Judicial Coherence in Specialized Intellectual Property Courts: A Comparative Analysis of Japan and Europe (*)

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The establishment of IP courts aims at fostering the creation of a specialized body of patent jurisprudence. However, it also entails risks in terms of judicial coherence, such as the isolation of patent law from other branches of law, the development of a pro-patent bias and the inconsistency of decisions reached by the different actors of the patent system. This research project aims to explore and analyse the Japanese patent system and to compare it with the European patent system in order to foresee the development of similar dynamics as well as to identify potential tools and mechanisms to enhance judicial coherence. The methodology is based on desk analysis, legal comparative research and qualitative empirical research.

I. Introduction

Specialization involves some risks in the perspective of judicial coherence in patent systems. Although the Japanese and the future European patent systems entail institutional as well as procedural differences, it is shown how they could be involved in similar dynamics concerning the impact of specialization on judicial coherence. The aim of the present report is to identify carefully mechanisms developed in one patent system that can be transferred to the other for the enhancement of judicial coherence.

II. Judicial coherence and specialization

1. The importance of judicial coherence in patent systems

Patent law is based on concepts and rules which are by nature rather imprecise and vague. This linguistic indeterminacy allows for flexibility and a dynamic interpretation in the patent field, which is necessary to meet advancements in technology and science as well as general societal needs. However, linguistic indeterminacy also creates uncertainty since it leaves ample room for divergent interpretations.[1] It is therefore important for judges to be guided by principles such as judicial

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[1] F. Baldan and E. van Zimmeren (2015), "The Future Role of the Unified Patent Court in Safeguarding Coherence in the European Patent System", in Common Market Law Review, Vol. 52, No. 6, 1529-1578, at 1549.

coherence in adjudication. Judicial coherence refers to the consistent interpretation and application of the law between different actors of a legal system as well as to the consistent and well-balanced application of principles and values throughout the entire legal system. In particular, judicial coherence plays an essential role when the process of adjudication involves extra-legal considerations or when legal provisions are indeterminate and abstract.[2]

The establishment of specialized and centralized Intellectual Property (IP) courts aims to enhance judicial coherence. In fact, specialization provides for efficient proceedings and leads to high-quality decisions that contribute to predictable outcomes. The need to establish centralized and specialized courts has been perceived internationally, especially in those countries with a high number of patent applications.[3]

2. The controversial relationship between specialization and judicial coherence

Specialization and judicial coherence do not always go hand in hand. Rather, excessive specialization in a patent system has the potential to hinder judicial coherence in the absence of counterbalancing mechanisms. The first challenge to judicial coherence is represented by isolation of patent law. In fact, specialized courts might be inclined to disregard non-IP related issues (e.g. competition law, human rights) and potentially develop a bias towards innovation. The second challenge to judicial coherence relates to the interaction of the specialized court with the patent office. The coexistence of heterogeneous actors in charge of interpreting patent law and deciding on the validity of patents runs the risk of reaching inconsistent decisions.

III. Specialized IP courts in Japan and Europe

The importance of specialization to enhance expertise in patent adjudication and foster consistency has been acknowledged in the Japanese and the European patent systems. However, the risks connected to specialization can be observed in both patent systems.

1. The Japanese Patent System

[2] See, for instance, A. Aarnio et al. (1981), "The foundation of legal reasoning", Rechtstheorie, Vol. 12; A. Peczenik (1989), On law and reason, Kluwer.

[3] See International Intellectual Property Institute (IIPI) and United States Patent and Trademark Office (USPTO) (2012), "Study on Specialized Intellectual Property Courts", available at http://iipi.org/2012/05/study-on-specialized-intellectual-property-courts-published/ (last visited on March 12, 2017).

