

11 Research and Study on Patent Invalidation and Infringement

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In Japan where an institutional rule has been in place to decide a patent's validity by the procedure of an invalidation appeal at the Patent Office when a patent infringement suit is filed, waiting for its absolute decree which is the final decision on the patent's validity could sometimes invite a situation where speedy resolution of a dispute might not be achieved. In such cases, it has been pointed out, courts dealing with the patent infringement cases have been aiming at concrete fairness by the abuse-of-rights doctrine and other legal constructions in order to avoid circumstances that might result in the exercise of a patent right which contains grounds for an invalidation of patent. Furthermore, the U.S., the U.K., and other countries provide for defense by claiming the patent's invalidity in a patent infringement suit.

This study, therefore, aims to sort out the problems in the system regarding defense by claiming the patent's invalidity in infringement suits from the viewpoint of divided competence between the Patent Office and the court, and to produce basic data for use in discussing desirable justices to be and how trials should be conducted by digesting situations of cases and theories in Japan on problems concerning patent invalidation and infringements, and also by carrying out a basic research on systems in the U.S., Germany, the U.K., the Netherlands, and South Korea in outline.

I Introduction

In association with the legal system reforms, issues have been raised in recent years in expediting trials for cases related to intellectual property with proposals such as reinforcement of the department dedicated to intellectual property at courts and speedier trials.

In Japan where an institutional rule has been in place to decide a patent's validity by the procedure of an invalidation appeal at the Patent Office, occasional delays in the procedure of invalidation appeals have often caused a situation where speedy exercise of the right might be deterred. In the U.S. and the U.K., on the other hand, courts are allowed to judge patents' validity.

Therefore, the problems in the system regarding defense by claiming the patent's invalidity in infringement suits have been sorted out from the viewpoint of divided competence between the Patent Office and the court, and a basic research has been carried out for use in discussing desirable justices to be and how trials should be conducted.

Some problems have been pointed out against the view that does not recognise defense claiming the patent's invalidity in patent infringement suits. The most important ones are: longer periods of invalidation appeal procedures for the decree to be absolute will make speedy resolution of patent disputes impossible; and it is irrational that a case has to be conceded as an infringement even when an obvious reason of the

patent's invalidity could be certified in a court dealing with patent infringement cases. Notably, influenced greatly by the fact that the U.S., which has immediate interests with Japanese industries, recognises allegation of patents' invalidity in patent infringement suits, the view that Japan should also recognise defense by claiming patents' invalidity in patent infringement suits is admittedly in the state of gradually gaining strength.

II On the Status in Japan

1 Progress Leading to the Current System

The Japanese patent invalidation appeal system since the patent act of 1888 is said to have derived from a German law. The following is the outline of institutional changes leading to the current system from a viewpoint of divided roles for the Patent Office and courts.

In 1885 when the monopoly patent act was enacted, there was only the examination system; not even an appeal system existed, let alone filing complaints in suits. Later, an appeal system, consisting of ex parte appeal, invalidation appeal, was newly established in the patent act of 1888, modelling a German law. Article 19 of the patent act stipulated that "invalidation of a patent according to Article 12 requires a claim from a concerned party, which shall be judged by the Patent Bureau," and Article 20, "against the decision of the Patent Bureau, no complaint shall

be filed, nor appeal to other authority shall be permitted."

On its history, Korekiyo Takahashi wrote in his "The Origin of the Patent System in Japan"(*1) as follows:

"In enacting the patent act, the most stubborn objection at the Legislation Bureau Counsellors House was..... the legal argument that it is wrong to finalise trials on patent infringement with the ruling of the Patent Bureau Director, and prohibit them from going to higher courts. However, if it were in a country such as the U.K. where judges had customarily been ruling such trials before the written law was established, the court could be entirely entrusted without trials by the Patent Bureau; or even without such custom, if experts in foreign countries who could be freely called upon when the court needed them as witnesses on certain issues in trials, such professionals existed in our society, judges would not be required to be familiar with this law. In reality, this is not the case. Even though we happen to make a patent act to protect inventions, if, as a result of its implementation, rights cannot be well protected, and inventors who have laboured hard are put in a disadvantageous position, it will be against the principle of encouraging and protecting inventions, will it not? When there are little more progresses in the society with a growing number of professionals, or when judges feel confident after having enough experiences with such suits and sufficient cases have accumulated, I think trials by the Patent Bureau can be omitted, of course; till then, trials by the Patent Bureau will be more appropriate, and that was my argument."

