
Articles

A Retrospective and a Prospective Look at the First Year of the Intellectual Property High Court

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1. Significance and Influence of the Established System

The Intellectual Property High Court (“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 Divisions of the Tokyo High Court which had carried its responsibility for more than half a century. In its first year, I believe that the IP High Court succeeded in laying an institutional foundation for managing ordinary cases as well as the Grand Panel cases.

The establishment of the new institution was located at the confluence of two streams. A stream was a social tendency that places emphasis on intellectual property rights as symbolized by the phrase “an intellectual property-based nation.” The government pursued various measures for the creation, protection and exploitation of intellectual properties as a national strategy so that the Japanese economy could regain its strength and compete in a global market. The other stream was a series of judicial reforms for

nearly six years which aimed at achieving a more user-friendly and efficient judicial service attuned to this new era. The two streams merged into the legislation of the Law for Establishing the IP High Court (hereinafter “the IP High Court Law”), that is a brand new law separate from the existing Court Organization Law.

The establishment of the IP High Court completed only two years after the full-scale discussions started following the announcement of “Promotional Plans for Intellectual Properties of 2003” in July 2003. Decades ago, it would have been difficult to imagine that a new high court was created in such a short period. It was a historical and remarkable event as Prime Minister Junichiro Koizumi described it in his policy speech of January 2004 as “an epoch-making court reform.”

The court system in Japan, from the Supreme Court to summary courts, is systematically organized in accordance with the Court Organization Law. While some argued the IP High Court should be created in accordance with the Court Organization Law, the IP High Court was estab-

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lished by the special law. This legislative history speaks for itself how important the role of the IP High Court is in the field of intellectual property law. We should recognize that so much are implied in no more than five short articles of the IP High Court Law.

The establishment of the IP High Court attracted public interest. Editorials of national newspapers played up this news, describing “a court having a rather unfamiliar name is created in Japan, whose speedy and appropriate service is expected to contribute to the nation” (*Yomiuri Shimbun* of April 4, 2005), “no other courts have ever started with such a high reputation and expectation” (*Nikkei Shimbun* of April 6, 2005).

In addition, three symposia were held by the Japan Federation of Bar Associations, the Nippon Keidanren and the Japan Patent Attorneys Association to celebrate the establishment of the IP High Court. It is not too much to say that the IP High Court was taken up by almost all of the media including newspapers, magazines, TV, radio and Internet inside and outside Japan. I gave interviews to more than ten media companies, and publicized some essays on the background, outline and challenges of the IP High Court including an article entitled “Outline of the Intellectual Property High Court of Japan,” (*AIPPI Journal*, Vol. 30 No.3, 131 (May 2005)). I also had an opportunity to participate in a round-table discussion with IP professors, lawyers, corporate employees entitled “establishment of the IP High Court and the direction of the intellectual property lawsuits” (1293 *Jurist* 11).

2. Path to the Establishment of the IP High Court

The Japanese economy, which had run at the top of the world as “a major manufacturing nation” in the 1980s, fell into stagnation triggered by the collapse of the bubble economy. Under the lingering recession, intellectual property rights began receiving public attention as an effective tool to revive Japanese economy. Accordingly, the government’s industrial policy was transformed from “manufacturing goods” to “creating intelligence” or “to the era of intelligence.” The national consensus was formed among people, that is creation, protection and exploitation of intellectual property rights on a nationwide scale was indispensable for our nation. The government pushed forward the policy entitled “an intellectual property-based nation.” The concept behind the policy was that added values produced by intelligence could contribute to economic growth and become a source of national wealth.

Under these circumstances, intellectual property disputes, which used to play only a supporting role within the judiciary, suddenly stepped into the spotlight. It seemed to me that the judicial branch well sensed growing importance of intellectual property rights inside and outside Japan. The Judicial Reform Council also recommended in its final recommendations issued in June 2001 to reinforce intellectual property divisions of both the Tokyo and Osaka District Courts. The Council also urged the government to take necessary measures to strengthen the dispute resolution mechanism over intellectual property rights and to expedite the IP related proceedings, describing it as one of the most important policy matters

to be grappled with by the entire government.

In July 2002, creation of an organization that would substantially function as “a patent court” was proposed in the Strategic Outline of Intellectual Property. It was not until July 2003, however, that the idea of the IP High Court came up as a policy idea within the Intellectual Property Policy Headquarters which proposed to establish the IP specialized high court in the “Promotional Plans for Intellectual Properties of 2003.” The purpose of the proposal was to reinforce dispute resolution function as well as to strengthen the protection of intellectual property rights. It also aimed at proclaiming a national policy inside and outside Japan that the Japanese Government attached high priority to the protection of intellectual property rights.

In April 2004, the Code of Civil Procedure was amended so as to provide the Tokyo High Court with nation-wide jurisdiction over the enforcement of any patent rights, utility model rights, rights of layout-designs of integrated circuits and rights of the author of a program work (hereinafter “patent and other related cases”) as the second instance, and the Tokyo and Osaka District Court with jurisdiction over patent and other related cases arising in Eastern and Western part of Japan respectively as the first instance. With the amendment, building of new court system for professional resolution of intellectual property cases entered into the final stage, leaving the establishment of the IP High Court as a remaining task.

The issue of the organizational position of the IP High Court in the whole structure of the Japanese court system evoked nationwide discussion. This subject was principally discussed in the

Working Group on Intellectual Policy Property Lawsuits of the Office for Promotion of Judicial System Reform and the Task Force on Strengthening of the Foundation of Right Protection of the Intellectual Property Policy Headquarters. Business community and other sectors were also involved in this discussion.

One of the ideas discussed was to establish the IP High Court as a totally independent 9th high court in view of its so-called “announcement effects.” This idea, however, was not adopted for the following reasons; First, it might invite incidental disputes over subject matter jurisdiction. Second, relevant cases that should be resolved in the same court may go to different appeal courts. Third, it might hamper the interest of local residents especially with respect to cases related to the Copyright Law and Unfair Competition Prevention Law since those cases tend to have community-oriented and local nature. Fifth, creation of a specialized court seems to be heterogeneous in the Japanese judicial system which have traditionally addressed new challenges by reinforcing existing courts. For those concerns, it was finally agreed that the IP High Court should be established in the Tokyo High Court as a “special branch” with highly independent authority. The IP High Court Law was enacted on June 11, 2004, promulgated on June 18 of the same year and came into effect on April 1, 2005.

The transition from the IP divisions of the Tokyo High Court to the IP High Court was smooth. This is principally because we had already increased the number of divisions and judges and improved case management methods in order to deal with a rapid increase of intellectual property-related cases. On April 1, 2005,

the name of the “Intellectual Property High Court” was carved at the front gate of the Tokyo Court Complex, and an inaugural press interview of the chief judge and inaugural ceremony were held. At the same time, relevant regulations were amended, and new rules of the IP High Court were adopted by its first judicial conference. Infrastructure of the Court such as chief judge’s chamber, secretariat office and website was also reinforced.

All the cases then pending before IP Divisions of the Tokyo High Court were taken over as a whole by the IP High Court. More precisely, 464 pending cases consisting of 400 suits against appeal/trial decisions made by the Japan Patent Office (hereinafter “lawsuits against Appeal/Trial Board decisions”¹) and 64 appeal cases were comprehensively transferred to the IP High Court and sequential case number starting from No. 10,000 was assigned to each case.