In the Japanese patent system, the creation of a specialized IP court and the establishment of the "double track" had relevant effects on judicial coherence. In the period between 2004 and 2008, many decisions of the JPO that declared the patent valid were quashed by the IP High Court.[4] The trend at the IP High Court was reflected also at the district court level.[5] Therefore, some scholars held that specialization in the Japanese patent system contributed to the development of an "anti-patent" bias.[6] However, the anti-patent trend settled from 2008 on. Interestingly, some experts believe this change was especially influenced by some judgements of the third division of the Court related to the interpretation of the inventive step requirement.[7] This triggered a "dialogue" between the court and the JPO. In fact, the new interpretation of the inventive step requirement made it easier for examiners to conclude that the invention was inventive.[8]

Apart from isolation and the development of a bias, the Japanese patent system also entails other risks in terms of judicial coherence related to the double track system. Statistics show divergent outcomes between the decisions of the court and the JPO in about 20% of cases in the periods 2000-2003 and 2005-2009.[9] Since consolidation of the two proceedings at the appellate level is not possible due to their inherent differences, the potential for inconsistencies remains.[10] The risk of inconsistent determinations on the validity of a patent is aggravated by the fact that district courts rarely stay proceedings even if the Patent Act allows so.[11] However, it is argued that consistency has considerably improved in recent years. In particular, the "worst case scenario", where the patent is considered valid and infringed and it is subsequently invalidated by the JPO, does not happen often.[12]

2. The European Patent System

[4] See JPO (2014), "Shinpan no Gaiyō (Seido Unyō hen)" [Outline of Appeals and Trials (System and Operations)], Heisei 26 nendo, at 18, available at: https://web.archive.org/web/20160331190419/https://www.jpo.go.jp/torikumi/ibento/text/pdf/h26_jitsumusya_txt/09.pdf

[5] See S. Takakura (2008), Review of the Recent Trend in Patent Litigation from the Viewpoint of Innovation, in Research Institute of Economy, Trade and Industry (RIETI) Journal, 3 September 2008, available at http://www.rieti.go.jp/en/columns/a01_0242.html (last visited on March 12, 2017).

[6] See Y. Tamura (2015), "Kōsatsu: Chizai Kōsai—Chūō Shūkenteki katsu Tagenteki na Senmon Saibansho ni taisuru Seidoronteki Kenkyū" (Consideration: Intellectual Property High Court: Institutional Study on the Centralized and Pluralistic Special Court), a collection of papers in commemoration of the retirement of Mr. Toshiaki Iimura, Gendai Chitekizaisan Hō: Jistumu to Kadai (Today's Intellectual Property Law: Practice and Issues), 29-47 (Japan Institute for Promoting Invention and Innovation); see also Institute of Intellectual Property (2014), "An empirical study of inventive step in Japanese IP High Court cases and reconstruction of its test from a functional view", IIP Bulletin 2014, Vol.23, 150-168.

[7] Ibid.

[8] In particular, the "circuit connection case" required a detailed reasoning to justify the determination that a person ordinarily skilled in the art could have easily conceived of the relevant invention from the prior art. IP High Court 2008 (Gyo-ke) 10096, January 28, 2009.

[9] J. P. Kesan (2008), "Patent office oppositions and patent invalidations in court: complements or substitutes?", in T. Takenaka (ed), Patent law and theory: A handbook of contemporary research, 246-270; J. P. Kesan (2013) "PAEs, IPrs and Improving the Patent System"; Interviews.

[10] T. Kudo (2009), "Changes to the civil procedure laws and regulations prompted by specialized litigation: regarding the United States and the Japanese patent invalidation procedures", University of Washington, ProQuest Dissertations Publishing, at 190.

[11] Art. 168 Patent Act. Source: Interviews.

[12] Source: Interviews.

