisions of the Tokyo District Court (*Tōkyō Chihō Saiban-sho)*, the Sapporo District Court, the Tokyo High Court (*Tōkyō Kōtō Saiban-sho)*, and as chief judge of the Kofu District Court as well as at the Supreme Court in the Administrative Affairs Bureau and in the Ministry of Justice. From 1983 to 1987 Judge Iimura was a member of an intellectual property division of the Tokyo District Court, he headed an intellectual property division of the Tokyo District Court from 1998 to 2004, and he has been a presiding judge at the IP High Court since 2006. Judge Iimura has authored numerous articles on patent law issues.

Eiji Katayama

Eiji Katayama is an experienced practitioner of patent litigation in Japan. He received a BS in engineering from Kyoto University in 1973 and a BA in law from Kobe University in 1982. Since 1991, he has been a partner in the law firm Abe, Ikubo & Katayama in Tokyo. He was admitted to practice in Japan in 1984 and in New York in 1989. Mr Katayama has working experience in the pharmaceutical industry in Japan (1973-1982) and also in law firms in New York, Paris, Brussels and London (1988-1990). He has handled major patent infringement cases involving multi-national jurisdictions and related to most advanced technology, including biotechnology and semiconductors. Mr Katayama has been teaching IP law in the law schools of Hitotsubashi University and Waseda University. He is also a lecturer at the Munich Intellectual Property Law Center (MIPLC), where he teaches a concentrated course of Japanese patent law.

Professor Dr Peter Meier-Beck

Professor Meier-Beck is a judge at the Federal Court of Justice (*Bundesgerichtshof*), a presiding judge of the court's Tenth (X^{th}) Civil Panel (Patent Panel) and a member of the Cartel Panel (Competition Law Panel); he is also honorary professor at the Heinrich-Heine-Universität Düsseldorf and associate director of the Center for Intellectual Property Law, Düsseldorf Law School (DSL). Professor Meier-Beck served as a judge at the Düsseldorf Regional Court (*Landgericht Düsseldorf*) from 1985 to 1991, and as a judge at the Düsseldorf Higher Regional Court (*Oberlandesgericht Düsseldorf*) from 1991 to 1993. From 1993 to 2000 he was the presiding judge of the patent dispute division of the Düsseldorf Regional Court. Having been appointed to the Federal Court of Justice in 2000, he was the presiding judge of the auxiliary (Tenth) Civil Panel Xa from 2009 until its dissolution in 2010. Professor Meier-Beck is the author of numerous articles and a speaker on patent law topics at national and international conferences.

Ryoichi Mimura

A former judge, Ryoichi Mimura obtained his BA (law) degree from the University of Tokyo in 1977. After graduation and two years of training at the Legal Training and Research Institute of Japan, he was appointed assistant judge at the Tokyo District Court (*Tōkyō Chihō Saiban-sho)* in 1979. In 1981, the Supreme Court of Japan sent him to the University of Cologne in Germany for two years of legal research. He was then promoted in 1989 to the position of a judge at the Tokyo District Court. Mr Mimura began his career as an IP expert in 1989 as a judge in the IP division of the Tokyo District Court. In 1993 he was appointed a judicial research official of the Supreme Court (*Saikō Saiban-sho*) to handle IP-related cases. From 1998 to 2005 he served as a presiding judge of the Intellectual Property Division of the Tokyo District Court. He then served as a judge at the Intellectual Property High Court (IP High Court) in Tokyo from 2005 to 2008, and as a judge at the Tokyo High Court from 2008 to 2009. He is currently an attorney-at-law and has been a partner in the law firm Nagashima Ohno & Tsunematsu since August 2009.

Dr Guntram Rahn

Dr Rahn has been a German attorney-at-law since 1975 and was a partner in the patent law firm of Hoffmann Eitle (until 2011). He lived in Japan for 14 years and studied law and Japanese studies at Hamburg University and Japanese law as a post-graduate at Tokyo University before heading the Japan and East Asia Department of the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law from 1975 to 1992. As an attorney-at-law, Dr Rahn was active as a patent litigator in Germany and organized and coordinated multi-jurisdictional patent litigation in Europe. He has served as an arbitrator and chairman of arbitral tribunals in international arbitration cases. From 1999 to 2003 he taught intellectual property law at the WHU Otto Beisheim School of Management in Koblenz. Dr Rahn is the author of numerous articles on intellectual property law and Japan and of the book *Legal Thought and the Concept of Law in Japan* (*Rechtsdenken und Rechtsauffassung in Japan*, 1990).

Dr Sabine Rojahn

Dr Rojahn studied law at the University of Munich and wrote her PhD thesis on copyright law. From 1974 to 1977 she worked as an assistant at the Institute of European and International Business Law at Munich University. She was admitted to the Munich bar in 1977. In 1979 she became a partner in the law firm of Taylor Wessing and set up the firm's department for intellectual property rights in Munich. Dr Rojahn advises and acts in national and international patent litigation in a wide range of sectors, including pharmaceuticals, chemicals, medical engineering, telecommunications, semiconductor and mechanical engineering. She is the co-author of commentaries such as the "Munich

Lawyers' Handbook" and "Industrial Property Rights", the author of many articles in law reviews and is active as a lecturer on IP law in Germany and abroad. She was also appointed a member of the Committee of Experts on Copyright Law with the Federal Ministry of Justice.

Motoaki Suzuki

Mr Suzuki is a senior fellow in the Intellectual Property Division of the JFE Techno-Research Corporation. He graduated from Tohoku University in 1974 with an MA in metallurgy and joined Nippon Kokan Kabushiki Kaisha (NKK) the same year. In 1999 he was appointed general manager of the IP Department. After the merger of NKK with Kawasaki Steel Corporation, Mr Suzuki was appointed general manager of the IP Department of JFE Steel Corporation in 2003. From 2006 he was director and general manager of the IP Department of JFE Techno-Research Corporation. Mr Suzuki is active in the Japan Intellectual Property Association (JIPA) where he has served as an executive officer, chairman of the board of directors and supervisor.

Yoshikazu Tani

Mr Tani is a patent attorney and partner in the patent law firm of Tani & Abe in Tokyo. He graduated from the University of Tokyo (electronics) in 1965 and worked in Toshiba Corporation as an R&D engineer. After qualifying as a patent attorney in 1973, Mr Tani specialized primarily in electronic patent cases, including prosecution litigation, opinion works, licensing and counseling. He is active in the professional associations JPAA-ACPAA, JPAA-KPAA, JPAA-AIPLA joint meetings, AIPPI and FICPI. He is the author of numerous articles relating to software protection and patent fundamentals and is a frequent lecturer in Japan, the United States and Asian countries. Mr Tani is one of the founders of the Japan IP Arbitration Center. He was a Council Board member of the Japanese Ministry of Economy, Trade and Industry (METI) and was appointed an expert commissioner (*Senmon I'in*) by the Supreme Court of Japan. Mr Tani was president of the Japan Patent Attorneys Association (JPAA) in 2006.

Patent Litigation in Japan and Germany: An Introduction

Christopher Heath *

I. The Myth of the Reluctant Litigant
II. Patent Infringement and Validity: Lessons from Japan
  1. The *Kilby* Decision of the Japanese Supreme Court
  2. Post-*Kilby*
  3. The Law of Unintended Consequences
III. Compensation of Damages under Japanese Law
  1. The Definition and Assessment of Damages under Japanese Law
  2. Calculation of Damages
  3. Infringer's Profits
  4. Ordinary Licensing Fee
  5. Court Costs and Attorneys' Fees

The editor of this special issue of the *Zeitschrift für Japanisches Recht*, *Guntram Rahn*, has kindly asked me to write an introduction to the following contributions on aspects of patent enforcement in Japan and Germany. The papers are updated and enlarged versions of a symposium on "Der Patentverletzungsprozeß in Japan und Deutschland" held on the premises of the European Patent Office on 23 September 2009. Two contributions about infringement proceedings in Mannheim and Munich have been added to round off the picture of patent litigation procedure in Germany. The papers deal with three key topics that I would like to introduce in the following pages: patent infringement procedures as such (I.), the relationship between infringement and invalidity (II.), and the calculation of damages (III.).

* Dr. iur., European Patent Office, Member of the Board of Appeal.

I. THE MYTH OF THE RELUCTANT LITIGANT

There are few fields in law that are as dominated by mutually misconceived perceptions in Japan and the West as the field of litigious resolution of disputes. The Japanese are huge admirers and often avid readers of Jhering's *Kampf ums Recht*, while Germans are often told by Japanese that litigation is simply out of the Japanese character, a thesis that was lent academic credence by an eminent Japanese law professor who wrote in 1948:

> I do not think that the costs and long delays of lawsuits are a sufficient explanation for the low number of lawsuits in Japan. Rather, the discrepancy between the Japanese legal consciousness and the current legal system is of far greater importance. Traditional legal consciousness in Japan does not regard rights and obligations as clear and defined facts. Yet the current legal system that was adopted from the West aims at clarifying and defining legal rights and obligations of both parties on the basis of established facts. Such a black and white decision destroys the basis of an amicable and cooperative relationship that developed especially because the framework of rights and duties were not clearly defined. In the traditional sense, raising a claim must therefore be regarded as a public challenge or declaration of war.[1]

But most commercial litigants in Germany are neither as pig-headed as Michael Kohlhaas nor are the Japanese shy and withering wallflowers, and *Guntram Rahn* in his profound work *Legal Thought and the Concept of Law in Japan*[2] did a lot to debunk the myth of the litigation-averse Japanese. While cultural traits should certainly not be discounted, shortcomings in the Japanese enforcement system played their part in the low number of lawsuits. When compared to the practice today as described in the following chapters, it shows how far things have changed.

Until the mid-1990s, a "typical" court action was held in about ten hearings with intervals of two months each, and such hearings would often last only three minutes each in order to exchange pleadings and arguments.[3] The old Code of Civil Procedure 1926 gave the parties significant leeway regarding the timing of hearings and the presentation of evidence and legal arguments (satirically termed *samidare*, as hesitant as Japanese spring rain). The new Code of Civil Procedure 1998, which in this respect draws heavily upon the German experience with the "Bender" reforms of civil procedure in the 1970s, requires more clarity for the briefs as such and introduces a preliminary hearing to clarify the issues in dispute. In intellectual property matters, Section 104-2 Patent Act introduced an obligation by the defendant to do more than just make a

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1 KAWASHIMA, *Nihon-jin no hō ishiki* [The Legal Consciousness of the Japanese People] 139 (Tokyo 1967).

2 GUNTRAM RAHN, Rechtsdenken und Rechtsauffassung in Japan (Munich 1992). In this connection, also JOHN O. HALEY with his equally stimulating article on "The Myth of the Reluctant Litigant", 1978 Journal of Japanese Studies 359, has become a classic (*http://faculty.washington.edu/swhiting/law573/Haley.pdf*).

3 NISHIGUCHI ET AL., Hanrei Taimusu 846 (1994) 10.

bare denial.[4] Rather, the "adverse party must clarify the concrete embodiment being the subject matter of his own acts". This has significantly helped to speed up procedures. In addition, Section 157 CCP allows the court to reject facts or arguments filed unduly late.[5] While this provision was hardly applied prior to 1998,[6] the courts are now more assertive in exercising their discretion in this respect.[7]

Moreover, a significant number of problems related to civil procedure centred around evidence and proof. For one, parties in a civil suit in the past had only limited recourse towards obtaining written (documents) or oral (affidavit) evidence from the other party. Systems of pre-trial discovery (the US), the *saisie contrefaçon* (France), or the Anton Piller Order (UK) were unavailable, a situation not unlike the one in Germany where the *Besichtigungsanspruch* in a 1985 decision was essentially emasculated by a most literal interpretation of "inspection".[8] While things in Germany have changed as a result of the European Enforcement Directive 2004/48/EC, the Japanese courts can now order "the other party to produce documents necessary for the proof of alleged infringement or the assessment of damages caused by the infringement" (Section 105(1) Japanese Patent Act).[9] In the past, submission of documents was often opposed for the reason that trade secrets were involved. After the Tokyo High Court found that "the intention of protection of trade secrets is not a legitimate reason for withholding relevant documents that may be of importance to the other side",[10] the introduction of Section 105(2) allowed the court to inspect documents requested by one party in order to determine if there is good reason for withholding such documents.[11] The assessment of the court is not open to review, as the other party does not see the documents.[12] Procedures for protecting the secrecy of documents are also in place (Section 105-4 Japanese Patent Act).[13]

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4 See the English translation of Section 104-2 PA in Appendix.

5 See Appendix.

6 YOSHINO, Die neue Diskussion um die Prozeßbeschleunigung in Japan, Recht in Japan 8 (1991) 65, 67.

7 Tokyo High Court, 31 October 2002, 2003 AIPPI Japan English Edition 359 – *Anti-Allergic Agent*. Here, in a patent infringement suit, the defendant was slow and reluctant in producing relevant documents, which caused a tremendous delay in proceedings. In addition, the defendant frequently changed the basis of its argumentation. As this continued on appeal, the appeal court ruled in favour of the plaintiff, on the grounds that the defendant had failed to overcome the statutory presumption of infringement (the case concerned a manufacturing process) since its arguments in this respect were filed too late.

8 German Federal Court of Justice, 8 January 1985, IIC 18, 108 – *Pressure Beam*.

9 See Appendix.

10 Tokyo High Court, 20 May 1997, IIC 30 (1999) 452 – *Sale of Pharmaceuticals*.

11 See Appendix.

12 *See e.g.* Osaka District Court, 4 December 2001, IIC 34 (2003) 203 – *Cogwheel.* Here the court inspected the documents and the allegedly infringing device and ultimately decided that the latter was not deemed infringing. It is, of course, difficult for the plaintiff to argue infringement without ever having seen the device. Section 105(3) allows for a court inspection of objects and thus complements the provision on an inspection of documents.

13 See Appendix. These secrecy orders by the court are applied rather pragmatically (Osaka District Court, 18 April 2008, GRUR Int. 2010, 79 for third parties; Osaka District Court,

In his overview, *Guntram Rahn* joins *Marcus Grosch* and *Sabine Rojahn* (for Germany) and *Eiji Katayama, Yoshikazu Tani and Motoaki Suzuki* (for Japan) in mentioning further details of how court hearings in patent infringement matters are conducted both in Germany and Japan, how litigation strategies can be laid out, and what the role of attorneys and patent attorneys is in these procedures.

The other chapters of this book deal in more detail with two issues that can justifiably be seen as the most important ones for patent enforcement: the relationship between infringement and invalidity, and the assessment of damages. Both issues deserve a closer look.

II. PATENT INFRINGEMENT AND VALIDITY: LESSONS FROM JAPAN

The relationship between patent infringement procedures and the objection of invalidity has been of considerable practical importance and comparative interest. After all, the main defences against patent infringement are, first, that the act performed by the defendant does not infringe and, second, that the patent is invalid or unenforceable.

There is a certain divide in this matter. Anglo-American systems tend to give the courts the power to invalidate patents if so requested as a counterclaim to an infringement action, or even in isolation, while the Patent Office does not enter the fray. France and Italy have given the courts the same powers, but for a different reason: the Patent Office does not examine patents as to the requirements of patentability, and therefore there is no perceived conflict between the administrative decision of grant, and a possibly contradictory one of invalidating such a grant. This is (or was) different for countries such as Germany[14] and China,[15] and until recently Korea,[16] where the courts in an infringement action do not allow the defendant to raise the issue of validity. The underlying rationale for this bifurcation is that an administrative decision such as the grant of a patent should be reviewed by an administrative body. In China, this is the Patent Office (SIPO), and in Germany, the Federal Patent Court (Bundespatentgericht). In Germany, the division between the infringement courts and the Bundespatentgericht seems rather settled, and the points of interest are mentioned in the contribution of *Peter Meier-Beck*. It is currently too early to say whether and in what form the German divi-

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25 December 2008, GRUR Int. 2010, 80 for a subsequent revocation of the order) and also apply to interim proceedings: Supreme Court, 27 January 2009, IIC 41 (2010) 858 – *Secrecy Order*.

14 The German Federal Patent Court has exclusive jurisdiction in regard to the invalidation of German patents and extended European patents that are no longer subject to opposition/ appeal procedures.

15 GANEA / PATTLOCH, Intellectual Property Law in China (Kluwer Law International 2005) 305.

16 Until the decision of the Korean Supreme Court, 28 December 2004, German translation in GRUR Int. 2006, 617.

sion will find its place in a future European patent litigation system. Also against this background of possible future development of the European systems, experiences from Japan in switching from one system to the other are of considerable interest. While *Ryoichi Mimura* in his chapter sets out the current court practice, a historical introduction may help the reader to better understand the issues involved.

1. The Kilby *Decision of the Japanese Supreme Court*

In Japan, it had always been clear that only the Patent Office has jurisdiction over invalidating a registered IP right, either by request of an interested party (patent law) or the public at large (trademarks). In the case of trademarks, the courts have long refused enforcement in cases where the trademark should not have been registered in the first place[17] or was prone to cancellation.[18] Things were far more complicated for patents. Here, decisions of the Imperial Supreme Court of 1904 and 1917 had held that the objection of patent invalidity would give the court discretion to stay procedures, yet not to regard the patent as invalid.[19] Invalidation procedures before the Patent Office were not only slow, but both parties could even supply the Tokyo High Court with completely new facts on appeal.[20] In circumstances where the patent was presumably invalid, the courts sometimes tried to narrow the patent's scope,[21] or grant the defendant a prior user right.[22]

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17 E.g. Kobe District Court, 21 December 1982, Mutaishū 14-3, 813 – *Dorothee Bis*. In this case, a former distributor of the French fashion designer "Dorothee Bis" had registered the mark while still distributing Dorothee Bis goods. The court held that the goodwill rested only in the French fashion undertaking, not the registered trademark owner, and thus refused enforcement of the mark.

18 Supreme Court, 20 June 1990, IIC 25 (1994) 118 – *Popeye Scarves III*. In this case, the Supreme Court held that the registered mark even at the time of registration conflicted with an existing copyright and should thus be cancelled. Cancellation procedures at the Patent Office seemed to take forever as the Patent Office apparently was unable to make up its mind about the cancellation request already filed years earlier.

19 Imperial Supreme Court, 23 April 1917, Minroku 23, 654: "If a new commercial model has been registered as a utility model … it is not permissible to deny the validity unless the right has been declared null and void in invalidation procedure."

20 Supreme Court, 4 April 1968, Minshū 22-4, 816. The invalidation procedure has two further disadvantages. First, the Patent Office and the courts would only examine the reason of invalidation as argued by the petitioner, rather than make a general assessment of patentability (Supreme Court, 10 March 1976, Minshū 30-2, 79 – *Knitting Machine*). Second, the patentee can almost endlessly prolong an invalidation procedure by requesting an amendment of the patent before the end of the invalidation trial, as this trial would then have to be repeated in light of the amended patent (Supreme Court, 9 March 1999, Minshū 53-3, 303 – *Rectangular Steel Pipe*, and Supreme Court, 22 April 1999, Hanrei Jihō 1675, 115 – *Calendar*). Should the amendment not be accepted, the patentee can of course appeal against this decision, too.

21 E.g. Osaka District Court, 25 March 1993, Patent 11/1994, 121.

22 E.g. Nagoya District Court, 31 July 1991, Tokkyo Kenkyū 15, 3.

This somewhat unsatisfactory state of affairs was changed only in the Supreme Court's *Kilby* (or TI – the inventor was Mr Kilby, and the patent was owned by Texas Instruments) decision of 11 April 2000[23] that held in a rather unprecedented dictum:

> 1. The court that examines a case of patent infringement may judge whether or not the patent is invalid, even before a patent annulment decision of Japan Patent Office becomes final.
>
> 2. If it is found that there are obvious reasons for holding the patent invalid as a result of the court hearing, a claim for injunction, damages, etc., based on the patent is deemed an abuse of rights unless there are special circumstances.

Before this decision and based on the precedents cited by the court, it had been assumed that the court could not judge the validity of a patent, as this was a matter for the Japanese Patent Office to decide. According to this decision, however, a patent right, registered with the JPO, is a civil right, and a court in an infringement case can judge the scope of a patent. Second, the decision states that if there are obvious reasons for holding the patent invalid as a result of the court hearing, a claim based on the patent is deemed an abuse of right. Here, the court only holds the exercise of the patent right an abuse of right, but does not declare the patent invalid. The court finds the precedent of the Imperial Supreme Court is contrary to the spirit of equity and against the economy of legal procedure. A similar reasoning was already adopted previously when the court found the patent lacked novelty and was thus invalid.[24] Unlike previous decisions, however, the *Kilby* decision no longer requires the courts to demonstrate specific circumstances of the case for holding a patent invalid, but lets obviousness be a sufficient reason.

2. *Post-*Kilby

Subsequent decisions affirmed that the grounds for holding a patent invalid could relate to a lack of novelty[25] or inventive step,[26] insufficient disclosure[27] or misappropriation.[28] The new approach towards invalidity may have speeded up procedures, but it is not necessarily beneficial to the patentee. According to statistics, the patentee's success rate in infringement procedures was a mere 24% of the 70 cases where the objection of invalidity was raised after the Supreme Court's decision.[29] According to information

23 Japanese Supreme Court, 11 April 2000, IIC 35 (2004) 91 with comment by HEATH and MOHRI = GRUR Int. 2004, 154 with comment by Petersen.

24 Nagoya District Court, 26 November 1976, Hanrei Jihō 852, 95.

25 Tokyo District Court, 14 July 2000 (unreported); Osaka District Court, 5 September 2000 (unreported).

26 Tokyo District Court, 27 September 2000 (unreported).

27 Tokyo District Court, 25 April 2001 (unreported).

28 Tokyo District Court, 30 January 2001 (unreported).

29 Reported in Japan Patents and Trademarks 111 [February 2002] 12.

supplied to the author by former presiding judge *Ryoichi Mimura*, alleged invalidity was affirmed by the courts in about half of the infringement cases. This also had repercussions on the Patent Office's handling of invalidation procedures. While between 1997 and 1999, requests for an invalidation trial had a success rate of 10-15%, this escalated in 2001 to almost 50%.[30]

Current practice before the courts has shown that the objection of invalidity is successful even in cases that are not "obvious". This in effect has given the courts a parallel jurisdiction over patent invalidation matters, albeit limited to an *inter partes* effect. It is thus conceivable that the courts find a patent invalid, yet that the Patent Office in subsequent invalidation procedures upholds the patent. What should happen in these cases is unclear, and as the law stands at the moment, there is no remedy for the patentee should the court decision already have become final.

The legislature has partly responded to the above changes. A Patent Amendment Act was promulgated on 23 May 2003 and provides for a merger of opposition and invalidation procedures, yet does not fundamentally change the procedures before the Patent Office. The new system came into force on 1 January 2004 and applies to all patents granted after that date.

In a further legislative change of 2005, the power of the courts to hold patents unenforceable has been clearly stated in Section 104-3 Patent Act that now reads:

> (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.
>
> (2) Where the court recognises that means of attack or defense under the preceding paragraph are submitted for the purpose of unreasonably delaying the proceedings, the court may, upon request or by its own authority, render a ruling rejecting their submission.

3. *The Law of Unintended Consequences*

So far, so good. While allowing the objection of invalidity may have solved some problems, it turned out that it created a number of others, mostly due to the fact that procedures before the courts and the Patent Office were unrelated to each other.

Under the current law, the courts (according to Section 6 Code of Civil Procedure, those of Tokyo and Osaka)[31] can hold the patent invalid *inter partes*, and the Patent

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30 1997: 184 invalidation requests, upheld in 22 cases; 1998: 252 invalidation requests, upheld in 46 cases; 1999: 293 requests for invalidation, upheld in 27 cases; 2000: 296 requests for invalidation, upheld in 77 cases; 2001: 283 requests for invalidation, upheld in 138 cases. Source: TOKKYO CHŌ, *Tokkyo gyōsei nenji hōkoku-sho* [Annual Report on Patent Administration] (Tokyo 2002) 183.

31 See Appendix.

Office can invalidate the patent *erga omnes.* Technical expertise of the courts is ensured by so-called court research officials from the Patent Office (six in Tokyo, five in Osaka) that are meant to assist the judges in technical matters. These assistants are normally dispatched from the Patent Office for a period of three years.

Infringement and invalidation proceedings may be conducted concurrently, subsequent to each other or in isolation, creating all sorts of legal problems. As if this was not enough, the patentee can request *ex parte* limitation proceedings before the Patent Office, often in response to the court holding the patent invalid *inter partes*. Different from most common law countries, the courts in Japan still cannot declare the patent invalid, and they cannot limit the scope of the patent by request of the patentee. In limitation proceedings, the patentee has the advantage of dealing with the Patent Office in the absence of any third party, but is significantly inconvenienced by the fact that the Patent Office in such proceedings does not accept auxiliary requests.

In one of the subsequent cases that went up to the Supreme Court, the patentee in response to a finding of invalidity by the infringement court, tried to limit his patent in order to distinguish the patent from the prior art which the infringement court had found prejudicial to the maintenance of the patent. Yet it took the patentee five attempts to successfully limit the patent, and the infringement case had meanwhile arrived at the Supreme Court,[32] which held as follows:

> A patentee whose patent has been regarded as invalid by the courts can only be heard with the argument that such patent was successfully upheld in amended form in a correction trial before the Patent Office where such trial was conducted without unreasonable delay.

In the case at issue, the Supreme Court found that it was too late to consider the limitation. Patentees have therefore tried to request amendments to the patent in a timely manner, but the courts are not entirely clear what this should encompass.

In a recent case, in order to overcome the estoppel of invalidity, the patentee suggested an amendment of the patent to the court that would overcome the prior art objections while still making the defendant's device fall into the scope of the patent claims. The first instance court[33] dismissed the action, but stated three requirements for a suggested patent amendment to be considered by the court:

1. the plaintiff has already requested a correction trial before the Patent Office and submitted a new wording of his claims;
2. the limitation is able to overcome the prior art against which the patent is deemed not novel or non-inventive; and
3. even after the limitation, the defendant's device will fall within the scope of the amended patent.

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32 Japanese Supreme Court, 24 April 2008, IIC 40 (2009) 721 – *Knife-Processing Device*.
33 Tokyo District Court, 27 February 2009, Hanrei Jihō 2082, 128.

The IP High Court dismissed the appeal, but held that only the first of the above three requirements was necessary for a patentee to counter the invalidity defense.[34]

A case of the Tokyo High Court dealt with the reverse situation that the court had found the patent valid and infringed, yet the Patent Office had ultimately revoked the patent. In this situation, the court allowed for a re-opening of proceedings to account for the fact that the patent had been invalidated:[35]

> The fact that the courts dealing with patent infringement may hold the patent valid or invalid *inter partes* does not preclude a re-opening of a final and conclusive decision establishing validity and infringement of the patent where the latter has subsequently been declared invalid *erga omnes* by the Patent Office.

While certainly correct, this possibility creates legal uncertainty.

A final issue that deserves mention is the different treatment of *res iudicata* (issues or decisions that have become final and conclusive) between procedures for limitation and procedures for invalidation, both before the Patent Office. According to the Supreme Court,[36]

> Subject matter of limitation procedures according to Section 126 Patent Act[37] is the patent as a whole, while in cases of *inter partes* revocation procedures under Section 123,[38] the decision may only relate to certain claims and the patent can be partially upheld if only certain claims are deemed invalid.

This complicates things quite a lot where, for example, invalidity of claim 1 has been acknowledged by the Patent Office, but not invalidity of the subclaims. If this decision is appealed, the subject matter of the appeal is only claim 1, while the remainder of the patent is not subject to the proceedings, as it is no longer in dispute. If on appeal the patentee proposes amendments, these may have unforeseen consequences for the dependent subclaims – a somewhat odd situation.

The strict split between infringement and invalidity proceedings practiced in many Asian jurisdictions – China, Taiwan, Japan and Korea – has been overturned by court practice in Japan and Korea. Other jurisdictions may well follow. This will lead to a speeding up of proceedings in general, but, as the Japanese example demonstrates, may lead to unforeseen difficulties. Europe, take note.

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34 Intellectual Property High Court, 27 April 2010 – *K.K. Kotobuki v. Japan Post.*

35 Tokyo High Court, 14 July 2008 – *Furuta Denki v. Ryowa Seisaku.*

36 Japanese Supreme Court, 10 July 2008, German translation in GRUR Int. 2009, 623.

37 See Appendix.

38 See Appendix.

III. COMPENSATION OF DAMAGES UNDER JAPANESE LAW

The third issue concerns compensation of damages. Here, Germany has developed calculation methods based on tort (actual damages to the right owner, i.e. lost profits), on unjust enrichment (licensing analogy) and on conducting another's affairs without mandate (infringer's profits). These methods of calculation have subsequently found their way into the European Enforcement Directive 2004/48 EC, thereby establishing a European *acquis* in this field. *Klaus Grabinski* in his contribution has further elaborated on the finer points of how German courts apply these methods of calculation, and *Toshiaki Iimura* sets out the practice in Japan. Also here, for the benefit of the foreign reader, a look at historical developments in Japan might help.

1. The Definition and Assessment of Damages under Japanese Law

Damages under the Japanese Civil Code (Section 417)[39] take the form of monetary relief rather than other forms that perhaps more adequately would restore the *status quo ante*. Further, damages are strictly compensatory and in no case punitive, as the Supreme Court has clarified.[40]

Viewed as compensatory, proof of damages is a necessary part of procedure, which, however, is difficult in the absence of court orders on an inspection of documents. This finally prompted the legislature in 1998 to enact provisions that should give the judge a certain discretion in damage calculation. Where the other side does not produce evidence, or where evidence is difficult to come by for other reasons, Sections 248 CCP[41] and 105-3 PA[42] entitle the judge to a discretionary calculation of damages.[43] Court experts can also be appointed for issues of damage calculation. Here, Section 105-2 PA[44] provides a special provision whereby the court, upon the request of one party, may ask for an expert opinion "with respect to the matters necessary for the proof of the damages caused by the infringement." In such a case, "the other party shall explain to the expert the matters necessary for the expert opinion to be given." In other words, the infringing party has to cooperate with the expert for the assessment of damages, failure of which may trigger an award of estimated reasonable damages under Section 105-3 PA.[45] There

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39 See Appendix.

40 Supreme Court, 11 July 1997, IIC 30 (1999) 485 – *Punitive Damages.*

41 See Appendix.

42 See Appendix.

43 Section 248 Code of Civil Procedure was applied in Tokyo District Court, 12 October 1998, IIC 30 (1999) 457 – *Cimetidine*. The provision was used to determine the amount of the infringer's expenses to be deducted from its turnover in order to generate a figure for the infringer's profits.

44 See Appendix.

45 See Appendix. Even prior to the introduction of Section 105-2 in 1999, there have been court decisions where experts on the calculation of damages were appointed: Tokyo District Court, 9 February 1990, Hanrei Jihō 1347, 111. Here, two financial experts and one tax ad-

is no comparable provision for an expert opinion on infringement, as the Tokyo and Osaka courts are assisted by technical experts dispatched from the Patent Office. Of course, the parties are free to appoint their own experts either on matters of infringement or damage calculation. Their opinions are treated as arguments from the parties, however, and do not enjoy the specific position of a court expert under Sections 212-218 CCP.[46]

2. *Calculation of Damages*

The usual form of damage calculation as mentioned in Section 102 Patent Act[47] is the patentee's loss due to the infringement. In other words, the patentee's (hypothetical) assets but for the infringement, minus the patentee's actual assets after the infringement. While the latter is easy to calculate, the former is certainly not, in particular in the absence of any meaningful discovery as to how the defendant's infringing acts have influenced the patentee's market share, turnover, etc. In the past, the courts were unwilling to make difficult equations as to market share, etc., and outright proof of loss due to the infringing act would only be possible in a market with only two competitors: the patentee and the infringer.[48] A new decision indicates that this has changed.[49] By the amendment of the Patent Act in 1999 (Section 102(1)),[50] personal losses can be calculated on a discretionary basis, according to the number of infringing goods sold by the defendant, taking into account the right owner's market share and marketing efforts. For this method of calculation, it does not matter if the defendant did not make a profit from such sales or even distributed items for free. This would basically mean a calculation based on the infringer's amount of sales, multiplied by the right owner's usual profits

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visor were appointed to calculate damages incurred over a period of eight years and took 25 days for their expertise.

