

ARTICLE:

**COMPARISON OF U.S. AND JAPANESE COURT
SYSTEMS FOR PATENT LITIGATION:
A SPECIAL COURT OR SPECIAL DIVISIONS
IN A GENERAL COURT?**

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Introduction

U.S. patent owners and domestic industries have long complained about the slow and inadequate relief provided by Japanese courts in patent infringement cases. Some Japanese patent owners have even indicated that they would rather litigate in U.S. courts than Japanese courts, because Japanese courts have been slow to give relief and the relief given was too small to cover their legal expenses. Responding to these criticisms, the Ministry of International Trade and Industry (MITI) and the Japanese Patent Office (JPO) announced the goal of restructuring the patent system to give quick and strong patent protection. They reviewed the possibility of creating a special court with exclusive jurisdiction over patents and other industrial property. The Supreme Court of Japan has also, for the first time, started to pay attention to whether the judicial system provides adequate protection.

As a result of this review of intellectual property litigation, Japanese courts have introduced major changes in jurisdiction for litigation of complex issues such as patents and other intellectual property. The Civil Procedure Code was revised to change the jurisdiction of the courts and to create a central system for processing patent and intellectual property cases. The JPO also introduced major revisions in the Patent Act to help judges resolve difficult patent issues and grant quick and substantial relief for patent infringement. Accordingly, the purpose of this article is to explain the significant changes in patent enforcement procedures in Japanese courts, to compare the Japanese and U.S. systems, and to discuss the pros and cons of each.

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Fundamental Differences

In the U.S., unlike in Japan, factual issues are examined and decided only by the courts of first instance, the trial courts. Higher courts give deference to the factual findings of the trial courts, and their main function is to review legal issues. Fact-finding, which often raises the most difficult issues in patent litigation, is done by a jury instead of by judges, unless the parties choose to waive jury trial. Another difference is that U.S. judges are relatively free from bureaucracy and stay in the same position for life. Finally, U.S. judges have very broad discretion in deciding how to conduct trials, hearings and other proceedings, and are assisted by very skillful assistants called law clerks.

In contrast, under Japanese civil procedure, facts are tried in both first and second instance courts; the high courts review factual issues *de novo*. Even the Supreme Court may review the facts if it believes that a substantial error may exist. This practice doubles the workload of Japanese judges compared to that of U.S. court judges.

In Japanese courts, judges, not juries, resolves both factual and legal issues. Because hearings are scheduled with significant intervals, judges have to refresh their memory to prepare to hear parties' arguments each time. Further, due to the rotation system imposed by the Supreme Court of Japan, judges move from one court to another every two to three years.¹ Thus, the judge primarily handling a case may transfer to another court in the middle of the proceeding, requiring the new judge replacing him to learn again from scratch the technological and legal issues involved in a complex patent litigation.

Nowadays, the Supreme Court lets judges appointed to work in a special division stay more than three years and accumulate expertise. Judges, however, prefer not to stay in one division because the goal of most is to become a Supreme Court justice. Staying at a special division is a serious disadvantage for Japanese judges wanting to accomplish this goal, because a judge must be a generalist and learn all aspects of court practice in order to be promoted to the elite of the court system.

Finally, Japanese judges have much less discretion as to conduct of court proceedings than U.S. judges. The Japanese Supreme Court controls the details of proceedings through very detailed regulations. A Japanese

¹ For a general discussion of Japanese Judge's career path, see Michael K. Young and Constance C. Hamilton, Introduction to Japanese Law, in Mitsuo Matsushita, ed. 1 Japan Business Law Guide (CCH International, 1988), reprinted in Yanagida etc. ed. Law and Investment in Japan 63 (1995).

judge has to follow the regulations so that the judge replacing him in the future will not be confused. Unlike U.S. judges, Japanese judges do not have any assistants to conduct legal research and other tasks. On average, a Japanese judge handles 200 to 250 pending cases and works both at her office as well as at home weekdays and often weekends.²

