

PRESENTATION:

**INVALIDATION PROCEDURE
AND INFRINGEMENT TRIALS
IN JAPANESE COURTS AND PATENT OFFICE**

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I. Introduction

Good afternoon. As introduced, I currently belong to the Tokyo High Court, 18th Division. Three years ago, I served in another division of the Tokyo High Court that deals with all types of civil cases except intellectual property. In 1996, I moved to the Tokyo High Court from the Osaka High Court. I originally belonged to a division that handles IP cases along with all other civil cases. So, given my perspective and experience, I may speak of the sensitive situation currently facing the Japanese Court system regarding evaluation of the procedure for invalidating patents.

II. Procedures of patent invalidation

First, let me briefly tell you how the Japanese court system handles IP cases. Typically, patent *infringement* cases take place in the Tokyo District Court or the Osaka District Court. These cases may be appealed to the Tokyo High Court or to the Osaka High Court. Final appeal can then be made to the Supreme Court.

On the other hand, a patent *invalidation* trial may take place, in the first instance, at the Board of Appeal of the Japanese Patent Office (JPO). An appeal from a decision of the Board of Appeal may then be made to the Tokyo High Court. A party who is not satisfied with the decision of the Tokyo High Court may appeal to the Supreme Court.

At this point, I'd like to discuss Section 126 of the Japanese Patent Act, which deals with the amendment of patents. Section 126 says that the patentee, except in the case where an opposition or a trial under Section 123 (1) is pending with the Patent Office, may demand a correction of the specification or drawing attached to the request. Section 123 (1) covers patent invalidation trials. Therefore, Section 126 teaches us that a patentee could demand a correction of a patent specification after a ruling on the opposition, or a trial

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decision invalidating the patent, as long as the patentee has appealed the ruling to the Tokyo High Court.

The part of Section 126 covering patent correction timing and time limits – which American patent attorneys may know as statutory bars – was amended in 1993 so that the correction procedure may not take place without regard to the invalidation procedure at the JPO. But if a patentee took to the Tokyo High Court an action against the ruling or trial decision of the JPO Board of Appeals, he or she could demand a correction according to Section 126. This is a loophole. Once a patentee demands a correction, the Tokyo High Court's appeal procedure from the JPO trial decision declaring patent invalidity may be delayed until the correction procedure is concluded. This is one of the reasons that patent invalidation procedures may encounter delays.

Given what I have just outlined, three procedures could take place concerning one patent, in several court rooms. The first is an infringement trial. The second is a trial in the Tokyo High Court that deals with appeals from a ruling on the opposition or trial decisions that a given patent is to be invalidated. The third is the correction of the specification procedure. The latter may also be handled in the Tokyo High Court if a patentee appealed against the trial decision denying a demand for a correction. These three procedures may take place simultaneously and independently. This situation would appear to be inefficient for prosecuting patent invalidations.

I must admit that Japanese Patent Act has some complexity, so, to understand what I've said, please read our Patent Act. Now I must move on.

III. Supreme Court decision on rights abuse

I would like to explain a prominent judgment made by the Supreme Court of Japan. In the *Fujitsu Ltd. v. Texas Instruments* case,¹ the so-called “Kilby patent case,” the Supreme Court made a judgment, April 11, 2000, which says that a patent is invalid if it 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 a trial proceeding – in which case, a court has the ability to decide whether the patent is invalid, and deny the infringement suit from a patentee, on the theory of abuse of right.

This case's facts are complicated, but I will read the judgment as it is. Here is what the Supreme Court said (in English translation by Professor Takenaka):

Although a rejection of the Original Application has become final, a right to prevent later applications from obtaining a patent on the basis of a finally rejected application remains; thus, this Application should have been rejected under Article 39, Paragraph 1, which covers double patent issues. Further, this Invention is identical to the Original Invention claimed in the Original Application. The rejection of the Original Invention has become final for lack of inventive step over publicly known conditions of patentability under Article 29, Paragraph 2, which deals with inventive step. Accordingly, it follows that there are obvious reasons

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

for invalidating this Patent under Article 123, Paragraph 1, Item 2, covering invalidation, as mentioned above. Because no special circumstances exist which overcome the reasons for invalidation, such as a pending trial with the Japanese Patent Office to correct them, it is expected with a high level of certainty that this Patent would be invalidated. (Partially omitted.)

