

# Recent Developments regarding the Intellectual Property High Court of Japan

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## 1. Background of the establishment

The Intellectual Property High Court of Japan started operating on April 1, 2005, as a court specializing in intellectual property cases.

In 1980s, Japan was at the world's top level as an industrial power. The economic recession has continued, however, since the collapse of the so-called bubble economy, intellectual property has come into the limelight and awareness has been widely shared that Japan should take nationwide measures to create, protect, and exploit intellectual property so as to revitalize the economy.

Meanwhile, it is in the midst of a stream of justice system reform in Japan. The role of Japanese justice system was becoming ever more important along with the recognition that Japan should be transformed from an “advance control and regulation” based society into “post review and remedy” oriented society, in which individuals are to be given free rein to act on their own responsibility and afterwards violation of the rules is to be reviewed or remedied. As part of justice system reform, we have been aiming to establish a civil justice system that is easily accessible for the people, meets diversifying needs, and provides speedy, improved and effective judicial remedies.

Under such circumstances, in June 2001, the Justice System Reform Council published various recommendations. The Council expressed its view that “Strengthening of Comprehensive Response to Cases Related to Intellectual Property Rights” is one of the most important subjects in the area of civil justice reform, and recommended measures to reinforce the system for resolving intellectual property cases with more expertise.

Furthermore, in July 2002, the Strategic Council on Intellectual Property adopted the “Intellectual Property Policy Outline,” which recommended the creation of an entity that is equivalent to “patent court” under the concept of “an intellectual property-based nation.”

Subsequently, the Intellectual Property Policy Headquarters in the Cabinet adopted the strategic program for the creation, protection and exploitation of intellectual property in July 2003, in which it recommended the establishment of the IP High Court to reinforce the dispute resolution function and to proclaim the national policy that intellectual property was one of the top priorities.

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Taking these recommendations into account, in June 2004, the Code for Establishing the IP High Court was enacted and was promulgated. The IP High Court of Japan was established as a “special branch”(as set forth in the provision of Article 2 ) within the Tokyo High Court, which is granted a higher degree of independence than other branch of eight high courts in Japan on April 1,2005.

Currently, the IP High Court of Japan has received highly expectations and has drawn a great deal of attention from home and abroad.

This paper is mostly based on the article “Outline of the Intellectual Property High Court of Japan” (Katsumi Shinohara, Vol.30 No.3 A.I.P.P.I. 131) and information posted on our website (<http://www.ip.courts.go.jp>). Please refer to the website together with the article. The information on the website is available in English as well as Japanese. Also the part of it is available in German, French, Chinese and Korean.

Meanwhile, it is needless to say that the opinions discussed in this paper represent my personal views only.

## **2. Jurisdiction**

The IP High Court hears suits against appeal/trial decisions made by the Japan Patent Office (hereinafter called “JPO”), as the court of first instance, and civil appellate cases relating to intellectual property as the court of second instance.

### A. Suits against appeal/trial decisions made by JPO

Suits against appeal/trial decisions made by JPO come under the exclusive jurisdiction of the Tokyo High Court (Article 178(1) of the Patent Law, etc.), and are heard by the IP High Court as a special branch of the Tokyo High Court (Article 2(2) of the Code for Establishing the IP High Court ).

### B. Appeals from district courts in civil cases

Appeals from district courts in civil cases relating to patent rights, utility model rights, rights of layout-designs of integrated circuits, and rights of the authors of a program work come under the exclusive jurisdiction of the Tokyo High Court (Article 6(3) of the Code of Civil Procedure), and are heard by the IP High Court as a special branch of the Tokyo High Court (Article 2(1) of the Code for Establishing the IP High Court).

Appeals from district courts in civil cases relating to design rights, trademark rights, copyrights (excluding rights of the authors of a program work), rights of publication, neighboring rights, breeder's rights, and those relating to infringements of business interests by acts of unfair competition come under the jurisdiction of the relevant high

court among eight high courts in Japan, depending on where the court of first instance is located. Therefore, the IP High Court, as a special branch of the Tokyo High Court, hears such appeals when they come under the jurisdiction of the Tokyo High Court (Article 2(1) of the Code for Establishing the IP High Court).

In consequence, such appeals are exclusively heard by the IP High Court.

### C. Comparison with other countries

The United States Court of Appeals for the Federal Circuit (established in 1982) deals with intellectual property cases and various other types of cases, except copyright cases. About 30% of the cases heard by the Federal Circuit seem to be intellectual property cases. Since the acceptance of appeals is subject to broad latitude of the U.S. Supreme Court, the Federal Circuit is, in effect, the last court of appeal in many cases. The Federal Circuit has its own law clerks and technical assistants as its staff.