The European patent system is highly fragmented and includes different actors which are part of the European Union (EU) pillar and the European Patent Organisation (EPOrg) pillar and which are not bound by each other's jurisprudence. Several attempts have been made to reform the system and improve a coherent interpretation and application of the law by establishing a unitary title for patent protection and a centralized and specialized court.[13] Eventually, the obstacles to the creation of a unitary patent were bypassed in 2012 by reaching an agreement between 25 Members of the EU.[14] Currently, the Unified Patent Court (UPC) Agreement is in the process of being ratified by the Participating Member States. One of the purposes of creating a centralized patent court is to foster uniformity in the interpretation of patent law throughout Europe in order to realize more coherence within the European patent system. However, the structure of the UPC, its insulation from other judicial actors and the fact that the European Patent Office (EPO) will not be bound by the UPC case-law, entail the risk to increase incoherence. Similarly to what has been observed in the Japanese patent system, risks in terms of judicial coherence can be identified with regard to isolation, the development of a certain bias and the potential for inconsistent decisions.

Commentators claim that, due to its centralized and specialized institutional design, the UPC will be biased towards technology and will therefore likely develop a tunnel vision, which might lead to a pro-patent jurisprudence.[15] Such belief is fostered by some provisions of the Agreement which seem to favor the interests of patent owners, such as the flexible rules on bifurcation[16] and the possibility to obtain pan-European injunctions.[17]

Moreover, the institutional design of the UPC with its different local and regional divisions carries the risk of divergent interpretations. Additionally, parallel proceedings on patent validity could run both at the EPO and the UPC. This means that oppositions as well as appeals at the EPO can continue even if a revocation action has been brought before the UPC. The final determinations of the Boards of Appeal (BoAs) at the EPO are not reviewable by the UPC or the Court of Justice of the EU (CJEU).

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[13] See V. Di Cataldo (2002), "From the European patent to a community patent", Columbia Journal of European Law, Vol. 8, 19-35; A. Plomer (2015), "A Unitary Patent for a (Dis)United Europe: The Long Shadow of History", International Review of Intellectual Property and Competition Law, Vol. 46, 508–533; F. Baldan and E. van Zimmeren (2015), op. cit. supra note 1, at 1557-1559.

[14] The Patent Package consists of two EU regulations (European Parliament and Council, Regulation (EU) 1257/2012 of the European Parliament and of the Council of the EU of 17 Dec. 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, O.J. 2012, L 361/1 (hereinafter Regulation 1257/2012 or UPR), Council of the EU, Council Regulation (EU) 1260/2012 of 17 Dec. 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, O.J. 2012, L 361/89) and an international agreement between EU Member States (Agreement on a Unified Patent Court, O.J. 2013, C 175/1 (hereinafter UPC Agreement)).

[15] See, for instance, C. S. Petersen and J. Schovsbo, "Decision-Making in the Unified Patent Court: Ensuring a Balanced Approach", in C. Geiger et al. (eds.), Intellectual Property and the Judiciary, EIPIN Series, Edward Elgar (forthcoming), available at SSRN: https://ssrn.com/abstract=2799132 or http://dx.doi.org/10.2139/ssrn.2799132 (last visited on March 12, 2017). See also R. C. Dreyfuss (2016), "The EU's Romance with Specialized Adjudication", International Review of Intellectual Property and Competition Law, Vol. 47, 887–890.

[16] Art. 33(3)(b) UPC Agreement.

[17] Art. 62 UPC Agreement.

IV. Mechanisms to improve judicial coherence

Although relevant institutional and procedural differences exist between the Japanese and the European patent systems, both have developed mechanisms to overcome those challenges. Even though such mechanisms cannot be simply "transplanted" from one system to the other legal system, they provide important sources of inspiration for the enhancement of judicial coherence.