According to the purport of his argument, the system's legislators originally started with the idea that a system like this might work in light of the contemporary situations in Japan, rather than the conviction that a system where the Patent Bureau judged the validity of a patent it had given was the best. In this sense, when we consider it from a legal point of view, it is notable that it did not start with a belief that the present role division between the Patent Office and the court is absolute or the best.

Subsequently, the patent law of 1899 allowed appeals to the Imperial Supreme Court against invalidation appeals only for cases in a breach of law. Further, the patent law of 1921 newly provided for a complaint appeal system against

rulings of invalidation appeals, and adopted a system that allowed appeals to the Imperial Supreme Court against complaint rulings. At that time, in an Imperial Parliament session, a government delegate answered that a patent trial was an administrative action, an appeal against which was in the nature of administrative litigation; since a patent invalidation appeal was the procedure to cancel and invalidate an already given administrative disposition when it had proved to be wrong, it constituted an administrative case; this appeal was not a judicial case, but an administrative case, and not in the nature of justice.(*2)

The law of 1948, in accordance with the postwar judicial system reforms, provided for a system where an appeal against the decision of the patent office's appeal board was filed at the Tokyo High Court, and when its decision was unsatisfactory, a final appeal could be made to the Supreme Court. In the law of 1959, the appeal board system of the Patent Office was abolished, leading to the present system of revocation suits against the Patent Office's decision where a complaint against the decision of the Patent Office is filed at the Tokyo High Court. With a concept similar to that of an administrative suit which was an objection against an ordinary administrative disposition, the court was given the authority only to decide whether or not the Patent Office's decision should be revoked, and a decision for revocation must be followed by a reopened trial at the Patent Office. The system introduced here included potential for delayed procedures, which has continued to the present.

2 Transition in the Cases in Japan

Next, overviewed below is the transition in the cases on handling invalidation causes in patent infringement suits in Japan.

(1) The Imperial Supreme Court's Decision, 15 September 1904 (1903, ("Re"), No.2662, Case of Fuse Wire Manufacturing Machine)

The concept under the prewar Imperial Constitution was, perhaps partly because the most powerful view was to put the government first, that ordinary courts were not allowed to, or must not, give patent invalidation judgement, which was reflected in cases at the Imperial Supreme Court from Meiji to Taisho Eras. To cite one of the early examples, the Imperial Supreme Court's decision, 15 September, 1904,

(*1) Industrial Property Magazine, No. 32, June 1908.

(*2) For details, see Yuko Kimishima, "Patent Invalidation and Its Procedure (1)", Law Study, Vol. 68, No. 12, 1995, P. 202 et seq.

held that "a patent given by the Patent Bureau shall continue to exist unless it is declared to be invalid by the Patent Bureau's decision, so it is appropriate to interpret that an ordinary court cannot judge the validity of a patent." In other words, the position expressed here was that decision for a patent to continue or not must be left to the Patent Bureau's discretion, and a court must not pass its own judgement of invalidity. This decision by the Imperial Supreme Court had held its value as a precedent for cases in the highest court until a Supreme Court's decision^(*3) on 11 April, 2000.

(2) The Supreme Court's Decision, 28 June, 1974 (1972, ("O"), No.659, Case of Single-lens Reflex Camera)

Next, the Supreme Court's decision in 1974 held that "as long as a patent is given to a novel industrial invention, the part which was publicly known at the time of invention cannot be called a novel invention; accordingly, in determining the technical range of a given patent invention, it is appropriate to interpret that the purport of the novel technical idea can be clarified by excluding the part known to public at that time," indicating its judgement that publicly known facts should be considered and excluded in interpreting claims in a patent. In the recent trend, however, a position has emerged which allows judgement on invalidation causes not only for the issues of known technology, but also for cases where there are serious and obvious reasons for invalidity in the patent.

(3) The Osaka High Court's Decision, 25 February 1994 (1991, ("Ne"), No.2485, Case of Human Tissue Plasminogen Activating Factor)

One such case was the case by the Osaka High Court, 25 February, 1994. The case here indicated that "when there is an obvious invalidation cause in a patent registration such as the said patented invention is entirely known to the public, it will affect the certification judgement of the technical range of the patent invention or the propriety judgement of the claim for a patent, therefore it will be required to judge the existence of obvious novelty as far as necessary for resolving a case at a court that judges whether or not patent infringement has occurred."

