

***PRESENTATION:***

**DEVELOPMENTS IN  
JAPANESE PATENT OFFICE  
TRIAL PROCEDURE**

**Shunichi Doi\***

Judge Shiotsuki has explained the current situation regarding the validity defense in Japanese courts. I will explain how JPO trials have changed, and will also discuss the current situation of JPO trials.

**1. Historical review of JPO trials**

Before the 1993 amendment of the Patent Law, we had three types of trials that occurred after granting a patent. The first was a trial for invalidation of the patent. The other types of trials were the trial for correction of the patent and the trial for invalidation of the correction. These trials were established under the 1960 Patent Law. In Japan, these three types of trials may occur in addition to an infringement suit.

This system had problems. Under this system, we had to decide the order in which the cases were to be tried, based on the issues presented. Patentees often requested a trial for correction of their patent when strong prior art references were submitted at the trial for invalidation of the patent. In addition, the party who requested a trial for invalidation of the patent would sometimes request a trial for invalidation of the correction.

In this situation, we faced triple trials. First, we had to decide the validity of the correction. During this proceeding, the other trials would be suspended. Based on that conclusion, we then fixed the claim through the trial for correction of the patent. Finally, we would decide the validity of the patent.

I think everybody realized the problem with this system: it lacked speed. Suppose, in the worst case, that either party appealed each decision to the High Court and again to the Supreme Court. It would take a long time to complete the process; the term of the patent in question would expire before all trial decisions became final. That is why we changed the old trial system.

Under the current system, we have combined the three trials into a single trial for invalidation of the patent. Both parties can discuss all issues related to the validity or correction of the patent in one trial.

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\* Senior Appeal Examiner, Japanese Patent Office.

## 2. The Supreme Court decision

The Supreme Court decision in the 2000 *Kilby* case,<sup>1</sup> which Judge Shiotsuki showed us, represents the next great step in the progress of Japanese patent law, in that it combined the infringement suit with issues related to the validity of the patent.

There were cases in the 1970's and 1980's in which the court interpreted the scope of a claim narrowly by taking into consideration prior arts that denied patent novelty. The Court adopted such an interpretation because the court deciding the infringement suit generally had no power to decide patent validity issues; otherwise, the court might have been forced to suspend the proceedings according to Patent Law Section 168 paragraph (2) until a JPO trial decision on patent validity became final.

Roughly speaking, since the early 1990's, the infringement court has gradually changed its stance. The infringement court seems to be more willing to discuss patent validity issues. In addition, the proceedings have become faster than before. The recent Supreme Court decision in *Kilby* was reached under these new circumstances. The decision, however, limited the ability of the infringement court to deciding validity issues only in certain circumstances; specifically, "[i]f a patent contains an obvious reason for invalidity, and it is expected with a high level of certainty that the patent would be invalidated by a decision following trial proceedings." Thus, the infringement court cannot deal with all issues related to patent validity; it can only do so if there is an "obvious reason" to find the patent invalid.

As Judge Shiotsuki explained, there are some problems remaining to be discussed. However, this decision gave both parties an opportunity to discuss patent validity issues before the infringement court. I recognize that many parties involved in patent suits wish to have a simple and inexpensive procedure to litigate their dispute. I hope this decision will lead to more efficient and more prompt proceedings for parties.

## 3. Current Status of JPO trials

Let me introduce you to the role of JPO trials following the Supreme Court decision. I am a trial examiner at the JPO. My biggest concern is whether or not the Supreme Court decision will take my job away from me. I do not think so, because the JPO and the Court are not in a competitive relationship, but rather a cooperative one.

As I understand it, re-examination proceedings by the USPTO were introduced into U.S. patent law to offer a cheaper, yet specialized procedure to the patentee or a third party. We recognize that our invalidation trial has the same role as that of the re-examination proceeding in the USPTO.

JPO trials are filed in various contexts. A patent owner may demand a trial for correction of a patent in advance of an infringement suit to modify the claims. A competitor may demand a trial for invalidation of a patent to take the initiative against a patentee. To avoid prior art, a trial for correction of a patent sometimes follows a trial for invalidation of

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<sup>1</sup> *Fujitsu v. Texas Instruments*, Judgment of Supreme Court of Japan, Case No.: *Heisei* 10 (O) 364, April 11, 2000.

a patent. A trial for invalidation of a patent may follow an infringement suit as a kind of counter claim.

There are still a lot of parties who request a JPO trial apart from an infringement suit. Roughly speaking, 50% of infringement suits are related to JPO trials for invalidation of a patent. About 10% of infringement suits are related to JPO trials for correction of a patent. The number of trials for invalidation of a patent has increased about 50% over the past five years. In such circumstances, the JPO has been taking measures to make prompt and steady trial decisions.

The most common question related to a JPO trial would be, "How long will the trial take?" The average period for a patent invalidation trial is 14 months; however, many trials finish within 12 months. The average period for a trial for patent correction is around six months. These average periods have become shorter over the past few years.

In addition, the courts and the JPO exchange information about litigation and trials, based on Patent Law Section 168 paragraph (3) and (4), as added by the 1999 amendment law. We introduced these paragraphs to encourage cooperation with the courts in making relevant decisions. In fact, there was an unfortunate case where a patent was held invalid at a JPO trial after the district court found infringement of the patent by the alleged infringer. According to the 1999 amendment law, we pay special attention to the proceedings of trials relating to infringement suits.

There are many examiners and senior examiners in the JPO with majors in various types of technology. The JPO recognizes that we should use our specialties to settle disputes related to patent validity, especially those related to the "inventive step" of patented inventions. For this reason, we must decide validity of the patent in the trial as soon as possible. This will help the infringement court in making efficient and prompt decisions.

#### **4. Remaining Problems**

We still have problems with trials. The 1993 amendment to the Patent Law established simple procedures to combine issues related to correction of a patent with a trial for invalidation of the patent. However, many trials for patent correction are filed independently after the trial decision on invalidation of the patent. What does this mean? Many parties in Japan wish to have a combined simple procedure. Nevertheless, some patentees tend to use both procedures, despite having the chance to correct their patent in the trial for patent invalidation. Their strategy, I suppose, is to maintain their claim as broadly as possible through the trial for invalidation of a patent. Then, seeing a decision on invalidation of patent against them, they appeal to the Tokyo High Court and, at the same time, they request a trial for correction of the patent to narrow the claims to avoid prior art. They fall back on the trial for correction of the patent, because the effect of the correction is retroactive. When a decision on patent correction becomes final, the Tokyo High Court automatically reverses the previous trial decision holding the patent invalid.

The 1993 amendment to the Patent Law was expected to establish a combined simplified procedure. However, it has created cases that are more complex. My major concerns after the Supreme Court decision are how defendants in infringement suits will use the validity defense and how they will use the JPO invalidation trial. In other words, my question is whether or not defendants who assert a validity defense before the infringement

court will request an additional JPO trial for invalidation of the patent. As far as I know, after the Supreme Court decision, there have been about 20 cases where the defendant asserted the validity defense before the infringement court. Almost all of those cases were related to a JPO trial for invalidation of the patent. Although those JPO trials were filed before the Supreme Court decision, I worry about what will happen in future.

The Supreme Court decision was expected to establish a combined simplified proceeding before the infringement court. Parties hoped to have a simple and inexpensive procedure for resolving validity and infringement issues. However, if both parties use every possible procedure in order to dispute a case, the infringement court and the JPO would be forced to struggle with multiple and complex cases. The JPO will carefully analyze the cases filed after the Supreme Court decision and discuss the problem.

Thank you very much.