1. Mechanisms limiting isolation

(1) Dialogue with the "generalist" higher court

First, isolation could be limited if the specialized court engages in a dialogue with the higher generalist court. Such a mechanism can be observed in the Japanese patent system. The Japanese Supreme Court applied standards instead of stricter rules to its reasoning in patent cases from the late 2000's. In this way, the Japanese Supreme Court fostered judicial experimentation and counteracted the potential "paralysis" of case law due to its centralization while providing for a more dynamic interpretation which better suits the needs for innovation.[18] Due to the institutional design of the UPC, the risk of isolation of patent jurisprudence in the future European patent system is greater than in Japan. This is also due to the fact that the CJEU's jurisdiction on the UPC's decisions will be quite limited. Considering the positive developments in terms of coherence as a result of the dialogue between the "generalist" Japanese Supreme Court and the IP High Court, a similar interaction between the UPC and the CJEU through the preliminary ruling procedure[19] would be desirable in the future to limit the development of a tunnel vision by the specialized court.

(2) Law clerks with patent law education

The participation of the "generalist" court in the patent system does not necessarily entail the "best" interpretation of patent law if the court does not have a good understanding of patent law. Moreover, the generalist court's wider perspective may hinder predictability when the higher court does not provide sufficient guidance for lower courts. A reasonable level of patent expertise could be reached through the collaboration of the generalist court with experts in the patent field.[20] This mechanism is already included in the Japanese patent system, where law clerks provide a helpful

[18] On the benefits of pluralism opposed to excessive centralization and the role of standards developed by the Supreme Court in the Japanese patent system, see Y. Tamura (2015), op. cit. supra note 6, at 38.
[19] Art. 21 UPC Agreement.
[20] See M. Kamiya (2011), "'Chōsakan': research judges toiling at the stone fortress", 88 Wash. U. L. Rev. 1601-1629.

contribution. In the European patent system, the trust of the patent community in the ability of the CJEU in deciding patent law could be improved if a similar mechanism where patent experts from the Member States or perhaps even lower court (patent) judges would be collaborating with the "generalist" court.

(3) Training and selection of judges

Some scholars believe that, in order to preserve its viability, the UPC will have an incentive to decide cases in ways that will encourage inventors to seek unitary patent protection and, therefore, will develop a pro-patent bias.[21] However, the Japanese experience has shown that not all specialized courts have a pro-IP, pro-patent bias. Personal opinions, professional background and education of judges appear to have had a larger influence on the attitude and case-law of the IP High Court. In Japan, in particular the training and education of judges seem to play an essential role in preventing the isolation of patent law and the potential for the development of a bias. In the European patent system, judges with different backgrounds who have practiced in different legal systems will be involved in an intercultural dialogue as part of UPC multi-national panels.[22] In this way, they will directly learn from experiences in other legal cultures.[23] The lesson which can be derived from the Japanese patent system is that isolation could be limited if the assignment of particular judges to certain divisions would take into consideration the professional background and education of the judges in order to avoid the creation of a hyper specialized court.

(4) Dissenting opinions

By giving voice to the divergent views of judges, dissenting opinions contribute to open the patent system to different interests and values and limit the potential for isolation of patent jurisprudence.[24]

Dissenting opinions have been introduced in the UPC Agreement.[25] Adding such option also for Japanese lower courts may counteract isolation by opening the system to dissenting voices feeding a continuous dialogue.[26]

[21] E.g. R. Dreyfuss (2016), op. cit. supra note 15.
[22] Art. 8(1) and 9(1) UPC Agreement.
[23] See F. Baldan and E. van Zimmeren (2015), op. cit. supra note 1, at 1572-1574.
[24] See also F. Baldan and E. van Zimmeren (2015), op. cit. supra note 1, at 1574-1575.
[25] Art. 78 UPC Agreement.
[26] See I. Nakayama (2015), "Intellectual Property Policies in Japan under the New Policy-Making Process: Ten years of efforts toward making Japan an intellectual property-based nation", Intellectual Property Law and Policy Journal, No. 46, pp. 1-67, at 21.

(5) *Amicus curiae* briefs

Amicus curiae briefs include the view of different actors in patent cases. This raises courts' awareness on broader interests at stake in the patent field and beyond the patent system.[27] In Japan, although a provision on *amicus curiae* briefs is not included in the statutes, in a recent case the IP High Court sought opinions from the public.[28] Hopefully, this initiative will be a benchmark for future sensitive disputes involving societal interests in Japan and will encourage a reconsideration of the possibility to introduce *amicus curiae* briefs in the European patent system.

