

2 Future Challenges Concerning the JPO Trial System

The patent trial system has been improved in recent years in various ways including integration of the invalidation trial system and the opposition system and legalizing determination of patent invalidity in infringement proceedings. In addition, courts have made efforts to improve the framework, such as granting the Tokyo District Court and the Osaka District Court exclusive jurisdiction over litigation related to patents and other intellectual property, introducing the expert commissioner system and establishing the Intellectual Property High Court.

However, there are problems that remain unresolved even after these improvement efforts, so there is a need to examine the direction which should be taken in resolving these problems and to identify and examine the relevant issues for that purpose.

Among these various problems, this study focused on the following four problems: limitation on the scope of proceedings in litigation for rescinding a JPO trial decision; court judgments on infringement litigation supposing patent corrections; prevention of the rehashing of invalidation trials; and institutional characteristics of patent trials as compared with other administrative trials. Examinations were carried out by the committee based on the results of questionnaire and interview surveys of companies and overseas surveys, and the direction for solving these problems and the relevant issues were discussed.

Introduction

A number of improvements have been made to the patent trial system of the Japan Patent Office (JPO) by the 2003 and 2004 revisions of the Patent Act and other laws, including integration of the invalidation trial system and the opposition system and legalizing the determination of patent invalidity in infringement proceedings. In addition, courts have made efforts in the area of intellectual property (IP) litigation so as to establish a framework for improving specialized processing capability, such as granting the Tokyo District Court and the Osaka District Court exclusive jurisdiction over litigation related to patents and other intellectual property, introducing the expert commissioner system, establishing the Intellectual Property High Court and improving the judicial research official system.

From the viewpoint of a quick resolution of IP disputes, however, there are problems that remain unresolved even after the establishment or improvement of such systems and frameworks.

Thus, in order to resolve these problems, there is a need to examine the relevant issues and the direction to take so that the problems can be resolved in the future.

In this study, we focused on the following problems among such unresolved problems, and identified the issues and examined the direction to take so that the problems can be resolved while taking into account the results of a questionnaire survey of users and an overseas survey.

I Limitation on the Scope of Proceedings in Litigation for Rescinding a JPO Trial Decision

1 Scope of Proceedings and Other Issues Concerning Litigation for Rescinding a JPO Trial Decision

This section examines “(A) the limitation on the scope of proceedings in litigation for rescinding a JPO trial decision” and “(B) the outcome of litigation for rescinding a JPO trial decision to invalidate a

patent in the case where the patent claims have been corrected (narrowed down),” by also focusing on the relation with the important issue, which is “(C) whether or not assertions related to patent invalidity can be made in infringement litigation.”

The issues (A) and (B) both relate to the core parts of the system of litigation for rescinding a JPO trial decision, which supports the Japanese patent system. While the relationship between the JPO trial and the litigation becomes a major issue in litigation for rescinding a JPO trial decision, the key point would be whether advance examination and determination by a JPO trial should be required regarding a reason for invalidation or reason for refusal that has not been examined and determined in the JPO trial (i.e. (A)) and regarding corrected patent claims that have not been examined and determined in the invalidation trial (i.e. (B)).

In order to evaluate and understand these issues precisely, it is essential to carry out a basic legal study including comparative law, in-depth analysis of administrative procedure law going back to general theories, as well as an analysis and examination not only from the theoretical aspect, but also from the aspect of actual propriety. Therefore, we made a comprehensive examination from multiple perspectives based on this.

With regard to “(A) the scope of proceedings in litigation for rescinding a JPO trial decision,” the uniform limitation on production (of new reasons for refusal/invalidation) (limitation on the scope of proceedings) indicated in the 1976 Supreme Court Grand Bench judgment (mentioned later) not only lacks a legal basis, but is peculiar from a comparative law perspective, and is also extremely questionable in terms of actual propriety. In addition, it has an essential problem in terms of compliance with important court judgments such as the Supreme Court judgment for the Kilby case and legislation of Article 104-3 of the Patent Act (particularly the latter). Accordingly, the 1976 Grand Bench judgment, which lacks a legal basis, should be changed as soon as possible.

As for “(B) the outcome of the litigation for

rescinding a JPO trial decision to invalidate a patent in the case where a JPO trial decision on correction for narrowing the patent claims has become final and binding during the pendency of litigation for rescinding the JPO trial decision to invalidate the patent,” the stance taken by the 1999 Supreme Court judgment (mentioned later) lacks a legal basis and is extremely questionable in terms of actual propriety, so it should be reviewed in some way as soon as possible.