46 See *e.g.* the Tokyo District Court case, 24 March 1995, 1995 AIPPI Japan English edition 238 – *Air Filter*. Here, several expert opinions were presented to the court to determine whether the defendant's product really consisted of unipolar polymer material, a term that was contained in the patent application. The court affirmed infringement.

47 See Appendix.

48 *E.g.* Tokyo District Court, 10 March 1987, Hanrei Jihô 1265 (1988) 103 – *ICS*: No lost profits, as the orders lost by the plaintiff due to the infringement could also have been lost to one of the plaintiff's competitors. Contrast the situation in Tokyo District Court, 12 October 1998, IIC 30 (1999) 457 – *Cimetidine*: "The amount of the infringing products sold by the defendant can be said to equal the amount . . . the plaintiff would have sold but for the infringement." Criticism against this "all-or-nothing" method is voiced by S. CHAEN, *Tokkyoken shingai ni yoru songai baishô* (Damages for Patent Infringement), Jurisuto 1162 (1999) 50.

49 Tokyo High Court, 15 June 1999, Hanrei Jihô 1697 (2000) 96 – *Heatbank System*. The court calculated the losses in accordance with the plaintiff's market share of 60% even in a case where the patentee did not use the patented technology to manufacture his products that were in competition with the infringing products of the defendant.

50 Law No. 41/1999.

per item, but limited to the right owner's marketing capacity (Section 102(1) Patent Act). The damage claim is arguably limited by the right owner's marketing capacity, thereby putting small-scale inventors and universities at a disadvantage. Section 102(1) also appears applicable where the lost sales are attributable to a different (but unexploited) patent of the patentee.[51] While the right owner claims lost profits, the right owner has to deduct the expenses saved. Vice versa, the infringer can deduct from the infringer's profits the expenses incurred.[52] If the infringer's figures for pure profits seem unrealistically low, the court would simply multiply the infringer's turnover with the IP owner's normal profit, as patent law already provides on a statutory basis.[53] In one notable decision rendered on the amended Section 102(1), the Tokyo District Court squarely equated the number of items sold by the infringer with what the patentee would have sold but for the infringement. The court refused to take into account competing products on the market, efforts by the infringer to develop the market, advertising expenses by the infringer, or the price differences between the infringer's and the patentee's products:[54]

> The patent right being a right to exclude, Section 102(1) Patent Act should be interpreted as a legal fiction that the goods infringing the patent right (in the following "infringing goods") and the goods of the patentee (in the following "the patentee's goods") are supplementary. That is, the patent is a right to enforce a technical monopoly, and the sale of goods falling within the technical scope is exclusively allocated to the patentee. The argument that goods embodying the patented invention may not be substitutable on the market must therefore be disregarded. Based on this reasoning, the provision is to be understood as there being a presumption that the infringing goods and the patentee's goods are supplementary on the market. Accordingly, the damages by the sale of the infringing goods must be deemed the loss of the patentee on the market.... While there is a proviso in

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51 Tokyo High Court, 15 June 1999, Hanrei Jihô 1697 (2000) 96 – *Heat Bank System*: Here the patentee held patents A and B, made its turnover by exploiting patent A, while the infringer used the technology of patent B, which then led to a drop in sales of the patentee's products using technology A. The case resembles a similar US case (*Rite-Hite Corporation v. Kelley Corporation*, 56 F3d 1538 (Fed. Cir. 1995) and is open to question: First, the result would doubtlessly be different if patents A and B were held by different owners. Second, if the Patent Act aims at patents being exploited, why should strategic non-exploitation be rewarded?

52 Osaka District Court, 17 September 1998, Hanketsu Sokuhô 282 (1998) 17 – *Toaster*.

53 *E.g.* Osaka District Court, 25 February 1993, Chizaishû 25-1, 56 – *Jimmy'z*; in Tokyo District Court, 31 October 2001, Law & Technology 15 (2002) 92, this principle is affirmed, yet the court stresses that it would apply particularly to trademarks, as no damage to the trademark owner's goodwill could be detected in such a case. The principle is also applied to other IP rights, however: Osaka District Court, 27 March 1981 for a patent. That the courts in trademark cases require use by the trademark owner rather than the (registered) licensee is incomprehensible, however: Tokyo District Court, 24 March 1993, IIC 26 (1995) 566 – *Type Chanel No. 5*.

54 Tokyo District Court, 19 March 2002, IIC 34 (2003) 965 – *Pachinko Slot Machine*. The decision became moot, however, as the patent in question was revoked only days after the decision was rendered.

> Section 102(1) that damages based on the infringing goods sold be partly or completely limited by the amount the patentee could have sold, as mentioned above, based on the understanding of the patent as an exclusive monopoly, there is a presumption about the supplementary relationship between the infringing goods with the goods of the patentee, and that the sale of the infringing goods is equivalent to the loss by the patentee, and the proviso expressed in Section 102(1) Patent Act "...would have been unable to sell" cannot be understood as to refer to the infringer's sales capacity (in particular, the advertising efforts, efforts to develop the market, sales capacity, business scale, fostering of sales by branding, low sales price of the infringing goods, quality of the infringing goods, features unrelated to the patented invention that increase the sales), or to the presence of other goods of a supplementary nature, or competing goods on the market....

But the view expressed in this decision that Section 102(1) Patent Act has codified a legal fiction that no longer requires the proof of a causal link between damages and the infringing act, has been contested. In particular, in the *Massage Chair* decision, the patentee had a rather limited capacity to produce the patented goods, and according to the court, the patentee could thus not have sold the patented products even if the defendant had not infringed:

> Thus, the infringement of the plaintiff's patent no. 5 cannot be the reason for the plaintiff to sell fewer patented products. In other words, due to the limited production and marketing capacity of the plaintiff, the proviso of Section 102(1) "...would have been unable to sell" must apply.... The patentee argues that even if the proviso of Section 102(1) Patent Act should apply in the presence of competing products on the market, for the remainder of the goods sold by the defendant (thus, 99%) [in other words, those goods that the patentee could not have produced], Section 102(3) should apply and the ordinary licensing fee be calculated as 5% of the sales price. However, Section 102(1) Patent Act compensates for patent damages calculated as if the infringing event had not occurred, while Section 102(3) Patent Act compensates the patentee to an adequate amount for the use of the invention. These are thus two completely different ways of calculating damages. In addition, a request for an ordinary licensing fee for those items the patentee could not have sold, goes beyond a request the patentee makes for compensatory damages for an act of infringement meant to make good damages that have been incurred. It is therefore difficult to see a reason why the patentee should be compensated beyond the damages he has actually incurred, and the plaintiff's request in this regard must fail.[55]

The latter decision therefore requires there to be a causal link between damages and infringing act, and furthermore does not allow the patentee to combine patentee's damages (within the ambit of the latter's production capacity) with an ordinary licensing fee for those infringing goods the patentee could not have produced.

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55 IP High Court, 25 September 2006 – *Massage Chair II*.

3. *Infringer's Profits*

Section 102 Patent Act[56] statutorily regards the infringer's profits as one form of calculating the patentee's damages. How "profits" should be calculated is somewhat in dispute, in particular what the defendant should be permitted to deduct as expenses in this respect in order to arrive at the "pure profit" the courts would allocate. First of all, it is up to the defendant to prove that turnover does not equal profit. In other words, once the defendant's turnover has been established, this figure is presumed to be the amount of profit unless otherwise shown by the defendant.[57] Under Section 248 Code of Civil Procedure,[58] the courts would be entitled to a discretionary calculation in cases where it is "extremely difficult" to establish exact proof. One decision on patent infringement allowed for the following deductions:

> In order to calculate this amount of profit, one should start from the amount of Tagamet tablets and calculate first of all the direct expenses of marketing and producing these (costs of the basic substance, manufacture, packaging, licensing fee, shipping and selling), which have to be deducted. These direct costs over time amount to an average of 45.2% of the sales price, in other words, it would be reasonable to deduct 45% of the tablets' sales price for costs the plaintiff saved due to loss in sales. Further, the plaintiff had other expenses, such as the costs of sales promotion and advertising, wages, research and communication, expenses for entertainment, health and welfare, plus other expenses. Among these expenses are those that are in no way related to the actual sales of Tagamet tablets and the amount that is sold, and should thus not count as deductible expenses.[59]

Things become more complicated if either the infringer makes extremely low profits on its turnover, or if the infringing goods are composite articles of which the patented invention represents only a small part.

As to the first question, the courts increasingly tend to dismiss the infringer's figures for pure profits when deemed unrealistically low. In these cases, the court would multiply the infringer's turnover with the patentee's normal profit on its own devices:

> Yet, the profit made by the defendant is extremely small . . . due to the fact that the defendant used the products to promote others of his own. For this reason, the defendant's calculations on prices and profits cannot be taken into account here. Rather, the calculation of profits should be based on what the plaintiff would have made as a profit for the comparable goods he sold.[60]

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56 See Appendix.
57 Tokyo District Court, 7 October 1998, Hanrei Jihô 1657 (1999) 122 – *Recharging System*. Details by S. CHAEN, Jurisuto 1162 (1999) 50.
58 See Appendix.
59 Tokyo District Court, 12 October 1998, IIC 30 (1999) 457 – *Cimetidine*.
60 Osaka District Court, 17 September 1998, Hanketsu Sokuhō 282 (1998) 17 – *Toaster*.

Under the new Section 105-2 Patent Act,[61] the court may appoint an expert witness for the calculation of damages (see above).

As to the second problem, there is little case material to draw on. In one case of patent infringement where the defendant had only infringed a patent for a composite part of a complex machine, the court awarded damages calculated on the sale of the machine multiplied by a factor corresponding to the relevance of the patented part.[62]

While some decisions have held that the infringer's profits cannot be claimed where the IP right in question was not used,[63] a recent decision has questioned this in a case where the patentee did not use its patent, but would have obtained the profits but for the defendant's infringing behaviour (due to the sale of a different pharmaceutical in competition with the infringing one manufactured by the defendant).[64]

4. *Ordinary Licensing Fee*

Awarding an ordinary licensing fee is the fallback method of calculation if higher damages under other calculation methods fail. Traditionally, in patent matters the courts awarded extremely low licensing fees based on two studies of the Inventor's Association on licensing fees for certain types of inventions in domestic licensing contracts.[65] In most cases, however, those patents infringed were particularly valuable ones, and often were inventions made abroad. It would thus have been more appropriate to take fees in international licensing agreements as a reference,[66] and award top-end fees rather than across-the-board averages.

In some cases the courts took existing licensing agreements into consideration.[67] Yet the patentee might not be particularly interested in publishing the rates of other licensing agreements on the infringed technology, particularly since there is no reason why an infringer should profit from what an honest user had negotiated. Owing to the 1998 amendment of Section 102(2) Patent Act,[68] the courts no longer feel obligated to award

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61 See Appendix.

62 Tokyo District Court, 26 December 2003, Hanrei Jihō 1851, 138 – *Filling Machine*. On the other hand, in a case of copyright infringement, the court awarded the copyright owner the complete profits on the sale of a CD with about 20 different computer games, only one of which was infringing. Tokyo District Court, 31 January 1994, Chizaishū 26-1, 1 – *Pacman*.

63 Tokyo District Court, 31 October 2001, Law & Technology 15 (2002) 92.

64 Tokyo District Court, 8 October 2009, Case No. 2007 (wa) 3493. It is not clear if the court held this only for the rather specific facts of this case, or if it generally found that Section 102 Patent Act should not be limited by the patentee's own inertia.

65 HATSUMEI KYOKAI (ed.), *Jisshi ryōritsu* [Royalty Rates] (Tokyo 1980); HATSUMEI KYOKAI (ed.), *Gijutsu torihiki to royalty* [Technology Transactions and Royalties] (Tokyo 1992).

66 This was in fact done in Tokyo District Court, 30 March 1996, Hanrei Jihō 1585 (1996) 106.

67 Tokyo District Court, 18 October 1996, Hanrei Jihō 1585 (1996) 106 – *Concrete Steel Rod*.

68 Law No. 51/1998.

only an “ordinary” licensing fee, and recent case law seems to indicate that the courts have become more assertive in arriving at higher figures.[69]

In cases where the above-mentioned damages cannot be claimed, *e.g.* due to time bar, the right owner can base a claim for a licensing fee on the provisions of unjust enrichment (time bar of ten rather than three years).[70]

5. Court Costs and Attorneys’ Fees

The total costs for patent infringement suits are relatively high, at each court level between 8 and 10 million yen (currently 70,000 to 90,000 euro). Attorneys’ fees are freely negotiable and are either calculated per hour or according to a fee table published by the Japanese Bar Association. The latter is divided into an advance payment and a success fee. Both are calculated according to the economic gains the party makes from winning the suit. Making clear arrangements about attorneys’ fees is advised.

With these introductory remarks on a number of controversial issues, the reader is invited to move on to the individual chapters compiled in this volume.

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69 Tokyo District Court, 30 March 1998, Hanrei Jihō 1646 (1998) 143 awarded an unheard of 7% royalty rate in a patent infringement case.

70 Tokyo High Court, 13 July 1999, Hanrei Jihō 1696, 137 – *Karaoke*. The court found the damage claim time barred, yet ordered the defendant to pay what a lawful user would have had to pay.

Patent Infringement Proceedings in Japan and Germany: Similarities and Differences

Guntram Rahn *

I. Historical Overview
II. Court Organisation and Jurisdiction
III. Court Personnel
IV. First-Instance Patent Infringement Proceedings
V. Comparative Statistics
VI. Final Remarks

I. HISTORICAL OVERVIEW

1. As is well known, the modern Japanese legal system was influenced by German law.[1] This is particularly true for civil procedural law, which forms the procedural basis of patent infringement proceedings.[2] The first Japanese patent act designated as such, the "Patent Act" (*Tokkyo-hō*) of 1899, was modelled on German law.[3] For its theoretical integration into Japanese civil law, Japanese scholars adopted Josef Kohler's doctrine of intangible property rights.[4] The amendments to patent law introduced by the Japanese Patent Act of 1921 – such as the first-to-file principle, publication of applications, opposition proceedings and appeal proceedings – originated from the German Patent Act, as did the separation of infringement and nullity proceedings.[5] These features characterized Japanese patent law up to the present: "*Doitsu hō ni arazumba, hō ni arazu*" at one time described the climate in Japanese jurisprudence: "If it's not German law, it isn't law."[6]

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1 Cf. RAHN, Rechtsdenken und Rechtsauffassung in Japan [Legal Thought and the Concept of Law in Japan] (Munich 1990) 111 *et seq.*

2 Cf. NAKAMURA, Japan und das deutsche Zivilprozessrecht [Japan and the German Law of Civil Procedure] (Cologne 1996).

3 *Tokkyo-hō* [Patent Act], Act No. 36 of 1 March 1899; cf. RAHN, Der Rechtstransfer zwischen Deutschland und Japan als Voraussetzung des Technologietransfers [The Transfer of Law between Germany and Japan as Prerequisite of Technology Transfer], in: Pauer (ed.), Technologietransfer Deutschland – Japan – von 1850 bis zur Gegenwart [Technology Transfer Germany – Japan – from 1850 to the Present] (Munich 1992) 73 *et seq*, 81.

4 Cf. TOKKYO CHŌ (ed.), *Kōgyō shoyū-ken seido hyakunen-shi* [Centennial History of the Industrial Property System] (1984) Vol. I, 187; TOYOSAKI, *Kōgyō shoyū-ken-hō* [Industrial Property Law], 2nd edition, 1975, 100 *et seq.*

5 TOKKYO CHŌ (ed.), *supra* note 4, 421 *et seq.*

6 SUEHIRO, in: Symposium "*Nihon no hōgaku*" [Japanese Jurisprudence] (1950) 40.

2. After World War II, a German jurist, Alfred Oppler, a former judge at the Prussian Higher Administrative Court who had emigrated to the United States in 1939, was responsible for the circumspect reform of the Japanese court system and law of civil procedure under the American occupation.[7] The judicial administration was transferred from the Ministry of Justice to the Supreme Court, and the character of civil procedure as party proceedings was strengthened by introducing cross-examination when taking testimony.

Although the Japanese legal system retained its continental European mold, since World War II Japan has been aligning itself both politically and economically with the world power United States. In the field of intellectual property administration, this has even gone so far that the official English translation of the title of the head of the Japanese Patent Office (*Tokkyo-Chō Chōkan*) was changed from "Director General" to "Commissioner".

During the time of Japan's economic success at the beginning of the 1980s, however, the growing Japanese self-confidence was reflected in the conviction that Japan had finally caught up with the West economically and technologically, and must now choose its own path as an international leader, also in the field of IP. This determination manifested itself for the first time in the Ministry of International Trade and Industry's (MITI's) resistance to the imposition by the United States of copyright protection for computer programs, though this eventually failed.[8] The so-called "patent wars" between American and Japanese companies followed[9] and, in the 1990s, recession set in. In order to overcome economic decline, the Japanese government resorted to the pro-patent policy of the Reagan administration as an example, but also built on the past success of the patent system in Japan.[10]

In 1997, a consulting committee at the Japanese Patent Office, in a report that attracted widespread attention, designated the "Cycle of Intellectual Creation" (*chiteki sōzō saikuru*), i.e. intellectual creation → patent grant →|patent exploitation → intellectual

7 See OPPLER, Legal Reform in Occupied Japan – A Participant Looks Back (1976) 84, 92, 131 *et seq.*

8 Cf. RAHN, Sonderschutzgesetz für Computerprogramme in Japan? [A Special Law for Computer Programs in Japan?], GRUR Int. 1984, 217 *et seq.*

9 See NAKAYAMA, On the U.S.-Japanese Dispute on the Patent System, AIPPI Journal, Dec. 1988, 154; OMORI, *Nichibei chiteki zaisan-ken sensō* [The Japanese-American Intellectual Property Rights War], 1992; RAHN, Patentstrategien japanischer Unternehmen [Patent Strategies of Japanese Enterprises], GRUR Int. 1994, 377, 380 *et seq.*

10 See RAHN, Die Bedeutung des gewerblichen Rechtsschutzes für die wirtschaftliche Entwicklung: Die japanischen Erfahrungen [The Role of Industrial Property in Economic Development: The Japanese Experience], in: Oppenländer (ed.), Patentwesen, technischer Fortschritt und Wettbewerb [The Patent System, Technological Progress and Competition] (1984) 77 *et seq.*

creation, as the motor for regenerating the Japanese economy (*Nihon keizai saisei*).[11] The report called for "broad, strong and fast" legal protection. A new Code of Civil Procedure that entered into force in 1998 and reforms of the Patent Act in 1998 and 1999 initiated the legal changes thought necessary to achieve this objective. All in all, the Japanese Patent Act was amended 23 times between 1998 and 2008.

In 2002, Prime Minister *Junichiro Koizumi* proclaimed "*Chizai Rikkoku*", the "establishment of a nation based on intellectual property", as a national goal.[12] An "Intellectual Property Strategy Conference" (*Chiteki Zaisan Senryaku Kaigi*) was set up, which adopted the "Principles of an Intellectual Property Strategy" (*Chiteki Zaisan Senryaku Taikō*) in the same year. This position paper proposed, *inter alia*, a revision of patent infringement proceedings. Also in 2002, an "Intellectual Property Basic Law" (*Chiteki Zaisan Kihon-hō*) was proclaimed, which contains the basic regulations of Japanese IP policy. This led to the establishment of an "Intellectual Property Strategy Headquarters" (*Chiteki Zaisan Senryaku Honbu*) in the Japanese cabinet, presided by the Prime Minister and composed of all ministers and ten experts from industry and academia. Since 2003, the Intellectual Property Strategy Headquarters has annually published a new edition of the "Plan for the Promotion of Intellectual Property" (*Chiteki Zaisan Suishin Keikaku*), which contains concrete measures for implementing the Japanese pro-patent policy.[13]

The Japanese pro-patent policy has brought about substantial changes of the Japanese patent system in the areas of administration, legislation, judicature and jurisprudence. Japanese patent infringement proceedings, which are historically related to German patent dispute proceedings, have, as a result, also gained further independence.

Has the time come when not only Japan can learn from Germany in this field, but also Germany from Japan? What are the similarities and differences today in Japanese and German patent infringement proceedings?

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11 *21 Seiki no chiteki zaisan-ken wo kangaeru kondan-kai hōkoku-sho* [Report of the Working Group "Thoughts on IP Rights in the 21st Century"], *Korekara wa nihon ni mo chiteki sōzō no jidai* [From now on an age of intellectual creation also in Japan] of 7 April 1997; cf. also KISHI, *Kore ga Minshutō "Nihon-ban Yangu repōto*" [This is the Democratic Party's "Japanese version of the Young Report"], Chūō Kōron 7/2000, 102.

12 Nikkei Newspaper of 21 March 2002.

13 A PDF copy of the 2011 edition published in June 2011 can be downloaded from *www.kantei.go.jp/jp/singi/titeki2/kettei/chizaikeikaku2011_gaiyou.pdf*. Four strategies are emphasized for this year: 1. International Standardization Stage-up Strategy, 2. IP Innovation Competition Strategy, 3. Cutting-Edge Digital Network Strategy, 4. Cool Japan Strategy (referring to the international dissemination of Japanese pop culture)

II. COURT ORGANISATION AND JURISDICTION

1. Both in Germany and Japan, the parties of a patent infringement dispute basically have three court instances for presenting their case: the final judgment (*Endurteil, shūkyoku hanketsu*) in the first instance can be appealed to the appeal instance (*Berufungsinstanz, kōso-shin*),[14] and the final judgment of the appeal court can be reviewed upon appeal on points of law by a third-instance court (*Revisionsinstanz*, *jōkoku-shin*).[15]

2. In Germany, the regional courts (*Landgerichte*) have jurisdiction for first-instance patent infringement proceedings. Throughout Germany there are twelve regional courts that have specialized divisions (*Kammern*) to handle patent disputes.[16]

In Japan, by contrast, since 1 April 2004, only two district courts (*chihō saiban-sho*, corresponding to the German *Landgerichte*) retain jurisdiction for disputes concerning technical IP rights:[17] the Tokyo District Court for East Japan (i.e. the high court districts of Tokyo, Nagoya, Sendai and Sapporo) and the Osaka District Court for West Japan (i.e. the high court districts of Osaka, Hiroshima, Fukuoka and Takamatsu).[18] This concentration of jurisdiction is intended to ensure a high degree of technical competence of the courts in patent disputes.[19]

3. At the Regional Court Düsseldorf, where it is said about one-half of all patent disputes in Germany are made pending every year,[20] there are two patent dispute divisions handling legal disputes relating to technical IP rights.[21]

Until 1998, there was only one division (*bu*, corresponding to the German *Kammer*) handling IP rights at the Tokyo District Court. However, at present the Tokyo District Court has four and the Osaka District Court two specialized divisions for IP disputes.

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14 Section 511(1) German Code of Civil Procedure, Section 281(1) Japanese Code of Civil Procedure, see Appendix.

15 Section 542(1) German Code of Civil Procedure, Section 311(1) Japanese Code of Civil Procedure, see Appendix.

16 Sections 143(1), (2) German Patent Act; see Appendix.

17 This term comprises IP disputes relating to technical subject matter, namely legal actions regarding patent rights, utility model rights, semiconductor-layout-user rights and copyrights of computer programs as well as license agreements and requests for issuance of provisional injunctions based on these rights.

18 Section 6 Japanese Code of Civil Procedure; see Appendix.

19 TANAKA, *Jitsumu tokkyo shingai soshō nyūmon* [Introduction to the Practice of Patent Infringement Proceedings], L & T 2007/1, 27, 28.

20 In contrast to Japan, there seems to be little interest in Germany in statistics on patent disputes; in any case, if such interest does exist, there is no publication of corresponding data to satisfy it; see, for example, BUSSE, Patentgesetz (6th edition, Berlin 2003) Section 143, margin no. 116: This edition of 2003 cites statistical data from 1992.

21 According to the assignment plan, these comprise disputes relating to patents and utility models, employee inventions, topography rights, plant variety protection rights, unfair competition disputes relating to these IP rights as well as relevant antitrust disputes.

4. In Germany, the Higher Regional Courts (*Oberlandesgerichte*), which are the second instance courts to the twelve Regional Courts, have special patent panels (*Patentsenate*) and act as appeal courts in patent infringement disputes.

In Japan, on the other hand, the Intellectual Property High Court (*Chiteki Zaisan Kōtō Saiban-sho*), which, under the aspect of court organization is a branch of the Tokyo High Court, was established on 1 April 2005 as an exclusive appeal instance in patent disputes.[22] The IP High Court has four divisions (*bu*) and one grand division (*dai gōgi-bu*). This court is intended to guarantee highly competent and swift rulings in the field of IP law.[23]

5. In Germany, the Federal Court of Justice (*Bundesgerichtshof*) in Karlsruhe is the court for appeals on points of law in patent infringement proceedings. This court has two panels (*Senate*) for disputes regarding IP rights. The First Civil Panel (*I. Zivilsenat*) hears cases regarding copyrights and industrial property rights not assigned to the Tenth Civil Panel (*X. Zivilsenat*). Patent disputes are assigned to the Tenth Civil Panel.

The Supreme Court (*Saikō Saiban-sho*) in Tokyo is the court for appeals on points of law in Japan. There are no specific panels at the Supreme Court, also not for patent disputes, but there is a Grand Bench (*Dai Hōtei*) and three Petty Benches (*Shō Hōtei*). To arrive at a decision, the judges consult court research officials (*saiban-sho chōsa-kan*), who are young judges specialized in the various fields of law and assigned to the Supreme Court for a period of three to four years.

6. Patent invalidation proceedings can be conducted in Germany in two instances. The first instance is the Federal Patent Court (*Bundespatentgericht*) in Munich, which has the status of a higher regional court but is a federal court. Its panels are composed of two legally trained judges and three technically trained judges.[24] The judgments of the Federal Patent Court can be appealed in the second instance to the Federal Court of Justice (Tenth Civil Panel); as an exception, the Federal Court of Justice functions as a second-instance court in this case. Due to the "Act on the Simplification and Modernisation of the Patent Law" (*Gesetz zur Vereinfachung und Modernisierung des Patentrechts*) that entered into force in 2010, the Federal Court of Justice now no longer decides anew on the facts as a rule, but reviews the first-instance judgment for errors. The declared objective of this reform is to reduce by half the duration of proceedings before the Federal Court of Justice, which "presently take more than four years".[25] In contrast, there are practically three instances available for invalidation proceedings in Japan. In the first in-

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22 See *Chiteki zaisan kōto saiban-sho setchi-hō* [Act for the Establishment of an IP High Court] of 18 June 2004.

23 Tanaka (footnote 17) 28.

24 Sec. 67(2) German Patent Act; see Appendix.

25 Explanatory Memorandum of the draft amendment, Bundestagsdrucksache 16/11339 (10.12.2008) 14.

stance, the invalidation boards of the Japanese Patent Office (*shimpan-bu*, Trial Boards) decide in quasi-court proceedings (*mukō shimpan*, trial for invalidation), as was the case in Germany before the Federal Patent Court was established. A rescission suit (*torikeshi soshō*) against the administrative decision (*shinketsu*, trial decision) of the Patent Office Trial Board may be filed at the IP High Court, and an appeal on points of law against the IP High Court's judgment to the Supreme Court is admissible.

In 2007, nullity proceedings before the Japanese Patent Office took 12 months on average, 9.1 months at the IP High Court[26] and 24 months at the Supreme Court.

III. COURT PERSONNEL

1. The civil divisions of the regional courts in Germany and the corresponding district courts in Japan are composed of three judges including the presiding judge.[27] In the German higher regional courts and the Japanese IP High Court, decisions are also taken by a panel of three judges.

In contrast to Germany, Japanese judges at the district and high courts are usually transferred every three years by the judicial administration of the Supreme Court to serve at another court and to work in other legal fields (*tenkin seido,* transferral system). Even judges who are specifically trained and experienced in the field of IP law are not exempt from this practice. Two years ago, a popular Japanese TV series titled "Judge" dramatized the story of a young judge who was transferred from a patent dispute division at the Osaka District Court to the only court on Amami Oshima, a small island 400 km south of Kyushu.[28]

2. Although technical facts are generally an issue in patent disputes, there are no technically educated personnel at the German courts. If the German court requires technical advice to decide the case, it must take evidence by obtaining an expert opinion on the disputed issue. Such a taking of evidence can delay the judgment in the infringement proceedings by one year.

In contrast, so-called court research officials (*saiban-sho chōsa-kan*) at the Japanese courts advise the judges on the technical aspects of patent disputes.[29] As a rule, these are examiners of the Japanese Patent Office who are dispatched to the courts for a limited period of time. The court research officials do not have to present formal opinions; they can, but are not required to, participate in the oral proceedings and discussions with the parties.

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26 Supreme Court of Japan (ed.), Intellectual Property High Court, 2008.7, 16.

27 Section 75 German Court Constitution Act; see Appendix.

28 Owing to its great success, the story was also published as a book*:* NAKAZONO*, Jajji – shima no saiban-kan funtōki* [Judge: Record of the Struggles of an Island Judge], 2007.

29 Section 92-8 Japanese Code of Civil Procedure.

If additional technical competence is required, it has been possible since 2004 to consult an "expert commissioner" (*senmon i'in*) who is commissioned by order of the court to provide expert knowledge in the relevant technical field.[30] Expert commissioners prepare an explanation relating to the technical issue in dispute, which they present in writing or orally at the hearing. More than 200 experts in the various fields of science and technology from universities, public and private R&D institutions but also patent attorneys are registered in the list of expert commissioners.[31]

As a consequence, there are hardly any significant delays in Japanese patent infringement proceedings caused by having to obtain an expert opinion on a contested technical issue by formal evidence taking. The roles of the expert commissioner, the expert witness and the court research official may be compared as follows:[32]

	Expert Commissioner	*Expert Witness*	*Court Research Official*
Status	extra-ordinary court staff	not court staff	ordinary court staff
Term	2 years	none	usually no specified term
Remuneration	payment per case	opinion fee	ordinary staff salary
Questioning by parties	not provided for	is questioned regarding opinion	not provided for
Nature of explanation or opinion	easy to understand explanations of matters of expertise as advisor to the court; the explanations do not qualify as evidence	provides formal opinion on issues specified by court; opinion qualifies as evidence basis of the judgment	ordered by court, researches and reports on necessary items

30 Section 92-2 Japanese Code of Civil Procedure.
31 See the detailed presentation on the homepage of the IP High Court: *www.ip.courts.go.jp/documents/expert.html#q3*.
32 Table from: *www.ip.courts.go.jp/documents/expert.html#q3*.