(4) The Supreme Court's Decision, 11 April, 2000 (1998, ("O"), No.354, Case of Semiconductor Devices)

Cited last is the Supreme Court's decision, 11 April, 2000. This case was given amid speculations as to what decision the Supreme

Court would give, taking into account the decision of a lower court ruling described above and the tendency in recent theories, when a patent has an obvious reason for invalidity.

The Supreme Court indicated its decision in this case that 'claims for injunction, damages, etc., based on a patent are considered abuses of the right and cannot be granted when the said patent clearly has a reason for invalidity, unless there are particular circumstances to permit them. ...the Imperial Supreme Court's case of 1903, ("Re"), No. 2662 with the case, 15 September, 1904.... and other cases at the Imperial Supreme Court that differ from the above-mentioned view should be changed to the extent that they collide with the above. Furthermore, since it is desirable that a dispute is resolved as quickly as possible with one procedure, if a patent infringement case requires to establish an invalidation decision through an invalidation appeal at the Patent Office before the existence of a reason for its invalidity is permitted to be used as a way of defense against the exercise of the patent, it means to force the invalidation appeal procedure on the concerned parties who do not intend to seek the patent invalidation that affects third parties, and it is also against the litigation economy.'

The significance of this case lies in the changes to be made in the previous Imperial Supreme Court's cases and approval of the patent invalidity defense as a form of defences against abuse of rights, and it is also characterised by the strong emphasis on speedier patent trials when the interest has been raised in expediting trials for cases related to intellectual property in association with the legal system reforms.

3 Views That Allow Patent Invalidation Defences Seen Among Japanese Scholastic Theories

Traditionally, there has been practically no view that defences by patent invalidity should be allowed in Japanese patent infringement suits. Recently, however, if only limitedly, powerful views to approve it are emerging. The representative among them is the view held by Professor Yoshiyuki Tamura. He attempted to apply a law doctrine that distinguishes a "revocation" cause and an "invalidation" cause of administrative actions in the administrative law to defences by patent invalidity.

Namely, the professor explains as follows^(*4):

"If the proposition that validity of a patent

(*3) The Supreme Court's Decision, 11 April 2000 (1998, ("O"), No. 364).

(*4) Institute of Intellectual Property, "Study of the Basic Problems on the Intellectual Property" (Jun 1996), p. 15.

registration cannot be judged at a court in a infringement case is not simply an abstract theory but something based on an institutional effect in this sense, just as the concept of "invalidation" is recognised apart from "revocation" in general administrative actions, it should not mean that no exceptions are acceptable. For instance, in a case where the whole extent claimed in a patent has turned out to be exactly the same as the prior art before its application, which will obviously be judged invalid in the end after going through an invalidation appeal route, permitting an infringement court to judge its validity immediately will not particularly cause a situation against the institutional aim of the unified route. Also, even if exceptional cases of this sort were allowed to claim invalidity without going through the invalidation appeal route, there would still be mountains of work to do for invalidation appeals, so that the invalidation appeal system would not be left without its value. In addition, as the principle of relative effects of the ruling validity concerning subjective areas, the invalidation judgement in infringement suits is effective only for the concerned parties, the significance of invalidation trials that have an effect of revocating patents in rem would not be lost in this sense."

Then, Professor Tamura, while premising the proposition that invalidation judgement cannot be given in a infringement suit without waiting for its invalid decision of the Patent Office, points out that if the case No. "I" is a known technology, it is a common practice in a trial to cite some reason or other that leads to the conclusion of no infringement. It is understood in the administrative law, an administrative action that includes an "invalidation" cause in itself could, unlike a case that includes a "revocation" cause, be invalidated without a revocation suit; based on the above and other reasons, he holds that, while recognising the exclusive jurisdiction of invalidation appeals, when, as exceptions, the claim was entirely known before its application, except when its technical range includes structure not considered to be prior art, and when it obviously lacks inventiveness, a deserved invalidation defense should be permitted.^(*5)

Besides the above, some hold the view that a third party is affected only by the patent setting registration effect as a notarisation act, against

which essentially one should be able to dispute its contents freely in a civil suit and claim the patent's invalidity.^(*6) Others criticise many of the theories as citing the generalised argument of administrative actions, strictly differentiating the authorities of the Patent Office and the court, and stating that it is against the principle of authority distribution to permit defense of the prior art because it means to admit the existence of an empty right without contents, and point out that a granted patent is a private right that naturally contains restrictions, that the administrative action theory should not be invoked inaccurately, and that the issue to be discussed is what inconveniences will occur if an empty right arises.^(*7) It is notable that a powerfully critical opinion is emerging against the theory that denies patent invalidation defense from the viewpoint of authority distribution.