It was on April 1, 2005 that the IP High Court went into action both in name and reality. Looking back at the path to the establishment of the IP High Court, it seems to me that we were at a major turning point in 2002, when Prime Minister Koizumi made a policy speech and the Strategic Council on Intellectual Property started. Since then, the name of the IP High Court had gradually acquired public awareness even under ever changing circumstances surrounding the IP High Court. Although there was a cynical view that nothing would be changed by the new institution, the IP High Court was generally welcomed by people with mixed feelings of excitement like leaving ski tracks in fresh snow, enthusiasm, expectation with a faint sense of anxiety.

3. Framework of the IP High Court

(1) Organization

The IP High Court is a “special branch” of the Tokyo High Court. The IP High Court is a court specializing in intellectual property cases established by a new legislation rather than the conventional Court Organization Law. The Court has the chief judge, its own judicial conference and administrative office, and has been given independent authority over its administrative matters. Those matters are decided by its own judicial conference which is separate body from that of the Tokyo High Court.

These distinctive features of the IP High Court are easily understood when compared to ordinary branches of high courts. Those branches, six in total across the nation, are placed by the Supreme Court within the jurisdiction of the corresponding high court to undertake a part of judicial administration of the high court. Such ordinary branch has a limited territorial jurisdiction and is not given any authority over its own administrative matters. The branch simply disposes of judicial administrative matters entrusted by the judicial conference of that high court within the scope of such entrustment.

Such independent nature of the IP High Court, however, does not mean that the IP High Court is outside of conventional court hierarchy. The Supreme Court reviews the judgments of the IP High Court and supervises its judicial administration. The judges of the IP High Court, who belong to the Tokyo High Court as well, are selected by the Supreme Court among judges who are appointed by the Cabinet based on a list of persons nominated by the Supreme

Court. It is needless to say that the IP High Court does not fall within the definition of “extraordinary tribunal” as set forth in Article 76(2) of the Constitution of Japan.

Comparison of the IP High Court with foreign judicial systems is useful to understand the distinctive features of the IP High Court. The U.S. Court of Appeals for the Federal Circuit (hereinafter “the CAFC”) founded in 1982 has been frequently referred to as a model of IP specialized court. The CAFC differs from the IP High Court in that the CAFC does not have jurisdiction over copyright cases and instead does have jurisdiction over other categories of cases which are not related to intellectual property rights. About 30% of all cases handled by the CAFC is intellectual property cases. The CAFC has law clerks and technical assistants as supporting staff.

The Federal Patent Court of Germany founded in 1961 and the Patent Court of Korea founded in 1998 handle appeals from the patent offices, which are equivalent to lawsuits against Appeal/Trial Board decisions in Japan. The former court has so-called “technical judges system,” in which persons with technical background constitute a panel as qualified judges. The latter court has technical officials as supporting staff to deal with technical aspects involved in intellectual property cases. Neither court has jurisdiction over infringement cases, which are handled by ordinary civil courts with the assistance of expert opinions if necessary.

National court system is built on its own legal system, tradition, and culture. The IP High Court is deeply rooted in the Japanese legal system and tradition which gives unique features to the Court compared to foreign equivalents.

Before the establishment of the IP High Court, the Tokyo High Court had, at the outset, three, and subsequently, four IP Divisions. Each IP Division had three to five judges specializing in intellectual property cases and the Divisions as a whole shared supporting staff called “judicial research officials” (hereinafter “research officials”). The Divisions also jointly held a variety of workshops, training sessions and events. It may be safe to say that the Divisions had already functioned as a single IP court and there was a “thin dotted line” metaphorically between civil ordinary divisions and IP Divisions then. The establishment of the IP High Court changed the line into a “bold and solid line.” The IP Divisions located on the 17th floor of the Tokyo Court Complex turned into a new court specializing in intellectual property cases with nationwide jurisdiction except for certain types of cases. The IP High Court should be aware of the responsibility that the IP High Court Law imposed on the judicial branch, and make best efforts to run the new system with energy and harmony.

The Tokyo High Court now has twenty ordinary civil divisions, twelve criminal divisions and four divisions of the IP High Court (36 divisions in total). Traditionally, each division has been independent of each other, and it has been said that divisions of the Tokyo High Court are divided by walls metaphorically. The IP High Court will not be able to meet its responsibility with dividing walls between its Divisions. Judges of the Court need to be familiar with cases assigned to other judges especially of other Divisions to some extent, because such information is necessary to determine which case should be heard by the Grand Panel. Therefore, associate judges hold

meetings on a regular basis to exchange information with each other, and participate in ad hoc meetings to discuss issues involved in Grand Panel cases. Due to such practices, a sense of unity has been formed among judges and transparency between divisions has been increasing. These are note worthy by-product brought by the establishment of the IP High Court.

(2) Human Resources

The IP High Court has 18 judges in 4 divisions whose size is equivalent to medium-sized high court. The IP High Court is expected to resolve intellectual property disputes in an expeditious and professional manner by making reliable and persuasive decisions supported by scientific knowledge. Judges of the IP High Court are supported by research officials who are full-time officials and expert commissioners who are part-time officials on technical aspects involved in patent and utility model cases.

Generally speaking, Japanese judges are trained to be “generalists” who can deal with wide range of litigations. Judges usually start handling intellectual property cases simply because he or she is assigned to the intellectual property division as a result of regular rotation. Apart from judges who have had experiences in intellectual property cases before, judges usually have little experience and expertise in the field of intellectual property law. Moreover, ordinary judges do not major in scientific or technical subject in universities. Thus, it is not easy for ordinary judges to acquire the same level of scientific knowledge as persons skilled in the art with respect to highly advanced, specialized and the cutting-edge technical fields.

Intellectual property cases are “legal” disputes, however, and the Patent Law and other relevant laws share basic principles with the Civil Code and other general laws. Like other civil cases, fact-finding, legal interpretation and logical reasoning is the core of judicial duty in intellectual property cases. Judges can development their expertise by way of diligent work on individual case before them on a daily basis. IP High Court judge make every effort to deepen their understanding of technical matters involved in highly specialized cases and to identify technical issues decisive for legal interpretation with appropriate support and through arguments/evidence presented by parties. As the result of such efforts, judges can reach the same level as persons skilled in the art by the time of judgment.

IP High Court judges take advantage of opportunities to develop their expertise. They attend various seminars, workshops, symposium and training sessions, and visit laboratories and factories of technology-oriented private sectors. Judges are often invited to international conferences and foreign institutions, which are useful for them to learn recent developments of foreign intellectual property laws and to see things from global perspective. In addition, some judges had an opportunity to participate in the course of the Management of Science Technology, Tokyo University of Science (MOT), which is called as “business school for engineers.” They discussed theory, practice and strategy to utilize technology for management of private sectors with other graduate students. Those students include corporate employees from technology, business and legal departments who have more than ten years experience in the field of intel-

lectual property. I have heard that it is very helpful for our judges to learn how research and development takes place and new technologies are actually created in business sectors.

The IP High Court has 11 research officials. 10 of them have experience in the fields of machinery, chemistry or electricity as an examiner or appeal examiner of the Japan Patent Office (hereinafter "JPO") and the other one has experience as a patent attorney. They will return to the JPO or his patent firm after spending a certain period at the IP High Court. A research official is assigned to any lawsuit against Appeal/Trial Board decision as far as it is patent and utility model case, except for cases in which only legal issues are disputed. A research official is not attached to a particular judge but work together with a judge who is in charge of a lawsuit against Appeal/Trial decision to which the research official is assigned. With respect to appeals from the district courts, it is determined on a case-by-case basis whether a research official is to be assigned to the case.