IV. FIRST-INSTANCE PATENT INFRINGEMENT PROCEEDINGS

The procedures of the German regional courts in patent infringement proceedings differ within the framework set by the German Code of Civil Procedure. Here, the practice of the Regional Court Düsseldorf, which hears the largest number of patent infringement cases in Germany, will be referred to when comparing German and Japanese patent dispute proceedings.[33]

1. After the legal action in a patent dispute has been brought at the Regional Court Düsseldorf by filing of the complaint (*Klageschrift*), the presiding judge sets the date for the so-called early first hearing (*Früher erster Termin*).[34] At this hearing, merely the requests for relief by the plaintiff and the defendant's requests are made orally, and the further proceeding is scheduled. The presiding judge sets the date for the main hearing (*Haupttermin*) and the dates of the time limits for the submission of the party briefs in preparation of the hearing, i.e. the response to the complaint of the defendant (*Klage-erwiderung*), the counterstatement of the plaintiff (*Replik*) and the rejoinder of the defendant (*Duplik*). As a rule, the main hearing takes place three weeks after expiry of the time limit for filing the rejoinder. At the end of the main hearing, the date for the pronouncement of a decision is set. This decision is usually a judgment, but it can also be an order to take evidence.

In our experience, patent infringement proceedings at the Regional Court Düsseldorf take approximately 14 months from the filing of the complaint to the main hearing.

Since the reform of 2003, the Japanese Code of Civil Procedure – taking German procedure as an example – also provides for planned proceedings (*keikaku shinri*) until the end of the oral hearing and the pronouncement of the judgment.[35]

In Germany, the parties do not set eyes on the court again after the early first hearing until the main hearing. They will have exchanged briefs over a period of 12 months without having a clue as to how the court assesses the various issues of fact and law. This is different in Japan, where round-table meetings in preparation for the oral hearing (*benron jumbi kijitsu*) are held approximately every one-and-a-half months between one or two of the judges, a recording clerk and the parties.[36] These meetings serve to substantively conduct the trial: the facts and legal issues are organized and the topics to be addressed in the parties' further preparatory briefs are discussed. This practice seems

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33 The procedures at the Regional Court Mannheim and the Regional Court Munich, two further courts frequently resorted to in patent infringement disputes, are described in the following two papers.

34 Section 275 German Code of Civil Procedure; see Appendix. The alternative procedure that the court can choose at its discretion and chooses as a rule when the defendant is domiciled abroad is the preparatory proceedings in writing, Section 276 German Code of Civil Procedure; see Appendix.

35 Sections 147-2, 147-3, Japanese Code of Civil Procedure; see Appendix.

36 Section 168 Japanese Code of Civil Procedure; see Appendix.

to implement Section 139 of the German Code of Civil Procedure in a manner unknown in Germany.[37] In Japan it has the effect that the final hearing (*kesshin no kōtō benron*) is reduced to a mere formality since the substantive examination of the case has already occurred in the preparatory proceedings.[38]

Another difference to German infringement proceedings is that Japanese infringement proceedings deal with all consequences of the infringing act important to the patentee in one proceeding – not only with the issue of patent infringement and the legal consequences of injunction and obligation to compensate damages, but also the payment of damages in a specific amount.

Accordingly, the preparation of the final hearing in Japanese patent dispute proceedings consists of two successive stages: first, the discussion of infringement (*shingai-ron*) comprising the specification of the attacked embodiment (*tokutei-ron*) and feature comparison (*taihi*), and second, the discussion of damages (*songai-ron*).

2. Section 278(1) German Code of Civil Procedure stipulates: "The Court shall, at every stage of the proceedings, be intent on an amicable settlement of the legal dispute or of individual issues"; subsection (6) provides that the parties can also conclude a settlement by accepting a written settlement proposal of the court.[39] This provision is not applied in German patent dispute proceedings, contrary to proceedings in Japan: here it is the rule that at the end of the stage of discussion of infringement, if infringement cannot clearly be ruled out, the court will "disclose its impression" (*shinshō kaiji*) of the case and recommend a settlement (*wakai kankoku*). The court may even propose the concrete contents of a settlement and often mediates between the parties during the settlement negotiations.[40] Thus, as part of their procedural strategy, many parties count on the court to take the initiative with regard to a settlement at the proper time. Statistically, almost half of all IP dispute proceedings before the Japanese district courts are concluded by settlement of the case. This is more than by judgment, since quite a few proceedings also end by withdrawal of the action.[41]

If a court settlement is reached, the patent infringement proceedings are concluded thereby. If the parties do not reach an agreement, the discussion of damages begins. At the end of this stage the final hearing takes place, and several weeks thereafter the judgment is pronounced.

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37 Cf. in German civil procedure law: Section 139 Code of Civil Procedure; see Appendix.

38 See TAKABAYASHI, *Hyōjun tokkyo-hō* [Standard Patent Law] (3rd edition, 2008) 240.

39 See Appendix.

40 Cf. NAGASAWA, Settlement Conferences at Japanese Courts, AIPPI Journal Vol. 32 (2007) No. 1, 3.

41 In 2006, according to statistics of the Supreme Court, 603 IP dispute proceedings were concluded at the Japanese district courts, of which 208 were by judgment and 299 by settlement.

According to statistics of the Supreme Court, in 2007 the average duration of proceedings in IP cases at Japanese district courts from filing the lawsuit until its conclusion was 14.4 months,[42] which is approximately as long as average proceedings at the Regional Court Düsseldorf.

3. There is a further significant difference to German patent dispute proceedings. In Japanese patent infringement proceedings, the objection of invalidity of the patent can be raised. The categorical separation of infringement and invalidity proceedings following the German example was abolished in 2000 by a landmark decision of the Supreme Court. The Supreme Court held that the assertion of an obviously invalid patent by the patentee constitutes an abuse of right and is therefore inadmissible pursuant to Section 1(2) Japanese Civil Code, which prohibits abuses of rights.[43] This theoretical justification of the objection of invalidity in patent infringement suits would also be possible under German law and was actually proposed by Schmieder, a judge at the Federal Patent Court, in a paper published in GRUR in 1978.[44]

In 2005, the objection of invalidity was enshrined in the Japanese Patent Act. In compliance with the wish of Japanese industry that patent disputes be settled quickly in one proceeding, the requirement of the case law that invalidity must be "obvious" was dropped. Pursuant to Section 104-3 Japanese Patent Act, a patent right cannot be enforced against the adverse party if "the said patent is recognized as one that should be invalidated by a trial for patent invalidation".[45]

4. Another notable deviation of Japanese patent infringement proceedings from German proceedings as a result of the reforms of patent law in recent years is the calculation of the patentee's loss of profit based on statutory assumptions.[46]

Both the objection of invalidity and the calculation of damages in patent dispute proceedings are presently topics of particular interest both in Japan and German patent dispute proceedings. Hence, they will be discussed separately in papers presented by distinguished experts from both jurisdictions.[47]

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42 Supreme Court of Japan, Intellectual Property High Court, edition 2008.7, 18. For an English translation of Section 1 Japanese Civil Code, see Appendix.

43 Cf. HINKELMANN, Berücksichtigung der Rechtsbeständigkeit von Patenten in Patentverletzungsverfahren, ZJapanR No. 10 (2000) 266 (with a translation of the Supreme Court judgment of 11 April 2000); HEATH, The Enforcement of Patent Rights in Japan, IIC Vol. 31 No. 6 (2000) 749, 763.

44 SCHMIEDER, Zur Kompetenzverteilung zwischen Nichtigkeits- und Verletzungsverfahren nach neuem Recht, GRUR 1978, 561, 562.

45 See Appendix.

46 Section 102 Japanese Patent Act; see Appendix.

47 See the contributions of MIMURA, MEIER-BECK, IIMURA and GRABINSKI in this volume.

V. Comparative Statistics

Both patent dispute divisions of the Regional Court Düsseldorf together received 619 new cases in 2007, of which 567 were patent disputes,[48] 40 were utility-model disputes and 12 were employee invention disputes. In the same year, 576 cases were concluded.[49]

In 2006, all Japanese district courts received a total of 589 new cases in IP matters.[50] Of these, 139 were patent disputes and 16 were utility model disputes. In the same year, 603 IP disputes were concluded.[51]

At the Düsseldorf Regional Court alone, nearly four times as many patent and utility infringement actions were filed in 2007 than at all competent Japanese district courts taken together (in 2006).

VI. Final Remarks

In the course of history, Japan has adapted the cultural assets introduced from abroad to its own culture, and has often improved them in doing so.

In the culinary field, as an example, Chinese noodle soup was developed into the delicious Japanese *Ramen* noodle soup, Indian curry was transformed into the popular Japanese *Kare Raisu,* and American steak was refined to become Kobe beefsteak. And Japanese beer is certainly no less tasty than German beer.

Patent dispute proceedings have also been adapted to Japanese needs. Whether they are preferable to German proceedings is a difficult question, which may be answered differently topic-by-topic and depending on the viewpoint of the observer, whether judges, attorneys or parties. However, in my opinion it is unquestionable that the time has come to seriously study the distinctive features of the Japanese system and, where appropriate, to learn from it.

However, it will probably take some time before a headline appears in a German newspaper that is comparable to the one in the *Nihon Keizai Shimbun* (Japan Economic Newspaper, abbr.: *Nikkei*) of 26 September 2000: "Young Judges Sent to Germany" – to study the field of intellectual property.

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48 Including employee invention disputes, which count as patent disputes in Japan.

49 Statistics courtesy of *Dr. Klaus Grabinski,* Judge at the Federal Court of Justice.

50 The term comprises patent, utility model, design, copyright, computer program rights, unfair competition and trademark disputes.

51 Statistics courtesy of *Mr. Toshiaki Iimura*, Presiding Judge at the Intellectual Property High Court.

Patent Infringement Proceedings before the *Landgericht Mannheim* and the *Oberlandesgericht Karlsruhe*

Marcus Grosch *

I. Internal Structure of the Landgericht Mannheim
II. Structure of the First-Instance Proceedings
III. Decisions, Enforcement and Appeal
IV. Provisional Relief
V. Cases Relating to Standard Essential Patents
VI. Utility Models
VII. Indirect Infringement

I. INTERNAL STRUCTURE OF THE LANDGERICHT MANNHEIM

1. The Regional Court Mannheim ("Mannheim Court") has a longstanding tradition in patent litigation. For more than 60 years, the Mannheim Court has had exclusive jurisdiction over all patent-related actions within the state of Baden-Württemberg, one of Germany's economically most successful and biggest states. Especially over the last decade, the number of patent litigation matters filed with the Mannheim Court has significantly increased and has reached roughly 250 to 300 new patent infringement cases filed per year. The Mannheim Court and the Higher Regional Court Karlsruhe as the appellate court are known for high-quality adjudication in patent litigation matters and for the speed of the proceedings. A judgment (including enforceable injunctive relief) can be achieved as soon as ten months from the date of the filing of the complaint. The duration of appeal proceedings is generally one year, though this has varied in recent years depending on the case load of the appellate court.

2. The increase in the number of cases made it necessary to establish a second civil division for such actions (effective as of 1 January 2005). Therefore, as of today, there are two divisions, the Civil Divisions II and VII (*Zivilkammern II und VII*), which are exclusively competent within the Mannheim Court to decide patent cases. A division is composed of one presiding judge (*Vorsitzender*) and two further judges (*Beisitzer*). One of these is the reporting judge (*Berichterstatter*) who is responsible for writing the opinion (*Votum*) for the court. In the Mannheim Court, the presiding judge of Division VII at present is Judge *Voß*, and the presiding judge of Division II is Judge *Dr. Kircher*.

* Dr. iur., LL.M. (Yale), Attorney-at-law (GER).

3. Whether a case goes to one or the other division is decided purely based on the sequence of the filings. Six cases in a row are assigned to Division VII and the next six cases to Division II. The only exception applies to cases where there is a very close connection between a newly filed case and an already pending case. According to the practice of the court, however, establishing this connection requires more than having the same patent-in-suit at the bar. Rather, it would need to be the same patent-in-suit *and* the accused infringing activity would need to be related. For example, if a supplier and a customer were sued in separate actions, these actions would be assigned to the same panel.[1]

4. The two divisions of the Mannheim Court generally discuss basic issues of law, but each division eventually makes its own decision. Therefore, it happens that on certain issues of law the divisions take different positions. One recent example concerned whether presenting accused devices at a trade fair can be deemed as offering the infringing device within the meaning of Section 9 No. 1 Patent Act;[2] this is generally denied – in the absence of specific circumstances – by the panel of Judge Voß[3] (following a recent decision of the Federal Court of Justice[4]) but confirmed by the division of Judge Dr. Kircher.

II. Structure of the First-Instance Proceedings

The basic structure of the proceedings in the Mannheim Court is as follows:

1. If there is no service abroad, the presiding judge schedules a hearing for a date about six months after the filing of the complaint. There is a time limit for the defendant for filing the response brief (*Klageerwiderung*), which is usually eight weeks from the completion of the service of process. Any further terms are only set during the course of the proceedings. It is not a strict practice to set a time limit for the replication (*Replik*, the plaintiff's second brief). According to the practice of Division II and Division VII, this is usually done in most cases. Also, for the defendant's rejoinder (*Duplik*, the defendant's second brief) there is usually a term set by the Court. The Mannheim Court strictly follows the case law of the Constitutional Court regarding preclusion of facts and evidence (Section 296 Code of Civil Procedure[5]), so it is the absolute exception that facts and evidence are precluded, even if filed late, sometimes only shortly before the hearing. The only consequence for the plaintiff could be that the hearing date is cancelled and

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1 Such a connection ought to be made clear on the front page of the complaint.

2 See Appendix.

3 LG Mannheim, GRUR-RR 2011, 83 et seq., Judgment of 29 October 2010, Case No. 7 O 214/10 – *Sauggreifer.*

4 BGH, GRUR 2010, 1103 et seq., Judgment of 22 April 2010, Case No. I ZR 17/05 – *Pralinenform II.*

5 See Appendix.

postponed significantly if briefs raising new facts are filed shortly before the hearing. The one field where some sort of preclusion applies in the practice of the Mannheim Court regards the stay of the proceedings pending a nullity action. Such a request of a stay (including its substantiation) has to be filed within the time limit for filing the response brief. If that is not done, the Court will consider this a negative element (i.e. against the request) in the considerations underlying its discretionary decision on whether to stay the case (Section 148 Code of Civil Procedure[6]).

2. If service is to be effected abroad, there is a certain preference of the judges not to schedule a hearing date right away but rather to order "preparatory proceedings in writing" (*schriftliches Vorverfahren*, Section 276 ZPO[7]). The reason is that there are some imponderables involved in serving an action abroad, and it is uncertain how long it will take. For service abroad under the Hague Convention, the judges try, as far as possible, to make use of the service through certified mail with return receipt (Article 15 of the Hague Convention[8]). For example, this is also done for defendants based in the United States since the US (in contrast to Germany) has not objected to this method of service. This is a relevant difference to the practice of the Düsseldorf Court. One preferred way to serve a complaint on a foreign defendant is during a trade fair in Germany since a booth can be considered a "business location" (*Geschäftsräume*) within the meaning of Section 178(1) No. 2 Code of Civil Procedure.[9] This service is done by the bailiff, which requires the service to be ordered by the presiding judge (Section 168(2) Code of Civil Procedure[10]), and this has been standard practice in the Mannheim Court for the last decade. No translations are necessary for this service.

3. If several patents are asserted in one action, it is common practice of the Mannheim Court to establish separate actions for each of the patents (Section 145 Code of Civil Procedure[11]). This applies even if these patents are related patents that have been asserted in one action as a measure of precaution because of Section 145 Patent Act[12] (concentration rule).

4. The Mannheim Court usually does not require that German translations of English exhibits be filed (another difference to the standard practice of the Düsseldorf Court).

5. As a rule, there is only one hearing date for each case. Each division has one day during the week that is reserved for trying cases. For the division of Judge Voß (Division VII) this is Friday, and for Judge Dr. Kircher's division (Division II) it is Tuesday.

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6 See Appendix.
7 See Appendix.
8 See Appendix.
9 Cf. BGH, NJW-RR 2008, 1082, decision of 5 May 2008, Case No. X ZB 36/07. For an English translation of Section 178 CCP, see Appendix.
10 See Appendix.
11 See Appendix.
12 See Appendix.

As a rule, each division hears between three and five cases a day, but only one or two of them is typically a big patent case. The length of the oral hearing depends on the complexity of the matter and ranges from one to eight hours. Contrary to the typical Düsseldorf practice, there is no separate early first hearing where the prayers for relief are recorded. This makes a difference since plaintiffs can withdraw an action before the main hearing without the consent of their counterparts. During the one main court hearing, the prayers for relief are recorded and the judges guide the hearing by asking specific questions. The process attorneys of each party are expected to address the issues raised by the court rather than just repeating their written pleadings.

6. If any of the parties files a brief only shortly before the hearing, the other side can request a leave to file a further brief after the hearing (post-hearing brief); this is referred to as a *Nachschubrecht*. This is another difference from the typical Düsseldorf practice. As a rule, when the hearing closes, no additional facts or evidence can be presented or taken into account by the court (though legal arguments can always be made on the principle that the court needs to know the law, *iura novit curia*). If a leave for a post-hearing brief is granted, the factual issues related to such a leave and addressed in the post-hearing brief are deemed to be included in the first instance and can therefore be taken into account by the court. However, if new facts are raised that the adversary had no chance to comment on, the court would need to reopen the proceedings in order to actually take into account such new facts (Section 156 Code of Civil Procedure[13]). Whether such a leave is granted does not depend on any strict time line. Particularly, it does not depend on whether the brief was filed during the last week before the hearing (which is often confused in practice). It could be that a brief filed two weeks before the hearing could give sufficient grounds for granting a leave to file a post-hearing brief, depending on the complexity of the matter.

7. At the end of the hearing, the court schedules a date for rendering a decision. This date is usually about three to six weeks after the hearing date.

III. DECISIONS, ENFORCEMENT AND APPEAL

1. The first-instance decision can be either

- a judgment on the merits (dismissal or a judgment ordering the relief as requested); or
- an order for evidence taking, e.g. that an independent expert be retained; or
- a stay of the proceedings pending an invalidity action.

13 See Appendix.

2. Regarding a judgment ordering the requested relief, it is still the predominant practice of the Mannheim Court to phrase the relief based on the language of the patent claim as granted. Thus, the court order regarding the injunction would read: "*The Defendant is enjoined from manufacturing, offering…devices with features x, y, z* [claim language]." No further specifications are included. Only in the exceptional case of an infringement by equivalent means, or other cases in which one feature is realized in a way that deviates significantly from the embodiments in the specification, would the court request that the plaintiff amend the prayers for relief so the court can grant a correspondingly amended relief. The same is true for the practice of the appellate court, the Higher Regional Court in Karlsruhe. In the appellate court as well, the plaintiff usually does not have to automatically adjust the language of the prayers for relief; instead, the plaintiff can wait for a corresponding order of the court (usually received some weeks before the hearing) suggesting that certain amendments be made. All of this does not strictly adhere to the Federal Court of Justice's line of precedents beginning with the *Blasfolienherstellung* case,[14] but it is the more pragmatic approach of the trial courts (the same is true for the Düsseldorf practice).[15] However, the fact that the claim language is used to phrase the relief does not mean that the scope of the injunction is as broad as the scope of the patent-in-suit. The scope is limited to the "accused embodiment", but that is an abstract concept that describes any device in which the same technical features the court referred to for establishing infringement are realized. Thus, types or products that have not been explicitly identified can also be deemed to fall within the scope of the injunction if the relevant technical facts are the same.[16]

3. An independent expert can help the court to clarify concrete technical issues that are in dispute between the parties. However, retaining independent experts is the rare exception in the Mannheim Court (especially for claim construction). This is true even for more complex cases in the telecom or life science field.

4. The general experience is that the Mannheim Court takes the principles of the German two-track (bifurcation) system seriously. A stay is the exception. The court expects the defendant to make a clear-cut case of invalidity that is evident based on a summary review. Furthermore, it needs to be based on new prior art, which comes closer to the patented subject matter than the prior art considered by the Patent Office during prosecution. As to the pleading standards, it is not sufficient to just refer to an invalidity action as an exhibit to a response brief. Rather, the key points and standards justifying the requested stay need to be explained in a way enabling adjudication of these issues by the infringement court. Especially Judge Voß' division takes this seriously.[17]

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14 BGH, GRUR 2005, 569 et seq., Judgment of 30 March 2009, Case No. X ZR 126/01.

15 Cf. for more details GROSCH in: Festschrift für Schilling, 2007, 207, 228 ff.

16 OLG Düsseldorf, InstGE 6, 43, 44 – *Münzschloss II.*

17 Cf. LG Mannheim, GRUR-RR 2009, 222 et seq., Case No. 7 O 94/08, *IPCOM v. HTC.*

If the patentee realizes that the claim does not include sufficient substance to distinguish the claimed subject matter over the prior art, the patentee might consider voluntarily amending the claim by adding further features (e.g. from dependent claims). It is still an open issue in the practice of the Mannheim Court how such claims ought to be treated for the purpose of a stay. There are some decisions in connection with interim relief that suggest that this would somewhat automatically be a typical case for a stay, because the infringement court could not independently make a determination on validity from scratch.[18] This is different from the Düsseldorf Court, which takes the position that such an amended patent should at least not be treated less favourably than a utility model.

5. Appeals go to the Higher Regional Court Karlsruhe (in the city where the Federal Supreme Court and the Federal Constitutional Court are also located). The only panel that has jurisdiction over patent cases is the 6th Panel with Judge Schmukle presiding. Further members of the bench are Judges Dr. Deichfuß, Dr. Zülch and Dr. Singer and Prof. Glöckner.

6. A first-instance decision can be enforced provisionally pending an appeal if the plaintiff posts the security bond specified in the judgment. Under Section 719 of the Code of Civil Procedure,[19] the appellate court can generally stay the enforcement of an injunction if the appeal has high prospects of success and if there is irreparable harm for the defendant that puts the existence of the defendant's business at risk. One issue that has been controversial in the practice of the appellate court in Karlsruhe regarding Section 719 CCP was whether the enforcement of an injunction can be more easily stayed if the plaintiff is a non-practicing entity, i.e. a company that does not practice the subject matter of the patent-in-suit. In the case of *IPCOM v. HTC*, the appellate court in Karlsruhe stayed the enforcement, *inter alia*, also referring to the aspect that the plaintiff as a non-practicing entity has an interest in monetary relief only.[20] In the more recent case of *IPCOM v. Nokia*, however, the appellate court dismissed the application for a stay, leaving open whether the previously applied rationale would still stand in this court.[21]

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18 LG Mannheim, GRUR-RR 2006, 348 et seq., Judgment of 23 December 2005, Case No. 7 O 282/05 – *Etikettiermaschine*.

19 See Appendix.

20 InstGE 11, 124, margin no. 13.

21 OLG Karlsruhe, Decision of 18 April 2011, Case No. 6 U 29/11.

IV. Provisional Relief

1. The Mannheim Court and the Karlsruhe appellate court are rather reluctant to grant provisional injunctions in patent matters. The essence of their position is that the court not only requires a case that can be dealt with in the short time frame available for such proceedings (i.e. low degree of technical complexity),[22] but also that the defendant is able to credibly show a good reason why it is necessary to hear and decide that case on short notice. This can be a specific competitive situation or the potential for irreparable harm. A good example is the possible market entry of generics.

2. The new strict line of the Düsseldorf appellate court,[23] according to which generally only a patent that has already been subject to an *inter partes* validity proceeding can be deemed suitable for a provisional injunction, has so far not been adopted by the Karlsruhe appellate court, but the Mannheim Court already held in a case of early 2009 that, as a rule, only a patent which has been confirmed by the first instance in an *inter partes* validity proceeding is suitable for a provisional injunction proceeding.[24] In this decision, the Mannheim Court (Judge Voß's division) also held that a patent for which the opposition period has not yet expired generally does not allow the court to confirm validity with the confidence sufficient to grant an injunction.[25] However, the closer the end of the opposition period approaches, the more the burden of proof shifts to the defendant.

3. As stated above, the Mannheim Court has also refused to grant injunctions based on amended patents when the amendment has not been subject to a review and decision of the Patent Office or the Federal Patent Court.

V. Cases Relating to Standard Essential Patents

1. In the last decade, the Mannheim and Karlsruhe Courts have decided numerous infringement cases regarding patents essential to industry standards (MPEG Audio, UMTS, GSM, Orangebook and many others). If a product is designated by the defendant as standard-compliant, the plaintiff can point to the normative parts of the standard for showing how the relevant features of the patent-in-suit are realized in the accused device. If the defendant contests infringement, it has been the practice of the Mannheim

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22 OLG Karlsruhe, GRUR-RR 2002, 278 et seq., Decision of 2 April 2002, Case No. 6 W 24/02 – *DVD-Player*; GRUR 1988, 900 et seq., Judgment of 27 April 1988, Case No. 6 U 13/88 – *Dutralene*.

23 OLG Düsseldorf, InstGE 12, 114 et seq., Judgment of 29 April 2010, Case No. I-2 U 126/09 – *Harnkatheterset*.

24 LG Mannheim, InstGE 11, 159 et seq., 27 February 2009 – case no. 7 O 29/09, sub 1 b); appeal rejected by OLG Karlsruhe InstGE 11, 143 et seq., judgement of 8 July 2009 – case no. 6 U 61/09..

25 LG Mannheim, sub II 2.

Court that this cannot be done by just denying the concrete allegation, but rather the defendant generally needs to explain why and how this is done differently (if it is the defendant's own product or the defendant can get this information from its suppliers). Thus, there is a certain shift in the burden of proof. This approach can generally be deemed as compensating for the lack of discovery in the German system and has a long-standing tradition in the Mannheim Court,[26] especially as supported by the European Enforcement Directive 2004/48/EG.

2. One distinct aspect of the Mannheim/Karlsruhe courts is that they also have jurisdiction over antitrust matters. This is advantageous since there is no conflicting competence in the very popular recent cases in which FRAND defences were raised in patent litigation relating to standard essential patents. The cases that have been decided on the Federal Court of Justice level so far have been assigned to the antitrust panel of this third-instance court rather than to the Tenth Civil Panel, which is competent to hear and decide patent matters.

3. In the last decade, numerous decisions of the Mannheim Court have addressed issues pertaining to the interface of antitrust and patent law. The first significant cases in which these issues were addressed were the Rambus cases against Micron, Infineon and Hynix in which the defendant invoked a "patent ambush" defence and a FRAND defence. Ever since, in almost all of the cases based on standard essential patents that were filed in the Mannheim Court, the defendant raised a FRAND defence. Such defences – e.g. in the MPEG-1 Audio essential cases (mp3 and DVB), in the UMTS- and GSM-related IPCOM litigation (against, *inter alia*, Nokia and HTC) and in the Orangebook Standard litigation of Philips – have been raised against various third parties relating to, *inter alia*, CD-R technology.

The Orangebook Standard litigation ended at the Federal Court of Justice,[27] and its Orangebook Standard decision has so far been the leading precedent in this field. The key holding is that a defendant can raise the FRAND defence in a patent litigation (rather than having to offensively sue the patentee for a license), but strict requirements have to be met for the defence to be effective: the defendant is required to make a binding offer on FRAND terms, and the defendant is required to act as if licensed, i.e. account on the sales of the infringing products has to be rendered and royalties have to be paid into an escrow account. So far, these requirements have never been held to be met.

The most recent appellate precedent relating to FRAND is the Karlsruhe decision of *Nokia v. Bosch* in which the court, *inter alia*, held that a holder of a standard essential patent cannot generally be bound (via the duty not to discriminate) to repeat for other

26 Cf. LG Mannheim, InstGE 7, 14, Judgment of 6 June 2006, Case No. 2 O 242/05 – *Halbleiterbaugruppe*.

27 BGH, GRUR 2009, 694, Judgment of 6 May 2009, Case No. KZR 39/06 and OLG Karlsruhe, GRUR-RR 2007, 177, Judgment of 6 June 2006, Case No. 2 O 242/05.

companies the grant of a lump sum license granted at an earlier stage of the license program to a competitor of the defendant.[28]

VI. Utility Models

The Mannheim Court strictly applies the new standard of the Federal Court of Justice according to which the "inventive step" for a utility model needs to have the same quality as the inventive activity required for a patent (Article 56 EPC, Section 4 German Patent Act[29]). This has led the Mannheim Court in a number of cases to seek the help of an independent expert to rule on validity.

VII. Indirect Infringement

For indirect infringement, both divisions of the Mannheim Court have adopted the position that an unconditional injunction can be rendered even if there is a non-infringing use for the accused device provided that the functionality relevant for the infringement can be left out without inhibiting the non-infringing use.

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28 OLG, Karlsruhe, Judgment dated 23 March 2011, Case No. 6 U 66/09. See also LG Mannheim, 9.12.2011, 7 O 122/11, case *Motorola v. Apple*, holding that a FRAND offer is insufficient if the defendant does not acknowledge claims for past damages accrued prior to making the offer.

29 See Appendix.

The New Munich Patent Litigation Procedure: First Feedback after One Year

Sabine Rojahn *

I. Introduction
II. The Munich Procedure: Timeline
III. Purpose of the Early First Hearing
IV. Side Note: Mediation in the Munich Courts
V. The Main Oral Hearing
VI. Sharing Experiences with Judges, Attorneys and Patent Attorneys
VII. Summary

I. INTRODUCTION

Under the German patent litigation system, infringement and validity are dealt with separately: in the first instance, infringement suits are heard by the civil divisions of the regional courts, while invalidity actions fall within the exclusive jurisdiction of the Federal Patent Court in Munich.

Infringement litigation is concentrated among 12 regional courts. Most infringement actions are brought to the Regional Courts of Düsseldorf, Mannheim and Munich.

In the Regional Court Munich, two civil divisions are in charge of patent infringement cases. The presiding judge of the 7th Civil Division, Dr. Peter Guntz, has streamlined the procedure of civil infringement suits so as to speed cases up and provide the parties with sufficient time to optimally prepare for the trial. The goal is to have a judgment handed down within seven to eight months after the lawsuit was filed.

The key points of the new structure:

- The early first hearing is dedicated to questions of fact and legal issues (not only case management).
- Judicial mediation is offered, if requested.
- The parties' written submissions are subject to strict deadlines.

At the Regional Court Munich, the new "Munich procedure" has been practiced for eighteen months by the 7th Civil Division and also by the 21st Civil Division, which is presided by judge Thomas Kaess.

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* Dr. iur., Attorney-at-law, Munich.

II. THE MUNICH PROCEDURE: TIMELINE

The complaint is served on the defendant with the following procedural orders:

– A time limit of approximately eight weeks is fixed for the response to the complaint.
– The date of the early first hearing is communicated, usually within two to three weeks after the deadline for the response to the complaint.

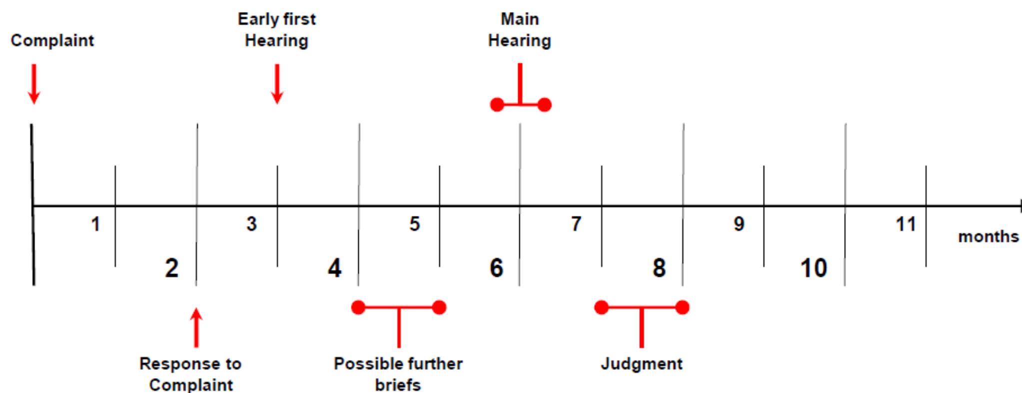
Upon the defendant's request, the time limit for the response to the complaint may be extended for legitimate reasons, including a complicated technology of the patent. An extension will normally also be granted if the defendant is a foreign company and the case involves extensive translations and/or travelling.