As is well illustrated in this case, if 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 a trial proceeding, it is unreasonable to permit a patentee to request injunctive relief and damages. (Partially omitted.)

Even before the decision invalidating a patent has become final, where a court determines that there has been infringement of a patent, it should determine whether any reason for invalidity exists. If the court finds a reason for invalidity, it should deny a request for injunctive relief and damages, and thus deny the request as being an abuse of right, unless there is any special reason for not doing so.

Those are the Supreme Court's words, as translated by Prof. Takenaka. On the other hand, an officially translated version of the *Fujitsu v. Texas Instruments* case decision was issued this June. You should read this translation carefully. There are some controversial words that derive from the difficulty of understanding the incommensurate judicial systems of Japan and the United States. This translation says, in its summary:

In the event that there is clear and convincing evidence that a patent is invalid, a claim for injunction, damages, or other claims based on such patent is beyond the scope of rights intended by the law, except in extenuating circumstances.

That is the summary of the judgment. I think that its way of saying "there is clear and convincing evidence that a patent is invalid" leads to some misunderstanding. In Japan, we do not differentiate between "preponderance of evidence" and "clear and convincing evidence." Thus, the term "an obvious reason for invalidity" given by the Supreme Court has not given a definition concerning the degree of evidence. So how would one measure "an obvious reason for invalidity"?

From my point of view, at least as inventive step is concerned, the meaning of this judgment is simple. A patent may be declared to be invalid in the scope of the invalidation procedure. That is the point. Let me offer an illustration. Suppose that there exists a trial decision on the invalidation procedure of the JPO held by the Tokyo High Court, but that the Tokyo High Court's decision was appealed to the Supreme Court. Appeals from High Courts are hardly to be denied, illustrating a typically high level of prediction of patent invalidation. Therefore, the meaning of the judgment in *Fujitsu v. Texas Instruments* does not concern the evidence itself. It concerns the high degree of prediction on patent invalidation. Still, even if thus considered, the term "an obvious reason for invalidity" used by the Supreme Court is ambiguous and controversial.

Next, I will point out three concerns.

IV. Japanese Court System Concerns

The Question whether an invention could have inventive step or not – in other words, could an invention have non-obviousness over well-known inventions or not – is a very sensitive issue, not only for the parties, but also for members of the court. Some critics say that patent invalidation assertions in infringement cases may be argued not via the theory of rights abuse, but via the patent invalidation assertion itself, which is to say the Plea of Patent Invalidation, if I may call it that.

This is a theoretical dispute. But I would like to confine my remarks to serious and practical matters. Patent infringement cases may be heard at any District Court, as well as Tokyo District Court or Osaka District Court. These many District Courts do not possess expertise themselves. Additionally, District Court Judges are overburdened with many cases to be resolved, a fact about which I am nervous. When judges accept a case requiring special expertise, and if these Courts make judgments related to inventive step disputes, we have to consider how to supply the requisite expertise. Where should it come from? In contrast, the Tokyo High Court handles cases appealed from the JPO Board of Appeals. It deals with these cases routinely with the aid of technical advisers.

The issue is whether District Courts Judges have the ability to judge whether patents demonstrate inventive step or not. What I want to say is that they would face a tough battle in resolving such issues. I do not think these situations favor good insight with respect to patent validity. Rather, I think we should give priority, as a general rule, to the invalidation procedures coded in the Japanese Patent Act.

V. Tokyo High Court Concerns

As members of the Tokyo High Court IP Division, we handle cases appealed from the JPO Board of Appeals. In these cases, we discuss whether factual or legal errors have occurred in the decision or in the Board of Appeals' trial procedure. Tokyo High Court members are used to dealing with determining inventive step. On the other hand, members of the District Court do not routinely take these cases, so do not get used to these matters. That is the first critical point, from a Tokyo High Court member's view.

Second, even if the District Court rules the patent invalid on the grounds that the subject matter lacks inventive step, the High Court may examine the patent to determine its validity at an infringement trial. When the High Court reaches a different conclusion from that of the District Court, the High Court has to determine whether the defendant's product or process infringes the plaintiff's patent, as passed through the District Court's fact-finding proceedings, following the invalidation test. This infringement examination becomes the first instance of substantial fact finding. In Japan, High Courts have the ability to find facts; or rather I should say, High Courts are *obliged* to find facts, even where District Courts have not yet found the facts related to the subject of the case. In principle, as High Court Judges, we cannot remand civil cases to a District Court. That is the second critical point.