The “catch-ball phenomenon” that occurs based on the ideas underlying the 1976 Supreme Court Grand Bench judgment and the 1999 Supreme Court judgment has notable adverse effects such as causing a delay in the procedure. If this is left as it is, it could directly risk the existence of the JPO trial system and the system of litigation for rescinding JPO trial decisions, which support the foundation of the patent system, and could even affect the existence of the whole patent system. It also seems that the awareness that such reviews are essential is rapidly spreading among legal scholars and lawyers who are well-versed in this issue. At the same time, there seem to be some people who are hesitant about immediately changing the stance of the 1976 Supreme Court Grand Bench judgment, which has been maintained for more than a quarter of a century, but as mentioned above, it is an urgent matter. From a practical viewpoint, while (A) is naturally an important issue, rectification of (B) is considered to be a more pressing issue that needs to be addressed first.

2 Limitation on the Scope of Proceedings in Litigation for Rescinding a JPO Trial Decision: From a Practical Viewpoint

This section examines the legal principles underlying the judgment of the Grand Bench of the Supreme Court in the knitting machine case (hereinafter referred to as the “principle of the 1976 Supreme Court Grand Bench judgment”) and the judgment of the Supreme Court in the large-diameter, square steel pipe case (hereinafter

referred to as the “principle of the 1999 Supreme Court judgment”) from a practical viewpoint.

Even if the holding in the 1976 Supreme Court Grand Bench judgment could not be upheld in its entirety, it would be necessary to impose certain conditions from the viewpoint of a procedural guarantee such as giving opportunities for amending or correcting patent claims.

With regard to a limitation on the production of a new reason for refusal in litigation for rescinding a JPO decision rendered in a trial against an examiner’s decision of refusal, the limitation should apply to cases that correspond to Article 159(2) of the Patent Act in principle, such as cases where a reason for refusal has been produced based on evidence that had not been produced in the JPO examination or trial, in which case there is a need to provide another opportunity for amendment. It is construed that, in any other cases, such as the following, there is no need to limit the production of a new reason for refusal in litigation for rescinding a JPO trial decision because an opportunity for amendment has already been provided: (a) the case where the evidence has already been produced in the JPO examination or trial, but the reason has not been determined in the examination or trial; (b) the case of switching between the primary and secondary cited references; and (c) the case of determining the inventive step after revising an error in the finding of differences between the invention at issue and the cited reference. In contrast, it is construed that production of a new reason for refusal should be limited when the reason is based on evidence that has not been produced in the JPO examination or trial, because there would be a need to provide another opportunity for amendment.

Meanwhile, in the case of litigation for rescinding a JPO decision rendered in a trial for invalidation, there is no problem in terms of procedural guarantee for the person who was the plaintiff at the time of the JPO trial decision of non-acceptance of a request for trial (the requester of the JPO trial) to produce a new reason for

invalidation, because even if a new reason were produced, the trial decision would be rescinded and the patentee would be given an opportunity for correction. Therefore, there is no need to limit production of a new reason in such a case. However, if production of new publicly known prior art or such is allowed in litigation for rescinding a JPO decision of approval of a request for trial, the patentee will be deprived of an opportunity for correction, so this case should be treated in accordance with Article 159(2) of the Patent Act from the viewpoint of a procedural guarantee.

While efforts are also being made to resolve this issue fundamentally from an interpretative approach, there is the possibility of resolving the issue through legislation. Such legislative measure could be taken from two directions: (i) discretionary remand; and (ii) allowing amendment or correction in the litigation phase. From the perspective of an expeditious resolution of invalidation trials, it would be reasonable to allow amendment or correction after the filing of litigation for rescinding the JPO trial decision.

With the aim of eliminating the adverse effects of the catch-ball phenomenon caused by the 1999 Supreme Court judgment principle, a system for the discretionary rescission of a JPO trial decision was introduced with the 2003 revision of the Patent Act. In judicial practice, however, the other party often does not accept the discretionary rescission and the court makes a determination on the rescission by carefully examining the contents of the request for the trial for correction, so the adverse effects of the catch-ball phenomenon have not been completely dealt with yet.