Japanese Court System

Recently, the Japanese courts adopted a central system for handling patent and intellectual property cases. The post-1996 Civil Procedure Code enables courts to transfer patent and intellectual property cases to either the Osaka or Tokyo district court, by request of the parties or on their own discretion.³ This means that most IP cases are then reviewed by either the Osaka or Tokyo High Court, then moved up to the Supreme Court if a *joukoku* appeal is filed. The Japanese Supreme Court increased the numbers of lower court judges appointed to special divisions dealing with IP cases. There are now three special divisions comprising 15 judges working exclusively on IP cases in the Tokyo District Court, and another special division comprising 5 judges in the Osaka District Court. Appeals from these courts will be reviewed by three special divisions comprising 11 judges in the Tokyo High Court, or one “concentration” division comprising four judges that deals with IP cases and other complex cases in the Osaka High Court. In these special divisions, judges tend to stay longer than in other divisions and work with technical assistants who are experienced examiners temporarily dispatched from the Japanese Patent Office. Unlike U.S. law clerks, however, they are not lawyers and their expertise is in technology; they have only limited knowledge of patent law. Thus, their assistance is limited to giving background information for deciding the complex technology issues involved in patent litigation.

² Setsuko Asami, Japan-U.S. Patent Infringement Litigation Practice: A Visit to the United States Court of Appeals for the Federal Circuit, 5-3 CASRIP NEWSLETTER 9 (Center for Advanced Study and Research in Intellectual Property, University of Washington School of Law, Seattle, Autumn 1998) available on-line at <http://www.law.washington.edu/casrip/newsletter/newsv5i3asami.htm>

³ Ryu Takabayashi, *Practices of Patent Litigation in Japanese Courts*, 5-2 CASRIP NEWSLETTER 13 (Center for Advanced Study and Research in Intellectual Property, University of Washington School of Law, Seattle, Spring/Summer 1998), avail. at www.law.washington.edu/~casrip/newsletter/newsv5i2jp2.html.

Previously, one major difference between these special divisions and the Federal Circuit was that judges in these divisions did not have jurisdiction over validity issues. The only court with such jurisdiction was a division of the Tokyo High Court with exclusive jurisdiction to hear appeals from decisions on the validity of patents and other industrial property issued by the Japanese Patent Office. However, a recent case, *Fujitsu v. Texas Instruments*,⁴ changed this practice by examining the invalidity argument advanced by the accused infringer. The court found the patent to be invalid and refused to enforce the patent, viewing the enforcement of an obviously invalid patent as an abuse of right under the Civil Code. The Supreme Court recently affirmed the high court decision by stating that courts can examine the defense of invalidity when the patent at issue is obviously invalid.⁵ Thus, it is expected that accused infringers will raise the defense of invalidity, arguing that invalidity is obvious. However, because the Supreme Court did not give any specifics with respect to the level of obviousness that is required, just how often Japanese courts will determine a defense of invalidity remains unclear. In any event, the Court's endorsement of jurisdiction over obviously invalid patents moved Japanese patent enforcement away from the traditional German model and more in line with the U.S. model.

Comparison: A Special Court vs. Special Divisions in General Courts

In short, the Japanese system has special divisions within general courts, as compared to the U.S. system, which has a special court with exclusive jurisdiction over patents. The major difference is that the Japanese special divisions deal with not only patent cases but also trademark and

⁴ *Fujitsu v. Texas Instruments*, Judgment of Tokyo High Court, Sept. 10, 1997, Hanrei Jiho No 1615, 10 (1998). A summary is reported in Toshiko Takenaka, Recent Developments in Japan, TI's Kilby Patent Found Invalid and Unenforceable, 4-3 CASRIP NEWSLETTER 6 (Center for Advanced Study and Research in Intellectual Property, University of Washington School of Law, Seattle, Fall '97), avail. at <http://www.law.washington.edu/casrip/newsletter/news4i3jp3.html>.