VI. Administrative Act Concerns

The registration of patents is construed as an Administrative Act. Registration is dealt with by the JPO, one of the administrative agencies of the Japanese government. Both scholarly theory and case law characterize administrative acts as having official power. Official power means that an administrative act will benefit from a presumption of lawfulness, unless there are such serious and obvious defects in the formation of the act that is recognized as being absolutely void. Not only the party directly affected by the administrative act, but also third parties and national public bodies, must respect an administrative act, unless or until it is annulled as a result of a dispute in accordance with certain legal proceedings. This theory allows us to understand why courts that handle patent infringement cases are reluctant to declare conclusively that a patent is invalid.

In this context, according to conventional theory, in order to annul patent registration, we have to go through a trial for the invalidation of the patent in the first place. Trials for invalidation of patents take place at the JPO. Thus, the Supreme Court accepted the conventional theory that abuse of rights is prohibited, as described in Section 1 paragraph 3 of Civil Code.

Those are the three concerns. Now I would like to address patent-dense fields and cutting-edge technologies.

VII. Patent-dense fields / Cutting-edge technologies

Conventionally, the strategy of Japanese companies has been to obtain numerous patents. Patents are taken mainly to protect the patent owner's products or processes, not to take action against competitors. From this point of view, patents related to technologies in patent-dense fields – or of old-fashioned fields – are to be construed narrowly. There could be many prior art references. Accordingly, it could be very possible for these patents to be considered invalid due to lack of inventive step.

On the other hand, patents related to cutting-edge technologies cannot be considered the same way. To speculate whether patents related to cutting-edge technologies are valid or invalid is very controversial. The area of these types of inventions might be very broad. Whether or not these inventions conflict with conventional technologies or exhibit inventive step is a very sensitive issue. Court members in Japan are typically unfamiliar with such speculation.

In order to evaluate inspired inventions, at least, we have to differentiate cutting-edge technologies from mature fields, such as mechanical technology, or we have to speculate more deliberately about the invalidation of patents obtained on cutting-edge technologies.

Given this situation, I must now turn to the Japanese Judicial Reform Council Report.

VIII. Judicial Reform Council Report

Japan has just embarked on a program of judicial reform. On June 12, 2001, The Judicial Reform Council submitted its final report to the Prime Minister, calling for an overhaul of the Japanese legal system. Generally, it features three main pillars of reform:

- 1) Greater citizen support for the judiciary through such methods as introducing a citizen participation system, or *quasi-jury* system;
- 2) Better citizen access to legal services through a shortening of the duration of trials and a lowering of lawsuit costs; and
- 3) Improvement in the quality of judges, prosecutors and lawyers, and an increase in the number of legal professionals.

In regard to IP cases, the Council proposed the establishment of patent courts under the auspices of the Tokyo and Osaka District Court systems.

Details of the judicial reform have not yet been determined. But the issue of whether or not Courts could manage the invalidating process will play a pivotal role in the matter, especially with regard to acquiring sufficient expertise for our Courts to deliberate on these matters.

Now I would like to make a few additional remarks about this issue.

IX. How to secure technical advisors

As judges not specialized in technical matters, we have a tendency not to completely understand the importance of cutting-edge technologies, and the significance of inventive step. We have to be self-disciplined, but we have to have adequate technical advisors, too. We have to deal with more and more cutting-edge technology cases nowadays, so sourcing technical researchers will be a critical issue from now on. We must secure not only sufficient numbers of researchers, but also researchers whose expertise qualifies them for their roles.

As I mentioned earlier, in Japan, High Courts generally have the ability to perform discretionary fact finding. As far as infringement trials are concerned, District Courts and High Courts are “continuative” trial courts, from our view of civil procedure theory. Because of the increasing number of IP cases it is essential for us to determine whether it is appropriate to allow lower courts the power to decide whether inventions have an inventive step or not. If it is appropriate, then not only Tokyo and Osaka District Courts, but also Tokyo and Osaka High Courts, should arrange for adequate technical advisors. It remains to be considered how to seek adequate skilled technical advisors, where to find them, and how to retain them. This will be a significant factor in the adequate and timely resolution of our infringement cases, with respect to patent invalidation judgments.

Well, the time is up, I must conclude here. I very much thank CASRIP for having me, and thank all of you for your kind attention.