II Court Judgments on Infringement Litigation Supposing Patent Corrections

1 Patent Infringement Litigation and Patent Corrections

This section inquires into the relationship

between patent infringement litigation and patent corrections.

With regard to the relationship between Article 104-3(1) of the Patent Act and a request for correction in patent invalidation trial proceedings or a request for a trial for correction, even when there is a reason for invalidation, if a correction is allowed and the right becomes valid, the court should be able to examine and determine the correction as well. The court should be able to examine and determine whether or not the correction should be allowed irrespective of whether or not the JPO has given a determination on the correction.

Since patent infringement litigation and a request for a JPO patent invalidation trial would be uniformly determined by the Intellectual Property High Court in the end, the determinations in the litigation and the trial are not likely to differ ultimately unless there is a long time span between the times these proceedings were carried out. The same applies to corrections. However, as it is desirable to avoid differences in the terminations in the first-instance phase or the JPO trial phase as well, and because there is sometimes a long time span between the time of patent infringement litigation and the time of a request for a JPO patent invalidation trial in the Intellectual Property High Court, it is necessary to make determinations by paying sufficient attention to the trial decision and, in some cases, the court could also look at the trend of trial decisions.

Individual cases that particularly present problems are as follows: (1) the case where the defendant's article (process) falls within the technical scope of the patented invention in question both before and after the correction and an invalid patent becomes valid through the correction; and (2) the case where an invalid patent becomes valid through the correction but the defendant's article (process) which had fallen within the scope of the technical scope of the patented invention in question no longer falls within that scope after the correction. It is construed that, in the case of (1), the claim can be upheld before the correction becomes

final and binding, because patent infringement can be found and the patent can be judged to be valid. In the case of (2), it can be construed that the claim can be dismissed before the correction becomes final and binding, because the defendant's article (process) will no longer fall within the technical scope of the patented invention in question even if the patent becomes valid through the correction.

When the determinations differ, the traditional view is to carry out a retrial if a JPO trial decision to invalidate the patent becomes final and binding after a court judgment to uphold the claim has become final and binding in patent infringement litigation. However, an opposing view is possible, so this issue should be reviewed in the future. Meanwhile, a retrial will not be carried out if a JPO trial decision denying the invalidation of the patent in question becomes final and binding after a court judgment to dismiss the claim due to patent invalidity has become final and binding.

In addition, when a correction narrowing the scope of patent claims is allowed after a court judgment to uphold the plaintiff's claim has become final and binding in patent infringement litigation, and the defendant's article (process) no longer falls within the technical scope of the patent as a result, the outcome based on the traditional view would be to hold a retrial. However, an opposing view is possible. Meanwhile, a retrial should not be permitted when a correction is allowed after a court judgment to dismiss the claim due to patent invalidity has become final and binding.

2 Determination of Corrections in Infringement Litigation

This section examines past court judgments in order to ascertain how "corrections of rights" are determined in infringement litigation related to patents, etc. and how they affect the relevant court judgments.

First, since past court judgments have been sufficiently investigated and examined in the "Study on Court Judgments Related to Corrections of Rights in Infringement Litigation," which is an

article compiled by the Third Subcommittee of the First Patent Committee, Japan Intellectual Property Association, consideration was given to the contents thereof.

This study examines past court judgments by dividing them into four categories. The examination suggests that the courts tend to make some kind of determination on corrected patent claims even when the correction has yet to become final and binding, when the outcome does not differ before and after the correction or when there is no dispute between the parties over said correction.

Then, additional investigation and examination of past court judgments were carried out in order to ascertain the trend after the enforcement of the Act for Partial Revision of the Court Act, etc., which introduced Article 104-3 of the Patent Act.

According to the results of the investigation, the courts had made some kind of determination on the correction in almost all cases even when the correction had yet to become final and binding, when a JPO trial for correction had actually been carried out or a request thereof had actually been made. Conversely, the cases in which the court had not made a determination on the correction were when the request for a trial for correction had already been withdrawn or when such a request had not yet been made.

There were a few cases where the determinations differed between the court and the JPO trial, which were cases where a reason for invalidation existed for corrected patent claims that became final and binding. The reason for this includes the fact that the evidence for determining whether the corrected invention is independently patentable differs.

Overall, however, there were hardly any cases where differences were found in the determinations. At present, it is considered to be very unlikely for the determinations to differ in the end.