In the early first hearing, the court will fix the time limits for the replication and rejoinder submissions jointly with the parties. The time limits normally are one month each. In complex cases, additional written arguments may be filed or longer time limits may be agreed.

Compliance with the agreed deadlines is mandatory. The court will disregard late submissions unless there is a justifiable reason for the delay.

The main hearing date will be agreed with the parties in the early first hearing as well. The main hearing takes place approximately two weeks after the last deadline for written submissions, which is usually five to six months after the lawsuit was filed.

The judgment is pronounced about six weeks after the main hearing.



III. Purpose of the Early First Hearing

Based on the available written submissions, the court will give the parties first directions in the early first hearing, as well as a first prognosis for the outcome of the case. Of course, this will only reflect the court's preliminary opinion.

The representatives of the parties are summoned to attend the early first hearing in person. The court sets great store by discussing the technology and the economic interest behind the patent lawsuit directly with the parties. In the court's experience, it is helpful for the parties to have an expert present who can answer any technical questions the court may have. This concerns the technology of the invention as such, but also, on the defendant's side, the alleged infringement.

As a result, the remaining disputed issues can be identified in the early first hearing as well as any aspects that are no longer controversial between the parties. Based on the results of the discussion, the court will point out the questions of fact or law that should be addressed in additional briefs to be filed by the date of the main hearing.

The advantage offered by the early first hearing is for the parties to become acquainted with the court's interpretation of the facts and legal issues at an early stage and be enabled to systematically prepare for the trial, concentrating their arguments on the issues considered relevant by the court.

For the court, the early first hearing involves the advantage that issues can be addressed in a timely manner. Procedural orders, which otherwise would be issued in the main hearing and delay proceedings, can be avoided.

It is also important for the court to clarify with the parties in the early first hearing whether an amicable settlement would be an option. Mediation will be discussed as a potentially reasonable option for the particular case. The Munich court offers a separate mediation proceeding for intellectual property matters, without pressuring the parties to avail themselves of this offer. If the parties inform the court that contentious proceedings are preferred, the court will not try to settle the case.

IV. Side Note: Mediation in the Munich Courts

If the parties decide to attempt resolving their dispute through mediation, the infringement proceeding will be suspended. The Munich courts offer a judicial mediation procedure. Mediation is referred to the other patent litigation division of the District Court if the parties opt for judicial mediation. The Munich judges undergo additional training as mediators. As the mediation hearing is subject to confidentiality, the aspects discussed therein cannot be introduced in any contentious proceeding later. The judges conducting the mediation are subject to nondisclosure undertakings as well, and the files are managed separately.

In judicial mediation proceedings before the Munich courts, a judge from the Federal Patent Court may be involved as co-mediator on the parties' request.

The parties are at liberty to agree on a different mediator instead of judicial mediation proceedings. Mediation takes approximately two to four months.

V. THE MAIN ORAL HEARING

In the main oral hearing, the case is heard on the basis of the further written arguments filed by the parties. Given the thorough preparation for the early first hearing and the parties' additional written submissions, expert witnesses need to be consulted in the hearing only in exceptional case. The purpose of the main hearing is to fully discuss all issues of fact and law. If the defendant has brought an invalidity action in the meantime, this will include a discussion of staying the infringement suit until the Federal Patent Court hands down a decision on invalidity. All German infringement courts apply the same criteria in deciding whether or not to stay infringement proceedings. It must be established, to the conviction of the court, that in all likelihood the patent-in-suit will be revoked. For example, this is fulfilled if additional material prejudicial to novelty is presented which the European or German Patent Office has not examined. If, by contrast, the nullity action rests only on a lack of the inventive step, the infringement suit will normally not be stayed.

A judgment usually is pronounced six weeks after the closing of the oral proceedings.

VI. SHARING EXPERIENCES WITH JUDGES, ATTORNEYS AND PATENT ATTORNEYS

On 9 December 2010, the Union of European Practitioners in Intellectual Property[1] jointly hosted a legal forum on the new Munich procedure with the Bavarian Ministry of Justice. The panel discussion was attended by the two presiding judges of the patent litigation divisions at the Regional Court Munich I, Thomas Kaess and Dr. Peter Guntz, as well as by attorneys-at-law, patent attorneys and one in-house counsel. With more than 200 guests, the event attracted a lively interest.

Both judges reported that attorneys and parties accept the strict deadline regime. The time limits normally proved to be sufficient; extensions were requested only in exceptional cases. Experience also shows that, after the main hearing, the case is ready to be decided. No further delays occurred. Although the court has to invest a considerable effort in the early first hearing, the extra work does pay off: since technology, patent construction and infringement are discussed at an early stage, the trial can be concentrated on the essential issues, and a decision can be taken promptly after the main hearing without any delays by court expert opinions.

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1 *www.union-de.com*

In the attorneys' experience, the early first hearing is very helpful, and the strict deadline management is appreciated. It prevents the filing of extensive briefs shortly before the hearing, which causes unnecessary extra work and is not conducive to the actual casework.

The offer of mediation proceedings is also regarded positively. One attorney reported about a case that was successfully concluded as a result of the mediation.

In the panel discussion, the judges clarified that summoning the parties is not mandatory in every case, especially where it requires travelling from abroad. Whenever it seems impossible or unreasonable for the parties to attend, the attorneys should contact the court well in advance.

VII. SUMMARY

The new Munich procedure offers a fast, effective judicial proceeding. Within seven to eight months a judgment is handed down that allows the claimants to enforce their claims on a provisional basis after posting a security. The concept of an early first hearing provides the parties with sufficient time to discuss the technical issues with the court prior to the main hearing and to optimally prepare for the trial.

As another benefit of the early first hearing, the parties and court agree on the timeline and the number of written submissions, avoiding time pressure and unfair "surprise" statements shortly before the hearing. Judging from the experience accumulated in the first year, attorneys-at-law and patent attorneys highly appreciate the strict deadline management.

Furthermore, the option of judicial mediation offers to the parties the opportunity to avoid lengthy lawsuits through successful mediation.

The Interaction between Infringement and Invalidation Decisions in Japanese Patent Disputes

Ryoichi Mimura *

I. Jurisdiction and Appeal Instances in Patent Examination and Nullity Proceedings
II. Japanese Patent Office and Courts
1. Japanese Patent Office
2. Courts
III. Patent Grant Proceedings
IV. Patent Invalidity Proceedings
V. Patent Infringement Proceedings
VI. Interaction of Infringement and Invalidity Decisions at the IP High Court
1. Unitary Decision
2. Parallel Proceedings
3. Joined at the IP High Court

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.)
>
> (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.
>
> (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.

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.

The Interaction between Infringement and Invalidation Decisions in German Patent Disputes

Peter Meier-Beck *

I. Administrative Proceedings and Civil Lawsuits
II. The Patent Claim as the Subject Matter under Examination
III. Uniform Criteria for Interpretation
IV. Stay of Infringement Proceedings
V. The Formstein Defence
VI. Patents-in-Suit and Contested Patents before the Federal Court of Justice

Differing from most countries of the world, the decision on infringement of a patent and the decision on the invalidity of said patent are strictly separated in Germany and Austria. Such a separation is also known in Japan. However, in recent times it has gradually been removed, first by the case law of the Supreme Court and then by legislation.[1] In Germany, there are also exceptions to this principle of separation, but only to a very small extent. A comprehensive simultaneous examination of both issues, i.e. infringement and validity of the IP right, is known only in utility model infringement proceedings. Here, the defendant can raise the objection that the utility model right has not come into effect since its subject matter does not meet the statutory requirements of protection, in particular is not novel or based on an inventive step (Section 13(1) in conjunction with Section 15(1) No. 1 Utility Model Act).[2] But utility model infringement actions are not that important in Germany as they are few in number. Therefore, they have no impact on the debate of infringement and validity of technical IP rights, neither in daily practice nor in the public and international perception of the controversy. The second "exception" to the separation is also of rather minor importance in practice: the so-called *"Formstein* defence" allows the defendant in infringement proceedings to raise the objection in response to the claim of patent infringement by equivalent means that

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* Dr. iur., Judge at the Federal Court of Justice, Honorary Professor at the University of Düsseldorf. – This paper, originally presented in German, was published in a slightly different English translation in: HANSEN / SCHÜSSLER-LANGEHEINE (ed.), Patent Practice in Japan and Europe, 2011, 201 *et seq.*

1 See MIMURA, The Interaction between Infringement and Invalidation Decisions in Japanese Patent Disputes; *supra*, preceding chapter.

2 See Appendix.

the equivalent embodiment of the invention allegedly used would not have been patentable for lack of novelty or inventive step if it had been applied for patent protection instead of the subject matter stated in the claim.[3] Infringement proceedings and invalidation proceedings are close here. However, the Formstein defence is also rarely decisive in infringement proceedings. Nevertheless, both exceptions – the utility model infringement proceedings and the Formstein defence – are not unimportant when taking a closer look at the interaction between infringement and invalidation proceedings in German patent disputes.

I. ADMINISTRATIVE PROCEEDINGS AND CIVIL LAWSUITS

Infringement and invalidation proceedings concern two quite different subject matters. Invalidation proceedings are in fact administrative proceedings. Indeed, according to the law, the adverse parties are not the private party (invalidation plaintiff) that wishes to have the administrative act (the grant of the patent) rescinded by the court and the authority (Patent Office) that has granted the patent; instead, the party to whom the patent was granted (patentee) has a right to defend the patent (capacity to be sued).[4] However, notwithstanding this rule of party participation that deviates from administrative proceedings, the issue here is one of public law – namely, whether when granting the patent, the requirements under substantive law were fulfilled under which the patent office alone is authorized to grant to the applicant an absolute right that limits the rights of third parties, i.e. the patentee's competitors. In contrast, the infringement lawsuit is not an administrative proceeding but a civil law dispute. Such a suit deals with the private law claims arising from an unlawful act (tort), which the plaintiff asserts with the allegation that the defendant is using a subject matter to which only the plaintiff is entitled and is thus infringing the rights arising from the granted patent.

Hence, it is not surprising that in Germany different courts deal with these two different proceedings: a special administrative court (the Federal Patent Court, *Bundespatentgericht*) and the ordinary courts (regional and higher regional courts as civil courts of the first and second instance). These are not merely different jurisdictions, such as the jurisdiction for first-instance civil matters that lies with the local court (*Amtsgericht*) or regional court (*Landgericht*). On the contrary, the competent courts are also structured and composed differently. The infringement court is a civil division (*Zivilkammer*) of the regional court (Section 143(1) Patent Act[5]); accordingly, it is composed of three jurists who are qualified for judicial office. In contrast, the invalidation court is an in-

3 BGHZ 98, 12, 21 *et seq.* – *Formstein*; BGHZ 134, 353, 355 *et seq.* – *Kabeldurchführung I*; BGH GRUR 1999, 914, 916 – *Kontaktfederblock*.

4 Pursuant to Section 81(1), sentence 2, German Patent Act (see Appendix), the invalidation action shall be directed at the patentee registered in the patent register.

5 See Appendix.

validation panel (*Nichtigkeitssenat*) of the Federal Patent Court (Section 66(1) No. 2 Patent Act[6]) and is composed of a jurist qualified for judicial office as presiding judge, one additional such legal member and three technical judges who are cognizant in the technical field to which the invention protected by the patent in dispute belongs (Section 67(2) Patent Act[7]). As is frequently the case in the general and special administrative jurisdiction (in particular the financial jurisdiction), a number of judges come from the administrative body that has issued the decisions under review. For technical judges, in particular, moving from the patent office to the patent court is practically a career imperative (presiding judges of the Technical Boards of Appeal repeatedly changing from the office to the court and back). The procedural law in infringement proceedings is that of the Code of Civil Procedure, no different from any other civil lawsuit. On the other hand, the special procedural law of the Patent Act applies in invalidation proceedings, which permits recourse to the Code of Civil Procedure only in the absence of special provisions and if this is not precluded by the particularities of the proceedings before the patent court (Section 99(1) Patent Act[8]). Infringement court and invalidation court could thus hardly be more different!

II. THE PATENT CLAIM AS THE SUBJECT MATTER UNDER EXAMINATION

Prima facie, it may thus appear as if the two proceedings – validity and infringement disputes – do not have much in common and are quite rightly handled and decided separately for this reason alone. A look at the law underscores this conclusion: the invalidation panel of the Patent Court decides whether the subject matter of the invention is patentable pursuant to Sections 1 to 5 Patent Act[9] or to the corresponding provisions of the European Patent Convention (EPC). This is of no concern to the infringement court. The infringement court, conversely, determines the scope of protection of the patent pursuant to Section 14 Patent Act[10] or Article 69 (1) EPC,[11] and this in turn need not be of interest to the Patent Court.

However, nothing could be more wrong than the assumption that invalidation and infringement proceedings have nothing to do with one another. The opposite is true: the pivotal point of both proceedings is one and the same, i.e. the patent claim.

It is the patent claim that defines the subject matter which has to be reviewed by the patent court as to patentability. The “subject matter of the invention” is that technical teaching which is formulated in its most general form in the patent claim and which must satisfy, in this most general form, the requirements of patentability such that it can

6 See Appendix.
7 See Appendix.
8 See Appendix.
9 See Appendix.
10 See Appendix.
11 See Appendix.

remain protected to the benefit of the patentee, and the invalidation action accordingly shall be rejected. The patent claim, however, also defines that subject matter to which the patentee has the sole right of use (Section 9, sentence 1, Patent Act[12]) by virtue of the grant of the patent (by the Patent and Trademark Office or by the European Patent Office with effect in the territory of the Federal Republic of Germany). Finally, the patent claim defines the subject matter by which the scope of protection of a patent is determined, since this scope of protection is determined pursuant to Section 14 Patent Act and Article 69(1) EPC,[13] by the patent claim (or the patent claims); the description and drawings shall (merely) be consulted for the interpretation of the claim.

III. UNIFORM CRITERIA FOR INTERPRETATION

The significance of this common subject matter cannot be overestimated. It means that the examination of patentability and the examination of whether the subject matter of the invention is being used by a third party (infringer) must be based on one and the same understanding of the patent claim. In other words, the patent claim must be understood and interpreted in a consistent manner, regardless of whether the outcome of this interpretation is required to examine whether the subject matter of the claim, understood in this way, is patentable, or whether this interpretation is required to examine whether an attacked embodiment corresponds to that technical teaching which is expressed in the patent claim according to the result of the interpretation. The Federal Court of Justice has emphasized this several times in recent years.[14] The methodology of interpretation is not a topic of my paper and shall therefore only be dealt with briefly here. What is important is that the patent claim is read from the viewpoint of the skilled person, i.e. taking into account the expertise of that person who is engaged in the development of the subject matters as defined in the patent claim. It is important that the terms and features of the patent claim are understood in a function-oriented manner, i.e. taking into account what the respective feature is supposed to accomplish according to the invention. Finally, it is important that the individual features of the patent claim are read and understood in their context and that the patent claim be read and understood within the context of the description (context-oriented interpretation).[15]

It is imperative that these criteria of claim interpretation are applied not only by the infringement judge but also by the invalidation judge who has to attach to them the same

12 See Appendix.

13 For both provisions, see Appendix.

14 See BGHZ 156, 179, 186 – *Blasenfreie Gummibahn*; BGHZ 172, 108, marginal no. 13 – *Informationsübermittlungsverfahren*; BGHZ 172, 298, marginal no. 22 – *Zerfallszeitmessgerät*; BGH GRUR 2001, 232, 233 – *Brieflocher*.

15 Regarding the methodology of claim interpretation, see BGH GRUR 1999, 909, 911 – *Spannschraube;* BGH GRUR 2001, 232, 233 – *Brieflocher*; SCHAREN, in: Benkard, *EPÜ,* Article 69, marginal no. 7, 14: MEIER-BECK, GRUR 2000, 355, 359.

relevance as the infringement judge. It is not trivial to emphasise this since the task of interpreting a claim has traditionally been attributed mainly to the infringement judge, whereas the invalidation judge felt more obliged to adhere to the wording of the claim. Obviously, however, the conclusions in invalidation proceedings and in infringement proceedings will not match if the respective competent courts put emphasis in varying degrees on the wording itself or the technical meaning, which the respective wording is considered to have according to the whole contents of the patent specification.

It is frequently criticized and considered to be a weakness of the German separation principle that the patentee attempts to extend the scope (of protection) of the patent in the infringement proceedings while trying to “look small” in the invalidation proceedings.[16] This phenomenon surely cannot be denied. However, it should also not be overlooked that the patentee’s adversary often acts in the same manner. In the infringement proceedings, the adversary attempts to “belittle” the patent, so that the adversary’s own product will not appear to be in accordance with the invention, and in invalidation proceedings the adversary presents a broad understanding of the patent claim so that its subject matter will come close to the prior art or – if interpreted broadly enough – even comprise the prior art, so that the patent may be found to be null and void. These two forces balance each other out and the judge – the infringement judge as well as the invalidation judge – must resist both to avoid interpreting the patent too broadly or too narrowly, but correctly.

Of course, it will be easier to interpret the patent claim neither too broadly nor too narrowly if the judge knows both lines of arguments, not only that advocated by the patentee in the infringement proceedings, but also the line of argument which the patentee has put forth as the correct interpretation in the invalidation proceedings, and not only the line of argument which the defendant in the infringement proceedings defends as being the only appropriate one, but also the line of argument with which the defendant attempts to destroy the patent-in-suit in the invalidation proceedings. It would therefore be a misconception to understand the principle of separation as the invalidation judge turning a blind eye on the embodiment attacked in the infringement proceedings, and the arguments in the invalidation proceedings being a matter of no concern for the infringement judge. It is, of course, not always possible to take the respective other proceedings and arguments exchanged therein into account since occasionally there are infringement proceedings without invalidation proceedings and invalidation proceedings without infringement proceedings. The “angora cat phenomenon” is therefore not a specific feature of the German separation principle. If there are both disputes – i.e. one regarding infringement and one regarding validity – the German as well as the Japanese judge or the

16 See LJ Jacob in the judgment of 19 March 2008 [2008] EWCA Civ. 192 – *European Central Bank v Document Security Systems Inc.*, with reference to Franzosi’s image of an angora cat: “When validity is challenged, the patentee says his patent is very small: the cat with its fur smoothed down, cuddly and sleepy. But when the patentee goes on the attack, the fur bristles, the cat is twice the size with teeth bared and eyes ablaze.”

English, French, American or Chinese judge would be well advised not to consider the one without the other.

In the two systems, it certainly may occur that with regard to validity and with regard to infringement, the "scope" of completely different features must be examined. It then becomes clear that it is only possible to a limited extent to determine the meaning of the chosen terms in all conceivable directions. Language is not mathematics, and even the supposed unambiguousness of a definition is always only relative. The interpreters of a claim can never rule out that the definition with which they believe to have clearly delimited the subject matter of the invention in a specific direction might prove to be insufficient and ambiguous when viewed from another direction. This is also the reason why it will never be possible when formulating a patent claim to anticipate all conceivable equivalents to a solution according to the invention (by incorporation into the wording of the claim) and why it seems, in principle, questionable to exclude *foreseeable equivalents* from the protection of the patentee against the infringement of a property right by equivalent variants of the invention.[17]

IV. STAY OF INFRINGEMENT PROCEEDINGS

The German principle of separation entails a fundamental problem: when the German infringement judge has to decide on the infringement of a patent-in-suit and concludes that the – correctly interpreted – patent-in-suit is indeed being infringed, the judge usually does not know whether the patent-in-suit will withstand the attacks of the defendant in the invalidation proceedings. In most cases, the invalidation action is not filed until the infringement action is already pending. The invalidation action is a typical means of defence of the infringement defendant and is frequently filed at the time of response to the infringement action. In some cases, the invalidation action may even be filed much later, for example if the defendant first files only the defence against the accusation of infringement and then files the invalidation action when the infringement proceedings are already pending in the second instance before the higher regional court. In other words, when the infringement judge has to decide on the infringement action, the judge usually does not yet know the outcome of the (first-instance) invalidation proceedings.

In this situation, infringement judges have essentially two options. They can either hold the defendant liable for infringement as requested – at the risk that the patent-in-suit will later prove to be invalid, with the judgment thus having been based on a patent that is null and void – or they can stay the infringement proceedings pursuant to Section 148 Code of Civil Procedure,[18] i.e. they can first await the outcome of the invalidation proceedings (first-instance or final) and hold infringement only when it is clear that

17 This is, however, the tendency of the US case law (see in this regard, e.g. CAFC, GRUR Int. 2004, 70 – *Festo v Shoketsu*, with comment by ADAM.)

18 See Appendix.

the patent-in-suit has withstood the invalidation action. However, this dilemma cannot be avoided by the "non-separation systems" either. In each system the involved parties only know when the last instance has decided on the validity of the patent whether the infringement that was affirmed by the previous instances will indeed prove to be an unlawful act or is, in the end, lawful since the patent is not valid.

Furthermore, all efforts to provide uniform criteria for the interpretation of patent claims cannot, of course, prevent that occasionally a patent will be interpreted differently as patent-in-suit in infringement proceedings than as a contested patent in nullity proceedings. This can and must be taken into account, however, by the judges in the two proceedings.

First, a divergent understanding of the patent in the respective other proceedings must give reason to the court to examine extra critically whether its own understanding of the patent claim is indeed correct. By no means should a divergent reading of the patent claim be simply ignored.[19] If this responsibility is taken seriously, the principle of separation may even warrant to a greater extent the correctness of the decision by requiring increased efforts to ensure that the claim interpretation is correct in consideration of a conceivable different understanding.

If the infringement judge recognizes that the Federal Patent Court has based its decision on a different understanding of the patent claim than the judge considers to be correct – even after a critical examination of the judge's own point of view – the infringement judge will have to examine particularly carefully whether the infringement proceedings shall be stayed under these circumstances until a final decision in the invalidation proceedings has been reached. The reason for this is that it would not be appropriate to hold the infringement defendant liable on the basis of a claim interpretation which – if it were also applied in the examination of validity – would result in the invalidation of the patent-in-suit.

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19 Moreover, this should also apply if e.g. the Technical Board of Appeal in opposition proceedings were to develop an understanding of the patent claim which does not concur with that which the infringement or invalidation court considers to be protected by the patent claim. The case law of the Federal Court of Justice has previously qualified assessments of patentability by the Technical Boards of Appeal (TBA) of the European Patent Office as "expert opinions carrying considerable weight", which accordingly should be taken into consideration when reaching a decision in invalidation proceedings (BGH GRUR 1998, 895, 2896 – *Regenbecken*). This has largely become obsolete due to more recent case law that essentially understands the assessment of patentability to be a question of the law (BGHZ 142, 7, 15 – *Räumschild;* BGHZ 160, 204, 213 – *Bodenseitige Vereinzelungseinrichtung*; BGHZ 171, 120, marginal no. 18 – *Kettenradanordnung*; BGHZ 172, 298, marginal no. 38 – *Zerfallszeitmessgerät*; BGHZ 176, 311, marginal no. 17 – *Tintenpatrone*). When the TBA has assessed patentability differently, it must therefore be examined whether this assessment is based on a different legal rule or whether the reason for this deviation is perhaps due to different prior art (e.g. in the case of the Federal Court of Justice decision of 30 July 2009 – Xa ZR 22/06 – *Beutelverpackung für flüssige Arzneimittel*).

If, in reverse, the invalidation judge recognizes that the infringement court has taken a different view of the patent claim as the basis for its decision than the invalidation judge considers to be correct – again after having critically examined his or her own point of view – the option of a stay of proceedings is, of course, not available. On the other hand, the judge cannot construe the contested patent against the judge's better knowledge such that the decision "fits" the decision in the infringement proceedings. In such a case, there is only the possibility to tolerate for the time being the divergence of the interpretation results and to leave it to the Federal Court of Justice, where infringement and invalidation proceedings converge, to resolve the divergence and to render a binding decision for both proceedings as to which understanding of the patent claim is correct. Fortunately, such incompatible results of the proceedings are extremely rare.

V. THE *FORMSTEIN* DEFENCE

If the *Formstein* defence is raised, the infringement court suddenly finds itself in the role of the invalidation judge, should it consider the defence to be relevant to its decision – which, however, is generally not the case. In such a case, the infringement judge must – without being bound to a decision of the Patent Office or the Federal Patent Court – undertake what is otherwise the responsibility of the invalidation judge: the judge must examine a fictitious patent claim as to whether its subject matter was novel on the priority date of the patent-in-suit or whether it was rendered obvious to the skilled person by the prior art.

What is meant by a fictitious patent claim is the following: the *Formstein* defence is available only if the infringement plaintiff does not claim literal infringement but asserts that the attacked embodiment infringes the patent-in-suit (in part with literal means, in part) with means which deviate from those of the wording of the patent claim but have the same effect and which the skilled person could find on the basis of patent claim-oriented considerations and which therefore are assessed to be equivalent means.[20] In such a case, the defendant can object that a patent with a corresponding claim (i.e. a claim in which the features not literally realized are replaced by its equivalents) should not have been granted since its subject matter was not novel or based on inventive step on the priority date. This question was not examined in the granting proceedings (or in opposition or nullity proceedings) in which the Patent Office or Patent Court had to decide whether the subject matter of the invention was patentable, but not whether a variant of the invention, which could perhaps fall within the scope of protection of the patent under the aspect of equivalence, is patentable.[21] Here we are therefore dealing with a fictitious patent claim that is made the subject of an examination regarding

20 BGHZ 98, 12, 21 *et seq.* – *Formstein;* BGHZ 134, 353, 355 *et seq.* – *Kabeldurchführung I*; BGH GRUR 1999, 914, 916 – *Kontaktfederblock.*

21 BGHZ 134, 353, 357, 360 – *Kabeldurchführung I.*

patentability by a fictitious patent office or patent court, namely the infringement judge. Otherwise, the infringement court would grant protection for something that was not examined nor could have been examined as to its protectability.

This "gap-filling" function of the infringement judge can be cited to justify that the case law provides the infringement judge with a competency to examine patentability only if the *Formstein* defence concerns a design of the attacked embodiment that deviates from the literal wording of the patent claim, and not as a defence against the protectability of the subject matter of the patent as such.[22] Otherwise, an attack against the patentability of the subject matter of the invention in the case of an equivalent infringement could generally also be presented as a *Formstein* defence. However, it is not the purpose of this defence to have protectability examined twice, but to have this examination referred to the infringement court if and only if the invalidation judge cannot undertake it.

VI. PATENTS IN SUIT AND CONTESTED PATENTS BEFORE THE FEDERAL COURT OF JUSTICE

In the German system of separation, the Federal Court of Justice is the link-up between invalidation proceedings and infringement proceedings. Nevertheless, this does not mean that the separation principle is put aside when one of the proceedings reaches the Federal Court of Justice. The procedural role of the highest German civil court is as different as are invalidation and infringement proceedings.

In invalidation proceedings, the Federal Court of Justice, with its Xth (Tenth) Civil Panel (and in addition, in 2009 and 2010 the Xa Civil Panel as an auxiliary panel) is a second-instance appeal court and as such a trial court. This did not change even when the Act on the Simplification and Modernization of Patent Law (*Gesetz zur Vereinfachung und Modernisierung des Patentrechts*) of 28 May 2009 came into force on 1 October 2009, transferring the main burden of fact-finding from the Federal Court of Justice to the Patent Court and limiting the possibility of the parties in the second instance to submit new prior art material, but leaving the function of the Federal Court of Justice as a second-instance appeal court unaffected.

However, in infringement proceedings, the Federal Court of Justice is a third-instance appeal court at which redress may only be sought if the second-instance appeal court (i.e. the higher regional court) has given leave to appeal on points of law (*Revision)*, or this appeal has been granted by the Federal Court of Justice upon appeal against denial of leave to appeal. Pursuant to the provision in Section 543 (2) Code of Civil Procedure,[23] which is also applicable in patent dispute proceedings, leave to appeal on points of law

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22 BGHZ 134, 353, 360 et seq. – *Kabeldurchführung I*; critical comment by KEUKENSCHRIJVER, in: Busse, Patentgesetz*,* 6th ed., Section 14, marginal no. 107, with further references.

23 See Appendix.

may only be granted – by either the second-instance appeal court or the Federal Court of Justice – if the legal matter has basic significance or if the development of the law, or securing a uniform case law, requires a decision of the third-instance appeal court. The most important reason for giving leave to appeal on points of law from the point of view of a patent dispute – namely, to avoid diverging assessments of a patent in infringement and in invalidation proceedings – is not easily justified on the basis of this legal provision that does not take into account the particularities of patent disputes. In its *Druckmaschinen-Temperierungs-System* decision, the Federal Court of Justice has derived from "securing a uniform case law" as a ground for granting leave to appeal on points of law that leave to appeal is to be granted if the patent at issue in the appealed infringement judgment is held to be invalid in its entirety or in part, and if this decision can have an effect on the infringement proceedings.[24] As long as the outcome of the invalidation proceedings is uncertain, the decision on the appeal may be stayed pursuant to Section 148 Code of Civil Procedure.[25] The Federal Court of Justice makes ample use of this possibility in order to avoid a judgment becoming final on the basis of a patent that may finally be held to lack validity in the invalidation proceedings.

Since according to the case law of the Federal Court of Justice the correct interpretation of a patent claim is a question of the law,[26] it can thus be (largely)[27] ensured that the interpretation in the infringement proceedings and in the invalidation proceedings do not diverge. The liberal practice of staying proceedings admittedly also means that the final conclusion of the infringement proceedings is linked to the final conclusion of the invalidation proceedings and thus to the considerable duration of these proceedings. It is therefore to be hoped not only for invalidation proceedings but also for infringement proceedings that due to the court and legislative measures taken in 2008 – i.e. the establishment of the auxiliary (tenth) panel Xa at the Federal Court of Justice and the streamlining of the invalidation proceedings by the Act to Modernize Patent Law – a significant reduction of the average duration of patent invalidation proceedings will be achieved.

24 BGHZ 158, 372, 376 – *Druckmaschinen-Temperierungssystem I*.

25 BGHZ 158, 372, 374 et seq. – *Druckmaschinen-Temperierungssystem I*; for an English translation of the provision, see Appendix.

26 BGHZ 142, 7, 15 – *Räumschild*; BGHZ 160, 204, 213 – *Bodenseitige Vereinzelungseinrichtung*; BGHZ 171, 120, marginal no. 18 – *Kettenradanordnung*; BGHZ 172, 298 marginal no. 38 – *Zerfallszeitmessgerät*; BGHZ 176, 311, marginal no. 17 – *Tintenpatrone*.

27 This cannot be fully ensured since it cannot be ruled out that different findings are made with regard to the factual bases of the interpretations in the trial courts of the infringement and the invalidation proceedings that justify different interpretation results. Essentially, however, such a divergence of interpretation results should remain a purely theoretical possibility.

Assessment of Damages in Patent Infringement Cases in Japan

Toshiaki Iimura *

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  1. Section 709 of the Civil Code
  2. Section 102(2) of the Patent Act
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III. Litigation Practices under the Old Provisions
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  1. Section 102(1) of the Patent Law
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  3. Provisions Allowing Reasonable Damages
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I. INTRODUCTION

Japan has pursued its policy to increase the international competitiveness of the Japanese economy by protecting intellectual property rights and promoting their utilization as well as encouraging the creation of advanced technologies.