III Situations in Other Countries

(1) The United States

In the United States, an alleged infringer of a patent infringement suit is allowed to defend by claiming the patent invalid. An express provision in the statute also makes it clear that the court has the authority to judge a patent invalid. The U.S. Patent Law, Article 282 (35 USC 282) stipulates that a patent is presumed valid first. Since it is a presumption, it is apparent that there could be claims or judgement of invalidity to oppose this presumption.

Validity is judged on each claim. A patent will not be judged valid or invalid as a whole; validity of its claims is judged individually. If, in an illustrative example, a broader independent claim is judged invalid, narrower dependent claims with additional requisites may still be valid, which is also stipulated in the provisions of Article 282. Namely, the second sentence states that each claim is presumed valid independently, making it clear that the presumption independent of other claim's validity is applicable.

As for the effect of an invalid decision of the court, it was dealt with by the Supreme Court of the United State's case of *Blonder-Tongue* in 1971^(*8): Once an invalidity decision has been established, presupposing there was procedural fairness and such, the patentee cannot even exercise the right to others, i.e., although the patent registration itself remains, third parties

(*5) Yoshiyuki Tamura "Prior Art Defense and Deserved Invalidation Defense in Patent Infringement Suits", Patent Study 21-4 et seq., 22-4 et seq.

(*6) Yuko Kimishima, "Legal Nature of Patent Disposition", Industrial Property Society Annual Report, No. 21, p.1 et seq.

(*7) Nobuhiro Nakayama, "Industrial Property Law Vol.1, Second Edition", p. 416.

(*8) *Blonder-Tongue v. University Foundation*, 402 U.S. 313, 1971.

can also cite the already established invalidity ruling, so the force to third parties of the invalidity judgement is recognised in effect.

(2) The United Kingdom

In the U.K., an alleged infringer of a patent infringement suit is allowed to defend by claiming the patent invalid as a means of defense.

The U.K. has a dedicated court called "Patent Court" in the High Court of Justice in London, and the "Patent County Court"(*9) in London suburb as one of county courts. The first hearings of patent infringement cases are handled intensively at either court. These courts employ experienced lawyers, barristers, who are specialised in patent cases or have technical backgrounds as well as legal qualifications as judges presiding on the first hearings of patent infringement cases.

In the U.K., as an institutional response for speedier hearings of litigation including patent infringement suits, reforms of civil action procedures(*10) were implemented in 1999.

(3) The Netherlands

In the Netherlands, the defense by a patent's invalidity is permitted in a patent infringement suit. This country has put the first-instance courts of patent infringement cases under the exclusive jurisdiction of the Hague District Court, and also placed a dedicated department for intellectual property cases. In patent litigation, when a patent's validity has not been confirmed, the court often asks for advice before making the final decision, by requiring the Industrial Property Office to prepare study reports, for example. Added to that, several officials from the Industrial Property Office assist the court as deputy judges in litigation involving patents, only for European patents, and

other intellectual property cases.

(4) Germany

Germany does not recognise the defense by a patent's invalidity in patent infringement suit. While the patent invalidation procedures in Germany are under the exclusive jurisdiction of the Federal Patent Court, Bundespatentgericht, the patent infringement suits are under the jurisdiction of a district court, Landgerichte(*11) as ordinary civil action cases. The highest court for both procedures is the Supreme Court for ordinary civil procedures, Bundesgerichtshof. In Germany, where once a patent is given after a substantive review, the patent is treated as valid in patent infringement suits unless it has been judged invalid through a patent invalidation suit at Bundespatentgericht, allegation of a patent's invalidity in an infringement suit is likely to 'have the door slammed.' About a half of all German patent infringement cases are filed at the Dusseldorf District Court. As the Dusseldorf District Court does not seek experts' opinions in most cases, about 95%, a case usually takes only 15 to 18 months to give a decision, and the decision for an infringement case often comes before the invalidation suit decision, according to a report.