Also, it is more favorable to be able to resolve cases as expeditiously as possible at one time, considering the overall burdens associated with

litigation, so today it also seems better to have the court determine corrections to a reasonable extent. In that case, it is hoped that unified determinations are made between the JPO and the court through even closer coordination with each other so as to avoid any differences in the determinations as much as possible.

III Prevention of Rehashing of Invalidation Trials

1 “Rehashing of Invalidation Trials”

This section examines the “rehashing of invalidation trials” (requesting invalidation trials multiple times) from the viewpoint of the propriety of the current provisions of Article 167 of the Patent Act and whether or not any further regulation is needed.

Article 167 of the Patent Act provides for the prohibition of double jeopardy in order to prevent the rehashing of invalidation trials. In general civil procedure, on the other hand, rehashing is prevented based on *res judicata*, prohibition of reinstitution of the suit in the case where the action has been withdrawn after the final judgment on the central issue in the suit, and fair and equitable principles. In comparison, Article 167 provides the subjective scope of the effect to regulate requests for trials to cover all people, but limits the objective scope of the effect to requests for invalidation trials on the basis of the same facts and evidence.

This is reasonable to some extent as the broad subjective scope and the narrow objective scope are balanced. In actual JPO trials or litigation, whether or not certain facts and evidence correspond to the “same facts and evidence” is concretely determined in a manner that leads to a reasonable conclusion from a practical viewpoint, rather than one based on the formal unity of facts and evidence. It would also appear that no serious problems have occurred in actuality from a party requesting invalidation trials multiple times.

When examining Article 167, careful study

should be made by sufficiently considering the relevance with the following: the fact that there is a strict restraint on making an amendment that would add a reason for invalidation after requesting a JPO trial; and the fact that the 1976 Supreme Court Grand Bench judgment limits the reasons to be examined in litigation for rescinding a JPO trial to reasons for invalidation that have been made subject to the request for trial.

2 Case Example of Rehashing of Disputes and Prevention Thereof

This section focuses on a patent dispute related to a “recording paper” as a case example of the rehashing of a dispute, and examines the preventive measures.

The same person has requested an invalidation trial four times for this patent. In addition, two civil actions have been filed for the same patent, with the requestor of the invalidation trials and the patentee as the parties to the suit. Among the four invalidation trials, the JPO rendered a decision of non-acceptance of the request for the trial in the first three trials, and the Tokyo High Court upheld this trial decision in the litigation for rescinding the JPO trial decision. In contrast, in the last case, the Tokyo High Court rescinded the JPO’s trial decision of non-acceptance of the request for trial.

The dispute can be characterized by the following four points:

- (a) The same person has contested the validity of the same patent multiple times.
- (b) Among the four requests for invalidation trials, the time span between the first and the second requests was only slightly less than four months, so a joinder of proceedings may have been possible. However, even if the number of invalidation trials were reduced in this way, when the reason for invalidation differs as in the case between the first invalidation trial and the second invalidation trial, the joinder cannot be expected to have much effect on simplifying the proceedings or considerably reducing the actual burden on the patentee for

dealing with the proceedings. This seems to be the only case where the same person has requested invalidation trials four times, and the reason for this repetition is unknown. The requester of invalidation trials could have been aware of all the reasons for invalidation from the start and revealed them one by one, or the requester could have kept on discovering a new reason for invalidation after having requested an invalidation trial.

(c) The four requests for invalidation trials are not based on the same facts and evidence.

(d) Whereas the JPO rendered a decision of non-acceptance of the request for trial in all four invalidation trials, the Tokyo High Court upheld the first three JPO trial decisions and rescinded the final fourth trial decision.

According to the results of a questionnaire survey conducted by the committee, there is not necessarily a large demand for revising the current system that allows the same person to request invalidation trials multiple times. Nevertheless, possible measures for preventing the rehashing of disputes are examined below.

Possible measures for limiting multiple requests for invalidation trials, irrespective of whether the requester is the same person or different persons, include the following: (a) limiting the number of times trials can be requested; (b) limiting the period during which trials can be requested; (c) limiting the persons eligible to request trials; and (d) rejecting any later requests for trials in certain cases even when they are not based on the same facts and evidence, by revising Article 167 of the Patent Act. Moreover, the following can be considered as possible measures for limiting multiple requests for invalidation trials by the same requester: (e) limiting the number of times trials can be requested; (f) rejecting any later requests for trials in certain cases even when they are not based on the same facts and evidence, if the requester is the same person; and (g) increasing the amount of the fee for requesting a trial for the second request onward when the requester is the same person.