Accordingly, one policy focus has been to strengthen the system of patent protection and its enforcement. Within this framework, various studies have been made with a view to achieving a speedy resolution of patent infringement disputes and offering the patentee sufficient remedies. In the past, there has sometimes been criticism that the plaintiff, when seeking remedies for patent infringement, could not claim sufficient compensation from the defendant. If only a small amount of compensation was to be expected, then practically there would be no measures to stop infringement; and such a

* Presiding Judge at the Intellectual Property High Court, Tokyo.

situation would decrease the incentive to make huge investments to carry out R&D and supply goods of high quality to the market. Such criticism resulted in the revision of the Japanese Patent Act with respect to the damages clause in 1998, by way of establishing Article 102(1).[1]

I would like to briefly discuss the background of the revision and also the practical aspects of patent infringement litigation following the revision.

II. Previous Provisions Relating to the Calculation of Damages

Prior to the 1998 revision, there were three provisions with respect to the calculation of damages in a patent infringement case.

1. Section 709 of the Civil Code[2] *(Plaintiff's lost profit)*

This provision stipulates that the plaintiff may recover damages having a causal relationship with the defendant's unlawful act. In other words, the clause recognizes that the amount of profit the plaintiff would have gained but for the defendant's violative act can be the amount of damages. There is nothing unusual in this provision.

The causal relationship between the defendant's act and the plaintiff's damages will be discussed later in detail.

2. Section 102(2) (formerly Section 102(1)) of the Patent Act (Presumption of damages based on defendant's profit)

This provision states that, in a case where the defendant has gained a profit by selling goods that infringe a patent, this profit may be presumed to be the plaintiff's damages.

The purpose of this provision is to decrease the plaintiff's burden of proof; however, this presumption clause does not alter the general principle of determining damages under the Civil Code.

3. Section 102(3) (formerly Section (2)) of the Patent Act[3] *(Amount equivalent to royalty)*

This provision allows the patentee to claim, as damages, at least an amount equivalent to a license fee generated from the patented product.

However, Japan does not recognize treble or punitive damages. The Japanese laws only allow the recovery of an amount equal to the plaintiff's losses (including both "the

1 See Appendix.
2 See Appendix.
3 See Appendix.

loss that has actually occurred" and "the loss of profit that the plaintiff would gain in the future").

III. LITIGATION PRACTICES UNDER THE OLD PROVISIONS

Section 709 of the Civil Code provides the general principle governing legal actions seeking compensation for damages caused by unlawful acts.

In determining damages in patent infringement cases, judges have applied the general principle of the Civil Code in accordance with the interpretation of the relevant provisions and the precedents. Since Section 709 of the Civil Code is a general provision, judges have been mindful of maintaining harmony and consistency in applying the clause to such various cases as (a) calculation of damages for wrongful death or injuries from traffic accidents, industrial accidents or medical malpractice; (b) calculation of business damages caused by fraudulent transactions; (c) calculation of damages for physical harm caused by environmental pollution; and (d) calculation of damages in defamation cases.

Under the general principle of the Civil Code, the injured party can claim from the injuring party an amount equal to the loss suffered by the injured party. The plaintiff can seek full recovery within the limit of the plaintiff's losses, but may not seek recovery beyond such losses. From the perspective of the accused infringer, the infringer would be liable for the same monetary amount whether the infringer obtained a license from the patentee or illegally used the patent without an authorization. It may then follow that the accused infringer could pay less for the illegal use of the patent than the cost of obtaining a legitimate license.

Under the general principle of the Civil Code, the injured party may recover a higher amount of damages in cases involving defamation, damages to good will or bodily harm, since the injured party is entitled to compensation for its mental suffering in addition to the property or physical damages.

In patent infringement cases, however, such a compensatory award is not recognized.

The Japanese courts have never changed this cardinal principle under the Civil Code. If this principle, which has existed for over a hundred years, were to be changed, the adverse effects of disrupting the predictability and legal stability in calculating tort damages would be extraordinary.

Against this background, there has been criticism that protection of the patentee was insufficient in view of the relatively low amount of damages available under Section 709 of the Civil Code in patent infringement cases.

In light of such criticism, the Patent Act was amended in 1998 to provide a new clause – i.e. Section 102(1) – regarding the assessment of damages in patent infringement cases. Section 102(1) of the Patent Act will now be discussed in detail.

IV. CONTENTS AND LEGISLATIVE INTENT OF SECTION 102(1)

1. Section 102(1) of the Patent Law

The provision reads as follows:

> Where a patentee or an exclusive licensee claims from the intentional or negligent infringer of his patent right or exclusive license compensation for the damages he has sustained as a result of infringement, and the infringer has assigned objects composing the act of infringement, the amount of damages sustained by the patentee or the exclusive licensee may be presumed to be the amount of profit per unit of objects which would have been sold by the patentee or the exclusive licensee if there had been no such act of infringement, multiplied by the quantity (hereinafter: the "assigned quantity") of objects assigned by the infringer, the maximum of which shall be the amount attainable by the patentee or the exclusive licensee in light of the capability of the patentee or the exclusive licensee to work [the patented invention]; provided, however, that if any circumstances exist under which the patentee or the exclusive licensee would have been unable to sell the assigned quantity in whole or in part, the amount calculated as the quantity not able to be sold due to such circumstances shall be deducted.

This provision, as written, is difficult to grasp. In short, it is provided that, for the purpose of claiming monetary compensation, the plaintiff should establish:

(i) the amount calculated by multiplying the number of infringing goods transferred by the infringer with the amount of profit per unit of the goods that could have been sold by the patentee but for the infringement; and

(ii) the plaintiff's sufficient working capacity in excess of the amount of goods the plaintiff has sold (main part of the provision).

On the other hand, the defendant may have the amount of damages reduced in its entirety or in part by substantiating the presence of special circumstances where the plaintiff could not sell the goods in an amount equivalent to the entirety or part of the number of transferred goods (proviso).

2. Legislative Intent of Section 102(1)

With regard to the calculation of damages caused by an unlawful act, Section 709 of the Civil Code provides the general rule. According to Section 709, the defendant shall compensate the plaintiff's losses to the extent that such losses have a causal relationship with the defendant's unlawful act.

As discussed above, however, it may be difficult to establish such a causal link in a case of patent infringement: the plaintiff must prove a fictitious situation that did not actually occur – that is, "how much profit the plaintiff would have made through sales of plaintiff's product but for the defendant's infringement". In addition, strictly speaking, there may not be that many instances where customers would have purchased the plain-

tiff's product even if there had been no infringement by the defendant. In the exceptional situation where the market is totally closed and the total demand of the product is fixed, such causation could be established. For instance, such causation may be readily established when vaccination for all children up to a certain age is mandated under the law and the defendant has infringed the plaintiff's patent on the vaccine. In this case, the plaintiff has lost profit from the decreased sales of the vaccine in an amount equal to that of the vaccine sold by the defendant because the total demand is pre-determined.[4] However, except for such rare instances, there may be very few cases where causation between a defendant's sale of the infringing product and a plaintiff's decreased sales can be established. In most cases, there are products that accomplish substantially the same result as the patented product without using the plaintiff's patent, i.e. substitute products existing in the market. If this is the case, it cannot be necessarily said that consumers would purchase the plaintiff's patented product even if the defendant's infringing goods did not exist. As such, in cases where substitute products are available in the market, it is likely that the causal link between the defendant's sale of the infringing product and the plaintiff's loss of sales may be denied entirely or partially.

For this reason, courts have normally recognized only a small amount of damages in the past except in certain extraordinary cases. As a result, the plaintiff was often awarded a limited amount of damages comparable to royalties.

Accordingly, legislators felt a need to provide a new statutory basis so as to confer on the patentee an appropriate amount of damages, even in cases where the patentee could not have sold the same amount of product as the sales amount of the infringing product. This is the legislative intent underlying the revision of the patent law to provide Article 102(1) in 1998.

3. *Theoretical Basis of Section 102(1)*

It is possible to enact a *sui generis* law providing a different legal effect exclusively for patent infringement cases, when there is a general provision provided in the Civil Code. To enact such a special law, however, the mere presence of a legislative motive is insufficient; rather, a theoretical basis is needed.

Legislators have offered the following explanations as theoretical bases for establishing such a special provision:[5] (a) the patent right is a right to exclusively practice the patented technology and, therefore, only the patentee can sell the product using the technology; (b) premised on this exclusive nature of the patent right, the number of the

4 Tokyo District Court, decision of Oct. 12, 1998, Hanrei Jihō 1653, 54, where causation between a defendant's sale and a plaintiff's loss of sale was recognized because both parties' products were identical and other companies' products had different characteristics.

5 *See*, for interpretation of Section 102(1), Y. IRINO / N. TAKIGUCHI, Partial amendment to patent law (1998 Law No. 51 and 1999 Law No. 41), Jurisuto 1162, 34; and M. YAMAMOTO, Issues and points on damages under the 1998 patent law amendment, in: Modern System of Trial Law, 269 *et seq*. (all in Japanese).

product sold by the infringer equals the number of the patentee's lost sales, to the extent not exceeding the amount according to the patentee's or exclusive licensee's working capability; (c) accordingly, the amount of damages can be considered equal to the monetary amount calculated by multiplying the number of the product sold by the infringer by the amount of profit per unit of the patentee's product to the extent of the patentee's working capability (the main part of the article); (d) there is a provision, however, that if an actual infringement case fails to satisfy the formula "the number of the product sold by the infringer = the number of the patentee's lost sales" due to such factors as the infringer's marketing ability, the amount attributable to such factors can be deducted subject to the infringer's proof thereof (the proviso of the article).

The newly introduced provision was derived from the above theoretical reasoning, although there are some questions as to the correctness of point (b) above.

4. Advantages for the Patentee under Section 102(1)

The legislators explain that Section 102(1) offers the following two advantages to the patentee.

First, even when the existence of other substitute products is confirmed in litigation, the causal relationship with respect to the lost profit suffered by the plaintiff cannot be entirely denied, although the existence of such products may be considered as reducing the amount of damages. Accordingly, a considerable amount of damages can be awarded even in cases where lost profit would have been denied under the previous approach based on Section 709 of the Civil Code. The significance of this statutory clause lies in the substantial alleviation of the burden of proof on the part of the plaintiff by recognizing the proximate causation between the amount of the plaintiff's lost profit and the amount calculated by multiplying the number of the infringing product sold by the unit profit of the plaintiff's product.

Secondly, this provision allows the plaintiff to meet the burden of proof by merely establishing the amount of the defendant's sales and the profit per unit of the plaintiff's product. Furthermore, the provision also seeks to simplify and facilitate the plaintiff's burden of proof as the plaintiff can prove the profit per unit based on the patentee's own data.[6]

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6 *See* Y. IRINO / N. TAKIGUCHI, *supra* note 5.

V. ISSUES ASSOCIATED WITH SECTION 102(1)

1. *General Background*

As discussed above, this new statutory provision is not easy to understand even though the legislative motivation was expressed. In interpreting the provision, therefore, care must be taken with respect to the following two points.

First, the interpretation should be in harmony with other court decisions rendered under the Civil Code and should not contain contradictions in logic. Second, the interpretation should be made in light of the legislative intent to provide adequate relief to the patentee whose patent right has been infringed.

2. *With Regard to the "Patentee's Working Capability"*

Regarding the "patentee's working capability", the prevailing view is that a patentee need not show that the patentee was in a position to be able to supply the product in an amount equivalent to that of the infringing product at the time of infringement. Rather, this requirement is interpreted broadly to cover, for example, the patentee's potential capability.

However, there are conflicting views with respect to the "time when the patentee could have worked the patent".

One view requires that the patentee possess the actual capability to supply the product at the time of infringement. This view is based on the reasoning that, since Section 102(1) of the Patent Law is premised on the concept of lost profit – i.e. loss of sales profit – under Section 709 of the Civil Code, it should be interpreted to merely alleviate the burden of proof in harmony with the general principle of the Civil Code.

The other view determines the "time when the patentee could have worked the patent" from the patentee's potential capability during the life term of the patent right. This view is based on the reasoning that, first of all, Section 102(1) derives from the premise that "the patent right is a right to exclusively practice the patented technology, and only the patentee may sell the product using that technology." In light of this exclusive nature of a patent right, it should be recognized that the patented product cannot have a substitute product in the market; and that this new statutory clause was established based on the fiction that the infringing product and the patentee's product are mutually complementary, i.e. they are in a zero-sum relationship in the market. In effect, the loss resulting from the sale of the infringing product equates with a "loss of marketing opportunity", which not only deprives the patentee of the opportunity to market the goods at the time of infringement, but continues to deprive the patentee of subsequent marketing opportunities due to the purchaser's continued use of the infringing product. Therefore, in principle, the patentee must be regarded to possess the capability to work the patent, for example, by way of providing funds based on the patent right or using a subcontractor.[7]

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7 *See* R. MIMURA, With regard to Article 102(1), New Trial Practice, 288 (in Japanese).

3. With Respect to "Circumstances Disabling the Patentee's Sale"

There are also different views with regard to the interpretation of "circumstances that prevent or disable patentee's sale".

Under one view, "circumstances disabling the patentee's sale" should be interpreted to include "the infringer's marketing efforts and the existence of substitute products in the market". To be specific, it should encompass (a) the contribution made to the sale of the infringing product by the infringer's marketing and advertising efforts, market development efforts, unique sales methods, the company size and the brand image; (b) the price competitiveness of the infringer; (c) a superior performance of the infringing product; (d) features of the infringing product which are unrelated to the patent, but are responsible for the sale thereof; and (e) presence of other substitute or competing products in the market besides the infringing product.

The basis of the first theory is the same as that of the first view regarding the patentee's working capability. Section 102(1) of the Patent Act is premised on the concept of lost profit, i.e. loss of sales profit under Section 709 of the Civil Code. Therefore, "circumstances that prevent the patentee's sale" should be interpreted in light of the general principle of the Civil Code.

Under the other view, "circumstances disabling the patentee's sale" should be confined to extraordinary circumstances only. To be specific, such extraordinary circumstances may include (a) inability to operate the product line due to disrupted supply of indispensable parts as a result of a natural disaster or shortage of raw material, which cannot be resolved within the term of the patent; (b) subsequent to the infringement, issuance of a legal measure which prohibits or limits the use of patented invention; and (c) subsequent to the infringement, advent of a superior new technology which has rendered the patent obsolete. Under this view, therefore, the special circumstances should be interpreted as not including the infringer's sales efforts or the presence of competing goods.

The proponents of the second view provide the following reasons. Section 102(1), being founded on the exclusive nature of the patent right, should be interpreted in light of the premise that the infringing product and the patentee's product are in a complementary relationship; therefore, if the phrase "circumstances that prevent the patentee's sale" is to be interpreted as including the infringer's marketing efforts, such as advertisements, and the presence of substitute or competing products, then it would contradict the basic premise. (Each of these situations should be interpreted as having been excluded from the "circumstances that prevent the patentee's sale", when the premise was adopted that the infringing product and the patentee's product are in a complementary relationship in the market.) In applying Section 102(1), since the right holder's product is characterized as a product that practices the patented technology and the infringing product also practices the patent, the infringing product deprives the patentee of marketing opportunities in the market. In other words, because the infringing product has come

into existence by virtue of the patent infringement, the product sold by the defendant – i.e. the infringing product – is in competition with the plaintiff's product to the detriment of the plaintiff's ability to sell the product to dealers or customers. Even though there has been an accumulation of the defendant's marketing efforts, the plaintiff would eventually have sold the same amount of product as the defendant has sold, given a sufficient length of time. Even if the defendant was able to sell the product due to a lower price or any other reason, such factors should not operate to reduce the amount of damages because the plaintiff has lost the opportunity of supplying the plaintiff's own product at the same amount as that of the infringing product as a result of the infringement. Furthermore, even if competing goods other than the defendant's product existed in the market, since the defendant was able to sell a certain amount of the defendant's product, the plaintiff would also have been able to sell the same amount of product that the defendant sold under the same conditions as long as the plaintiff's product performed in a same manner as did the defendant's.[8]

4. *Trend of Court Decisions*

Court decisions are split as to the interpretation of "circumstances disabling patentee's sale", as provided in the proviso of Section 102(1). A larger number of cases have adopted the second view, providing a higher level of protection to the patentee. That is, in a multiple number of cases, the court held that the damages should not be deducted even if the defendant argued and proved the "defendant's marketing efforts" or the "presence of other substitutes".[9]

On the other hand, in one case where the market shares of the patentee, the infringer and a third party were 35%, 35% and 30% respectively, the court held that the plaintiff was not capable of selling the plaintiff's products in the amount equivalent to the share of 30/75.[10]

5. *Sub-conclusion*

Given the legislative purpose, conflicting views in interpretation and the recent trend in court decisions surrounding Section 102(1), it seems inappropriate to totally exclude from consideration such factors as the infringer's marketing efforts, unique value added by the infringer or the presence of substitute products, as asserted in the second theory. On the other hand, the first view may seem to contain issues conflicting with the very reason of establishing Article 102(1). The totality of the circumstances may, therefore, need to be taken into account in determining the issue of reducing damages to the reasonable extent.

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8 *Id.*

9 Tokyo District Court, decision of July 17, 2001, 1999 Wa 23013; Tokyo District Court, decision of April 25, 2002, Wa 14945.

10 Tokyo District Court, decision of June 15, 1999, 1697 Hanrei Jihō, 96.

VI. OTHER ISSUES CONCERNING THE CALCULATION OF DAMAGES

1. *Profit per Unit*

Section 102(1) provides that the damages should be calculated by multiplying the number of infringing goods sold by the infringer with the profit per unit of the right holder's product. The "profit per unit" in this clause should be interpreted as referring to the so-called marginal profit that is calculated by deducting additional expenses that would have been incurred to make an additional number of the patentee's product which could have been sold absent the infringement from the patentee's revenue of the additional sales, and then dividing it by the additional number, that is, deducting variable cost from the sales value of the additional amount of the product and then converting it into the profit per unit.

2. *Degree of Contribution*

When the patented invention pertains only to a part of the patentee's product, it may raise the issue of contribution – that is, whether the amount of damages should be limited to an amount proportionate to the infringed part. For example, in a product such as an automobile, which involves multitudes of patented technologies from various fields, it would be an excessive remedy favouring the patentee to grant damages based on the entire profit of the whole product even though the infringed patent was associated with only a part of the automobile. Therefore, the majority view generally recognizes the need to limit the amount of damages according to the degree of contribution.

However, it would be inappropriate to simply assess damages in proportion to the monetary value of the patented part over the monetary value of the patentee's whole product. Rather, the scope of limitation should be determined from the role played by the patented invention in attracting or causing the customers to purchase the whole product. In an automobile, for example, an invention of a low-pollution engine cannot be treated on the same footing as an invention for adjusting the angle of a reclining seat, even though both are practiced in the same automobile. If the invention serves the determinative role in motivating the customer to purchase the product, infringement of that single patent may justify the claiming of damages amounting to the entire profit of the whole automobile.[11]

3. *Provisions Allowing Reasonable Damages (Section 105-3 of the Patent Act[12])*

As discussed above, the patent law provides special provisions in Section 102 Patent Act in consideration of the difficulty associated with proving the amount of damages.

11 *See* MIMURA, *supra* note 7.
12 See Appendix.

Despite such provisions, proving the amount of damages may still be difficult in certain cases.

Therefore, if the infringement has been recognized but the facts necessary to prove the amount of damages remain difficult to ascertain, the provision of Section 105-3 Pate nt Act allows the court to grant a reasonable amount of damages in light of the totality of oral arguments and the result of evidentiary investigation. Through this provision, the plaintiff's burden of proof has been greatly relieved.

VII. CONCLUSION

In conclusion, it can be said that, with the adoption of Section 102(1) in the Japanese Patent Act, the method of calculating damages has been greatly changed, offering a greater level of protection against patent infringement in Japan.

The Preferred Method of Damages Calculation in German Patent Infrastructure Proceedings

Since the recent amendment of the Patent Act effective from September 1, 2008, the infringer's profit is explicitly mentioned as a criterion for calculating the damage compensation in Section 139(2) 2. The provision reads:

> Any person who intentionally or negligently undertakes such an act shall be liable to the injured party *for compensation of the damages incurred thereby.* When assessing the damages, *the profit which the infringer has made by infringing the right* may also be taken into account. The claim for compensation of damages may also be calculated on the basis of *the amount the infringer would have had to pay as an adequate remuneration had he obtained the authorization to use the invention.*

This wording implements the EU Enforcement Directive of April 29, 2004.

The alternative three calculation methods have remained unchanged. However, the reasoning that the infringer having to surrender his profit is treated as an agent without mandate should no longer be applicable since Section 139(2) 2 is based on EU law. Rather, according to the explanatory memorandum of the Patent Act amendment, the provision is based on the assumption that the patentee would have gained the profit that the infringer has obtained by the infringing acts. The memorandum states:

> Furthermore it may be assumed due to the exclusive character of the IP right that the right-holder, had he exploited his rights, would have earned the profit which the infringer earned by exploiting the right of another.…

This corresponds to the traditional second reasoning, i.e. the fiction that the patentee would have made the infringer's profit.

In court practice, the claim for surrender of the infringer's profit was of little significance for a long time because the case law accepted the full deduction of overhead costs of the infringer. Thus this calculation frequently resulted in a loss. The patentee who was not able to verify the infringer's calculation was thus forced to calculate damages based on the license analogy, which therefore was the common method of damages calculation.

This situation has fundamentally changed due to the landmark *Gemeinkostenanteil* ("*Share of Overhead Costs*") decision of the First Civil Panel of the Federal Court of Justice of November 2, 2000.[1] In this decision, which related to the infringement of a design right, the court held as follows:

> If damages are payable in the form of surrender of the profit of the infringer, overhead costs may be deducted only if and to the extent they can, as an exception, by directly attributable to the infringing objects.

1 BGHZ 145, 366 – *Gemeinkostenanteil* = IIC 2002, 900 – *Share of Overhead Costs*.

In the meantime, the courts have applied this principle to all IP rights.[2] And ever since, most plaintiffs, when suing for payment of damages in patent or utility model infringement cases, have chosen the calculation method of infringer's profit. According to the author's experience, this was true in at least three-fourths of all patent and utility model infringement cases regarding compensation of damages at the Düsseldorf Regional Court.

II. Calculation of Infringer's Profit

The infringer's profit is calculated from the income obtained with the infringing acts. From this income, the costs arising from the infringing acts must be deducted. Thus the general formula is this: profit = income – costs.

1. Income

The income includes the turnover achieved by the infringer with the infringing product. But it can also include income achieved with a non-infringing product, if its sale is caused by the infringing use of the teaching of the patent. This has been held by courts in the case of non-infringing peripheral devices that were sold together with the patent-infringing product and only because of the sale of the latter. The same must apply when the infringer can sell a non-infringing product only due to the use of an infringing process. An example is the use of a grout that makes linoleum strips laid out on the floor appear to be one surface; if the infringer sold the linoleum strips only because of that infringer's use of the infringing process of applying the grout, the turnover with the linoleum strips is included in the infringer's income achieved by infringing the patent.

2. Costs

The costs of the infringer that would not have accrued without the acts of infringement (e.g. costs of manufacture and sale of the infringing product) shall be deducted, provided that these costs would have also accrued in the (fictitious) business of the patentee.

(a) Deductible Costs

Costs that are directly attributable to the manufacture and sale of the infringing product are deductible. This includes variable costs, including production costs (e.g. costs for materials and energy due to the production of the infringing product), procurement costs

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2 BGH GRUR 2006, 419 – *Noblesse*; BGH GRUR 2007, 431 – *Steckerverbindergehäuse*; BGH, 14.05.2009, I ZR 98/06 – *Tripp-Trapp-Stuhl*; Higher Regional Court Düsseldorf, InstGE 5, 25 – *Lifter*; InstGE 7, 194 – *Schwerlastregal*; Regional Court Düsseldorf, InstGE 3, 48 – *Rasenwabe*.

(e.g. purchase prices for components of the infringing product), distribution costs (e.g. packaging, transportation and advertisements of the infringing product), costs of personnel exclusively engaged in activities relating to the infringing product and fixed costs (e.g. rental costs for storage room used exclusively for the infringing product).

(b) Non-deductible Costs

Costs are not deductible if they are unrelated to the manufacture and sale of the infringing product. These are costs that arise due to the maintenance of the business independent of the scope of production and distribution of the patent-infringing product.

The ratio of this case law is that the profit earned from the infringing acts would not be completely skimmed off if the infringer were allowed to deduct from the profit the costs that are unrelated to the infringing activity. These so-called "anyway" costs (*Sowieso-Kosten*) would have accrued in any case, since they are not related to the infringing acts. It is assumed that they would also have accrued in the (fictitious) business of the patentee and therefore are irrelevant to the infringer's profit. Examples are the salary of the managing director of the infringing company, administrative costs (accounting, personnel, etc.) and marketing costs, if unrelated to the turnover with the infringing product.

(c) Attributability of Costs for Personnel or Equipment

A problem is how to attribute costs of personnel and equipment that the infringer used only in part for the production or sale of the infringing product. In this case it must also be examined whether and – if yes – to which extent these costs would not have accrued without the infringing acts. They are deductible to the extent that they would not have accrued without the infringing act. Indications can be found in the duration and the extent of use during the production or distribution of the infringing product.

(d) Burden of Presentation and Proof

In court practice, the distribution of the burden of presentation and proof is often decisive for the outcome of the lawsuit. In the present case it is the infringer who must explain and possibly prove that the costs the infringer has indicated are deductible, i.e. that these costs would not have accrued without the patent infringement. After all, the infringer is claiming the deductibility of costs that have accrued in the infringer's sphere. Problems of proof (e.g. because the infringement occurred long ago or was not documented) are therefore to the infringer's disadvantage. The infringer may require the services of a certified accountant or party expert to substantiate the infringer's assertions. In the framework of Section 287 of the Code of Civil Procedure,[3] the court is also free to estimate the relevant amount, taking into consideration all circumstances of the case.

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3 See Appendix.

(e) Costs Irrelevant to the Patentee

Costs, even if not "anyway" costs, may not be deducted if the patentee could not have incurred them in the first place. This is because damage compensation by surrender of the infringer's profit is based on the fiction that the patentee would have made the same profit, were it not for the infringement. Consequently, the costs of the infringer who has been held liable for defending himself in the lawsuit, or due to not being able to sell infringing products in stock, or having to recall infringing products pursuant to Section 140a Patent Act, are not deductible.

III. CAUSALITY

The purchaser may be motivated by many reasons to buy the infringing product. Besides the invention protected by the infringed patent, the motive may be other protected inventions incorporated in the product, or it may be the product's design or trademark, the company name and the associated "goodwill" of the infringer or the infringer's sales activities, etc.

1. Principle

It is generally accepted that the infringer's profit must be surrendered only to the extent it is based on the patent infringement. However, this relation should not be considered under the aspect of adequate causality, but is comparable to the assessment of contributory negligence pursuant to Section 254 Civil Code.[4] First the court must identify the factors relevant to the turnover on the basis of the submissions of the parties, and thereupon the share of the profit based on the patent infringement in contrast to the other factors relevant to the total profit must be determined using an evaluating assessment. Here again the court has discretion to make an estimate pursuant to Section 287 Code of Civil Procedure.[5]

2. Factors Relevant to the Turnover

One important factor relevant to the turnover is the distance of the patented invention from the market-relevant prior art. It makes a difference whether the object of the invention is *a thoroughly new product*, relates to *a completely new feature* of a known product or merely *improves a detail of a known product*. In case of a completely new product, the assumption may be correct that the total infringer's profit is based on the patent infringement. In contrast, only a part of the infringer's profit may have to be surrendered in case of the improvement of a detail. The profit based on the infringement may also be

4 See Appendix.
5 See Appendix.

negatively affected by the fact that alternative products of equal value are available on the market.

The profit to be surrendered may also be reduced due to the existence of further IP rights that relate to the infringing product, not only concerning technical inventions but also trademarks, copyrights or design rights. For example, in the patent-infringing sale of ink cartridges, the (legal) use of the trademark "*Pelikan*", which the consumer in Germany has associated with high-quality ink products for many years, may be highly relevant to the turnover.

Even unprotected technically relevant components of a product may have an effect on the decision to purchase it and therefore also determine its value. Patented inventions often relate only to a part of the whole sold product. The side mirror of a car is an extreme example. In such cases it is not decisive whether the whole product is mentioned in the patent claim or whether only the specific part is claimed or possibly its function is mentioned. What is crucial is the relevance of the inventive construction of the part (the side mirror having the inventive features) for the decision of the customer to purchase the whole product (the car).

3. Special Sales Efforts of the Infringer

How to treat special sales efforts of the infringer in this context is a problem. In contrast to the factors mentioned above, which relate to the value-enhancing features of the infringing product itself, sales efforts are activities of the infringer relating to the infringing product – for example, special advertising or use of special distribution channels.

In its *Gemeinkostenanteil* decision, the First Civil Panel of the Federal Court of Justice rejected the reduction of the infringer's profit to be surrendered with regard to special sales efforts of the infringer, arguing it was irrelevant that the patentee would not have been able to obtain the profit obtained by the unauthorized use of the patent.[6] This was correct in the (design right) case decided at that time. The success of the special sales activities was lastly due to the attractiveness of the protected design and therefore not to be taken into account for reducing the profit. In a patent case this would be comparable to a drug with a superior active ingredient. Any sales success, even if the result of special sales efforts, would in the end always be due to the superior effect of the patented ingredient, and it is thus justified not to consider the special sales efforts to be relevant to the turnover.

However, if the case concerns an invention of a detail – e.g. a needle in an ink cartridge whose use in the infringing product has little effect on the consumer's inclination to purchase the product since other factors are perceived as more important, such as the use of a well-known trademark – there is no reason to disregard the sales efforts of the infringer (e.g. special bargain prices or advertising campaigns) from the outset. This is

6 BGHZ 145, 366, 375 – *Gemeinkostenanteil*.

because in such cases, the generated turnover may also be due to the sales efforts of the infringer, which in an evaluating assessment have no causal relation to the patent infringement. They may thus have to be considered as a factor relevant to the turnover.

4. *Court Practice*

The share of the infringer's profit relevant for the compensation of damages in relation to the rest of the infringer's profit has to be determined by estimate pursuant to Section 287 Code of Civil Procedure. For this purpose, all turnover-relevant factors that the court could ascertain based on the submissions of the parties must be assessed in regard to the infringement of the patent. The result of this assessment is the share of the profit based on the infringement. In the case law of the lower courts following the *Gemeinkostenanteil* decision of the Federal Court of Justice, the profit share to be surrendered as a result of infringement of technical IP rights was determined to be between 15% and 60%.

IV. CONCLUSION

1. With the coming into force of Section 139(2) 2 Patent Act, the surrender of the infringer's profit is now codified as one of the three methods of compensation of damages incurred by the infringement of an intellectual property right. This is based on the assumption that, due to the exclusive character of the intellectual property right, the patentee, when exploiting a patented invention, could have obtained the profit made by the infringer using the patent. It is thus no longer necessary to apply in analogy the provisions of quasi-management of another's affairs without mandate.

2. When calculating the infringer's profit, those costs must be deducted that would not have accrued without the infringing acts, provided the costs would have also accrued in the fictitious business of the patentee. Thus all costs are deductible that can be attributed directly to the patent-infringing product. Not deductible are the costs that could accrue only in the business of the infringer, unless the existence of the business depended on the patent-infringing acts. In regard to costs for personnel and equipment that have accrued partly due to the production or sale of the infringing products and partly due to the manufacture or sale of other products, one must examine whether and to what extent the costs would not have accrued or not accrued in the given amount without the patent-infringing acts. The burden of presentation and proof in this respect is on the infringer. Costs that would not have accrued for the patentee are not deductible.

