

A NEW TREND IN IP LITIGATION

- (1) Jurisdiction
- (2) Creation of Article 104-3 of the Patent Law (Invalidity Defense)
- (3) Expert commissioners system
- (4) Order to keep confidentiality

I. EXCLUSIVE JURISDICTION

Intellectual Property Divisions in the Tokyo District Court, Osaka District Court and Tokyo High Court were established more than forty or fifty years ago.

In the Tokyo District Court, there are 18 judges, including young associate judges and 7 research officers. In Osaka District Court, there are 6 judges, including young associate judges and 3 research officers. In the Intellectual Property High Court, there are 18 judges and 11 research officers.

On April 1, 2004, an amendment to the Code of Civil Procedure went into effect that should bring about speedier hearings in patent and other technical cases in Japan. This amendment provides that the Tokyo and Osaka District Courts will have exclusive jurisdiction over all cases relating to patent rights, utility model rights, circuit layout utilization rights and authors rights as to the program work in Japan. That is, the Tokyo District Court now has exclusive jurisdiction over these cases in the eastern part of Japan and the Osaka District Court has exclusive jurisdiction over these cases in the western part of Japan.

This amendment also provides the Tokyo High Court with nationwide exclusive jurisdiction over appeals of patent and other technical cases from the Tokyo and Osaka District courts. The IP High Court was established as of April 1, 2005 as a "special branch" of the Tokyo High Court, taking over its duties from the IP Division of the Tokyo High Court, which had carried its responsibility for more than half a century. Since all cases under the jurisdiction of the Tokyo High Court can be heard by the IP High Court, the IP High Court now has a nation-wide exclusive jurisdiction over appeals from the Tokyo and Osaka District courts regarding patent and other technical related cases.

Therefore, at present all patent and other technical cases are heard at the

IP divisions of the Tokyo and Osaka District Courts in the first instance, and appeals of those cases are heard at the IP High Court.

With respect to cases relating to design rights, trademark rights, copyrights (excluding program copyrights) and unfair competition prevention law, the Tokyo and Osaka District Courts have the overlapping jurisdictions over these cases for the sake of the smooth and speedy hearing. That is, those cases under the jurisdiction of a district court in eastern Japan may be brought before the Tokyo District Court, while those cases under the jurisdiction of a district court in western Japan may be brought before the Osaka District Court.

II. INVALIDITY DEFENSE

A. Creation of Article 104-3 of the Patent Law

With an amendment of the Patent Law and other laws enacted on April 1, 2005, a defendant is now able to raise the invalidity defense in patent and other I.P litigation.

The Japanese Supreme Court decided on April 11, 2000 in the Kilby case that if a patent is apparently invalid, a defendant can make a defense of abuse of rights in patent infringement litigation. This is called an apparent invalidity defense. Before this decision, it was difficult for us to adopt this defense.

The April 1, 2005 amendment to the Patent Law and other I.P Laws changed the apparent invalidity defense into an invalidity defense. After this amendment, we no longer have to consider whether invalidity is apparent or not.

This amendment, however, will have little impact on the practice of district courts in infringement litigation, because the district courts, relying on the Kilby decision, were already willing to decide validity of a patent without waiting for a decision by the Boards of the Japanese Patent Office (JPO) on an invalidation petition.

The provision authorized a court to decide validity of a patent in infringement lawsuits for total and single-round resolution of patent disputes. It does not request the accused infringer to make an invalidation petition to the JPO.

B. Invalidation Based on the Kilby Case

According to the JPO, an allegation of "abuse of a patent right" has been raised as a defense more frequently in infringement litigations since the Kilby decision. In 2004, the defense was alleged in as many as 80% of infringement lawsuits. In 60% of those cases, invalidation petitions were simultaneously submitted to the Boards of the JPO. The creation of Article 104-3 will not change the significance of invalidation decisions by Boards of the JPO, because the Boards can invalidate the patent right itself. It is anticipated that the role of the invalidation hearing in infringement litigation will be even more important since the creation of Article 104-3.

According to the Kilby decision, even if the evidence supporting invalidation of a patent is clear and convincing, exercise of the patent right is permissible if there are extraordinary circumstances which justify the exercise of the patent. One example of such circumstances is the possibility of a correction hearing before a Board of the JPO. When a party asserts invalidity of a patent, the patentee often responds by filing a petition for correction before a Board of the JPO or makes a request of correction of claims within the invalidation hearing. Even if a petition for correction is commenced or a request of correction is made within the invalidation hearing, the claims remain same until the Board of the JPO permits the correction through a correction hearing or finds corrected claims valid through an invalidation hearing. However, if it is certain that the corrected claim is still invalid and the accused product will still fall within a scope of the corrected claim, a widely supported view is that exercise of the patent right should not be regarded as "abuse of a right." The new provision 104-3 should be interpreted in the same way as before and a court can consider possible success of correction by a patentee in applying Article 104-3(1).