However, all of these measures have the

problem of increasing the risk for existence of patents that incorporate reasons for invalidation as a result of limiting requests for invalidation trials. Therefore, this problem needs to be carefully examined. With regard to this point, the final outcome of the dispute over the recording paper patent cannot be predicted, but it would be necessary to closely watch the outcome of the fourth request for invalidation trial.

IV Institutional Characteristics of Patent Trials as Compared with Other Administrative Trials

1 Administrative Trial System

Administrative trials are generally carried out by an expert administrative organ such as an administrative committee based on proceedings that are equivalent to judicial proceedings to examine administrative dispositions or rulings on appeals against such dispositions. There are various kinds of administrative trials under the current law, and their organization and procedures vary.

Administrative trials can be divided into the procedure for judging disputes and the procedure for active enforcement of administrative power.

This section investigated and summarized the trials by the JPO (trial against an examiner's decision of refusal, trial for invalidation and trial for correction), trials by the Fair Trade Commission, marine accidents inquiries, reconsiderations regarding national taxation-related penalties, and the trials related to the surcharge system under the Securities Exchange Act, from such viewpoints as the proceedings, trial organization and the past trial results.

2 Administrative Trials and Substantial Evidence Rule

One of the characteristics of administrative trials that adopt quasi-judicial proceedings is the "substantial evidence rule" in their relationship with litigation proceedings. Under the substantial

evidence rule, the court does not conduct the fact-finding proceeding again, but examines whether or not the administrative organ has presented sufficient grounds for a person who makes reasonable judgments to affirm the conclusion given by the administrative organ. Thus, in practice, the court carries out the proceedings mainly based on the records of the administrative trial. There are two systems that are associated with the substantial evidence rule: a system to block the invocation of a certain scope of new evidence after the administrative trial proceedings and a system that requires the administrative trial organ to investigate any evidence of which the invocation is not blocked by carrying out (another) proceeding (which is effectively a requirement for a remand). It should be construed that the application of the substantial evidence rule and these systems require statutory legal basis. Under the current law, there are such provisions in the Anti-Monopoly Act, Land Use Planning and Control Procedure Act, and the Radio Act (only the substantive evidence rule). However, there are no such provisions for patent trials under the current Patent Act.

The introduction of the substantive evidence rule and these systems in patent trials is examined below.

First, from an analytical point of view, it is possible to stipulate legally the substantive evidence rule for patent trial decisions for which the administrative organ has no discretion. The scope of the application of the substantive evidence rule in this case is the process until concrete facts are found based on the evidence. However, there is a strong tendency in Japan whereby judges conduct fact-finding for themselves even when the substantive evidence rule is legally stipulated. In addition, it is rare for the fact-finding to become the subject of a dispute in patent trials. Therefore, the substantive evidence rule may not be very significant in actuality. Indeed, as fact-finding and comparison of the facts with laws and regulations sometimes cannot be distinguished clearly in actual cases, so there is a possibility that the substantial

evidence rule will also be applied in the process of comparing the facts with the requirements under laws and regulations.

Secondly, in the case of not legally stipulating the substantive evidence rule, it is possible to stipulate legally a system that blocks the production of new evidence or the claiming of new facts after a patent trial decision. Such a system may in fact be more significant than the substantive evidence rule. Nevertheless, while the scope of facts that can be claimed in patent trials is broad, there are limits to the scope of facts that can be investigated by the time of the patent trial, so there may be not many cases where later claim of facts could be blocked on the basis that those facts could have been claimed during the trial proceedings.

Thirdly, with regard to patent trials for which neither the substantial evidence rule nor any other systems to block evidence or claims after the trial proceedings is legally stipulated at present, it is questionable whether there is a legal basis for limiting the scope of proceedings of litigation for rescinding JPO trial decisions and requiring a remand to the JPO trial proceedings when there is any new fact or evidence only because patent trial proceedings are quasi-judicial proceedings.

Note that this summary outlines the contents of the report that has been written by multiple committee members based on the discussions and presentations made by members at committee meetings, and the matters contained in this summary are not necessarily the unified view of the committee as a whole.

(Researcher: Yusuke IKESHIMA)