The Federal Patent Court of Germany (established in 1961) and the Patent Court of Korea (established in 1988) deal with the cases equivalent to the suits against appeal/trial decisions made by JPO in Japan, but both patent courts have no jurisdiction over patent infringement cases. The German Patent Court has technical judges as their constituent members and the Korean Patent Court has technical examiners as their staff to support the understanding of technical issues. The ordinary civil courts dealing with infringement cases utilize expert witnesses as necessary.

The judicial system of a country has been developed in the context of their specific legal structure, history, culture and social background. It is clear from the above comparison with the judicial system of other countries that the IP High Court of Japan has a unique character in terms of jurisdiction, and also after-mentioned judicial research officials system, expert commissioners system, and the Grand Panel system.

## **3. Personnel System**

The IP High Court consists of a Chief Judge, other judges, judicial research officials of intellectual property cases, court clerks, and court secretaries. Expert commissioners may also be involved in intellectual property cases as part-time officials on a case-by-case basis.

The IP High Court started with a total of 51 members of staff, including 18 judges, 11 judicial research officials, court clerks, court secretaries and administrative officials.

### A. Judges

At the IP High Court, a panel of three judges usually conducts proceedings and renders judgments. The Grand Panel of five judges is set up when a case contains important issues and it is appropriate to provide unified opinions on the issues without delay.

The industrial world presents three major concerns for the IP High Court as follows: speedy trials, trials with more expertise, and unified judicial decision in an early stage such as on a high court level.

Among those concerns, a difficult problem involving the essence of judicial processes is expertise of IP judges because ordinary judges have acquired their practical experience as a so-called generalist, therefore generally don't have technical background. On the other hand, recent progress in the fields of science and technology has been remarkable and the number of cases in which understanding of highly specialized and advanced technology is required has been increasing.

It should be critically important for the judges of the IP High Court to try to cultivate so-called technical mind by keeping active interests in technologies and maintaining progressive spirit on the basis of their sophistication as a lawyer as well as their knowledge and experience as a generalist, while consistently maintaining sincere efforts in researching the technical matters necessary for making the judicial decisions and deepening their understanding of such matters through the allegations and evidence submitted by the parties in the litigation process and by getting assistance from the judicial research officials and listening to the explanations made by the expert commissioners.

How to develop the technical expertise of the judges of the IP High Court are the challenges for the future.

#### B. Judicial research officials

Judicial research officials conduct researches as permanent court officials, by order of judges, on technical matters as required to conduct proceedings and render judgments in cases relating to patents, utility models, and other intellectual property.

The judicial research officials system has a history of over fifty years. By tradition, patent examiners and appeal examiners of JPO (in the mechanical, chemical and electric fields) are assigned as the judicial research officials. All of the research judicial officials assigned to the IP High Court work in the same office, and they are assigned to various cases not on a judge-by-judge basis but on a case-by-case basis.

The total number of judicial research officials engaged in intellectual property cases is 21. 11 of those belong to the IP High Court. One of them is a practicing patent attorney, and 10 others came from JPO.

The judicial research officials so far have gained high reputation for having conducted fair and appropriate researches by performing their duty faithfully with a rather critical eye on the performance of JPO.

Along with the start of the IP High Court, judicial research officials are given the increased and clarified authority under Article 92-8 of the Amended Code of Civil Procedure of 2004 and subject to the qualification provided by Article 92-9. Historically, it was only judge's authority to ask questions to the parties or encourage the parties to establish the facts of the case during oral arguments or pretrial hearings. The research officials may, with permission of judges, ask questions to the parties during oral arguments or other proceedings in order to clarify the facts of the case (Article 92-8 of the Code of Civil Procedure).

The authority of the judicial research officials to propose their reference opinion in order to properly reflect the expert knowledge and research result in the decisions made by the court for each case is clarified in the provisions stipulating "to propose to the judges their opinions concerning the case"(Article 92-8(4)).

It is necessary to study more and work out what the appropriate exercise of such authority should be. These subjects, together with other subjects such as what the appropriate role-sharing with the expert commissioners should be, are left to the operation of the court in many respect, and therefore, every effort should be made to build on the practice and to prove the merit of the recent reform, purporting further reinforcement of the judicial system specialized in handling intellectual property cases, while giving appropriate attention to the transparency and neutrality of the proceedings.