3. The infringer's profit must be surrendered only to the extent it is based on the patent infringement, and the causal relation between infringement of the patent and obtained profit is ascertained by way of an evaluating assessment. Factors relevant to the turnover may be the distance between the infringed patent and the market-relevant prior

art, other intellectual property rights relating to the infringing product, or unprotected but technically relevant components of the product. As a rule, special sales efforts of the infringer are not relevant in the case of superior inventions, while they may be considered in the case of inventions relating to technical details. The share of the infringer's profit determining the compensation must be decided in relation to the rest of the profit by estimate pursuant to Section 287 German Code of Civil Procedure.

Patent Litigation in Japan
from an Attorney's Point of View

Eiji Katayama *

I. Introduction
II. Preparation before Bringing Suit
  1. Proof of Infringement
  2. Choice of Action(s):
     Regular Lawsuits and/or Provisional Injunctions
  3. Forum Shopping
  4. Calculation of Damages
  5. Court Fee
III. Overview of Litigation Procedure
  (in the First Instance)
IV. Characteristics of Procedure
  1. Experts
  2. Technical Presentations
  3. Document Production Order and Protective Order
  4. Invalidity Defence
  5. Appeal
V. Conclusion

I. INTRODUCTION

The litigation procedure of a jurisdiction sometimes makes substantial progress in a short period of time. This has happened in Japanese patent litigation procedure. In the last ten to fifteen years, substantial changes were made by amendments of law, court judgments and court practice. Major events among these substantial changes included the following:

(1) The Supreme Court's Kilby decision in 2000 and the amendment of the Patent Act thereafter enabled the courts to examine the validity of patents.
(2) Exclusive jurisdiction for patent infringement suits in the first instance was given to the two district courts, the Tokyo District Court and the Osaka District Court, in 2004.
(3) The Intellectual Property High Court (hereinafter: the IP High Court) was established in 2005 as the court of appeals that reviews all appeals in patent cases.
(4) In 2004, the courts were authorized to render protective orders that may make it easier for the patentee to access the accused infringer's trade secrets.

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* Attorney-at-law (JP).

(5) The duration of cases has become significantly shorter; most of the cases are now concluded in one year due to a change in court practice and an increase of IP judges since the 1990s.

In the light of such changes, I would like to introduce the characteristics of Japanese patent litigation procedure from the viewpoint of a practitioner.

II. PREPARATION BEFORE BRINGING SUIT

1. *Proof of Infringement*

There are no discovery proceedings in Japanese law. This means that the patentee must basically search for evidence of infringing acts independently. If the patented invention is directed to an object, the patentee should obtain the suspected products, examine them and ascertain that the products satisfy all claim elements of the patent.

If the patented invention is directed to chemical products such as a pharmaceutical composition, an experimental analysis of the products may be needed before commencing legal action.

When it is difficult to prove the infringing act directly, especially in the case of a patent directed to a manufacturing process, the patentee has to collect documents to somehow establish the patent infringement. In Japan, documents are likely to be more powerful in convincing judges than an expert opinion as evidence in infringement cases, and therefore it is necessary to collect adequate documents. Even so, sometimes an expert's opinion is also useful to prove infringement. With this in mind, it is also important to search for and contact good experts.

Evidence preservation is also available pursuant to Section 234 Code of Civil Procedure.[1]

2. *Choice of Action(s): Regular Lawsuits and/or Provisional Injunctions*

If a patentee is seeking monetary damages, the patentee should choose a regular lawsuit. However, if a patentee is only seeking an injunction, the patentee can choose either a regular lawsuit or a provisional injunction (*kari shobun*) as the first action. In Japan, it usually takes five to ten months for the district court to issue a provisional injunction order. A single judge hears the provisional injunction case, whereas a panel of three judges in intellectual property divisions hears the regular infringement case. In addition, there are many differences between these two actions as shown in the table below. It is better to choose the preferable action depending on the situation. In some cases, both the regular lawsuit and provisional injunction proceedings are chosen.

1 See Appendix.

Table:

The main difference
between regular lawsuits and provisional injunctions

	Regular lawsuits	*Provisional injunctions*
Legal basis (Proceedings)	Code of Civil Procedure (*Minji Soshō-hō*)	Civil Preservation Law (*Minji Hozen-hō*)
Possible claim	monetary damage and injunction	injunction
Hearing	open to the public (except preparatory proceedings)	closed *inter partes*
Judge(s)	a panel of three judges	a single judge
Possibility of withdrawal	only with defendant's consent	defendant's consent not necessary
Court fee	calculated based on value of subject matter	2000 JPY
Duration	9-13 months	5-10 months

3. *Forum Shopping*

The Tokyo District Court and the Osaka District Court have exclusive subject matter jurisdiction over litigation relating to patent rights and utility model rights.[2] Currently, the Tokyo District Court has four intellectual property divisions (i.e. the 29th, 40th, 46th and 47th Civil Division) and the Osaka District Court has two intellectual property divisions (i.e. the 20th and 26th Civil Division).

In which court the plaintiff should file the lawsuit basically depends upon the defendant's corporate address and the place of the infringing activity. If the defendant's office or manufacturing/sales facility is located in eastern Japan, the Tokyo District Court has jurisdiction. If it is located in western Japan, the Osaka District Court has jurisdiction. In cases where the defendant resides in Osaka but the place of the infringing activity is Tokyo, the plaintiff can choose the court.

2 See Section 6 CCP (Jurisdiction for actions relating to patents etc.), Appendix.

4. *Calculation of Damages*

Section 102 of the Patent Act[3] provides three bases to calculate the damage amount:

(i) lost profit based on the infringer's sales quantity multiplied with patentee's profit rate (Section 102(1)),
(ii) infringer's profit (Section 102(2)), and
(iii) license royalty (Section 102(3)).

The damage claim based on lost profit is available only if the patentee sells products, because Section 102(1) Patent Act covers "objects which would have been sold by the patentee if there had been no such act of infringement."[4] In the calculation formula based on lost profit provided in the section, there are some factors to reduce the damage amount. For instance, if there are any circumstances under which the patentee would have been unable to sell the same quantity as the defendant sold, the amount of damages shall be reduced.

In Japan, it is very common to claim damage based on license royalty.

5. *Court Fee*

The amount of court fees is determined in accordance with the subject matter value. When the complaint seeks monetary damages, the subject matter value is the amount being sought. In case of an injunction, the subject matter value is calculated by any of the following three formulas for cases to be handled by the Tokyo District Court:[5]

(i) decrease in the plaintiff's annual sales x plaintiff's profit rate x remaining patent term x 1/8;
(ii) estimated defendant's annual sales x estimated defendant's profit rate x remaining patent term x 1/8; or
(iii) (amount corresponding to annual royalty fee x remaining patent term[6]) – interim interest.

3 See Appendix.
4 Section 102(2) PA; see Appendix.
5 Calculation of the subject matter value is not necessarily the same for the Tokyo District Court and the Osaka District Court.
6 The remaining patent term should be counted in months.

III. Overview of Litigation Procedure (in the First Instance)

A lawsuit starts with submission of the complaint. The court decides the first hearing date after having received the complaint, and it is normally due approximately one and a half months after submission of the complaint. Before the first hearing date, the defendant should submit a written answer, which normally only consists of a denial of the "gist of demand" contained in the complaint.

The first court hearing is held in the courtroom open to the public. In patent infringement cases, the subsequent hearings are usually treated as preparatory proceedings of the court and the parties and are not open to the public. Each oral hearing is normally short, because its main purpose is to clarify the arguments, narrow the points of discussion and give some suggestions to the parties for preparation of the next briefs. The parties prepare their arguments precisely in briefs and the court also examines the case mostly based on the briefs.

When the court reaches a tentative conclusion, it often seeks a court settlement. If the parties agree to start settlement discussion before the court, the court will commence settlement proceedings (*wakai tetsuzuki*).

If the parties cannot reach a settlement, the final court hearing is held. The final court hearing is again open to the public. The judges confirm that all arguments and evidence submitted in the proceedings are officially acknowledged. Then, mostly after two to three months, the court decision will be rendered. In patent infringement cases, the duration of the court proceedings in the first instance is normally about ten to thirteen months.

IV. Characteristics of Procedure

1. *Experts*

In Japan, there are three kinds of experts involved in patent litigation.

The first is the so-called court research official (*saiban-sho chōsa-kan*) provided in Section 57 of the Court Act (*Saiban-sho-hō*)[7] and Section 92-8 of the Code of Civil Procedure.[8] These are technical researchers and regular employees of the courts. Most of them are experienced appeal examiners who are temporally seconded to the courts from the Japan Patent Office. They are in charge of cases from the beginning through the end and give technical advice and their opinion to the judges. In the Tokyo District Court, there are seven court research officials, and in the Osaka District Court there are three.

The second kind of expert is the expert commissioner (*senmon i'in*) provided in Section 92-2 of the Code of Civil Procedure.[9] These are mostly university professors or

7 Section 57 CA (Court Research Officials); see Appendix.

8 Section 92-8 CCP (Clerical work of court research official in cases relating to intellectual property); see Appendix.

9 Section 92-2 CCP (Involvement of expert commissioner); see Appendix.

patent attorneys who have special knowledge in their technical fields. Courts prepare a list of experts and revise it on a regular basis. If a court considers it helpful to involve one or more expert commissioners in a case, appropriate persons on the list are appointed. They are in charge of a limited part of the proceedings and give their opinion from the view of a specialist.

The third kind of experts are private experts retained by parties. With regard to patent litigation it is rare that such party experts are examined as witnesses. Mostly, opinions of party experts are submitted to the court as an exhibit to a brief of the party counsel.

2. *Technical Presentations*

The court sometimes requests the parties to make technical presentations at hearings of the preparatory proceedings, especially in case of difficult technical issues. Sometimes expert commissioners (*senmon-i'in*) are appointed to attend the technical presentations and to give their view of the issue. A court research official (*saiban-sho chōsa-kan*) will also sit in the presentation with the judges.

Each party usually has about 30 minutes for making its presentation. A presentation using visual aids, such as slides and including figures, is preferred for a better understanding of the technical points.

3. *Document Production Order and Protective Order*

When a patentee, in order to establish infringement, needs to look into documents that are in the hands of the accused infringer, the patentee can file a request to the court to obtain a document production order.[10] Such a request can be especially useful in a case where the patent in question is a process patent and direct proof of infringement is difficult. It is also applicable in the stage of damage calculation. The court will issue the order only if appropriate.

The courts were authorized to issue protective orders to protect confidential information by the amendment of the Patent Act in 2004.[11] Upon a party's request, a court may issue a protective order to one party not to disclose the confidential information of the other party. There are two requirements for the courts to issue the order. First, the documents to be disclosed to the opposite party include confidential information that has not been disclosed to public. Second, the disclosure of the confidential information would jeopardize the business activity of the party possessing the document holder. Up to the present, only a few protective orders have been issued.

It has been discussed whether the protective order can also be issued in a provisional injunction procedure since the provision of Section 105-4 Patent Act reads "[i]n a *lawsuit* concerning the infringement of a patent right or exclusive license". On this point, the

10 Section 105 PA, Section 220 CCP; see Appendix.
11 Section 105-4 PA, Section 220 CCP; see Appendix.

Supreme Court rendered an important decision in 2009 and found that the protective order can be issued within the procedure of provisional injunction.[12]

4. *Invalidity Defence*

There are two separate possibilities for an accused infringer to attack the validity of the patent.

One is the defence of invalidity in the infringement proceedings based on Section 104-3 of the Patent Act.[13] In this case, the civil courts examine validity of the patent. The result legally affects only the parties to the infringement suits. For some time, the defence of invalidity has been successful in many cases, and many patentees have lost their cases because the infringement courts held their patents to be invalid.

The other course of action to attack the validity of a patent is an invalidation trial before the Japan Patent Office. In the invalidation trial, a board of three appeal examiners examines the case. Oral proceedings are usually held in these trials. On average, it takes nine and a half months for a board to render its decision, and sometimes the JPO decisions were rendered faster than the infringement court's decision. If the trial board finds the patent invalid and the decision becomes final, the patent is deemed as not having existed from the beginning.[14]

In the patent infringement lawsuits, defendants often pursue both courses, i.e. making the invalidity defence in the infringement suit and in parallel filing requests for invalidation trial. In many cases, the results of the court and the JPO are identical, but sometimes inconsistent. According to the statistics, in 24 cases out of 170 cases, the district courts and the JPO reached different results.[15] That inconsistency sometimes makes parties' status unstable.[16]

5. *Appeal*

The party having lost the first-instance proceedings may appeal to the IP High Court within two weeks after the date of the decision of the district court. The IP High Court was established in 2005 and has exclusive jurisdiction over the appeal suits regarding patent infringement. The appellant should file written grounds of appeal to the court within 50 days after filing the appeal.

Usually, appeal proceedings are speedier compared to the lower courts' process. On average they take about six to ten months.

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12 Supreme Court, 27 January 2009, Heisei 20 (*ky*o) 36), Hanrei Jihō No. 2035, 127.

13 See Appendix.

14 Section 125 PA; see Appendix.

15 Decision rendered from April 2000 to December 2008. "Recent development of Board of appeal" Japan Patent Office, June, 2009

16 The so-called dual system to evaluate validity of the patent is one of the recent points of discussion in Japan.

If the JPO renders a decision in an invalidation trial and a party files a lawsuit to overturn the JPO decision, the case will also be examined by the IP High Court. The IP High Court has exclusive jurisdiction to review the JPO decision. The IP High Court has four divisions. Usually the same division of the IP High Court examines an appeal case in an infringement litigation based on a patent and a lawsuit to review the decision of the JPO on the same patent.

V. CONCLUSION

With the recent changes in procedure and the increased number of IP judges, Japan seems to be among the world's forerunners with regard to patent litigation.

Frequently judgments are rendered comprising views that may be of interest to other countries. Although language would be a problem, a symposium like this one will, I believe, facilitate familiarity with Japanese patent litigation. Therefore, I sincerely appreciate the efforts made by Dr Guntram Rahn and other people who have enthusiastically worked on and prepared for this symposium.

Patent Litigation in Japan from a User's Point of View

Motoaki Suzuki *

I. Introductory Remarks
II. Problems Arising from the "Double-Track System"
  1. Trends in the Years 2005 and 2006
  2. Trends in the Years 2007 and 2008
II. Reasons for the High Number of Patent Invalidity Findings
  1. Japan's Pro-patent Policy
  2. Implementation by the Patent Office
     and Revised Damages Calculation Method
III. Raising the Level of Non-obviousness
IV. Conclusion

I. INTRODUCTORY REMARKS

My name is perhaps quite common, but I do not believe my opinions on patent litigation in Japan are, or that my opinions are representative of Japanese industry. I think I am also not representative as a user of the patent litigation system in our country. When I mentioned to the organizer of this symposium that my opinion is not mainstream, the answer was: That is why we invited you! With an answer like that, I had no alternative but to accept. I would, however, like to change the title of my paper to "Japanese Patent Litigation from *One* User's Viewpoint".

II. PROBLEMS ARISING FROM THE "DOUBLE-TRACK SYSTEM"

1. Trends in the Years 2005 and 2006

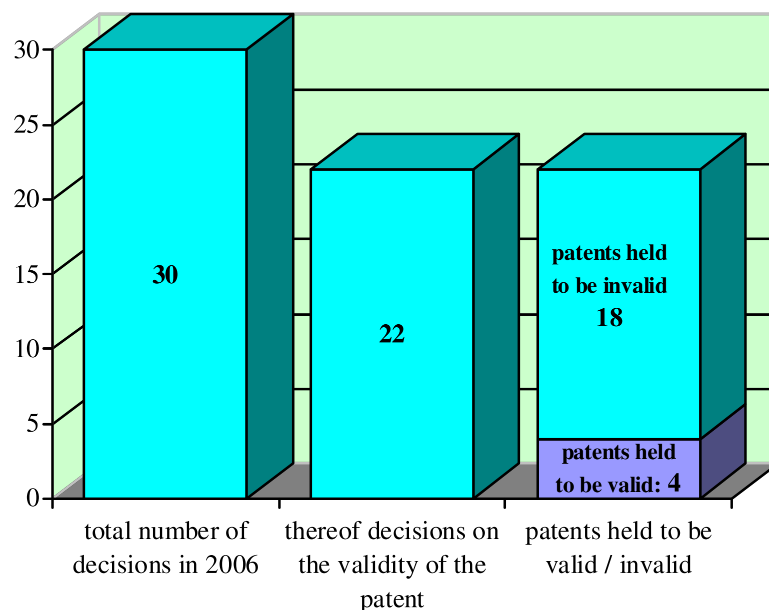
Problems in our patent litigation system arise because not only does the Japan Patent Office decide on the validity of patents, but the infringement courts may also decide on validity. Mr Mimura has explained this "double-track system" in his presentation, under which court decisions on validity have had a strong impact in practice.

This becomes obvious when studying the outcome of court decisions in patent infringement disputes of the Tokyo District Court in 2006:

* Director, Intellectual Property Division, JFE Techno-Research Corporation.

Graph 1:

Decisions of the Tokyo District Court
in Patent and Utility Model Right Cases in 2006 [1]



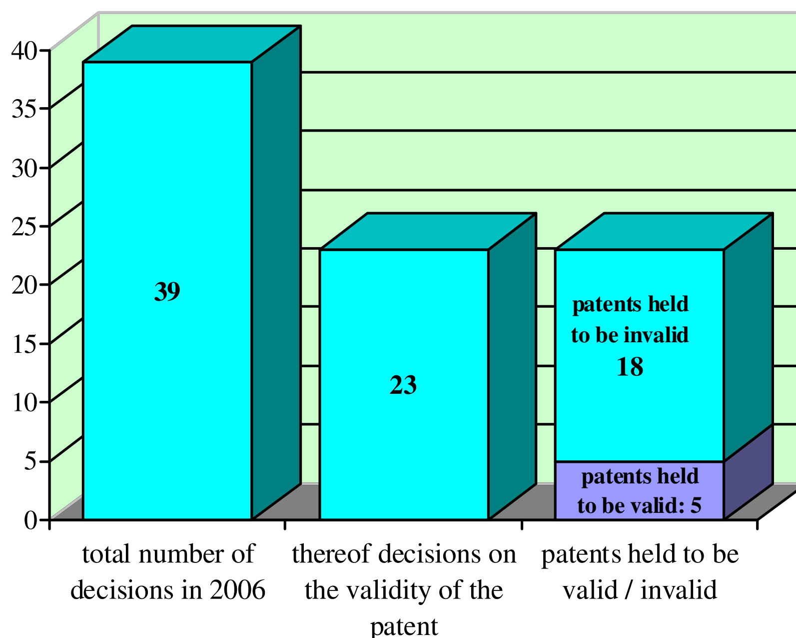
In 2006, the Tokyo District Court issued 30 decisions in patent and utility model infringement cases. In 22 of these, the court had to decide on the validity of the patent. It decided in 18 cases that the patent must be considered invalid and in 4 cases that it was valid. Thus, when validity was examined in patent infringement proceedings in 2006, in 81% of the cases the patent was declared invalid and in 18% valid. These results were not satisfactory for the patentees.

In 2005, the situation was quite similar. The Tokyo District Court issued 39 decisions in patent and utility model disputes. In 23 cases, the court had to decide on the validity of the patent: it held in 18 cases that the patent was to be considered invalid and in 5 that it was valid.

1 Data compiled from the comprehensive publication of court decisions in IP cases on the website of the Japanese Supreme Court: *Chiteki zaisan hanreishū, www.courts.go.jp/search/jhsp0010?action_id=first&hanreiSrchKbn=07*. This also applies to the following data unless other sources are indicated.

Graph 2:

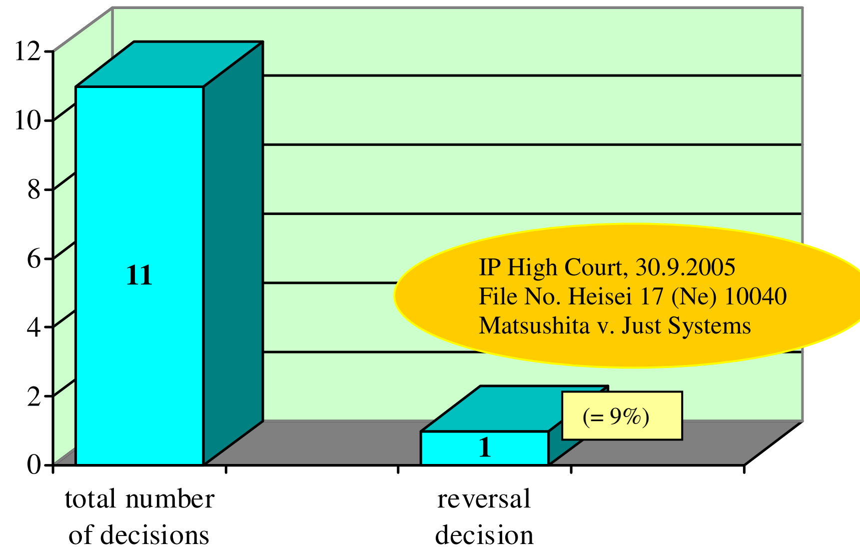
Decisions of the Tokyo District Court
in Patent and Utility Model Right Cases in 2005



As can be seen from the following graph, most of the decisions of the Tokyo District Court were then also confirmed by the second instance, i.e. the Intellectual Property High Court in Tokyo. According to the statistics of the IP High Court, the court had to decide 11 cases in 2005/2006, of which only one was reversed in the first instance. And in this case, the IP High Court reversed because it held that the patent, contrary to the decision of the Tokyo District Court, was invalid.

Graph 3:

Decisions of the Intellectual Property High Court in 2005



In sum, after the objection of invalidity was introduced into the Patent Act in 2005 as a defence in infringement proceedings, in 80% of the cases where the objection was raised, the patent was held to be invalid by the infringement court. Therefore, a user's conclusion would have to be that the fees a patentee has to pay to obtain and maintain a patent could not be considered a valuable investment, but only income for the Japan Patent Office.

Tokyo District Court	*Patents Held Valid*
2006	18%
2005	22%

However, the number of patents held invalid in patent infringement proceedings decreased in the following years.

2. *Trends in the Years 2007 and 2008*

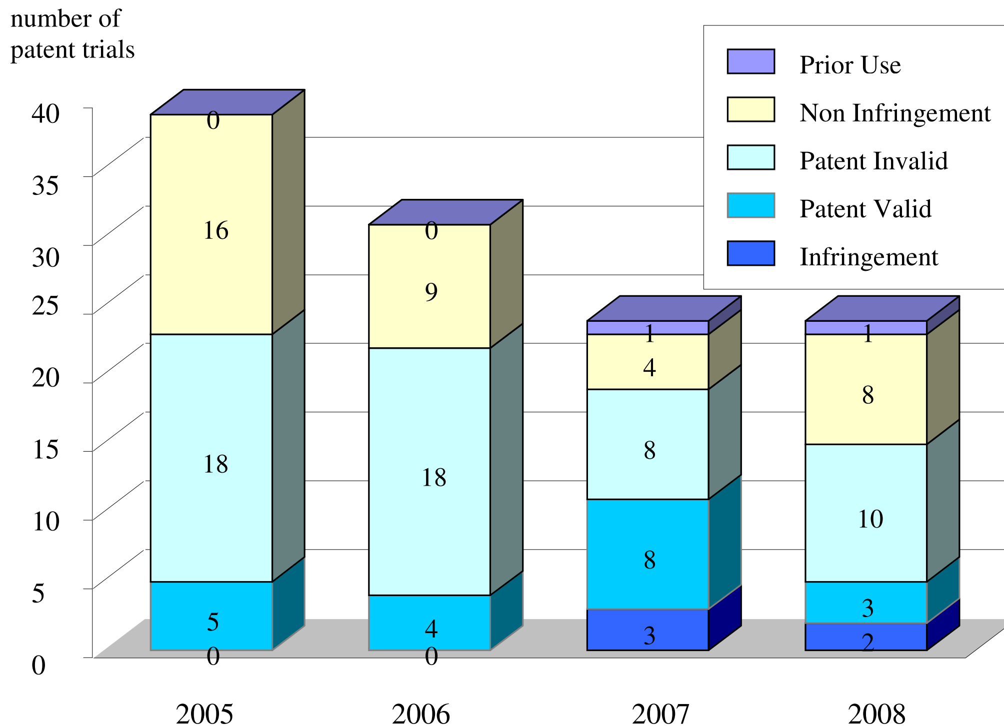
In 2007, the Tokyo District Court rendered 24 decisions in patent and utility model disputes and found in 8 cases (33%) that the patent was invalid.

In 2008, the Tokyo District Court again decided 24 patent and utility-model infringement cases and found in 10 cases (42%) that the patent was invalid. In my view, this ratio was still too high.

Possibly as a consequence, in 2007 the number of patent litigation proceedings decreased by 17% (from 31 cases in 2006 to 24 in 2007). In the years 2007/2008, plaintiffs lost in most of the cases. In 2007, the court decided 24 cases and confirmed infringement in three cases; in 2008, again 24 cases were decided but this time the court confirmed infringement in only 2 cases.

Graph 4:

Trend of Decisions of the Tokyo District Court in 2007 and 2008



In 2008, there was a remarkable development: a number of smaller Japanese companies sued large companies. For example, KDDI was sued for damages in the amount of 200 million yen (1.6 million euro), Nintendo for 50 million yen (400,000 euro) and Sony and East Japan Railway for one billion yen (8 million euro). In all of these cases, however, the plaintiffs lost.

II. REASONS FOR THE HIGH NUMBER OF PATENT INVALIDITY FINDINGS

I will now turn to the question of why there was a high number of invalidity findings in Japan's patent infringement litigation proceedings in those years.

1. Japan's Pro-patent Policy

In my view, the reason can be found in Japan's pro-patent policy. In the 1990s, US companies claimed an incredibly high amount of damages from Japanese companies in patent infringement litigation in the United States.

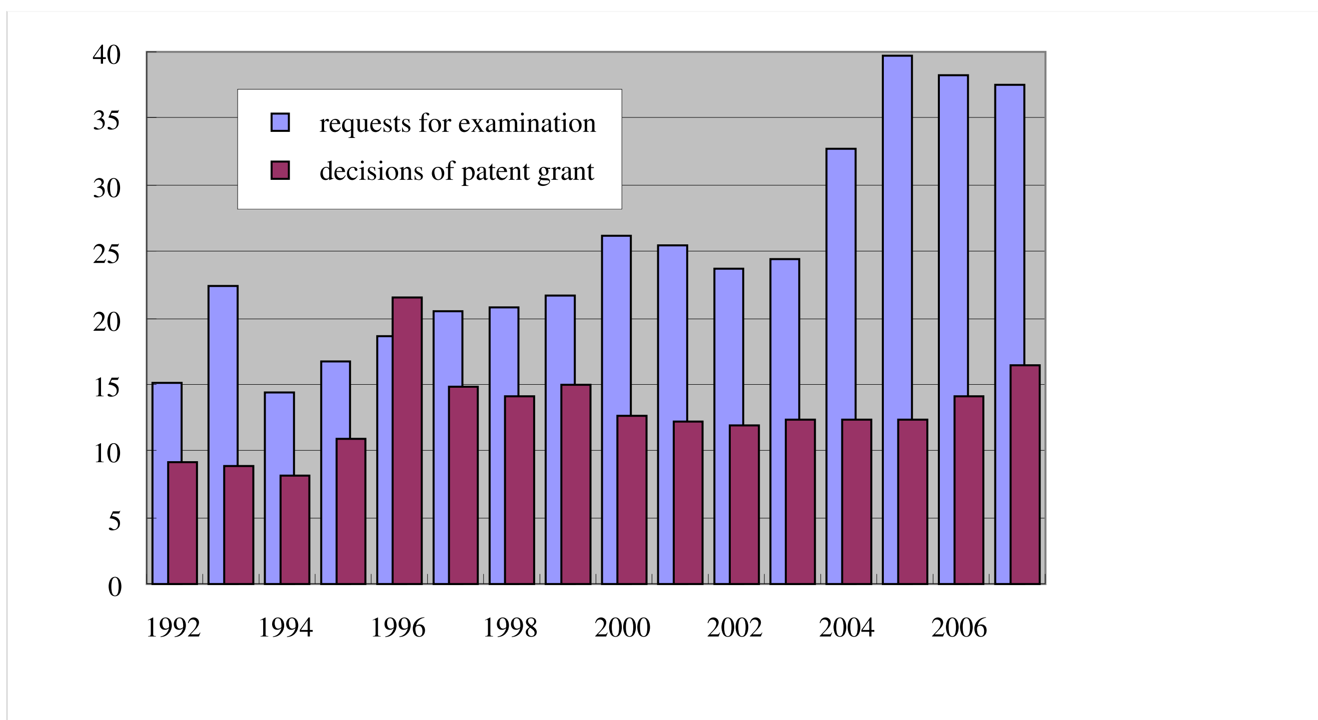
One well-known case was *Honeywell v. Minolta*. The patent at issue related to autofocus technology. In the end, Minolta had to pay over 96 million USD in damages to Honeywell. Another well-known case was *Coyle v. Sega Enterprises* involving a game machine. Coyle was a non-corporate inventor. Sega Enterprises had to pay the sum of 33 million USD in damages. These amounts of damages appeared to Japanese practitioners to be extraordinarily high. The reaction was to initiate Japan's own "pro-patent policy".

2. Implementation by the Patent Office and Revised Damages Calculation Method

In 1995, the Japan Patent Office commenced its implementation of the pro-patent policy. One particular aim was that Japan should become "a nation built on intellectual property" (*chizai rikkoku*). The JPO therefore granted a large number of patents in 1996. To do so, it had to lower the standard of non-obviousness. The sudden increase of registered patents in 1996 is shown in the following graph:

Graph 5:

Numbers of Requests for Examination and Decision of Patent Grant (x 10,000) [2]



The Japanese Patent Act was also revised several times as part of Japan's pro-patent policy. In 1999, Section 102 on the calculation of damages was amended.[3] Before the amendment, the amount of damages granted was often equal to the amount of license fees. The new Section 102 enabled patentees to claim much higher amounts. In a case in which I was involved on the defendant's side, the plaintiff claimed 2.8 billion JPY (app. 24 million EUR) in damages. The defendant's sales turnover amounted to 5.2 billion JPY. The plaintiff thus claimed over half of the defendant's sales turnover earned with the product at issue. However, the Tokyo District Court Tokyo dismissed the action since the plaintiff had not shown enough evidence of an infringing act.[4]

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2 JAPAN PATENT OFFICE (ed.), *Tokkyo gyōsei nenji hōkoku-sho 1996* (Patent Administration Annual Report 1996).

3 See Appendix.

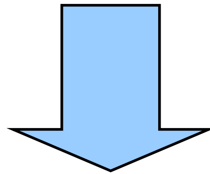
4 Tokyo District Court, 27 July 2001, Case 1999/No. 21974 – *PZB Case*.

III. RAISING THE LEVEL OF NON-OBVIOUSNESS

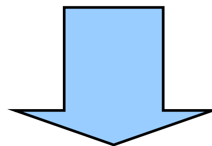
In the course of the pro-patent era, the significance of patents steadily increased and the value of carefully selected and strong patents was emphasized. Patent rights were thus supposed to be of good quality, in fact. However, the opposite was sometimes true. In 1999, I received a warning letter from a Japanese steel maker. I went to see the president of our company and said: "The asserted patent is very weak. We should defend ourselves in court proceedings." The president responded: "Are there weak and strong patents?" We won in the end since the patent was declared invalid. The infringement court decisions finally helped to raise the level of "non-obviousness" of patented inventions.