(5) South Korea

South Korea, similar to Germany, does not recognise the defense by a patent's invalidity in patent infringement suit. Granting and invalidating patents are the responsibility of the Patent Office which is an administrative agency, and interpretation of the patent law falls on the Court, district courts and high courts. The system ensures that interference is equally impossible between the two by distributing authorities.

The Patent Court of Korea, established in

(*9) The aim of setting up the Patent County Court is to make patent litigation financially accessible especially to small businesses by simplifying the patent litigation procedures, thus reducing their costs. The Patent County Court, started in 1990, can be generally said to function efficiently in minor cases. Namely, patentees have filed many cases of simple litigation at the Patent County Court, which used to be difficult because of costs for litigation procedures. On the other hand, it is criticized that major and complex cases handled by the Patent County Court tend to be more time consuming and costlier than the High Court. The Patent County Court was not created originally with a purpose to handle large-scaled and complex cases, but small businesses do not always dispute over minor case; they sometimes bring complex cases.

In reality, the High Court is getting more efficient in litigation than the Patent County Court.

(*10) In the U.K., in order to cope with the problems such as delays, higher costs, and more complex cases in civil actions including patent infringement suits, Lord Woolf of the House of Lords conducted a fact-finding study on the U.S. and other countries in 1995, results of which was made into a report in 1996 that led to the enactment of new civil procedure rules. For the British civil procedure rules, see the "Civil Procedure Rules" section on the website by the Lord Chancellor's Department (URL: <http://www.open.gov.uk/lcd/lcdhome.htm>).

Regarding civil procedure rules, Practice Directions have also been created. For the practice directions of the Patent Court in the High Court, see the "Patent Court" section on the website by the British court (<http://www.courtservice.gov.uk/sitemap.htm>).

(*11) The first-instance courts in patent infringement suit are under the jurisdiction of the civil department of a district court without regard to the value in dispute, German Patent Law, Article 143, Paragraph 1. This jurisdiction is concentrated on the following 11 land courts Paragraph 2 of the same, the district courts rule: Braunschweig (Brunswick), Düsseldorf, Frankfurt am Main (Frankfurt on the Main), Hamburg, Leipzig, Mannheim, München (Munich), Nürnberg (Nuremberg), Rostock, Berlin, and Saarbrücken.

March 1998, has jurisdiction over revocation suits against the Patent Office's decision of claim confirmation and invalidation of patent, etc., and appeals in infringement suits are under the jurisdiction of each high court. Although the opinion that the Patent Court should handle the appeals of patent infringement suits seems to be substantial, it has not reached the stage to demand a decision on the time for its implementation. As for the abuse-of-rights doctrine, it apparently has no place in Korea, but the view to exclude those publicly known and used has taken root in certain aspects^(*12), a report says. In addition, the Patent Court of Korea has technical hearing officials^(*13) that correspond to Japanese investigators of the Tokyo High Court.

(6) Summing-up

Regarding the defense by patent invalidation in infringement suits, the U.S., the U.K. and the Netherlands recognise it, but Germany and Korea do not.

IV Conclusion

The above is an outline of the Japanese system and the systems of foreign countries concerning infringement suits and patent invalidation.

The system of each country has respective historical backgrounds, and it is not the purpose of this study to discuss its advantages and disadvantages, or to consider what exactly should be done for our practices. It seems useful, however, to deepen the understanding on the fact that something like patent invalidation decisions by courts dealing with the patent infringement cases can be prohibited in some countries while they are taken for granted in other countries.

As for the so-called "abuse-of-rights doctrine" presented by the Supreme Court's case, 11 April 2000, i.e., a legal doctrine that "when a patent obviously contains the grounds for invalidation ... it is considered to be abuse of right and not permitted unless there are special circumstances," this "abuse-of-rights doctrine" is expected to be a starting point for examining the meaning of "obviousness of the grounds to be invalidated" and "special circumstances" both in case practices and in theories in the future.



(*12)The Korean Supreme Court's Decision, 26 July, 1983, 81 "Fu" 56 case, entire council's decision, and the Supreme Court's decision, 11 November, 1997.

(*13)A technical hearing official cannot join the judges' board, including decision, but is allowed to submit an opinion prior to the board. They have a seat at the bench, can ask questions to representatives and litigants during a hearing with permission from the presiding judge. An opinion by a technical hearing official is reportedly similar to judgement, sometimes with conclusion-like sentences. They used to be sent to court as Patent Office personnel; they have been court staff since January 2000 and do not belong to the Patent Office.