C. Article 104-3(2)

Article 104-3(2) was added to the Patent Law along with Article 104-3(1) in order to prevent an abuse of Article 104-3(1). Under this provision, if the accused infringer submits the grounds for invalidation for the purpose of causing undue delay in the proceedings, the court may dismiss such invalidation defense.

When Article 104-3(1) was introduced, legislators were concerned that

parties might abuse the provision by listing as many grounds for invalidation as possible. So far, such a situation has not happened, and no case has been reported in which the allegation or evidence for invalidation was dismissed pursuant to Article 104-3(2).

D. Dual tracks of invalidation hearings and infringement proceedings

There are quite a few cases where an invalidation hearing and an infringement case with respect to the same patent are pursued at the same time in a district court and a Board of the JPO. Those cases often arise when a defendant in an infringement case alleges as a defense that the patent is invalid based on Article 104-3 of the Patent Law, and also makes an invalidation petition before a Board of the JPO or files a lawsuit against a Board decision in the IP High Court. As a result, there are situations where a lawsuit against a Board decision is pending before the IP High Court while infringement litigation or its appeal with respect to the same patent is pending before a district court or the IP High Court.

When a lawsuit against a Board decision and an appeal against the district court decision involving the same patent are concurrently pending before the IP High Court, it is a general practice of the High Court that the same panel will hear both cases if possible, depending on the parties' willingness and the progress of the cases.

The actual practice varies among district courts. As I understand it, judges of the Osaka District Court tend to stay infringement lawsuits while awaiting the decision of the IP High Court on validity of the patent, if the district court might have different views from the Board decision regarding validity of the patent. In contrast, judges of the Tokyo District Court rarely stay infringement proceedings.

III. EXPERT COMMISSIONERS SYSTEM

The expert commissioners or expert advisors system is a unique system from comparative law standpoint. This system was introduced in April 2004 in order to offer highly professional judicial service in the field of rapidly-developing, highly-specialized and advanced technology.

Expert commissioners are appointed by the Supreme Court as part-time court staff with a term of office of two years. They are chosen from among leading experts of various technical fields, including university professors,

researchers at public organizations or private companies and patent attorneys. One hundred eighty-two expert commissioners have been appointed to the Tokyo District Court, Osaka District Court and IP High Court. Additional expert commissioners may be appointed from time to time if necessary.

In practice, expert commissioners usually participate in preparatory hearings. When a patent or other related case involves highly technical issues and a panel of judges needs explanation by experts on such issues, the panel considers designating expert commissioners who are most suitable for the particular case from among those appointed. The designated expert commissioners serve as neutral and fair advisors to the court in the proceedings they participate in, explaining background or significance of the invention based on evidence and arguments submitted by parties to the court. Although explanations given by expert commissioners in the proceedings are not competent as evidence in principle, they are very useful to help the court to deepen its understanding of the invention and other references involved in the case and to make a decision based on the evidence. A combination of research officials' daily support and expert commissioners' case-by-case assistance will give the Tokyo and Osaka District Courts and the IP High Court greater expertise to resolve highly technical cases.

The expert commissioner system has brought a variety of positive impacts on the judiciary. Explanation by an expert commissioner to a judge leads to higher quality decisions. The explanation is helpful for judges to deepen their understanding of the background and get a total picture of an invention, which is not an easy task for them to do based solely on the submitted evidence. It also clears up their questions and doubts, and gives them confidence.

IV. ORDER TO KEEP CONFIDENTIALITY (PROTECTIVE ORDER)

We do not have a discovery system, but if a court thinks it necessary to decide the case, it can order a party to submit documents necessary to prove the structure or disposition of the accused products or processes and documents to calculate the damage amount.

The court, however, could not order the party to submit such documents if it had sufficient reasons to refuse submission of documents (Article 105). If a party had trade secrets that justified refusing a document submission, it was difficult for the court to quickly reach a final conclusion in patent infringement litigation.

The protective order system was established by the amendment to the Patent Law and other I.P laws enacted on April 1, 2005 in order to ensure that litigation proceeds swiftly. The other IP laws are The Design Law, the Trademark Law, the Unfair Competition Prevention Law and Copyright Law.

If a defendant has sufficient reason to refuse disclosure of documents due to a trade secret, the court can order the parties and attorneys not to reveal any trade secrets to a third party and to use the information only for prosecution of the patent litigation and can then order the defendant to submit the documents.

This protective order system is the system that has been adopted in the United States and in England for a long time. In the past, it was difficult for us to introduce this system in Japan. So, this amendment shows that the Japanese industrial world seriously asked the Court for a quick procedure in I.P litigation as well as powerful and quick protection of patent and other I.P rights.

Up to now, only one such motion has been filed and admitted at the Tokyo District Court. The limited use of this order may be attributable to parties' reluctance to use this system. Parties seem to be wary of requesting a protective order, because the order imposes a heavy and broad obligation on the party receiving the order which is applied beyond the particular case and is ensured with a threat of criminal sanction. Some regard this system as problematic, because it does not apply to employee invention litigation.