These court decisions then also influenced the examination practice of the Japan Patent Office. At the beginning of the pro-patent era, the examination practice at the JPO was not very strict; however, in my view the requirements for "non-obviousness" have now reached a reasonable level.

Strict requirements on "non-obviousness"
of Tokyo District Court and of IP High Court



Japan Patent Office carries out
careful examination,
raises the level of "non-obviousness"

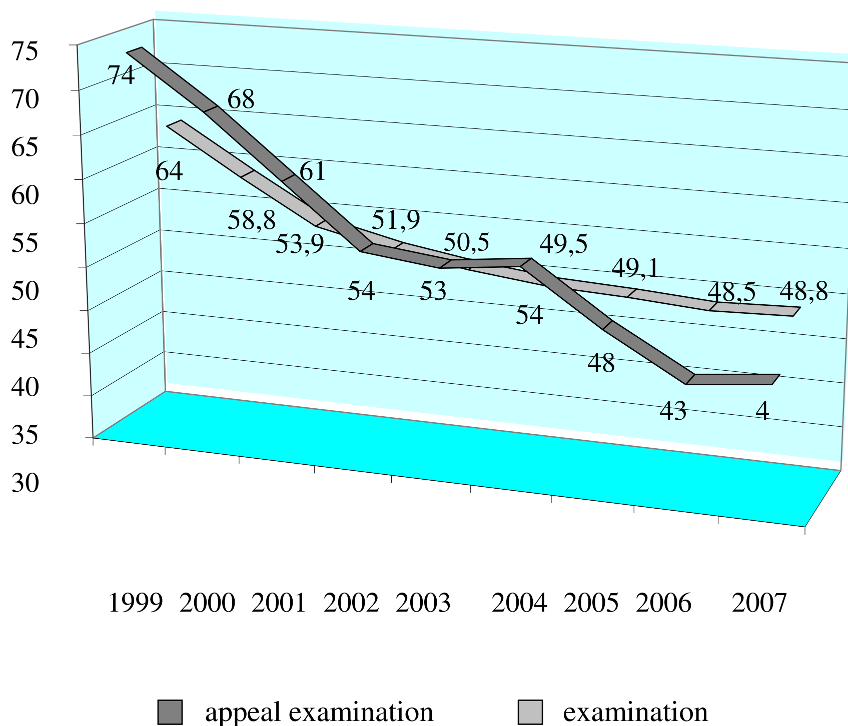


Era of carefully selected strong patents

The decrease in the success rate of the appeal proceedings against the examiner's decision of refusal as shown in the following graph is also of relevance:

Graph 6:

Appeal Examination Success Rate 1999-2007 [5]



In 1999, there was a considerably high success rate of 71% in patent examination appeal proceedings. As can be seen from the chart below, the success rate has fallen continuously since then. In 2007, the success rate in patent examination appeal proceedings reached a reasonable level of 44%. The rate of granted patents has fallen, too (see *Table*[6] on page 110)).

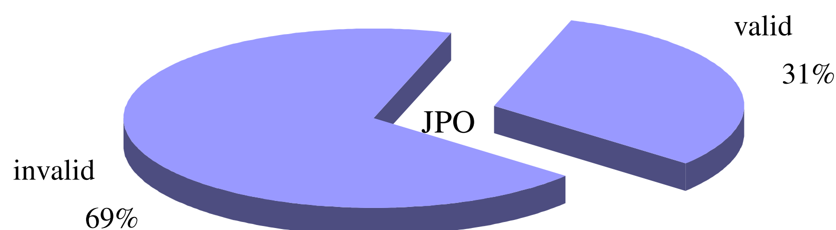
5 JAPAN PATENT OFFICE (ed.), *Tokkyo gyōsei nenji hōkoku-sho 2007* (Patent Administration Annual Report 2007).

6 *Ibid.*

Technical Field	*Appeal Examination Success Rate in 2006*
Physics	39%
Mechanics	44%
Chemistry	51%
Electronics	39%
Average	*43%*

Graph 8

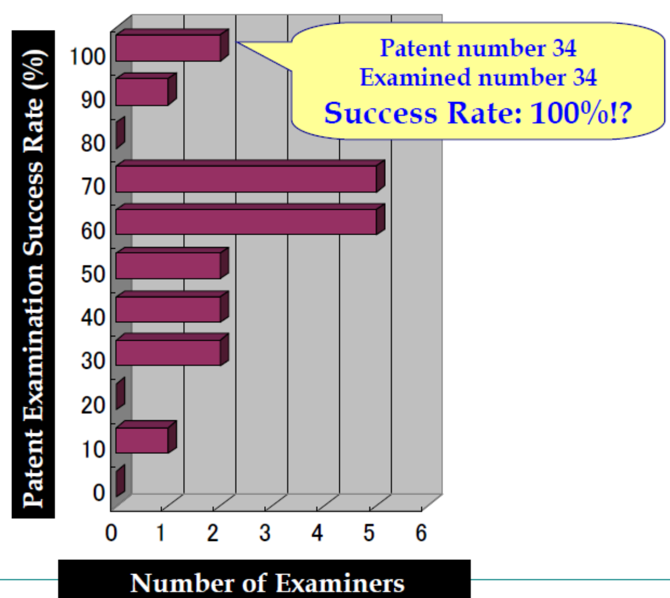
Appeal Proceedings against Appeal Examination Decisions
4/2005 – 7/2006



Under the governmental "Plan for the Promotion of Intellectual Property" of 2006, the hope was to prevent the decisions of the civil courts regarding patent validity from deviating from the decisions of the JPO. However, a very high number of granted patents still lacked validity. For instance, the following graph shows the results of a survey in one specific technical field in which 635 patent applications were studied from 2004 until 2006.

Graph 7:

Patent Application Examination Results 2004-2006 in a Specific Field [7]



I will take two examiners from the survey as an example. Between 2004 and 2006 they examined in their specific technical field 34 patent applications and also granted 34 patents. That means they had a grant rate of 100%. It seems doubtful that all of the inventions of the 34 patent applications were patentable. It seems therefore fairly evident that the examination practice of the JPO must be further monitored.

IV. Conclusion

The Japanese courts have been criticized in the media for rendering decisions in patent litigation cases that are too strict. It is also said that such decisions constitute an unjustified treatment of the patentees and that they contradict Japan's IP policy.

However, in my view, the courts should continue to strictly examine the validity of the patents to be enforced. Only outstanding technology should be patented in the pro-

7 The Second Intellectual Property Management Committee, in: *Chizai Kanri* (Intellectual Property Management) Vol. 58 (2008) No. 11, 1478 *et seq.*

patent era. Furthermore, the courts should spend sufficient time on an infringement case to reach a well-founded decision. The users prefer quality over speed.[8]

8 *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; cf. Chizai Kōsai, judgment of 23 June 2001, *Heisei* 22 (ne) No. 10089 – *Foodstuff Wrapping* case; 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."

The Role of *Benri-shi* (Patent Attorneys) in Japanese Patent Disputes

Yoshikazu Tani *

I. History of the Patent Attorney System in Japan
II. What Are the Functions of a *benri-shi* in a Patent Dispute?
III. The *fuki benri-shi*
IV. Productive Teamwork between *benri-shi* and *bengo-shi*

I. History of the Patent Attorney System in Japan

The Japanese patent attorneys system was established in 1899. The Patent Attorneys Association was founded in 1915, and the first Patent Attorneys Act was enacted in 1922.[1] An important step was the admittance in 1948 of representation by patent attorneys before the Tokyo High Court in suits for rescission of decisions of the trial boards (*shinketsu torikeshi soshō*) of the Japan Patent Office. This was the very beginning of the involvement of Japanese patent attorneys in court proceedings.

In 1998, the reform of the intellectual property system in Japan was begun. In 2002, for the first time patent attorneys were retained as court research officials by the Tokyo District Court and the Tokyo High Court. In the following year of 2003, the Patent Attorneys Act was revised to create the *fuki benri-shi* system, which will be explained in detail below. Several other novel features were introduced into the Japanese IP system in that year. Next, the Intellectual Property High Court was established in 2005.

II. What Are the Functions of a *Benri-shi* in a Patent Dispute?

The functions of a Japanese patent attorney in patent infringement disputes are similar to those of a German patent attorney in such cases, except that court research officials and expert commissioners do not exist in the German system:

- opinion work on infringement and validity issues,
- warning letters,
- licensing negotiations and contracts,
- invalidation trial before the JPO,

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* Patent attorney (JP).

1 The present Patent Attorneys Act dates from the year 2000 [*Benri-shi-hô*], Act No. 49 of April 26, 2000.

- arbitrator or mediator at the Japan IP Arbitration Center,
- assisting the attorney-at-law in patent infringement litigation (since 1922),
- custom seizure proceedings,
- court research official, and
- expert commissioner.

There is no English concept for the Japanese qualification *hosa-nin*, which denotes the role of *benri-shi* as an assistant to the attorney-at-law (*bengo-shi*) in infringement litigation. Literally the term corresponds to the German *Beistand*, although the common German equivalent is probably *mitwirkender Patentanwalt*. A proper English translation may be *patent counsel*. All approximately 8300 registered Japanese patent attorneys are entitled to work as patent counsels assisting the attorney-at-law in infringement lawsuits.

Of the 180 registered expert commissioners, 30 are patent attorneys. Two patent attorneys presently serve among the 21 court research officials at the district courts and IP High Court, the rest of which are experienced appeal examiners.

As a matter of course, Japanese patent attorneys can represent their clients before the JPO, the IP High Court in suits for rescission of decisions of the trial boards of the JPO in appeal proceedings against the examiner's refusal, and patent invalidation proceedings.

III. THE *FUKI BENRI-SHI*

Of the approximately 8300 Japanese patent attorneys, about 2370 are admitted to practice as *fuki benri-shi*. The *fuki benri-shi* is admitted to practice IP litigation and represent a party in specific IP litigation jointly with the attorney-at-law. The types of IP infringement litigation are limited to patent, utility model, design, trademark, mask work, and specific types of unfair competition prescribed in the Act on the Prevention of Unfair Competition.[2] "Jointly" is a keyword here, because, as a rule, *fuki benri-shi* cannot represent alone, but teamwork is in any case very important in patent infringement litigation. As an exception, however, the Court at its discretion may permit the qualified patent attorney to appear alone as a process attorney.[3]

The qualification of *fuki benri-shi* is limited to those patent attorneys who pass the examination to be granted the representative right in IP infringement litigation after an extensive judicial training.[4] They are registered by "adding a note" (Japanese: "*fuki*") to their registration in the Japanese patent attorneys' registry. The examination is not easy. It is preceded by an intensive judicial training of roughly six months. A prerequisite of the training is a thorough understanding of the Civil Code and the Code of Civil Procedure. Part of the training is devoted to case studies of IP infringement litigation focusing

2 Section 2 (5) and Section 6-2 of the Patent Attorneys Act; see Appendix.
3 Section 6-2 Patent Attorney Act; see Appendix.
4 Section 15-2 Patent Attorney Act; see Appendix.

on injunctions, damages recovery, declaratory judgments, provisional injunctions, etc. Legal ethics is a topic, and the drafting of complaints, responses to complaints and other briefs is practiced. The courses are taught by numerous attorneys-at-law specialized in IP litigation. The training is overseen by the Japan Patent Attorneys Association (JPAA) together with the Japan Federation of Bar Associations and is conducted under the control of the Japanese Patent Office. The final examination is conducted once a year. Although we Japanese patent attorneys never expected to have to undergo a further examination after passing the patent attorneys' exam, this examination is required by law in order to attain the further qualification of *fuki benri-shi*. The examination comprises questions on the Civil Code, the Code of Civil Procedure and drafting a complaint and a response brief in a hypothetical case. In the years 2003 to 2008, the passing rate was 55-69%.

A fuki benri-shi can work as a process representative only in a litigation case and only when appointed jointly with an attorney-at-law. A *fuki benri-shi* can receive a power of attorney from the client, while a *hosa-nin* must only be asked by the attorney-at-law to act as an assistant. This formal difference is considered to be very important since it symbolizes that a *fuki benri-shi* can now take on greater responsibility.

In my case, I was encouraged to undertake the *fuki benri-shi* training curriculum. Since I had often been involved in litigation cases as a *hosa-nin* assisting the attorney-at-law, at first I did not think it was necessary to have to take the exam. But my friends encouraged me and therefore I reluctantly took the course of study and the examination and was very happy to pass the exam on my first attempt. Later, I realized that it was very good for me to have received this additional qualification because I was able to obtain a power of attorney from my clients to appear in court. I did not have this power of attorney from my clients before, although it was I who introduced the case to the attorney-at-law. I have since come to feel how important it is that I share the responsibility with the attorney-at-law.

Originally the concept of *fuki benri-shi* was not easily accepted because the bar associations were strongly against yielding such process representative power to other professionals than attorneys-at-law. But now the relationship between the Patent Attorneys Association and the Bar Associations in Japan is very good, and without the cooperation of the Bar Associations the *fuki benri-shi* system could not have been established.

According to a survey from February 2010 as carried out by the Japan Patent Attorneys Association, the number of patent attorneys qualified as *fuki benri-shi* who have been engaged as *fuki benri-shi* or *hosa-nin* between 2005 and 2009 in patent infringement litigation is as follows:[5]

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5 NIHON BENRI-SHI KENSHŪJO, *Tokutei shingai soshō dairinin toshite no kan'yo jisseki chōsa* [Japan Patent Attorneys' Training Institute, Research on the practical involvement as representatives in specific infringement lawsuits] as of 4 March 2010. The questionnaire was sent to 2,266 *fuki benri-shi*, of which 1,068 responded. The survey was conducted between 4 and 26 February 2010.

Involvement of patent attorneys qualified as fuki benri-shi *in patent litigation cases between 2005 and 2009*		
as *fuki benri-shi*	26%	282 members
as *hosa-nin*	6%	64 members
not involved	68%	734 members

As comparative data, 416 (39%) of the responding *fuki benri-shi* had worked as *hosa-nin* assisting the attorney-at-law in infringement lawsuits before the *fuki benri-shi* system was introduced and 652 (61%) had not.

Concerning the number of cases in which patent attorneys were involved as *fuki benri-shi*, most of the 1058 members who responded to the survey were involved in only one, two or three cases, while only a limited number of the members worked in 10 or more cases. Details are as follows:

Number of cases in which patent attorneys were involved as fuki benri-shi *between 2005-2009*

Number of cases	*fuki benri-shi* (in brackets: patent and utility model cases)
1	107 (92)
2	72 (57)
3	35 (30)
4	13 (6)
5	9 (13)
6	16 (9)
7	8 (5)
8	4 (3)
9	7 (4)
10	4 (2)
11	1 (1)
12	1 (1)
22	1 (1)
28	1 (1)
32	1 (1)
40	1 (1)

IV. PRODUCTIVE TEAMWORK BETWEEN *BENRI-SHI* AND *BENGO-SHI*

The role of Japanese patent attorneys in the enforcement of IP rights is becoming increasingly more important in the recent pro-patent climate. Before 1998, patent attorneys were mainly involved in patent prosecution and patent maintenance. In contrast, in these pro-patent days, patent attorneys are becoming more substantially involved in litigation, and this experience is allowing patent attorneys to better draft patents.

In litigation, patent attorneys and attorneys-at-law form a close co-operative team to achieve productive results.

First of all, the patent attorney is expected to explain to the attorney-at-law the technical aspects of the patented invention together with its file history and the background technology. The patent attorney must then explain to the attorney-at-law the technical particulars of the attacked product or method and make sure the attorney-at-law has understood the explanation. A patent attorney is expected to convince the attorney-at-law that the features of the patent in suit are found in the attacked embodiment, if this is the case. Once the attorney-at-law is convinced, the attorney is likely to be able to convince the court that the patent is infringed.

Patent attorneys are actively involved in IP enforcement activities and provide legal services to clients before, during and after the IP infringement litigation. For example, patent attorneys sometimes first discuss the infringement and validity issues with clients to evaluate the patent in question. The filing of a lawsuit or invalidation trial or the initiation of negotiations may be decided on, or "design-arounds" may be discussed. When preparing for the filing of an action, patent attorneys may contact foreign associates to see what the situation of corresponding patents is in other countries, or they may conduct a prior art search in other countries. In order to obtain convincing facts and evidence of prior art or prior use, patent attorneys may sometimes contact technical experts or witnesses in foreign countries in addition to using the Internet. After the litigation, the results of the litigation are evaluated to draft better and more effective claims and to disclose new inventions more carefully in the future.

The patent attorney and attorney-at-law co-operate to assess whether there is a patent infringement in legal terms. a confirmation of infringement is made by determining if the alleged infringing products read on the claims. This process is carried out by determining whether the supposed infringing product reads on the patent claims, and takes into account the doctrine of equivalents and prosecution history estoppel. The attorney-at-law and the patent attorney will jointly send a warning letter to the potential infringer. If a reply is received, they will analyse and evaluate it to determine the next step, i.e. whether to go forward or to stop. If the patentee agrees to go further, an exchange of letters with the party using the patent will start, and negotiations regarding licensing will follow. If a license is favourable to both the patentee and the other party, they should conclude the negotiations by agreeing to a license. If the parties do not reach an agreement, the patentee has the option to file an action before an infringement court.

Patent attorneys and attorneys-at-law should work closely together to prepare the complaint. Sometimes it is important to retain technical experts. The patent attorney on the defendant's side should try to find technical experts. In order to use the technical experts more effectively, the patent attorney should work as a go-between between the technical experts and the attorney-at-law.

Good teamwork with close communication and mutual respect as professionals between the *benri-shi* and the *bengo-shi* will benefit the party and help it to gain a better position in the patent infringement litigation. This, in turn, contributes to a more favourable decision for the client. For all of these reasons, we in Japan are very happy that we can now work together as process representatives together with attorneys-at-law for a more effective and productive work, which will benefit our clients.

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."

APPENDIX

CITED LEGAL PROVISIONS

I. JAPANESE LEGAL PROVISISONS

1. Patent Act
(*Tokkyo-hō*)

Section 102 PA (Presumption of Amount of Damages, etc.)

(1) Where a patentee or an exclusive licensee claims from the intentional or negligent infringer of his patent right or exclusive license compensation for the damages he has sustained as a result of infringement, and the infringer has assigned objects composing the act of infringement, the amount of damages sustained by the patentee or the exclusive licensee may be presumed to be the amount of profit per unit of objects which would have been sold by the patentee or the exclusive licensee if there had been no such act of infringement, multiplied by the quantity (hereinafter: the "assigned quantity") of objects assigned by the infringer, the maximum of which shall be the amount attainable by the patentee or the exclusive licensee in light of the capability of the patentee or the exclusive licensee to work [the patented invention]; provided, however, that if any circumstances exist under which the patentee or the exclusive licensee would have been unable to sell the assigned quantity in whole or in part, the amount calculated as the quantity not able to be sold due to such circumstances shall be deducted.

(2) Where a patentee or an exclusive licensee claims from an intentional or negligent infringer of his patent right or exclusive right compensation for the damages he has sustained as a result of the infringement, and the infringer has earned a profit from his act of infringement, this amount of profit shall be presumed to be the amount of damages sustained by the patentee or exclusive licensee.

(3) A patentee or exclusive licensee may claim from the intentional or negligent infringer of his patent right or exclusive right the amount of money corresponding to the amount of money he should have received for the working of the patented invention, as compensation for the amount of damages he has sustained.

(4) The preceding paragraphs shall not prevent a claim for compensation of damages exceeding the amounts provided therein. In such case where the infringer of the patent or exclusive license was not guilty of intent or gross negligence, the court may take this into consideration when determining the amount of compensation of damages.

Section 104-2 PA (Obligation to Clarify the Concrete Embodiment)

In a lawsuit concerning the infringement of a patent right or an exclusive license, when denying the concrete embodiment of the object or process claimed by the patentee or exclusive licensee to compose the act of infringement, the adverse party must clarify the concrete embodiment [being the subject matter] of his own acts. However, this shall not apply if the adverse party has adequate reason preventing him from so doing.

Section 104-3 PA (Restriction of the Exercise of the Rights of the Patentee, etc.)

(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.
(2) Where the court recognises that means for attack or defense under the preceding paragraph are submitted for the purpose of unreasonably delaying the proceedings, the court may, upon request or *by its own authority*, render a ruling rejecting their submission.

Section 105 PA (Production of Documents, etc.)

(1) In the lawsuit concerning the infringement of a patent right or exclusive license, the court may, upon request of a party, order the other party to produce the documents necessary to prove the said act of infringement or to calculate the damages arising from the said act of infringement; provided, however, that this shall not apply where the person holding the documents has reasonable grounds to refuse production of the said documents.
(2) When the court finds it necessary for determining whether or not there are reasonable grounds as provided in the proviso to the preceding paragraph, the court may have the person holding the documents present them. In such a case, no person may request the disclosure of the documents presented.
(3) In the case of the preceding paragraph, where documents are disclosed as provided in the latter sentence of the preceding paragraph to make a decision concerning the existence of reasonable grounds as provided in the proviso to paragraph (1) and the court finds it necessary to hear their opinions, the court may disclose the documents to the parties, etc. (the parties [or, in the case of juridical persons, their representatives], or the parties' representatives [excluding process attorneys and their assistants], employees and other workers, hereinafter referred to as "the party, etc."), process attorneys or assistants.
(4) The provisions of the preceding three paragraphs shall apply *mutatis mutandis* to the presentation of the subject matter of the inspection necessary to prove the act of infringement in the lawsuit concerning the infringement of a patent right or exclusive license.

Section 105-2 PA (Expert Opinion for Calculation of Damages)

In a lawsuit concerning the infringement of a patent right or exclusive license, where, upon the request of a party, the court orders that an expert opinion be obtained for the calculation of damages arising from the act of infringement, the other party shall explain to the expert witness the matters necessary for the expert witness's expert opinion.

Section 105-3 PA (Determination of Reasonable Damages)

In a lawsuit concerning the infringement of a patent right or exclusive license, where the court has determined that damages arose and where it is extremely difficult, due to the nature of the facts, to prove the facts necessary to determine the amount of damages, the court may determine a reasonable amount of damages based on the entire purport of the oral proceedings and the result of the examination of evidence.

Section 105-4 PA (Protective Order)

(1) In a lawsuit concerning the infringement of a patent right or exclusive license, where there is *prima facie* evidence of the fact that trade secrets (refers to trade secrets as provided in Section 2(6) of the Unfair Competition Prevention Act [Act No. 47 of 1993]; the same shall apply

hereinafter) possessed by a party satisfy all of the following paragraphs, the court may, upon request of a party, order by a ruling that the parties, etc., process attorneys or assistants shall neither use the trade secrets for any purpose other than those for the proceedings of the lawsuit nor disclose the trade secrets to any person other than those who receive the order regarding the trade secrets under this provision; provided, however, that this shall not apply where the parties, etc., process attorneys or assistants have, prior to the filing of the request, already obtained or been in the possession of the trade secrets by a method other than by reading of the preparatory briefs under item (i) or through the examination or disclosure of evidence under the said item:
(i) where the trade secrets possessed by the party were or are contained in the preparatory briefs already submitted or to be submitted or such trade secrets were or are contained in the evidence already examined or to be examined (including documents disclosed under Section 105(3) and under Section 105-7(4)); and
(ii) where it is necessary to restrict the use or the disclosure of the trade secrets under the preceding paragraph where there is a risk of interference with the party's business activities based on the trade secrets, if the trade secrets are used for any purpose other than those for the proceedings of the lawsuit or if the said trade secrets are disclosed.

(2) A request of an order under the preceding paragraph (hereinafter referred to as a "protective order") shall be made in writing specifying the following matters:
(i) the person who is to receive the protective order;
(ii) the facts sufficient to specify the trade secrets to be the subject matter of the protective order; and
(iii) the facts corresponding to the reasons stated in each of the items in the preceding paragraph.

(3) If the protective order is issued, a written ruling thereof shall be served on the person receiving the protective order.

(4) The protective order shall take effect as of the time the written ruling is served on the person receiving the protective order.

(5) An immediate appeal can be filed against the court decision dismissing a request of protective order.

Section 123 PA (Trial for Patent Invalidation)

(1) Where a patent falls under any of the following, a request for a trial for patent invalidation may be filed. In the event of two or more claims, a request for a trial for patent invalidation may be filed for each claim.

(i) Where the patent has been granted on a patent application (excluding a foreign language written application) with an amendment that does not comply with the requirements as provided in Section 17-2(3);
(ii) Where the patent has been granted in violation of Sections 25, 29, 29-2, 32, 38 or 39(1) to 39(4);
(iii) Where the patent has been granted in violation of a treaty;
(iv) Where the patent has been granted on a patent application not complying with the requirements as provided in Sections 36(4)(i) or 36(6) (excluding 36(6)(iv));
(v) Where matters stated in the description, scope of claims or drawings attached to the foreign language written application are not within the scope of matters stated in foreign language documents;
(vi) Where the patent has been granted on a patent application filed by a person who is not the inventor and has not succeeded to the right to obtain a patent for the said invention;

(vii) Where, after the grant of a patent, the patentee has become unable to hold a patent right under Section 25, or the patent has become in violation of a treaty; and

(viii) Where the correction of the description, scope of claims or drawings attached to the application for the patent has been obtained in violation of the proviso to Section 126(1), Section 126(3) to (5) (including its application *mutatis mutandis* under Section 134-2(5)) or the proviso to Section 134-2(1).

(2) Any person may file a request for a trial for patent invalidation; provided, however, that where a request for a trial for patent invalidation is filed on the ground that the patent falls under item (ii) of the preceding paragraph (limited to cases where the patent is obtained in violation of Section 38) or item (vi) of the preceding paragraph, only an interested person may file a request for a trial for patent invalidation.

(3) A request for a trial for patent invalidation may be filed even after the lapse of the patent right.

(4) Where a request for a trial for patent invalidation has been filed, the chief trial examiner shall notify the exclusive licensee of the patent right and other persons who have any registered rights relating to the patent.

Section 125 PA

Where a trial decision to the effect that a patent is to be invalidated has become final and binding, the patent right shall be deemed not to have existed from the beginning; provided, however, that where a patent falls under Section 123(1)(vii) and where a trial decision to the effect that the patent is to be invalidated has become final and binding, the patent shall be deemed not to have existed from the time the said item became applicable to the patent.

Section 126 PA

(1) The patentee may file a request for a trial for correction with regard to the correction of the description, scope of claims or drawings attached to the application; provided, however, that such correction shall be limited to the following:

(i) restriction of the scope of claims;

(ii) correction of errors or incorrect translations; and

(iii) clarification of an ambiguous statement.

(2) A request for a trial for correction may not be filed from the time the relevant trial for patent invalidation has become pending before the Patent Office to the time the trial decision has become final and binding; provided, however, that this shall not apply to a request for a trial for correction filed within 90 days from the day an action against the trial decision in the trial for patent invalidation is instituted (in the case of the judgment rescinding the trial decision under Section 181(1) or a ruling rescinding the trial decision under Article 181(2) concerning the case, the period after the judgment or the ruling has become final and binding shall be excluded).

(3) The correction of the description, scope of claims or drawings under paragraph (1) above shall remain within the scope of the matters disclosed in the description, scope of claims, or drawings attached to the application (in the case of correction for the purposes provided in item (ii) of the proviso to paragraph (1), the description, scope of claims and drawings originally attached to the application [in the case of a patent with regard to a foreign language written application, foreign language documents]).

(4) The correction of the description, scope of claims or drawings under paragraph (1) shall not substantially enlarge or alter the scope of claims.

(5) In the case of correction for any of the purposes as provided in item (i) or (ii) of the proviso to paragraph (1), an invention constituted by the matters described in the corrected scope of claims must be one which could have been patented independently at the time of filing of the patent application.
(6) A request for a trial for correction may be filed even after the lapse of the patent right; however, this shall not apply after the patent has been invalidated in a trial for patent invalidation.

2. Code of Civil Procedure
(*Minji Soshō-hō*)

Section 6 CCP (Jurisdiction for Actions Relating to Patents, etc.)

In case the following courts have jurisdiction pursuant to the preceding two sections over an action with respect to patent, utility model, right to utilize circuit arrangement or copyright on computer program (hereafter "actions relating to patents, etc."), the action belongs to the jurisdiction of the court designated in the respective clause below:
(1) any district court within the district of the Tokyo High Court, Nagoya High Court, Sendai High Court or Sapporo High Court: the Tokyo District Court,
(2) any district court within the district of the Osaka High Court, Hiroshima High Court, Fukuoka High Court or Takamatsu High Court: the Osaka District Court.

Section 92-2 CCP (Involvement of Expert Commissioner)

(1) When the court, in the process of organizing the issues or evidence or deliberating necessary matters concerning the progress of the court proceedings, finds it necessary for the clarification of matters relating to the lawsuit or to ensure the smooth progress of the court proceedings, it may, upon hearing the opinions of the parties, involve by a ruling an expert commissioner in the proceedings so as to hear his explanations based on his expert knowledge. In such case, the presiding judge shall have the expert commissioner give his explanations in writing or orally on the date of the hearing or the preparatory proceedings.
(2) When the court, in the process of taking evidence, finds it necessary for the clarification of matters related to the lawsuit or the gist of the result of the taking of evidence, it may, upon hearing the opinions of the parties, involve by a ruling an expert commissioner in the proceedings so as to hear his explanations based on his expert knowledge on the date for the taking of evidence. In such case, the presiding judge may, when having the expert commissioner give his explanations on the date of examination of a witness or a party in person or questioning of an expert witness, upon consent of the party, permit the expert commissioner to ask questions directly of the witness, the party in person or the expert witness with regard to items necessary for the clarification of matters related to the lawsuit or the gist of the result of the taking of evidence.
(3) When the court finds it necessary in the process of attempting to achieve a settlement, it may, upon consent of the parties, involve by a ruling an expert commissioner in the proceedings so as to hear his explanations based on his expert knowledge on the date for attempting to achieve a settlement on which both parties are able to attend.

Article 92-8 CCP
(Clerical work of Court Research Official in cases relating to intellectual property)

The court, when it finds it necessary, may have a court research official, who conducts research necessary for proceedings and deciding cases on a case relating to intellectual property at a High Court or District Court, conduct the following clerk work in the said case. In such case, the court research official shall, upon order of the presiding judge, conduct the following clerical work:
(i) Asking questions of the parties or urging them to offer proof with regard to factual or legal matters, on the following date or in the following proceedings, in order to clarify the matters related to the suit:
(a) the date for oral argument or interrogation
(b) the proceedings for organizing issues or evidence
(c) the proceedings for determining the existence or non-existence of an obligation to submit a document or obligation to present the subject matter of an observation
(d) the proceedings for deliberating matters pertaining to the arrangement of issues or evidence or any other necessary matters concerning the progress of court proceedings.

(ii) Asking questions directly of a witness, a party in person or expert witness on the date for taking of evidence.
(iii) Giving an explanation based on expert knowledge on the date for attempting a settlement.
(iv) Stating opinions on the case to the judge.

Section 147-2 CCP (Planned Progress of Lawsuit Proceedings)

The court and the parties shall make efforts toward a planned progress of the lawsuit proceedings in order to achieve a fair and swift trial.