#### C. Court clerks and court secretaries

Court clerks attend and record proceedings, manage the progress of the proceedings, prepare and keep case files, assist judges in researching relevant laws and regulations as well as judicial precedents, and carry out other services in proceedings as provided by law.

Court secretaries provide judicial administrative services.

#### D. Expert commissioners

Expert commissioners may be involved, by decision of the court, to assist judges by providing explanation of technical knowledge in cases where their expertise is necessary to clarify issues of the case or to facilitate progress of the proceedings (Article 92-2 of the Code of Civil Procedure).

The expert commissioners system was introduced on April 1, 2004 in order to make more reliable and convincing judgments in response to the rapid advances in technology (Article 92-2 of the Amended Code of Civil Procedure of 2003).The purpose of the

expert commissioners system is to enhance the quality and accuracy of the trial proceedings rather than to speed up the trial.

Approximately 180 expert commissioners are appointed as part-time officials with two-year term nationwide by the Supreme Court from among top-level technical experts in various scientific fields such as leading scholars, researchers at public research institutes or private corporations, patent attorneys and so on.

Such expert commissioners are pooled so that the court may designate the most suitable expert on a case-by-case basis for the cases involving the technical disputes especially difficult to understand, and those requiring explanation based on expert knowledge.

The court may hear the explanation of such commissioners on the oral argument or pretrial hearing concerning the allegations and evidences submitted by the parties from the fair and neutral position of advisor. There are certain requirements for exploiting the expert commissioners system, such as the requirement of hearing the opinions of the parties and making explanations based on expert knowledge during oral arguments or other occasions, for giving the parties the opportunity to make counterarguments.

Since the use of a single expert commissioner may cause a conflict of opinions between the commissioner and the parties, assigning multiple commissioners (combining, for example, a scholar or a researcher and a patent attorney) to one case is under discussion for the smoother operation of the litigations.

As of the end of 2005, the total number of cases designated an expert commissioner is 90, the total number of expert commissioners is over 150. About 80% of these cases were heard by the IP High Court. The expert commissioners system is mostly utilized at the IP High Court so far.

In December 2005, the IP High Court with the Tokyo District Court and the Osaka District Court held the Expert Commissioner Workshop in which many expert commissioners exchanged frank opinions with judges on the main theme of “inventive step.”

It seems that the expert commissioners system has been favorably received so far since explanations made by the expert commissioners from various perspectives can be reflected in the litigations in a manner easy to understand and clarify the point of dispute. However what is important to make this system get on track is to gain the confidence of the parties, and therefore, the transparency of process is indispensable in the course of the oral arguments and pretrial hearings with the expert commissioners.

It is necessary to develop this system to be fully operable as technical support in synergy with the judicial research officials system by accumulating further practices and further making improvements.

#### 4. Statistical Analysis

The IP High Court hears all cases subject to the jurisdiction of the Tokyo High Court as long as the nature and contents of the case are related to intellectual property (Article 2 of the Code for Establishing the IP High Court). All cases pending at the IP Division of the Tokyo High Court as of the end of March 2005 were comprehensively succeeded by the IP High Court on April 1, 2005.

At this time, the annual statistics on the first year of the IP High Court is not reported officially.

An overview of the trend of major cases heard by the IP Division of the Tokyo High Court in the past 10 years is as follows:

First of all, in terms of the suits against appeal/trial decisions made by JPO, the number of commenced cases drastically increased from 1997 and hit a peak (636 cases) in 2002 and began gradual declining. The number of the cases still remained more than 500, hovering at a high level. Looking into the details of the cases in these few years, the patent cases increased to account for nearly 80% of all cases, followed by trademark cases, utility model cases and design cases. Nearly 80% of these cases result in court decisions. Turn our eyes to the average time intervals from commencement to conclusion of the cases, it was 21.4 months in 1996 and decreased to 12.6 months in 2004.

Efforts had already been made to improve our case management through intensive pretrial hearings which are proceedings to narrow down factual and legal issues before the first oral argument date in open court more efficiently and expeditiously so as to complete the pretrial hearing in one or two days. We will make more efforts to achieve further effective and appropriate proceedings.

Secondly, in terms of appeals from district courts in civil cases relating to intellectual property, the number of commenced cases drastically increased from 1997 and stopped increasing with the peak (124 cases) in 2000 and remained 110s in these three years. Looking into the details of the cases, patent cases account for over 30% of all cases, copyright cases account for over 20%, followed by cases concerning business interests by acts of unfair competition, trademark cases, utility model cases and design cases.