Because all research officials sit in a single room, they can easily exchange information with each other and can deal with technical matters outside his or her field of expertise. Research officials may ask questions to parties and deepen their understandings in "hearings preparatory for oral arguments" which are hearings held in advance of oral arguments ("*Benron junbi tetsuzuki*" in Japanese, hereinafter "preparatory hearings") when parties' allegations need to be clarified. Once preparatory hearings complete, research officials prepare their opinions for judges in a written form or orally. The form of opinion used to be rather uniform, but its style and content become more

flexible as case management method has been improved.

One of frequently asked questions by foreign visitors who are not familiar with the research officials system in Japan is how a court can ensure fairness if judges are supported by staff who comes from an office which appear as a party. It is our tradition, however, that research officials faithfully accomplish their duty as a court official by strictly reviewing the Board decisions and submitting a fair and precise report to judges. This tradition has been formed by research officials for generations continued from the era of IP Divisions of the Tokyo High Court, which we are very proud of.

The public confidence in the system earned by the long-term achievement led to the amendments of the Code of Civil Procedure. Article 92-8 added by the Amendment of 2004 stipulates the authority of research officials in intellectual property cases. The authorized actions listed in the article can be categorized into three; those which have been considered as legal and have already been carried out in practice (asking questions to parties in preparatory hearings); those whose legality has been contentious before the amendment (participating in settlement conferences); and those which have not been allowed until the amendment (asking questions to witnesses in trial).

The degree to which research officials of the IP High Court are involved in a case seems to be substantially different from those of the district courts. In case of the district courts, research officials do not attend any proceeding other than the first oral argument. Research officials of the IP High Court, on the other hand, participate in preparatory hearings of patent

and utility model cases as well. It may be safe to say that the amendment of the Code of Civil Procedure recognized the important role of research officials and closely knit them into dispute resolution mechanism of intellectual property cases.

Expert commissioners system will be discussed in detail below.

(3) Jurisdiction

The amendment of the Code of Civil Procedure in 2003 (enforced on April 1, 2004) provides the Tokyo High Court with a nationwide exclusive jurisdiction over appeal cases from the district courts with respect to patent and other related cases (technical type of cases). Since all cases under the jurisdiction of the Tokyo High Court can be heard by the IP High Court as far as their nature and content are related to intellectual properties, the IP High Court now has a nation-wide exclusive jurisdiction over appeals from the district courts regarding patent and other related cases as well as any lawsuit against Appeal/Trial decision.

As a result of the amendment, the IP High Court now exercises jurisdiction over appeals even from a district court located outside the territorial jurisdiction of the Tokyo High Court in accordance with Article 6(3) of the Code of Civil Procedure, as far as they are related to patent and other related rights. The amended article, however, is not applied to cases pending before a district court as of March 31, 2004. For instance, appeals of patent cases pending before the Osaka District Court as of March 31, 2004, remain under the jurisdiction of the Osaka High Court, while appeals of patent cases filed to the Osaka District Court after April 1, 2004 are subject to exclusive jurisdiction of the IP High Court.

As mentioned above, the amended article (Article 6(3)) is not applied to non-technical cases such as design rights, trademark rights, copyrights and unfair competition prevention law. Appeals of those cases from the Osaka District Court, for instance, are heard by the Osaka High Court in accordance with Article 6-2 of the Code of Civil Procedure. Therefore, disputes may arise over jurisdiction of the Tokyo High Court in which the main issue will be distinction of technical/non-technical nature, i.e., whether the case is "an appeal from a final judgment of a case which is with respect to patent rights, utility model rights, rights of layout-designs of integrated circuits and rights of the author of a program work," as set forth in Article 6(3) of the Code of Civil Procedure.

For example, suppose a plaintiff brings an action to the Osaka District Court seeking for compensation of damages in accordance with Article 4 of the Unfair Competition Prevention Law in which the plaintiff alleges that the defendant distributed warning letters which contained groundless facts that the plaintiff infringed his or her patent. If you pay your attention to the name attached to the court record such as "Claim for compensation against unfair competition," you would determine that this case is "an action with respect to infringement of commercial interest by way of unfair competition" set forth in Article 6-2 of the Code of Civil Procedure. That means that appeal of this non-technical case is subject to jurisdiction of the Osaka High Court.

On the contrary, if you pay attention to the facts alleged by the plaintiff, you can point out that genuine issue of this case is whether the facts stated in the

warning letters are false or not, i.e. whether the patent is infringed by the defendant or not. Therefore, you can argue that this case should be tried by judges who have skills or expertise to resolve disputes of highly advanced technical nature. If this argument is supported, appeal of this case would be subject to jurisdiction of the Tokyo High Court, actually the IP High Court, in accordance with or in view of legislative purpose of Article 6(3) of the Code of Civil Procedure and Article 2 of the IP High Court Law.

Another difficult question over jurisdiction of intellectual property disputes may arise in the following situation;

- (i) The Osaka District Court finds infringement of a patent right and issues an order of provisional disposition (equivalent to preliminary injunction order, "*kari shobun meirei*" in Japanese) which prohibits defendant from manufacturing and selling goods. Then, motion for reconsideration ("*hozen igi*" in Japanese) is denied by the same court, and the case is appealed to a high court ("*hozen kokoku*" in Japanese).
- (ii) The District Court denies the motion for preliminary injunction and the case is appealed to a high court ("*sokuji kokoku*" in Japanese).
- (iii) Motion for production of document order is denied in patent infringement litigation, and the decision is appealed to a high court.

The issue of any situation above is whether the competent appeal court is the IP High Court or the Osaka High Court, which is not clearly stipulated in any law. Since the jurisdiction of the Tokyo High Court given by Article 6(3) of the Code of Civil Procedure is exclusive one, erroneous determination could be serious.

At the same time, we should avoid causing confusion for the interest of parties who are our clients. In any event, above mentioned issues are matters to be decided by a court, therefore rules will be formed sooner or later.

(4) Access to judicial information

Today, the use of the Internet is spreading and the globalization of corporate activities is advancing. Science and technology is progressing and diffusing on a transnational level. It is becoming more and more important in the area of intellectual property law not only to create reliable rules but also to promptly make accurate case information available within and beyond the jurisdiction. In this respect, courts are required to fulfill the duty of accountability. To achieve these goals, judges of the IP High Court participate in various national and international conferences and the Court also provides Japanese and foreign visitors with information on the outline of the IP High Court and the current situations surrounding intellectual property litigation.

Upon the establishment of the IP High Court, we also opened our own website (<http://www.ip.courts.jp>) independent from the Supreme Court website and have been upgrading it. Currently, information on the court's outline and statistical data are available in Japanese as well as English, German, French, Chinese, and Korean. Major events that occurred recently at the Court, including the status of Grand Panel cases, holding of workshops, and visits from foreign countries, are also presented as Topics in Japanese and English.

We also provide the whole text and summary of the judgments handed down by the Grand Panel and a list of other dis-

posed cases, with main issues and result of appeals to the Supreme Court. Other helpful information on proceedings at the IP High Court, e.g. the Guidelines for Parties of Suits against Appeal/Trial Decisions Made by JPO, relevant document formats, introduction of thesis, and admission ticket are also available on the website. We have updated information once a month so far, and will continue our efforts to upgrade the website as appropriate to make it more user-friendly. I would deeply appreciate for your interest in our website.

(5) Hub of intellectual property judiciary

The IP High Court is expected to be a hub of the intellectual property judiciary and to lead the nation in the field of intellectual property law. The IP High Court is a new institution specializing in intellectual property cases with nationwide jurisdiction. The Court is also the final fact-finding instance with respect to appeals of technical cases from the district courts and lawsuits against Appeal/Trial Board decisions. Its human resources have been strengthened as well.