2. Mechanisms limiting inconsistencies

(1) Opinions on invalidity by the JPO

Although consistency of decisions in the double track has improved, due to the procedural differences between the two tracks, the risk of inconsistencies in the Japanese patent system persists. An effective solution would be the ability for the court to ask an opinion from the JPO on patent validity. In this way, the opinion would foster the dialogue between the court and the patent office and would benefit the efficient determination of validity issues in courts. In addition, this could encourage early settlements of disputes.

(2) Exchange of information and evidence

In order to ensure efficiency and coherence, it is essential that the information and evidence submitted to courts and the patent office are the same. In this perspective, the effective implementation of the mechanisms for information exchange *ex* Article 168 (5) and (6) of the Japanese Patent Act is recommended.

Dialogical mechanisms including the exchange of relevant information between the court and the patent office will be even of greater importance in the future European patent system, due to the lack of a hierarchical relationship between the specialized court and the patent office. Some mechanisms for the exchange of information are included in the UPC Agreement. Their effective implementation will depend on the speed of invalidity proceedings at the EPO[29] as well as on the willingness of the

[27] See C. V. Chien (2011), "Patent amicus briefs: What the courts' friends can teach us about the patent system", University of California Irvine Law Review, Vol. 1, 395–430.
[28] IP High Court, May 16, 2014 (2013 (Ne) 10043).
[29] The average duration is about 2.1 years for opposition (EPO, "Quality indicators", http://www.epo.org/about-us/office/quality/quality-indicators.html) and 2.7 years for appeal cases (EPO, "FAQ – Boards of Appeal", http://www.epo.org/service-support/faq/epo/appeal.html)

UPC to stay its proceedings and wait for the EPO's decision.

(3) Informal dialogical mechanisms

In both the Japanese and the European patent systems, informal dialogical mechanisms to exchange views on the interpretation of patent law are promoted in the form of conferences or symposia. Such mechanisms are very important for a coherent development of patent policies. Hopefully, these events will contribute to a coherent development of patent law jurisprudence.

(4) Internal consistency

Both the Japanese and the European patent systems aim to ensure internal consistency among the divisions of their specialized courts. However, it is important that internal consistency is balanced with judicial experimentation. In this way, the specialized court could fully benefit from divergent interpretations among its divisions for a dynamic development of patent law. In the Japanese patent system, the Grand Panel holds an essential role for the coherent interpretation of patent law. However, to effectively fulfil its role, the Grand Panel should intervene only after significant divergences among the divisions.[30] A similar mechanism should be applied in the future European patent system. The President of the UPC Court of Appeal should request the intervention of the plenary session for instance after a split between different court of first instance divisions (local, regional or central divisions) took place in order for the final decision to benefit from judicial experimentation.

V. Conclusive remarks

The underlying justification for the creation of centralized and specialized courts is that such courts would contribute to the development of a more uniform and predictable case-law. However, this analysis shows that specialization also entails some risks in terms of isolation of patent law and inconsistent decisions between the specialized court and the patent office. Identifying potential mechanisms to enhance judicial coherence within patent systems with specialized patent or IP courts is key. The identification of such mechanisms may provide fruitful lessons to be transferred to different patent systems.

The mechanisms identified through the present analysis do not entail "restructuring" patent

[30] See Y. Tamura, op. cit. supra note 6.

systems by means of legislative intervention, which is often a complex and time-consuming process. Rather, most of the identified mechanisms encourage a collaborative attitude of the actors involved in the system and aim to foster a careful balance of their powers. Acknowledging the importance of the roles of courts and patent offices in the interpretation of the law and fostering a dialogue between these actors will hopefully contribute to a harmonious development of patent systems.