Turn our eyes to the average time intervals from commencement to conclusion of the cases, it was 18.5 months in 1997 and decreased to 9.0 months in 2004.

When an appeal case is filed, it is usually assigned the oral argument date straight away without pretrial hearings. In this type of the cases, the district court usually has already covered most of necessary trial procedures such as narrowing issues and taking evidence. The case is concluded after one or several oral argument date.

Obviously from explained above, appeals from district courts in civil cases relating to intellectual property accounted for a little less than 20% of all case, but after the so-called

Kilby decision (Texas Instruments v. Fujitsu, Supreme Court Third Petty Bench Decision of April 11, 2000, Minshu 54-4, 1368), patent infringement cases have been arguing the existence of the reason for invalidating a patent, and with the increase of the district court making decisions on the “defense of abuse due to obvious invalidity”, the appeal trials on infringement have become more and more complicated and difficult to render a decision.

While maintaining the framework of the invalidation appeal/trial before JPO but still extending the legal theory depending on the above precedents, the provision of Article 104-3 of the amended Patent Law of 2004 came into effect. The provision set forth that the enforcement by courts of a patent, which should be invalidated by an invalidation appeal/trial before JPO, should be restricted.

Accordingly, it is expected that the courts will face more and more opportunities where the court is required to confront the issue and make decision on the invalidity of the patent. Actually, we have already several cases that a defendant asserted the defense of invalidation of a patent according to Article 104-3 for the first time at the IP High Court.

## **5. The Grand Panel**

Intellectual property disputes often involve important legal issues, and in many cases, court decisions have a critical impact on corporate activities and Japanese industry and economy.

As mentioned above, the Federal Circuit of the U.S.A, which was established to unify the legal interpretation concerning intellectual property rights, conducts trials on the matter of law and substantially functions as the last court of appeals. Especially the “en banc” panel which is consisted of all judges of the Federal Circuit is deemed to play an important role.

On the other hand, the IP High Court is a court originally conducting fact-finding proceedings and it is the Supreme Court of Japan that plays the role of unifying the legal interpretation as the court conducting trials on the matter of law. However, since the court decisions sometimes have the effect of setting up new rules and frameworks for business, the industrial circle had desired the formation of satisfactorily reliable rules and consistency of judicial decisions prior to the final judgment made by the Supreme Court in order to set up these business rules at an early stage.

To meet such need, the Grand Panel system was introduced in April 2004 in which a five-judge panel hears suits against appeal/trial decision on patents or utility models made by JPO and appeals from district courts based on claims concerning patents and others (Article 182-2 of the Amended Patent Law; Article 47.2 of the Amended Utility Model Law; Article 310-2 of the Amended Code of Civil Procedure, of 2003).

The IP High Court has four divisions and a special division for the Grand Panel, to which all the judges are assigned. Actually, it is arranged that Chief Judge of the IP High Court



presides over the case at the Grand Panel, and the other four judges consist of three judges managing their respective divisions, or the associate judges substituting the above and one associate judge who should be in charge of the case, when the cases involving important matter of law as their point at issue should be heard by the Grand Panel, when there is another pending litigation having the same point or issue in common and heard by another panel, or when it is otherwise deemed reasonable for the Grand Panel to hear the case.

As a precondition to conducting these procedures, the judges are required to be aware of the cases presided over by other judges at all times, especially the cases pending at other divisions, to some extent. Therefore, the judges have regular meetings for exchanging information among associate judges approximately once a month.

Furthermore, when a case is assigned to the Grand Panel, a study group is formed by volunteer judges including members of the Grand Panel and volunteer judicial research officials, and the study group discusses factual and legal issues on the case from any and all perspectives before a final decision rendered by the Grand Panel. Therefore the decision is, in practice, based on discussions by the whole court.

In 2005, the Grand Panel heard and handed down judgments on the “Ichitaro Case”, the “Parameter Case”, and the “Ink cartridge Case”. Although the “Ink cartridge Case” was appealed to the Supreme Court, the other two cases were not appealed and their judgments by the Grand Panel of the IP High Court were finalized.

We will continue to work on the Grand Panel cases to form precedents that can be relied on.

## **6. Challenges for the future**

The IP High Court is now in the second year. The expectations on us will be more and higher. Bearing in mind the original goal of justice solving each dispute appropriately and speedily, we will make constant efforts to provide better judicial services while facing to challenges before us. We are responsible for supporting main players such as inventors, engineers, creators of intellectual property and protecting their rights.