The IP High Court has been involved in various activities. The Court invites judges of both the Tokyo and Osaka District Courts to judges' conferences to discuss procedural and substantial issues related to intellectual property lawsuits. The Court also holds regular workshops with the attendance of research officials in which distinguished scholars or researchers often make a speech, and judges share their experience of participating international conferences, training sessions and so on. In addition, the Court dispatches judges to various training sessions held by the JPO or the Japan Institute of Invention and Innovation. During

the first year, the Court received 528 Japanese and foreign visitors, and among them, foreign visitors amount to 271 from 25 countries.

4. Statistics

(1) Trend of cases

The number of commenced lawsuits against Appeal/Trial Board decisions had been steadily increasing as a whole until it reached a peak and exceeded 600 in 2002. Thereafter the number has gradually decreased, but there were still more than 500 commenced cases in 2005. Along with the considerable increase in the number of the disposed cases, the number of pending cases is down to the level of 400 now, which is fewer than that of ten years ago. The rate of patent and utility model cases has been increasing for several years and accounts for approximately 80% of pending cases.

The number of appeals in connection with infringement had rapidly increased since 1997 until reaching a peak in 2000. The number had remained at the same level of 100 for a while, but fell below 100 in 2005. As the number of the disposed cases has increased, the number of pending cases is now at the level of 50, which is nearly the same as that of ten years ago. Among them, cases relating to patent rights exceeded 30%. When jurisdiction of the Tokyo High Court was expanded with respect to patent and utility model cases and Article 104-3 of the Patent Law was created, many predicted that the number of appeal cases in connection with infringement would increase both in quality and quantity. However, apart from quality, such prediction seems to miss the mark as far as the number of commenced case is concerned.

Several reasons are conceivable for the decrease of appeal cases. After the judgment of *Blue LED* case by the Tokyo District Court in January 2004, employee invention cases increased. The number of those cases, however, fell off after January 2005 when *Blue LED* case was settled at the Tokyo High Court. In addition, companies have been getting more cautious about bringing patent disputes to the courts partly because they are concerned that their patent rights might be found invalid by the courts. Another possible reason for the decrease of appeal cases would be the rate of settlement at the Tokyo District Court, which is nearly 60% of the intellectual property cases.

Having said that, the number of commenced case in total is still at a high level of 300, a little fewer than that in 2004 when the largest number of cases were commenced. It may be necessary to closely look at the future developments.

(2) Average time intervals from commencement to disposition

In 1997, the average time intervals from commencement to disposition were 18.6 months as to lawsuits against Appeal/Trial Board decisions and 18.5 months as to appeal cases in connection with infringement. But in 2004, the average time intervals of lawsuits against Appeal/Trial Board decisions were reduced to 12.6 months and those of appeal cases in connection with infringement were reduced to as short as 9.0 months. Compared to the average time intervals from commencement to disposition in 1995, which were 19.8 months as to lawsuits against Appeal/Trial Board decisions and 23.7 months as to infringement cases, the average time intervals from commencement to disposition were short-

ened nearly by half in ten years.

There is a limit, however, on our efforts to minimize average time intervals, since parties need a certain period to prepare briefs and gather evidence (especially, foreign parties need time for translation). Moreover it is obvious that speed is not the sole purpose of the judicial service. We should not lose sight of other purposes; e.g., to take enough time for important cases, to provide parties with enough opportunities to exhaust their arguments, and to make fair and persuasive judgments. Nevertheless, there will still be a room for improvement in terms of intervals from commencement to disposition, for instance, as to the Grand Panel cases.

(3) Reverse rate

According to the JPO, the reverse rate of lawsuits against Appeal/Trial Board decisions as to patent and utility model has been reducing since 2000. In particular, the reverse rate as to the Appeal/Trial Board decisions which sustained rejection of patent applications fell below 10% in 2004. On the other hand, the reverse rate as to the Board decisions which affirmed validity of patent rights was more than 50%.

Reviewing the result, the JPO analyzed that appeal examiners were a little too generous to examiners' determination of granting patents, and recommended examiners to consider whether applied inventions were really worth exclusive rights in light of common technical knowledge of a person skilled in the art when they decide patentability of the inventions.

Critics of the recent trends of the JPO insist that the JPO has recently been reluctant to find inventive step and this

trend is clearly indicated in the statistics that the rate of success in challenging examiner's decision of rejecting patent application has sharply dropped in the past decade. Also they complain that recent decisions by the IP High Court on lawsuits against Appeal/Trial Board decisions are tough for patentees and not in line with pro-patent policy.

Decisions of the IP High Court are no more than a gathering of case-by-case determinations. Therefore, the criticized trend, if any, is far from the intended result by judges. I personally believe that judges should be humble and open-minded about voices of users or outside communities. It is also true that public attention tends to center on so-called "reversed invalidity case" where the IP High Court or the JPO Boards invalidate a patent through invalidation hearing after a judgment of a district court awards huge amount of damages to the patentee in the infringement litigation. However, determination on validity of a patent needs serious consideration to what is real value of an invention and whether the invention is worth monopoly power. We should continue our efforts to make careful and fair decisions on a case-by-case basis.

5. Improved Case Management

(1) Intensified and scheduled proceeding

Efforts to improve management of lawsuits against Appeal/Trial decisions related to patent and utility model had already started during the era of the IP Divisions of the Tokyo High Court. Due to the highly technical nature of those lawsuits, it is not efficient for all of the judges comprising a panel to make full preparation, such as reading through specifications and other scientific publi-

cations submitted by parties as evidence, from the early stage of appeal procedure. Therefore, one of the judges comprising of a panel is usually designated to hold preparatory hearings. Parties are encouraged to exhaust their arguments and submit all evidence through the preparatory hearings, and the designated judge clarifies main points of their arguments and narrows down issues. After the preparatory hearings are completed, the panel of three judges hears the case in oral argument based on the result of the preparatory hearings. In contrast, the lawsuits against Appeal/Trial Board decisions related to trademark and design are heard, like other ordinary appeal cases, by a panel of three judges through oral argument proceedings from the beginning.

In 2002, the number of lawsuits against Appeal/Trial Board decisions reached to the level of more than twice as many as that of a few years before. In order to address this situation, a project team of judges was established. After they studied case management method and style of judgment, they proposed more intensified case management in their published report. Those proposals were adopted into practice by each division in 2003. The gist of the proposals is as such; first, the court should encourage parties to submit briefs and evidence by the date of a preparatory hearing agreed upon; second, judges and parties should make intensive discussion in the hearing on factual and legal issues; third, parties should be given enough time to make explanations on technological or scientific aspects involved in the case before the designated judge in the hearing.

New provisions were established in 2003 with respect to scheduled case management by the amendment of the Code

of Civil Procedure (Article 147-2 and 3). Generally speaking, lawsuits against Appeal/Trial Board decisions are relatively suitable for scheduled case management. In those lawsuits, parties identify errors of Board decisions along with the reasoning of the written decision other than procedural errors by the Board, and the IP High Court reviews and decides all of the alleged errors one by one. In addition, scope of review by the IP High Court is limited to grounds discussed and decided in hearings before the Board and parties have no chance to allege new grounds for invalidation or submit evidence to prove them as a rule. Therefore, the lawsuits against Appeal/Trial Board decisions are one of the most suitable lawsuits for scheduled case management.

(2) Further improvement

The establishment of the IP High Court triggered further efforts by judges across divisions to improve our case management, which ended up with the Guidelines for Parties of Lawsuits against Appeal/Trial Board Decisions.