⁵ *Fujitsu v. Texas Instruments*, Judgment of Supreme Court of Japan, April 11, 2000, Unreported as of May 16, 2000. The translation by the author will be published in 7-2 CASRIP NEWSLETTER 5 (Center for Advanced Study and Research in Intellectual Property, U.W. School of Law, Seattle, Spring 2000), avail. at <http://www.law.washington.edu/casrip/newsletter/newshome.html>.

copyright cases. However, they do not hear cases involving administrative law issues, as does the Federal Circuit.

The disadvantage of the Japanese system is that the inefficiency inherent in the rotation and bureaucratic system still remains, even where special divisions have jurisdiction over IP cases. The transfer of judges hinders the development of expertise and delays proceedings. Patent litigation is further slowed by duplication of fact-finding. Another disadvantage, now gone, was the court's inability to review validity defenses in infringement litigation. In the past, courts and the Japanese Patent Office sometimes issued conflicting decisions in which courts found infringement and the JPO found the patents invalid. This problem has been reduced significantly by recent developments in case law⁶ and better communication between courts and the JPO.

The Japanese system has a significant advantage with respect to the use of experts. The problem with the U.S. system, apparent after *Markman*⁷ and *Warner-Jenkinson*,⁸ is the inability of the trial court to resolve complex patent issues. To make the most of the Federal Circuit's expertise on technology and patent law, the Supreme Court endorsed the Federal Circuit's holding that claim language must be determined by the courts and reviewed *de novo* by the Federal Circuit. The intent of the Supreme Court was to encourage early settlement by clarifying the most important issue in patent litigation, claim interpretation, early in the proceedings. However, the system has not worked as expected. Due to a lack of expertise, district court judges prefer to hold a trial and hear expert witnesses, instead of deciding on a claim interpretation before the trial. Further, by giving the power of *de novo* review to the Federal Circuit, a significant percentage of the claim interpretations adopted by district courts have been reversed by the Federal Circuit. This may be due to the inability of district court judges to understand the technology and the claims in the context of patent documents and Federal Circuit case law.

In Japanese courts, experienced patent judges resolve both legal and factual issues, assisted by patent examiners seconded from the JPO. Their judgments are then reviewed by patent specialist judges in special divisions of either the Tokyo High Court or the Osaka High Court. Thus, Japanese

⁶ *Supra* notes 4 and 5, *Fujitsu v. Texas Instruments*.

⁷ *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 38 USPQ2d 1461 (1996).

⁸ *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 41 USPQ2d 1865 (1997).

courts do not encounter the dilemma faced by U.S. courts and the Federal Circuit.

Finally, provisions of the Civil Procedure Code and the Patent Act relating to patent infringement damages were recently revised. These revisions give courts significant flexibility to find causation between the act of infringement and damages, and substantial discretion to use experts in patent litigation.⁹ This will bring a significant increase in damages awarded by Japanese courts to remedy patent infringement.

Benefits Resulting from Competition between JPO and Japanese Courts

In addition to these improvements, the competition between the JPO and Japanese courts will bring more benefit to Japanese patents owners. In the past, Japanese courts paid very little attention to intellectual property infringement litigation because the number of actions brought to Japanese courts was very low.¹⁰ The inherent complexity of the technology involved in intellectual property legal issues naturally kept the courts at a distance from intellectual property litigation. To attract the attention of the courts, the JPO published a series of reports on patent enforcement procedures in Japanese courts. A report of a JPO-sponsored investigation compared the pending periods necessary for cases involving intellectual property disputes and those for all civil cases, and emphasized a significant delay in the former cases.¹¹ The report also pointed out problems in procedure under the pre-1996 Civil Procedure Code.

Although many of problems identified in the reports were resolved by the major revisions to the Civil Procedure Code and the increase in the number of judges appointed to IP special divisions, the JPO was not satisfied. After the 1996 revisions to the Civil Procedure Code, the JPO published a report and widely requested submission of comments on current

⁹ Toshiko Takenaka, *Patent Infringement Damages in Japan and the United States: Will Increased Patent Infringement Damage Awards Revive the Japanese Economy?* 2 Washington University Journal of Law and Policy (Forthcoming 2000 Summer).