Section 147-3 CCP (Planning of the Trial)

(1) The court, when finding it necessary in order to achieve a fair and swift trial in light of the complexity of a case due to numerous or complex items to be examined or because of other circumstances, shall consult with both parties and prescribe a plan for the trial based on the outcome of the consultation.
(2) The plan for the trial set forth in the preceding paragraph shall prescribe the following items:
(i) a period for organizing the issues and evidence,
(ii) a period for examining witnesses and the parties themselves,
(iii) a schedule for the concluding hearing and pronouncement of the judgment.
(3) The plan for the trial set forth in paragraph (1) may prescribe, in addition to the items set forth in the preceding paragraph, a time period for submitting the means of attack or defence and other items necessary for the planned progress of the lawsuit proceedings.
(4) The court, when finding it necessary, taking into consideration the present status of a trial and the situation of the parties' conduct of the lawsuit and other circumstances, may consult with both parties and modify the plan for the trial set forth in paragraph (1) based on the outcome of the consultation.

Section 157 CCP (Rejection etc. of Late Means of Attack or Defence)

(1) With regard to means of attack or defence that a party has brought forward belatedly by intent or gross negligence, the court, when it finds that the conclusion of the lawsuit will be delayed thereby, may order their rejection upon request or *by its own authority*.

(2) The provision of the preceding paragraph shall also apply when a party does not give the necessary explanation with regard to its means of attack or defence, the purport of which is unclear, or does not appear on the date for giving the explanation.

Section 168 CCP (Beginning of the Proceedings to Prepare the Hearing)

The court, when finding it necessary for organizing issues and evidence, may, after listening to the opinions of the parties, refer the case to proceedings for preparing the hearing.

Section 212 CCP (Obligation to Give Expert Testimony)

(1) A person who has the learning and experience necessary to give expert testimony shall have the obligation to give expert testimony.
(2) A person who has the same status as a person who may refuse to testify or be sworn in under oath pursuant to the provisions of Section 196 or Section 201(4), or a person prescribed in Section 201(2), may not serve as an expert witness.

Section 220 CCP (Obligation to Submit Documents)

In the following cases, the holder of the document may not refuse its submission:
(i) Where a party personally holds the document it has cited in the lawsuit.
(ii) Where the party offering evidence may request from the holder of the document the delivery or inspection of the document.
(iii) Where the document has been prepared in the interest of the party offering evidence or regarding the legal relationship between the party offering evidence and the holder of the document.
(iv) Other than the cases listed in the preceding three items, in cases where the document does not fall under any of the following:
(a) A document stating the matters prescribed in Section 196 with regard to the possessor of the document or a person who has any of the relationships listed in the items of the provisions of said section with the possessor of the documents;
(b) A document concerning a secret belonging to a public officer's duties, which, if submitted, bears the risk of harming the public interest or significantly hindering the performance of his public duties;
(c) A document stating the fact prescribed in Section 197(1)(ii) or the matter prescribed in Article 197(1)(iii), neither of which is released from the duty of secrecy;
(d) A document prepared exclusively for use by the holder thereof (excluding documents held by the State or a local public entity, which is used by a public officer for an organizational purpose);
(e) A document concerning a lawsuit pertaining to a criminal case or a record of a juvenile case, or a document seized in these cases.

Section 234 CCP (Preservation of Evidence)

The court, upon determination that circumstances exist which make the availability of evidence difficult unless taking of evidence is made beforehand, may, upon request, conduct such taking of evidence according to the provisions in this chapter.

Section 248 (Determination of Amount of Damage)

Where it is found that any damage has occurred and if it is extremely difficult, from the nature of the damage, to prove the amount thereof, the court, based on the entire purport of the oral proceedings and the result of the examination of evidence, may determine a reasonable amount of damage.

Section 281 CCP (Judgment Appealable to Court of Second Instance, etc.)

(1) An appeal to the court of second instance may be filed against a final judgment made by a district court as the court of first instance or a final judgment made by a summary court; however, this shall not apply where, after a final judgment is made, both parties have made an agreement not to file an appeal to the court of second instance while reserving the right to file a final appeal.

Section 311 CCP (Final Appellate Court)

(1) A final appeal may be filed with the Supreme Court against a final judgment made by a high court as the court of second instance or the court of first instance, and may be filed with a high court against a final judgment made by a district court as the court of second instance.

3. Others

Civil Code
(*Minpō*)

Section 1 CC (Basic Principles)

(1) The private rights must conform to public welfare.
(2) The exercise of rights and performance of duties must be done in good faith.
(3) The abuse of rights is not permitted.

Section 417 CC (Method of Compensation for Damages)

If there is no particular declaration of intention, the amount of the compensation for damages shall be determined in money.

Section 709 CC (Damages Due to Unlawful Act)

A person who has intentionally or negligently infringed the right or legally protected interest of another person shall be liable to compensate the damage resulted in consequence.

Court Act
(*Saiban-sho-hō*)

Section 57 CA (Court Research Officials)

(1) In the Supreme Court, each high court and each district court, court research officials shall be placed.
(2) Court research officials shall, upon order of the judges, conduct research necessary for proceedings and deciding cases (at district courts limited to intellectual property or tax cases) and other clerical work provided in other laws.

Patent Attorney Act
(*Benri-shi-hō*)

Section 2 PAA (Definitions)

(5) The term "Specific Infringement Lawsuit" as used in this Act means lawsuits related to infringement of a right concerning a patent, utility model, design, trademark or circuit layout, or infringement of a business interest by specific unfair competition.

Section 6-2 PAA

(1) When a patent attorney has passed the specific infringement lawsuit attorney examination as provided in Section 15-2 (1) and has been granted the supplementary note registration (*fuki*) of the fact pursuant to Section 27-3 (1), said patent attorney may act as process attorney limited to cases in which an attorney-at-law has been entrusted by one and the same client.
(2) When a patent attorney acting as process attorney pursuant to the provision of the preceding paragraph appears in court, he must appear together with an attorney-at-law.
(3) Notwithstanding the provision of the preceding paragraph, a patent attorney may appear in court alone when the court finds this appropriate.

Section 15-2 PAA (Specific Infringement Process Representative Services Examination)

(1) The examination for specific infringement process representation services shall be conducted for patent attorneys who have completed a training relating to the necessary knowledge and practical ability to become a process representative concerning specific infringement lawsuits as prescribed by Ordinance of the Ministry of Economy, Trade and Industry, in order to judge whether or not they have the relevant knowledge and practical ability by the method of writing in thesis style.

II. GERMAN LEGAL PROVISIONS

1. Patent Act
(*Patentgesetz*)

Section 1 PA (The Patent – Requirements)

(1) Patents shall be granted for inventions in any technical field if they are novel, involve an inventive step and are susceptible of industrial application.
(2) Patents shall be granted for inventions within the terms of subsection (1) even if the subject matter concerns a product consisting of or containing biological material or a process by means of which biological material is produced, processed or used. Biological material that has been isolated from its natural environment or produced by means of a technical process may be the subject matter of an invention even if it had previously occurred in nature.
(3) In particular, the following shall not be regarded as inventions within the terms of subsection (1):

1. discoveries, scientific theories and mathematical methods;
2. aesthetic creations;
3. schemes, rules and methods for performing mental acts, playing games or doing business as well as programs for computers;
4. presentations of information.

(4) The provisions of subsection (3) shall constitute a bar to patentability only when protection is sought for said subject matters or activities as such.

Section 1a PA (Patentability Regarding Human Body)

(1) The human body at its various stages of formation and development, including germ cells, and the simple discovery of one of its elements, including the sequence or partial sequence of a gene, cannot constitute a patentable invention.
(2) An element isolated from the human body or otherwise produced by means of a technical process, including the sequence or partial sequence of a gene, may constitute a patentable invention even if the structure of that element is identical to that of a natural element.
(3) The industrial application of a sequence or a partial sequence of a gene shall have to be specifically disclosed in the application by indicating the function fulfilled by the sequence or partial sequence.
(4) Where the subject matter of an invention is a sequence or a partial sequence of a gene, the structure of which is identical to the structure of a natural sequence or partial sequence of a human gene, the use thereof, for which industrial application is specifically described in subsection (3), shall have to be included in the patent claim.

Section 2 PA (No Patentability)

(1) Patents shall not be granted for inventions if their commercial exploitation is contrary to public order or morality; however, such a contravention may not be deduced simply from the fact that the exploitation is prohibited by law or administrative regulation.
(2) Patents shall especially not be granted for

1. processes for cloning human beings;

2. processes for modifying the genetic identity of the germ line of human beings;
3. uses of human embryos for industrial or commercial purposes;
4. processes for modifying the genetic identity of animals, which are likely to cause said animals suffering without any substantial medical benefit to man or said animal, nor shall patents be granted for animals resulting from such processes.

When applying nos. 1 through 3, the corresponding provisions of the Embryo Protection Act (*Embryonenschutzgesetz*) shall be decisive.

Section 2a PA (Patentability)

(1) Patents shall not be granted for
1. plant or animal varieties or for essentially biological processes for breeding plants or animals;
2. methods for the surgical or therapeutic treatment of the human or animal body or for diagnostic methods used on the human or animal body. This shall not apply to products, in particular substances or substance mixtures, for use in one of the above-mentioned methods.

(2) Patents can be granted for inventions
1. having as subject matter plants or animals if the technical realization of the invention is not restricted to a particular plant or animal variety;
2. having as subject matter a microbiological or other technical process or a product obtained by means of such a process, unless a plant or animal variety is concerned.

Section la(3) shall apply *mutatis mutandis*.

(3) In accordance with this Act:
1. "biological material" shall denote any material containing genetic information and capable of reproducing itself or being reproducible in a biological system;
2. "microbiological process" shall denote any process involving the use of or intervention in microbiological material or by which microbiological material results;
3. "an essentially biological process" shall denote any process for breeding plants or animals based entirely on natural phenomena such as crossing or selection;
4. "plant variety" shall denote a variety in accordance with the definition of Regulation (EC) No. 2100/94 of the Council of July 27, 1994 on Community Plant Variety Types (OJ EC No. L 227, p. 1) in the valid version.

Section 3 PA (Definition of Novelty)

(1) An invention shall be considered to be novel if it does not form part of the state of the art. The state of the art includes all knowledge made available to the public by written or oral description, by use or by any other manner before the date relevant for the priority of the application.
(2) Additionally, state of the art shall also be deemed to be the content of the following patent applications with earlier relevant filing dates which have been made available to the public only on or after the date relevant for the priority of the later application:
1. national applications as originally filed with the Patent Office;
2. European applications as originally filed with the competent authority where protection is sought for the Federal Republic of Germany and if the designation fee for the Federal Republic of Germany has been paid in accordance with Article 79(2) of the European Patent Convention, and if it is an application for a regular European patent based on an international application (Article 153(2) EPC) that fulfils the conditions set out in Article 153(5) of the European Patent Convention;

3. international applications under the Patent Cooperation Treaty as originally filed with the receiving office when the Patent Office has been designated for the application.

When the earlier date relevant for priority of an application is based on a claim to priority of a prior application, the first sentence of subsection (2) shall be applicable only to the extent that the content of the application to be considered in accordance therewith does not go beyond the content of the prior application. Patent applications under no. 1 of the first sentence of subsection (2), which are the subject of an order under Section 50(1) or (4) of this Act, shall be considered to have been made available to the public upon expiry of the eighteenth month following their filing.

(3) The provisions of subsections (1) and (2) shall not exclude from patentability any substance or substance mixture included in the state of the art when such is intended for use in a process cited in Section 2a(1), no. 2, and its use for such a process is not included in the state of the art.

(4) Where this use is not part of the state of the art, such substances and substance mixtures as cited in subsection (3) for a specific use in one of the processes cited in Section 2a(1), no. 2, shall not be excluded from protection by subsections (1) and (2) either.

(5) With regard to the application of subsections (1) and (2), disclosure of the invention shall not be considered if this occurred no earlier than six months preceding the filing of the application and if this was directly or indirectly

1. due to an evident abuse to the detriment of applicant or his legal predecessor, or
2. in consequence of the fact that the applicant or his legal predecessor had displayed the invention at official or officially recognized exhibitions falling within the terms of the Convention on International Exhibitions signed in Paris on November 22, 1928.

Sentence 1, no. 2, shall apply only if the applicant states, when filing the application, that the invention has actually been displayed and if applicant files certification of this within four months following the filing. Notification of the exhibitions referred to in sentence 1, no. 2, shall be published by the Federal Minister of Justice in the Federal Law Gazette [*Bundesgesetzblatt*].

Section 4 PA (Invention Based on Inventive Step)

An invention shall be deemed to involve an inventive step if it is not obvious to a person skilled in the art from the state of the art. Should the state of the art also include documents within the terms of Section 3(2), these documents shall not be considered when assessing the inventive step.

Section 5 PA (Industrially Applicable Invention)

An invention shall be deemed to be susceptible of industrial application if its subject matter can be produced or used in any industrial field, including agriculture.

Section 9 PA (Effect of the Patent)

A patent shall have the effect that the patentee alone shall be authorized to use the patented invention within the applicable laws. A third party not having the consent of the patentee shall be prohibited

1. from making, offering, putting on the market or using a product which is the subject matter of the patent, or from importing or possessing said product for such purposes;
2. from using a process which is the subject matter of the patent, or, when said third party knows or it is obvious from the circumstances that use of the process without the consent of the patentee is prohibited, from offering the process for use within the territory to which this Act applies;

3. from offering, putting on the market or using or importing or possessing for such purposes the product produced directly by a process which is the subject matter of the patent.

Section 14 PA (Scope of Protection)

The scope of protection conferred by a patent or a patent application shall be determined by the patent claims. Nevertheless, the description and drawings shall have to be consulted when interpreting the claims.

Section 66 PA (Appeal Panels, Invalidation Panels)

(1) There shall be established in the Patent Court
1. panels for hearing appeals (*Beschwerden*) (Appeal Panels);
2. panels for deciding actions for declaration of invalidity of patents and compulsory license proceedings (Invalidation Panels).

(2) The number of panels shall be determined by the Federal Minister of Justice.

Section 67 PA (Composition of Panels)

(2) An invalidation panel shall render decisions in cases pursuant to Sections 84 and 85(3), in the composition of one legal member as presiding judge, one additional legal member and three technical members and in other cases with a composition of three judges, of whom one must be a legal member.

Section 81 PA (Legal Action)

(1) Proceedings regarding a declaration of invalidity of a patent or a supplementary protection certificate or regarding the grant or withdrawal of a compulsory license or regarding the adaptation of the remuneration determined by a judgment for a compulsory license shall be instituted by bringing legal action. The action shall be directed against the person recorded in the Register as patentee or against the holder of the compulsory license. An action against a supplementary protection certificate may be joined with an action against the underlying patent and may also be based on the fact that there is a nullity ground with respect to the underlying patent (Section 22).
(2) An action for declaration of invalidity of a patent may not be brought as long as opposition may still be filed or opposition proceedings are pending.
(3) In the case of usurpation, only the injured party shall be entitled to bring an action.
(4) The action shall be filed with the Patent Court in writing. Copies of the action and of all briefs shall be attached for the adversary. The action and all briefs shall be served on the adversary *ex officio*.
(5) An action shall designate the plaintiff, the defendant and the matter at issue and shall contain a specific request. The facts and evidence used as grounds are to be stated. If the action does not fully comply with these requirements, the presiding judge shall invite the plaintiff to file the necessary supplements within a specified period.
(6) Plaintiffs who do not have their usual place of residence in a Member State of the European Union or in a Contracting State to the Agreement on the European Economic Area shall provide security, at the demand of the defendant, with respect to the costs of the proceedings; Section 110(2), nos. 1 to 3, of the Code of Civil Procedure shall apply *mutatis mutandis*. The Patent Court shall determine, at its equitable discretion, the amount of the security and shall determine a time limit within which said amount shall have to be furnished. If the time limit is not observed, the action shall be deemed to have been withdrawn.

Section 99 PA
(Application of the Court Constitution Act and Code of Civil Procedure mutatis mutandis*)*

(1) In the absence of provisions in this Act concerning proceedings before the Patent Court, the Court Constitution Act [*Gerichtsverfassungsgesetz*] and the Code of Civil Procedure [*Zivilprozessordnung*] shall apply *mutatis mutandis* unless the special nature of the proceedings before the Patent Court does not so permit.

Section 139 PA (Claim for Injunctive Relief, Compensation of Damages) [1]

(1) Any person who uses a patented invention in contravention of Sections 9 through 13 may, if there is danger of repetition, be sued by the injured party for injunctive relief. This claim shall also apply if there is a danger of first perpetration.
(2) Any person who intentionally or negligently undertakes such an act shall be liable to the injured party for compensation of the damages incurred thereby. When assessing the damages, the profit which the infringer has made by infringing the right may also be taken into account. The claim for compensation of damages may also be calculated on the basis of the amount the infringer would have had to pay as an adequate remuneration had he obtained the authorization to use the invention.
(3) Where the subject matter of a patent is a process for obtaining a new product, the same product made by another shall, in the absence of proof to the contrary, be deemed to have been made using the patented process. When taking contrary evidence, the legitimate interests of the defendant in protecting his manufacturing and business secrets are to be taken into account.

Section 143 PA (Courts for Patent Dispute Cases)

(1) For all legal actions whereby a claim arising from one of the legal relationships regulated by this Act is asserted (patent dispute case), the civil chambers of the Regional Courts shall have exclusive jurisdiction without regard to the value in dispute.
(2) The governments of the federal states (*Länderregierungen*) shall have power to assign by statutory order the patent dispute cases in the districts of several Regional Courts to one such Regional Court. The governments of the federal states may transfer these powers to the state administrations of justice (*Landesjustizverwaltungen*). The federal states can moreover transfer, by agreement, the functions of the courts of one federal state in their entirety or in part to the competent court of another federal state.

Section 145 PA (Further Actions Based on Another Patent)

Any person who has brought a legal action pursuant to Section 139 may bring a further action against the defendant on account of the same or a similar act on the basis of another patent only if, through no fault of his own, said person was not able to assert also said patent in the earlier lawsuit.

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1 *Section 139(2) PA*, previous version:
Any person who intentionally or negligently undertakes such an act shall be liable to the injured party for compensation of the damages incurred thereby. If the infringer is guilty only of slight negligence, the court may order payment of compensation instead of damages remaining within the limits of the damages incurred by the injured party and the profit which the infringer has gained.

2. Code of Civil Procedure
(*Zivilprozessordnung*)

Section 139 CCP (Substantive Conduct of the Lawsuit)

(1) The court shall, to the extent necessary, discuss with the parties the factual and legal aspects of the facts and dispute and ask questions. It shall strive to cause the parties to declare themselves in a timely manner and thoroughly regarding all relevant facts, in particular to supplement insufficient information concerning the asserted facts, designating the means of evidence and making appropriate requests.
(2) The court may only base its decision on an aspect that the party has clearly overlooked or thought to be irrelevant if it has indicated this and afforded the opportunity to comment. The same applies to an aspect which the court assesses differently than both parties.
(3) The court shall draw the attention to concerns which exist in regard to matters to be taken into consideration *ex officio*.
(4) Instructions according to this provision shall be given as early as possible and recorded in the court file. That instructions have been given can only be proven by the contents of the file. The contents of the file can be disproved only by proof of falsification.
(5) If a party cannot declare itself immediately with regard to court instructions, the court shall, on the party's request, set a time limit within which the party can declare itself in a brief later.

Section 145 CCP (Separations of Lawsuits)

(1) The court may order that several claims raised in one action shall be tried in separate lawsuits.

Section 148 CCP (Stay in Case of Prejudicial Effect)

If the decision in the legal dispute depends wholly or in part on the existence or nonexistence of a legal relationship that is the subject matter of another pending lawsuit or is to be determined by an administrative authority, the court may order to stay the trial until the conclusion of the other lawsuit or until the decision of the administrative authority.

Section 156 CCP (Reopening of the Trial)

(1) The court may order the reopening of a trial that was closed.
(2) The court shall order the reopening in particular if
1. the court finds a procedural error relevant to its decision against which an objection may be lodged (Section 259), in particular a violation of the duty to instruct and clarify (Section 139) or a violation of the right to be heard,
2. subsequently facts are asserted and made credible which constitute a ground for retrial (Sections 579, 580) or
3. a judge has left the panel between the end of the hearing and the end of deliberation and voting (Sections 192 to 197 of the Court Constitution Act).

Section 168 CCP (Functions of the Registry Office)

(1) The registry office executes service pursuant to Sections 173 to 175. It may commission an enterprise vested with administrative powers pursuant to Section 33(1) of the Postal Services Act (postal service) or a judicial staff with the execution of the service. The registry office shall commission the postal service with the form provided for this purpose.

(2) The presiding judge of the trial court or a member designated by him may commission a court bailiff or other authority to execute service, if service according to paragraph 1 has little prospect of success.

Section 178 CCP (Substitute Service at Domicile, Business Location and Facilities)

(1) If the person on which service is to be made is not located in his/her domicile, in the business location or in a community facility where he/she lives, the document may be served

1. at the domicile of an adult family member, a person employed in the family or an adult constant cohabitant,
2. in business locations on a person employed there,
3. in community facilities on the manager of the facility or a competent representative.

(2) Service on one of the persons designated in paragraph 1 is invalid if this person is involved in the legal dispute as an adversary of the person in which service is to be made.

Section 275 CCP (Early First Hearing)

(1) In preparation of the early first date of a hearing, the presiding judge or a member of the trial court designated by him may set a time limit for the defendant for its written response to the complaint. Otherwise the defendant shall be invited to disclose to the court without delay by brief of an attorney-at-law to be appointed the means of defence that it may intend to put forward; Section 277(1)2 shall apply *mutatis mutandis*.
(2) If the proceedings are not concluded in the early first hearing, the court shall issue all orders still necessary in preparation of the date of the main hearing.
(3) At this date, the court sets a time limit for the written response to the complaint, if the defendant has not yet responded or not yet responded sufficiently to the complaint and a time limit pursuant to paragraph 1 sentence 1 had not yet been set for him.
(4) At this date or after submission of the response to the complaint, the court may set a time limit for the plaintiff to submit a written counterstatement to the response to the complaint. Outside the hearing, the presiding judge may set the time limit.

Section 276 CCP (Preparatory Proceedings in Writing)

(1) If the presiding judge does not set an early first date for a hearing, he shall invite the defendant together with the service of the complaint, to notify the court in writing within a peremptory time limit of two weeks after service of the complaint should it intend to defend itself against the action; the plaintiff shall be informed of this invitation. At the same time, a time limit of at least two further weeks shall be set for the defendant to respond to the complaint in writing. If service is to be carried out abroad, the presiding judge shall determine the time limit pursuant to sentence 1.
(2) Together with the above invitation, the defendant shall be instructed about the consequences of a failure to observe the time limit set for it pursuant to paragraph 1 sentence 1 as well as that it can make the declaration to defend itself against the action only through the attorney-at-law to be appointed.
(3) The presiding judge may set a time limit for the plaintiff to submit a written counterstatement to the response to the complaint.

Section 278 CCP (Amicable Resolution of Dispute, Conciliation Hearing, Settlement)

(1) The court shall, at every stage of the proceedings, be intent on an amicable resolution of the legal dispute or of individual issues.

(2) For the purpose of an amicable resolution of the legal dispute, the hearing is preceded by a conciliation hearing, unless an attempt at reconciliation has already taken place before an out-of-court conciliation authority or a conciliation hearing seems apparently to be without chance of success. In the conciliation hearing, the court shall discuss the status of the facts and dispute with the parties while freely evaluating all circumstances, and, as far as necessary, ask questions. The parties present should be heard personally.
(3) The parties should be ordered to appear personally for the conciliation hearing and for further attempts at conciliation.
(4) If both parties do not appear for the conciliation hearing, the proceedings shall be suspended.
(5) The court may refer the parties to a commissioned or requested judge for the conciliation hearing. In appropriate cases, the court may propose to the parties an out-of-court mediation of the dispute. If the parties accept, Section 251 shall apply *mutatis mutandis*.
(6) A court settlement may also be concluded by the parties' submitting a written settlement proposal to the court or by accepting by brief to the court a written settlement proposal of the court. The court shall confirm the conclusion and contents of a settlement entered into pursuant to sentence 1 by court order. Section 164 shall apply *mutatis mutandis*.

Section 287 CCP (Determination of Damages)

(1) If a dispute exists between the parties over whether damages have been incurred and their amount or the amount of damages to be compensated, the court shall decide based on its own discretion by assessing all circumstances. Whether and to what extent a requested taking of evidence or assessment by an expert is to be ordered is left to the discretion of the court. The court may hear the party putting forward evidence regarding the damages or the amount of damages to be compensated; the provisions of Sections 452(1) 1, (2)-(4) shall apply *mutatis mutandis*.

Section 296 CCP (Rejection of Delayed Submission)

(1) Means of attack or defence that are submitted only after a time limit set for this purpose (Section 273(2) No. 1 and, so far as the time limit is set for a party, 5, Section 275(1)1, (3), (4), Section 276(2)2, (3), Section 277), shall be admitted only if according to the court's own conviction admitting them would not delay the conclusion of the legal dispute or if the party provides an adequate excuse for the delay.
(2) Means of attack or defence that are not submitted in time contrary to Section 282(1) or not communicated in time contrary to Section 282(2), may be rejected if admitting them would delay the conclusion of the legal dispute according to the court's own conviction and the delay is due to gross negligence.
(3) Late objections relating to the admissibility of the action and which the defendant can renounce shall be admitted only if the defendant offers a sufficient excuse for the delay.
(4) In the cases of paragraphs (1) and (3), the grounds for the excuse must be shown to be credible on request of the court.

Section 511 CCP (Availability of Appeal)

(1) An appeal is available against final judgments delivered in the first instance.

Section 542 CCP (Availability of Appeal on Point of Law)

(1) An appeal on point of law is available in accordance with the following provisions against final judgments delivered in the appellate instance.

Section 543 CCP (Leave to Appeal on Points of Law)

(1) An appeal on points of law is available only if
1. the second-instance appeal court in its judgment or
2. the third-instance appeal court upon appeal against the denial of leave to appeal has granted leave to appeal.

(2) Appeal on points of law shall be allowed if
1. the legal matter has basic significance or
2. the development of law or securing a uniform case law requires a decision by the third-instance appeal court.

The third-instance appeal court is bound by the second-instance appeal court's grant of leave to appeal.

Section 718 CCP (Preliminary Ruling on Provisional Execution)

(1) In the appellate instance, the provisional execution shall be examined and decided on in advance on request.
(2) The decision on the provisional execution rendered in the appellate instance is not contestable.

3. Others

Civil Code
(*Bürgerliches Gesetzbuch*)

Section 249 CC (Type and Extent of Compensation of Damages)

(1) A person who is liable in damages must restore the condition that would exist if the circumstance obligating him to pay damages had not occurred.
(2) Where damages are payable for injury to a person or damage to a thing, the obligee may demand the required monetary amount in lieu of restoration. When a thing is damaged, the monetary amount required under sentence 1 only includes value-added tax if and to the extent that it is actually incurred.

Section 252 CC (Lost Profit)

The damage to be compensated also comprises the lost profit. The profit is considered lost that in the normal course of events or in the special circumstances, particularly due to the measures and precautions taken, it was probable to expect.

Section 254 CC (Contributory Negligence)

(1) Where fault on the part of the injured person contributes to the occurrence of the damage, liability in damages as well as the extent of compensation to be paid depend on the circumstances, in particular to what extent the damage is caused mainly by one or the other party.
(2) This also applies if the fault of the injured person is limited to failing to draw the attention of the obligor to the danger of unusually extensive damage, where the obligor neither was nor ought to have been aware of the danger, or to failing to avert or reduce the damage. The provision of section 278 applies with the necessary modifications.

Section 667 CC (Obligation to Surrender)

The mandatary is obligated to surrender to the mandator everything he receives to perform the mandate and what he obtains from carrying out the business conducted on instruction.

Section 687 CC (False Agency)

(2) If a person treats the business of another person as his own although he knows that he is not entitled to do so, then the principal can assert claims resulting from Sections 677, 678, 681 and 682. If he asserts them, then he has the obligation to the agent pursuant to Section 684(1).

Utility Model Act
(*Gebrauchsmustergesetz*)

Section 13 (Establishment of Utility Model Protection)

1) Utility model protection is not established by registration where a claim for cancellation of the utility model (Sections 15(1) and (3)), assertable by any person, exists against the person registered as the proprietor.
(2) If the essential content of the registration has been taken from the description, drawings, models, appliances or equipment of another person without that person's consent, protection under this Act may not be invoked against the injured party.
(3) The provisions of the Patent Act concerning the right to protection (Section 6), the right to the grant of protection (Section 7(1)), the right to assignment (Section 8), the right deriving from prior use (Section 12) and the official order of exploitation (Section 13) shall be applicable *mutatis mutandis*.

Section 15 (Claim for Cancellation)

(1) Any person may assert a claim against the person registered as proprietor for cancellation of the utility model, if

1. the subject matter of the utility model is not registrable pursuant to Sections 1 to 3;
2. the subject matter of the utility model is already protected on the basis of an earlier patent or utility model application; or
3. the subject matter of the utility model extends beyond the content of the application as originally filed.

(2) In the case of Section 13(2), only the injured party may assert a claim for cancellation.
(3) Where the grounds for cancellation relate to a part only of the utility model, only that part shall be cancelled. The limitation may be made in the form of an amendment to the claims.

Court Constitution Act
(*Gerichtsverfassungsgesetz*)

Section 75 CCA (Composition of Civil Divisions)

The civil divisions shall, insofar as the provisions of procedural law do not provide for a decision to be given by a judge sitting alone in the place of a full bench, be composed of three members including the presiding judge.

III. INTERNATIONAL LAW

European Patent Convention

Article 56 EPC (Inventive Step)

An invention shall be considered to involve an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art. If the state of the art also includes documents within the meaning of Article 54, paragraph 3, these documents shall not be considered in deciding whether there has been an inventive step.[2]

Article 69 EPC (Extent of Protection)

(1) The extent of the protection conferred by a European patent or a European patent application shall be determined by the claims. Nevertheless, the description and drawings shall be used to interpret the claims.

The Hague Service Convention

Article 10

Provided the State of destination does not object, the present Convention shall not interfere with
a) the freedom to send judicial documents, by postal channels, directly to persons abroad,
b) the freedom of judicial officers, officials or other competent persons of the State of origin to effect service of judicial documents directly through the judicial officers, officials or other competent persons of the State of destination,
c) the freedom of any person interested in a judicial proceeding to effect service of judicial documents directly through the judicial officers, officials or other competent persons of the State of destination.

Article 15

Where a writ of summons or an equivalent document had to be transmitted abroad for the purpose of service, under the provisions of the present Convention, and the defendant has not appeared, judgment shall not be given until it is established that
a) the document was served by a method prescribed by the internal law of the State addressed for the service of documents in domestic actions upon persons who are within its territory, or
b) the document was actually delivered to the defendant or to his residence by another method provided for by this Convention,
and that in either of these cases the service or the delivery was effected in sufficient time to enable the defendant to defend.
Each Contracting State shall be free to declare that the judge, notwithstanding the provisions of the first paragraph of this Article, may give judgment even if no certificate of service or delivery has been received, if all the following conditions are fulfilled
a) the document was transmitted by one of the methods provided for in this Convention,

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2 Cf. Section 4 German Patent Act *supra*.

b) a period of time of not less than six months, considered adequate by the judge in the particular case, has elapsed since the date of the transmission of the document,
c) no certificate of any kind has been received, even though every reasonable effort has been made to obtain it through the competent authorities of the State addressed.
Notwithstanding the provisions of the preceding paragraphs the judge may order, in case of urgency, any provisional or protective measures.