The Guidelines includes following subjects; (i) submission of briefs in advance of preparatory hearings which identify errors of Board decisions; (ii) setting deadline for submission of briefs for rebuttal; (iii) submission of summary of briefs; (iv) clarification of issues in preparatory hearings; (v) estimated dates of delivering judgment; (vi) utilization of intensified case management.

The Guidelines also describe two different methods of preparatory hearing (A-model and B-model) currently taken by divisions of the IP High Court while details of actual practice vary among judges. Both methods aim at completing

discussions on basic technical matters, factual issues and legal issues in one or two hearings as a rule.

A-model proceedings taken by the First, Second and Third Divisions are as such; the first preparatory hearing is held after a plaintiffs submits evidence and the first brief, in which the plaintiff discusses its allegations in detail; in the first hearing, a judge discusses with parties about the first brief of the plaintiff and sets deadline for defendant's evidence and the first brief; in the second preparatory hearing, the judge and parties intensively discuss issues of the case.

B-model proceedings taken by the Forth Division are as such; the court sets the deadlines for the first brief by a plaintiff, the first brief by a defendant, the second brief by the plaintiff, and the preparatory hearing date via telephone or fax; then the court holds the first preparatory hearing in which a judge and parties intensively discuss issues of the case.

Intermittent proceeding is a thing of the past. We would continue pursuing scheduled and intensified case management from now on with cooperation and understanding from the parties.

(3) Double tracks of invalidation hearing and infringement proceedings

There are quite a few cases where invalidation hearing and infringement litigation with respect to the same patent are pursued at the same time in different courts or Appeal/Trial Boards of the JPO. In those cases, a defendant of infringement litigation often alleges as a defense that the patent is invalid based on *Kilby* decision of the Supreme Court² or Article 104-3 of the Patent Law as well as launching invalidation hearing before an Appeal/Trial Board or filing a lawsuit

against Appeal/Trial Board decision to the IP High Court. As a result, there are situations where a lawsuit against an Appeal/Trial 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.

When a lawsuit against the Board decision and an appeal from a district court involving the same patent are concurrently pending before the IP High Court, it is a general practice of the Court that the same panel hears both cases as much as possible depending on the parties' willingness and the progress of the cases. Generally speaking, it would be relatively easy for the panel to handle both cases if the cases take the same direction, in other words, (i) both the Board decision which invalidates the patent and the judgment by the district court which rules in favor of invalidation defense would probably be affirmed, or (ii) both the Board decision which finds the patent valid and the judgment by the district court which denies invalidation defense would probably be affirmed. However, if the two cases are not heading to the same direction, the panel would face a difficult decision and sometimes have to stay one of them.

The district courts face a situation where an infringement litigation is pending before the district court while a lawsuit against Appeal/Trial Board decision regarding the same patent is concurrently pending before the IP High Court. Some district judges may think that they should proceed with the case without taking into consideration the invalidation hearings because the infringement track is independent from the invalidation track and the current system allows different decisions by different courts with respect to validity of

the same patent. On the other hand, other judges may think that they should take into consideration the progress of the invalidation hearings and decision by the IP High Court.

The actual practice varies among district courts. As far as I understand, judges of the Osaka District Court tend to stay infringement lawsuits awaiting the decision of the IP High Court on validity of a patent concerned if the district court has different views from the Appeal/Trial Board regarding validity of the patent. On the contrary, judges of the Tokyo District Court rarely stay infringement proceedings. When they consider that they should wait for the decision of the IP High Court, they set the next date of oral argument or preparatory hearing at longer intervals with consent of parties.

Anyway, courts should pay careful attention to both invalidation hearings and infringement lawsuits. If courts and parties are able to share information in a timely and appropriate manner, that would be helpful for total and efficient resolution of disputes over the same patent.

(4) Scope of review

Scope of review in lawsuits against Appeal/Trial Board decisions has been discussed for a long time, but is still up-to-date theme for parties as well as courts which handle the lawsuits. The Supreme Court placed limitation on the scope of review in *Stocking Machine* case³ by holding that parties are prohibited from submitting new publicly known references other than those already submitted and discussed before the Appeal/Trial Board. This decision has ruled our court practice for nearly thirty years, and situations have not basically changed since

then. This decision basically said that the courts and the JPO bear different functions so that the JPO as the specialized agency should decide technical matters first, and role of the judiciary should be limited to review of the JPO decisions. The philosophy behind this decision is that adversary system adopted for court procedures is not appropriate way to decide validity of patent which gives an inventor exclusive right that can be claimed to anyone.

There is a powerful criticism of the Supreme Court decision. Critics urge the Supreme Court to reconsider the decision referring to recent circumstantial changes including concentration of jurisdiction of patent and other related cases to the IP High Court, measures to reinforce judicial resources (e.g., reinforcement of research officials system, introduction of expert commissioners system), developments of legislation and Supreme Court decisions (e.g., the decision on February 24, 1998 regarding doctrine of equivalents, the *Kilby* decision on April 11, 2000 which authorized courts to rule on the validity of patents in infringement litigations under a certain conditions, establishment of Article 104-3 of the Patent Law which remove those conditions imposed by *Kilby* decision). It seems to me that judges share views that scope of review should not be rigidly restrained but should be flexibly decided on a case-by-case basis for total and single-round resolution.

I personally think that the scope of review is one of the most important issues the IP High Court has to resolve in the near future. In other words, the Court will be up against a wall of the 1976 Supreme Court decision. The IP High Court might find a way to resolve this

issue, e.g., by way of relaxing the restraints imposed by the 1976 decision by narrowly interpreting its holdings as much as possible in an appropriate case, or by way of finding different route to resolve the issue. This is a serious issue because scope of review may bring influence on the scope of binding effect of prior judgment in the same case (law of the case) and *res judicata* of lawsuits against Appeal/Trial Board decisions. It also raise a question of permissibility of new references, i.e., whether the IP High Court may permit submission of new references in a lawsuit against Appeal/Trial Board decision to affirm the Board decision that approves rejection of a patent application, even though the applicant is not given a chance to amend claims and specifications in response to the new references.

6. The Grand Panel System

(1) Purposes

In addition to the four divisions, the IP High Court has a special division (the Grand Panel Division) in its organization to handle the Grand Panel cases heard by five judges. Although the IP High Court is the second instance and the Supreme Court is the last instance in terms of legal interpretation, business communities have requested the judiciary to form reliable rules and standards at an appeal stage so that they do not have to wait for decisions by the Supreme Court. For those reasons, the Grand Panel system was introduced from April 2004 by the amendment of the Code of Civil Procedure in order to provide with unified opinions at the second instance level. This system applies to both lawsuits against Appeal/Trial Board decisions relating to patent and utility

model and appeals from district courts regarding patent and other related rights. The Grand Panel hears cases where critical legal questions are involved or whose outcome might have significant impact on corporate activities.

A Grand Panel consists of five judges instead of three judges for ordinary appeal cases. This system is an addition to existing five-judge procedures such as the Antimonopoly Law-related cases, rebellion-related cases and disciplinary trials of judges. The amended law is applied only to patent and other related cases filed after April 1, 2004. Non-technical type of cases such as trademark, design, copyright (excluding program copyright), unfair competition can not be heard by the Grand Panel, since those cases are not subject to exclusive jurisdiction of the Tokyo High Court.

(2) Management

The special division of the IP High Court has all eighteen judges as its members and the chief judge as its head. A Grand Panel consists of five judges: four presiding judges or equivalents thereof from each of four divisions, and an associate judge whom the case is originally assigned. Obviously, this system is different from *en banc* of the CAFC which consists of all judges.