¹⁰ Mitsuyoshi Mochizuki, *Litigation Proceedings for Intellectual Property Cases*, 5 Institute of Intellectual Property Bulletin 77 (1996). Intellectual property cases accounted for merely 0.3 % of all civil actions between 1990 and 1994.

¹¹ *Id.* at 78.

patent enforcement procedures.¹² In this report, the JPO pointed out a significant increase in the number of IP cases, compared with the total civil actions, and emphasized the increased significance in giving quick and efficient remedies for IP infringement. The report looked into the patent court systems in the United States, Germany and the United Kingdom and proposed the possibility of creating a special patent court to remedy the problem of the lack of expertise.¹³ This would imply an active role for administrative law judges, consisting of senior JPO patent examiners, in the proposed special patent court. Further, as part of the 1999 revisions to the Patent Law, the JPO enhanced the *Hantei* system (a trial for determining the technical scope of a claim) to include the JPO's view on the claim interpretation. This would allow the parties to a patent dispute to take advantage of an inexpensive and quick dispute resolution system within the JPO.¹⁴ Thus, Japanese courts are threatened by competition from the JPO for jurisdiction over patent enforcement cases.

To demonstrate their ability to deal with IP cases in the current system, Japanese courts have begun to dispatch their judges to study patent litigation in leading countries.¹⁵ One main reason for sending judges is to learn of proceedings to dispose of patent and other IP cases quickly and effectively. Further, the Supreme Court of Japan has set up a special project team to reduce the delay in patent litigation.¹⁶ Such an effort to give quick and effective relief for infringement recently resulted in a quick injunction against the "e-One" computer granted by the Tokyo District Court.¹⁷

¹² INDUSTRIAL PROPERTY RIGHT COMMITTEE, JAPANESE PATENT OFFICE, TOKKYO HOU TOU NO KAISEI NI KANSURU TOUSHIN (Invitation of Comments on the Proposal for Revising Patent Law and Other Industrial Property Laws) (Dec. 16, 1997).

¹³ *Id.* at 128.

¹⁴ 1999 Revised Patent Law, Article 71.

¹⁵ Learn about Patent Infringement Litigation from Foreign Countries, Asahi Shinbun (Tokyo), July 10, 1999.

¹⁶ Acceleration of Patent Litigation Proceeding, Nikkei Shinbun (Tokyo), Oct. 10, 1999.

¹⁷ Order of Tokyo District Court, September 20, 1999. (Apple Computer filed an action in the Tokyo District Court based on unfair competition claim on August 24, 1999. After less than one month, the court granted preliminary injunction against the accused infringer.) A summary of this case is published in Toshiko Takenaka, Quick and Effective IP Enforcement in Japanese Courts, 6-2 CASRIP NEWSLETTER 4 (Center for Advanced Study and Research in Intellectual

In short, competition with the JPO has increased the Japanese courts' interest in patent enforcement, which, in turn, has brought a number of improvements in the procedural aspects of enforcing Japanese patents. With the option to raise a defense of the invalidity in infringement proceedings, parties are free to choose between two forums with respect to both validity and infringement (claim construction) issues, which will contribute to the JPO's goal of quick and strong patent enforcement.

Conclusion

The Japanese court system has undergone a significant transition to accommodate the needs of domestic and U.S. industry. It is still too early to tell how these recent revisions to the Civil Procedure Code and the Patent Act will affect Japanese court proceedings. However, the development of special divisions is very likely to affect the view of Japanese judges on claims related to patents and other intellectual property rights, as distinguished from ordinary tort and contract claims. In the past, judges treated all claims in the same manner and did not give any deference, regardless of the type of rights relied upon in the claims. In addition, the Supreme Court's attention has substantially increased the significance of intellectual property rights, resulting in more respect from Japanese judges. In the future, it is very likely that patent infringement remedies will increase significantly and enforcement proceedings will be quicker. However, one should be concerned about the possibility that Japanese courts may go too far in following the direction announced by the Supreme Court and the JPO.