The reason for selecting at least one judge from each division for the Grand Panel is to reflect opinions of judges across the divisions in a Grand Panel decision as much as possible. Moreover, judges including members of the Grand Panel hold internal study meetings, sometimes joined by research officials, to exchange opinions over issues involved in the Grand Panel case. Of course, the final decision is made by a panel of five judges,

but the Grand Panel cases are managed in such a way that the IP High Court as a whole racks its brains. Final decisions of the Grand Panel cases have to be unanimous, since judges of lower courts, unlike the justices of the Supreme Court, are not permitted to write dissenting or concurring opinions in a judgment.

A case is referred to the Grand Panel through certain procedure if the case involves important legal questions or shares issues with other cases pending before different divisions, or other circumstances make it appropriate for the Grand Panel to hear the case. Cases whose outcome might bring significant influence over corporate activities or which will draw wide range of public attention may be eligible for the Grand Panel.

The Grand Panels have already rendered three decisions in total, two infringement appeals (*Ichitaro* case and *Ink Cartridge* case) and a lawsuit against Appeal/Trial Board decision (*Parameter* case).

Ichitaro case⁴ is an appeal from the Tokyo District Court in which plaintiff sought injunction to prevent manufacture and sale of famous word processing and graphics software in Japan alleging that the products infringed the plaintiff's patent. The IP High Court reversed a decision of the Tokyo District Court and dismissed plaintiff's claims by holding that the invention lacked inventive step and therefore should be invalidated were its validity decided by an Appeal/Trial Board of the JPO. This is a case where the Court applied Article 104-3 of the Amended Patent Law of 2004 for the first time, which explicitly allowed a court may decide validity of a patent in infringement lawsuit.

Ink Cartridge case⁵ grappled with the

issue of “exhaustion” of a patent. This principle has already been formulated by the Supreme Court in the *BBS* case⁶. The Supreme Court held in the *BBS* case that a person who purchases a patented product from the patentee or someone who is authorized to sell the product by the patentee can use or sell the product without infringing the patent. In *Ink Cartridge* case, a plaintiff sought injunction order to prevent import and sale of so-called recycled products which are made by refilling ink into used ink cartridges for printers. The Tokyo District Court denied finding infringement and accordingly rejected the injunction. The IP High Court reversed the decision for the plaintiff. This case drew wide range of public attention over the issue of permissible recycling and exhaustion of patent.

Parameter case⁷ is an lawsuit against a decision of an Appeal/Trial Board of the JPO. The Board revoked a patent regarding manufacturing method of polarizing films, and a lawsuit is filed by the patentee to the IP High Court seeking reverse of the Board decision. The Court affirmed the Board decision and dismissed the claims by holding that specification of the patent failed to meet disclosure requirements imposed by the Patent Law since the claimed method that was specified by a form of parameter was not supported enough by detailed explanation of the specification. This decision is considered to have practical influence on examination of patent applications and determination by Trial/Appeal Boards.

(3) Remaining challenges and prospects

As the legislative history of the IP High Court Law suggests, the IP High Court is expected to utilize the Grand Panel system actively so as to form reli-

able rules, unify judgments at an appeal level, to accumulate precedents in leading cases, although there is a limitation on the achievement of the Grand Panel inherent in the adversary system and due to availability of appropriate cases. There are different opinions, however, that the IP High Court should take more cautious approach toward use of the Grand Panel. According to them, the Grand Panel of the IP High Court, like the Supreme Court, should take a case in which issues involved have been thoroughly discussed by scholars or lower courts decisions. They stress the importance and strong influence of the Grand Panel decisions.

In any event, we will not be able to avoid facing unexplored challenges such as how to understand legislative purposes of jurisdictional concentration and introduction of the Grand Panel System for patent and other related cases, how to reduce the purpose to actual practice, or how to draw a line between roles of the Supreme Court and the Grand Panel of the IP High Court. Going through experiences, the IP High Court will appropriately address those issues in suitable cases in which I hope parties make precise arguments.

As a procedural issue associated with the Grand Panel system, some have proposed that we should introduce amicus curie system like in the US so that we can invite public opinions in the Grand Panel cases. Such system would certainly help the IP High Court especially when the Court needs to articulate general standards in its decisions which would have significant impact on the society. But the problem is whether a court can invite public comments as the JPO seeks public comments when they revise examination guidelines under current framework of

Code of Civil Procedure.

A court may request public authorities, schools, chamber of commerce and industry, exchanges and other entities to make necessary research pursuant to Article 186 of the Code of Civil Procedure. The court can make such request voluntarily as well as upon request by parties. The subjects of research are limited to facts, laws and regulations, or rules of thumb. It is doubtful that the said provision authorizes a court to invite public comments like amicus briefs on legal interpretation in a lawsuit. This topic is broad issue beyond the territory of intellectual property laws and may be legislative matter, although it is worth consideration.

Accountability has long been stressed in any public entities in Japan and the judiciary is not an exception. At the same time, revitalization of oral proceedings has been sought for many years, and the Grand Panel cases attract so much public attention that public observer tickets are usually necessary to observe the proceedings. Taking the above into account, I have, as the presiding judge of the Grand Panel, requested the parties to make presentations by using visual materials in oral arguments of the Grand Panel cases and read summarized reasoning as well as the main text in a courtroom when rendering a decision. We are willing to listen to public opinions and to utilize the Grand Panel system as actively as possible.

7. Introduction of New Systems

(1) Expert commissioners system

The expert commissioners system is a unique system from comparative law standpoint. This system was introduced in April 2004 in order to offer highly pro-

fessional judicial service responding to state-of-art technology which is rapidly developed, highly specialized and advanced.

Expert commissioners are appointed by the Supreme Court as part-time court staff, whose term of office is two years as stipulated in the Rules of Expert Commissioners. They are chosen from among leading experts of various technical fields, including university professors, researchers of public organizations or private companies and patent attorneys. The number of expert commissioners appointed so far is 128 belonging to the IP High Court as well as the Tokyo District Court, and 51 belonging to the Osaka District Court and Osaka High Court. Additional expert commissioners may be appointed from time to time if necessary.

Article 92-2 of the Code of Civil Procedure lists three types of proceedings in which expert commissioners are able to get involved; preparatory hearings, examination of evidence, and settlement conferences. A court is required to provide parties with an opportunity to raise objection for the former two involvements, and to have the parties' consent for the third. In practice, expert commissioners usually participate only in preparatory hearings.

When a patent or other related case involves highly technical issues and a panel of judges need 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, unlike expert opinions (“*kantei*” in Japanese,) they are very helpful for the court to deepen its understanding of the invention and other references involved in the case and to make a decision based on evidence. A combination of research officials’ daily support and expert commissioners’ case-by-case assistance will give the IP High Court even higher expertise to resolve highly technical cases.

Statistics indicate active involvement of expert commissioners. According to a general survey of three major courts, the IP High Court, the Tokyo District Court and the Osaka District Court, more than 150 expert commissioners got involved in more than 90 cases with total appearances exceeding 220 as of the end of 2005. Nearly 80% thereof are handled by the IP High Court. Involvement of expert commissioners is less often in district courts than in the IP High Court. The possible reason is that it is more difficult to identify technical issues at an early stage of infringement proceedings and accordingly less often to hold a preparatory hearing for technical explanation on the first or second date compared to lawsuits against Appeal/Trial Board decisions. According to some district court judges, 40% of the total cases can be candidates for expert commissioners’ participation, but in half of those cases judges can understand technical matters without difficulties by referring to specification and drawings. Therefore, they feel expert commissioners are necessary in approximately 20% of all cases.

The IP High Court usually designates more than one, and three if possible, ex-

pert commissioners in one case. This practice is to take pressure from shoulders of expert commissioners and to encourage them to accept a request by the Court. An expert commissioner specializing in a field can be combined with others specializing in the neighboring fields, and an experienced expert commissioner can work with other experts who serve as expert commissioner for the first time. Furthermore, an expert commissioner familiar with patent practice can be combined with others who are not familiar with patent prosecution. Such collaboration would contribute to higher quality of technical explanation and smoother case management.

The expert commissioner system has brought a variety of positive impacts on the judiciary. First, explanation by an expert commissioner to a judge leads to higher quality decisions. The explanation is helpful for judges to deepen their understanding of background and total picture of an invention, which is not an easy task for them to do based on the pieces of submitted evidence. It also clears up their questions and doubts, and gives them confidence. Second, with assistance of expert commissioners, judges can identify genuine issues among various allegations, request parties to voluntarily withdraw unnecessary arguments, and focus their arguments and case on narrowed issues, which contributes to expeditious proceedings. Third, parties now recognize the significance of proceedings in which expert commissioners attend, pour more energy in preparation for the proceedings, and present better arguments on technical matters, which generate good tension in the proceedings. Forth, the system itself in which courts proceed cases with assistance of leading experts

increases reliability and confidence of parties in the judiciary. Fifth, doors of court proceedings are now open for experts who tend to stay away from the judiciary.

Every system has the flip side. Some point out that attendance of expert sometimes puts pressure on both parties, and as a result they tend to take more time for their presentations. It is true that judges sometimes spend nearly half a day on one case in which expert commissioners are involved. However, this seems to be necessary cost for higher quality of judicial service. Selection process of suitable expert commissioners is not always be smooth. That process sometimes cause delay due to excessive reaction by parties who are too nervous about the involvement of expert commissioners.

Before the establishment of the IP High Court, the IP Divisions of the Tokyo High Court then and the Tokyo District Court jointly held explanation meetings for expert commissioners twice, where expert commissioners received explanation about their responsibility and ethics as a court official and some expert commissioners who had already served as a expert commissioner shared their experience with other colleagues. They also observed court proceedings. After the IP High Court was established, the IP High Court, the Tokyo District Court and Osaka District Court jointly held a workshop for expert commissioners in December last year, in which more than 100 experts as well as judges joined. They were divided into eight groups and frankly exchanged opinions among them on the theme of inventive step using disposed cases as a material. Expert commissioners have a variety of backgrounds and some of them are not very familiar with the

Patent Law. I felt this workshop was fruitful for expert commissioners to share understanding on their roles and responsibility.

Expert commissioners' first term of office expired in April this year. We hope that this system takes deep root in our judicial tradition, develop further as a scheme for higher quality of judicial service and earn reliance and confidence of parties. We will make most efforts to actively utilize and improve the expert commissioners system to achieve the above goal.

(2) Creation of Article 104-3 of the Patent Law

In *Kilby* case, the Supreme Court held that exercise of a patent right is not permissible as "abuse of a right" if invalidity of the patent is clear and convincing. Following this decision, Article 104-3 was created by the 2004 Amendment of the Patent Law, which came into force on April 1, 2005. This provision takes a further step by removing "clear and convincing" requirement imposed by the *Kilby* decision. The new provision gives a court statutory basis instead of general principle of "abuse of right." As aforementioned, *Ichitaro* case decided by the Grand Panel is the first case in which Article 104-3(1) is applied.

This amendment, however, would have little impact on practice of district courts in infringement litigations, because the district courts had already decided validity of a patent relying on the *Kilby* decision without waiting for decisions by Appeal/Trial Boards in invalidation hearings.

The provision was created to reconcile infringement proceedings with invalidation hearings while preserving double

tracks system. It authorized a court to decide validity of a patent in infringement lawsuits for total and single-round resolution of patent disputes. But it does not go as far as requiring pendency of invalidation hearings before an Appeal/Trial Board as a prerequisite for application of Article 104-3(1). Actually, in *Ichitaro* case, invalidation hearing was not pending before an Appeal/Trial Board. There are divided opinions among district court judges, though, whether judges should suggest accused infringer to commence invalidation hearing before the Board.

Another difficult question related to application of Article 104-3(1) arises where an accused infringer alleges invalidity of a patent for a certain grounds in an infringement litigation while an Appeal/Trial Board had decided that the patent should not be invalidated based on the alleged grounds and the decision had become conclusive and final by then. This problem would be more complicated if the invalidation hearing was pursued by the third party. In this case, the issue is whether a court can apply Article 104-3(1) despite Article 167 of the Patent Law, which prohibits anyone from repeating invalidation hearing before Appeal/Trial Boards based on the same grounds and evidence.

According to the JPO, allegation of "abuse of a patent right" has been raised as a defense more frequently in infringement litigations after the *Kilby* decision. In 2004, the defense was alleged in as many as 80% of infringement lawsuits, and as to 60% thereof, invalidation hearings are simultaneously pending before Appeal/Trial Boards. The creation of Article 104-3(1) will not change the significance of invalidation decisions by Appeal/Trial Boards since they can de-

prive a patent right itself from the patentee. It is anticipated that the role of invalidation hearing in infringement litigations would be even more important after the creation of Article 104-3(1)

According to *Kilby* decision, even if invalidation of a patent is clear and convincing, exercise of a patent right is permissible if there are extraordinary circumstances which justify the exercise of the patent. One of the examples for those circumstances is pendency of correction hearing before an Appeal/Trial Board. When a party asserts invalidation of a patent, the patentee often responds to it by commencing correction hearing before an Appeal/Trial Board ("*teisei shinpan*" in Japanese) or make a petition of correction of claims within invalidation hearing ("*teisei seikyu*" in Japanese). Even if an correction hearing is commenced or a petition of correction is made within the invalidation hearing, claims remain same until the Appeal/Trial Board permits the correction through correction hearing or finds corrected claims valid through invalidation hearing. However, if it is almost certain that the correction sought will address deficiencies of original claims and the accused product will still fall within a scope of the corrected claims, a widely supported view is exercise of the patent right should not be regarded as "abuse of a right."

Now the question is whether the above view is applicable after creation of Article 104-3(1), in other words, its phrase the new provision 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). Legislators seem to be affirmative to this question. This is one of the issues to be decided along with other

issues such as whether a court should proceed an infringement lawsuit when success of correction is uncertain.

Article 104-3(2) is a provision added along with Article 104-3(1) to the Patent Law in order to prevent an abuse of Article 104-3(1). This provision is similar to Article 157 of the Code of Civil Procedure, but is written with different words. The former says “for the purpose of causing undue delay in the proceedings” and the other says “with intention or gross negligence” and “submit untimely late in the proceedings.” A plaintiff of an infringement lawsuit may rely on either provision. In *Ichitaro* case, the plaintiff relied on Article 157 of the Code of Civil Procedure in vain. Needless to say, new grounds for invalidation are not always allowed in an appeal process of infringement lawsuit. In *Ichitaro* case, as the decision explained, the Grand Panel considered the following facts; the district court completed the proceedings for a very short term; publications additionally submitted in the appeal were written in English and distributed abroad; and the filing of patent application was made a long time ago.

When Article 104-3(1) was established, legislators were concerned that parties abuse the provision by listing grounds for invalidation as many as possible. So far, such situation has not happened, and no case has been reported in which allegation or evidence for invalidation was dismissed pursuant to Article 104-3(2). In the future, though, a court might face such cases where a party submits a large amount of unsorted references as evidence of prior art and insists that the court should find the patent invalid by adopting any combination thereof. In such situations, the court may instruct

the party to narrow down the grounds for invalidation at first, and then dismiss the allegation pursuant to Article 104-3(2) if the party rejects to follow the instruction, although it may be exceptional. The dismissal, however, does not prevent the party from launching separate invalidation hearing before an Appeal/Trial Board based on the said grounds. Therefore, the court should carefully consider merits of the grounds before dismissing the allegation since otherwise the dismissal will delay total resolution of the dispute.

As long as infringement litigations and invalidation hearings coexist and given a difference of the style of proceedings between them (i.e., adversary nature in infringement litigation and mixture of adversary and non-adversary nature in invalidation hearings), it is inevitable that a court in infringement litigation and an Appeal/ Trial Board in invalidation hearing sometimes reach different conclusion on validity of the same patent. In order to coordinate both proceedings and to facilitate expeditious proceedings of invalidation hearing pending at the same time as infringement litigation, Article 168(3)–(6) were created by the 2004 amendment of the Patent Law which allowed an Appeal/Trial Board to request the court of infringement litigation to send relevant materials (e.g. those related to invalidation defense pursuant to Article 104-3) submitted to the court.

Those provisions will reinforce fundamental basis of invalidation hearing. Gathering evidence voluntarily by using those provisions as well as instructing parties to exhaust arguments and case through oral proceedings, Appeal/Trial Boards will be able to make more precise, flawless and well-reasoned decisions

enough to be affirmed by the IP High Court in lawsuits against Appeal/Trial Board decisions. It is remarkable that average time intervals from commencement to disposition of invalidation hearing concurrently pending with infringement litigation has been decreasing year by year, and finally is now under one year.

(3) Remand order under Article 181(2) of the Patent Law

In the past, if a lawsuit against an Appeal/Trial Board decision is pending before the Tokyo High Court and subsequently correction hearing is launched before the Board to limit the scope of the same patent, the Court used to wait for the decision of the petition of correction unless such correction was apparently groundless. Once a Board decision allowing such correction became conclusive and final, the court automatically vacated the original Board decision without determining merits of the lawsuit based on the Supreme Court decision on March 9, 1999 in *Large-Diameter And Square-Shaped Steel Tube* case⁸.

Article 181(2) of the Amended Patent Law of 2003 introduced a "remand order," which is applied to the appeal/trial procedures of the JPO commenced on or after January 1, 2004. This provision was established to address so-called "playing catch" phenomenon, i.e. wasteful back and forth of a patent dispute involving the same patent between the Patent Office and courts. Due to the Supreme Court decision in *Large-Diameter And Square-Shaped Steel Tube* case, a court handling a lawsuits against Appeal/Trial Board has to vacate the Board decision once correction of the patent is allowed, even though the lawsuit

is near the end of the proceedings or while the case is appealed to the Supreme Court.

The new provision allows a court to expeditiously and flexibly remand the case in a form of an "order" to an Appeal/Trial Board without determining the merits of the case on condition that the patentee whose patent has been found invalid by the Board is about to launch correction hearing. After remanded, the Board has to resume correction hearing and to provide the patentee with an opportunity to correct the claims within the invalidation hearing. Since the launched correction hearing is deemed to be withdrawn when the petition of correction is made within the invalidation hearing, the permissibility of correction is decided through *inter partes* invalidation hearing rather than *ex parte* correction hearing.

This provision is paired with Article 126(2) of the Patent Law that prohibits, as a rule, a patentee from launching a correction hearing after invalidation hearing is commenced until its board decision becomes conclusive and final, except for 90 days after filing a lawsuit against Appeal/Trial Board decision.

Article 181(2) stipulates that "where the court finds it appropriate for the Appeal/Trial Board to further proceed an invalidation hearing to decide validity of the patent concerned." A question is what kind of circumstances this provision refers to as "appropriate" and how courts should apply this provision. Some point out that if a court automatically remands a case to the Appeal/Trial Board, it will worsen the "playing catch" phenomenon contrary to the purpose of the Article 181(2). While correction narrowing the scope of claims might often end up with remand orders, it does not mean that the

court automatically allows request for the remand order. The court will not remand the case, for instance, when the court considers the correction is not likely to be permitted by the Board, though such prediction is not always easy. When a request for the remand order is made by a party, the court is required to hear an opinion of the other party/parties. Therefore, party's view will be one of factors to be considered.

(4) Order to keep confidentiality

Order to keep confidentiality is established by the Amended Patent Law of 2004 to make it easier for parties to prove infringement. It is anticipated that a defendant requests this order when he or she submits briefs or evidence containing trade secrets. The Design Law, the Trademark Law, the Unfair Competition Prevention Law and Copyright Law have similar provisions. I have heard that no motion has been filed to the Tokyo District Court so far. Little use of this order may be attributable to parties' reluctance to use this system. Parties seem to be cautious of requesting an order to keep confidentiality, because the order imposes a heavy and broad obligation on a 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. In order to avoid unnecessary disputes over this order and undue delay thereby, a court needs thoroughly discuss the scope of trade secret to be protected and the scope of persons receiving the order with attorneys for both parties before the court issues this order. Both the Tokyo District Court and Osaka District Court have held study meetings and dis-

cussed practical issues regarding the protective order including prior consultation with attorneys, procedure for filing a motion, and procedure for issuing the order.

8. Challenges Ahead

The IP High Court has entered the second year and the expectations on us are getting higher and higher. As a hub for intellectual property judiciary, we will continue our effort to offer better judicial service through highly professional and reliable proceedings and decisions supported by expertise.

In the course of the legislation of the IP High Court Law, legislators discussed incidental effects of the establishment of the Court, one of which was its possible deterrent effect on illegal flow of pirated goods. Now illegal flow of pirated goods into Japan has threatened sound developments of intellectual properties. The establishment of the IP High Court aims at sending to such violators a strong message that Japanese judiciary plays leading role to protect intellectual properties.

In the network and digital society brought by globalization of the economy and development of information technology, it has been getting more and more important to utilize unlimited resources of human intellectual creativity. Intellectual properties will contribute to the progress of human society and the developments of the world economy, which will bring us bright future. I hope that people around the world recognize the value of intellectual properties.

The IP High Court has played an educational role to develop respect for intellectual properties among people and to create so-called IP culture. The Court

is expected to contribute to personnel training at law schools or the Judicial Research and Training Institute. Young judges take general training at the IP High Court, and trainees at the above Institute visit to the Court.

The public has recently been more interested in protection of intellectual properties and accordingly the IP High Court is drawing more public attention. The flip side of high expectations on the IP High Court, however, is relentless public scrutiny of our performance. We will make constant efforts to provide better judicial services while facing to challenges before us, bearing in mind the original goal of the judiciary, that is to resolve each case in an appropriate and fair manner.

We would greatly appreciate your continued understanding and cooperation.

(Notes)

- 1 A lawsuit against Appeal/Trial Board decision is an administrative lawsuit appealed from Appeal/Trial Board of the Japan Patent Office.
- 2 Sup. Ct (3rd. Petit Bench) Apr. 11, 2000, Minshu 54-4-1368
- 3 Sup. Ct. (Grand Bench) March. 10, 1976, Minshu 30-2-79
- 4 IP High Court Sep. 30, 2005, 2005 (Ne) 10040, Sup. Ct. Website
- 5 IP High Court Jan. 31, 2006, 2005 (ne) 10021, Sup. Ct. Website
- 6 Sup. Ct. (3rd Petite Bench) July 1, 1997, Minshu 51-6-2299
- 7 IP High Court Nov. 11, 2005, 2005 (Gyoke) 10042, Sup. Ct. Website
- 8 Sup. Ct. (3rd Petit Bench) March 9, 1999, Minshu 53-3-303