Institutional Identity in Intellectual Property: Comparative Perspectives on the Importance of Soft Law in Japan's IP High Court [*]

Invited Researcher: David TILT [**]

This paper uses a comparative methodology to investigate the legal context in which Japan's Intellectual Property High Court was introduced, drawing on the experience of the Court of Appeals for the Federal Circuit in the USA and the Unified Patent Court in the EU. Rather than focusing on the substantive legal position of these courts – harmonised broadly by international legal instruments – this paper instead focuses on the soft-law dynamics that animate the intra-jurisdictional dynamic. In this sense, the emphasis shifts from promoting harmonisation through substantive legal reform and into understanding how the relationship between, for example, an apex court and a specialised court can impact the process of harmonisation. These experiences are used to reflect and contextualise some potential reforms for the Japanese system that would promote both the internal consistency of Japan's patent regime and its ability to contribute in the international dimension.

I. Main Themes

Starting from an analysis of the Japanese shift in policy priorities regarding intellectual property in the early 2000s, the establishment of the IP High Court is – in a background of global intellectual property harmonisation supported by the TRIPS Agreement – one of the most significant elements of Japanese intellectual property. The IP High Court occupies an important position between that of a harmonising specialist court (providing an eventual meeting point for claims originating in court-based litigation and from patent office validity disputes) and a

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[**] S.J.D. Candidate in International Business Law, Central European University, Hungary.

symbolic representation of Japan's commitment to the empowerment of innovative communities.

Japan is not the first country to introduce a specialised court for intellectual property, though it is the most significant in terms of its institutional positioning – dealing with actual cases rather than just administrative reviews, as well as provisions for technical advisors that assist the judges in technical matters. However, the problems that the IP High Court will face in its development, both in terms of its institutional identity and contributions towards further harmonisation in patent law, have important similarities with the specialised courts of other jurisdictions.

Understanding the context in which the IP High Court was created – in both its political and legal dimensions – is important because it demonstrates the values that animated these legal reforms. The emphasis from very early on appears to have been strengthening the position, at least in patent law, of rights-holders and their economic contributions. The focus on patent law, as well as the CAFC as a model specialised court, becomes clear when linked with the economic context of Japan at the time – following the 'lost decade' and the dip in economic performance following strong post-war years, the Japanese Government were looking for ways to strengthen the international position of the Japanese market.

The IP High Court was essentially constructed from the intellectual property divisions of the Tokyo High Court, rather than creating a completely original court. The support of business and industry appears to be a particularly prominent element of the legal dynamic here. While industry supported the idea of a specialised court that dealt with intellectual property disputes to provide increased harmonisation and stability, there was opposition to the creation of a ninth High Court with subject-matter jurisdiction – the compromise in the implementation being that the IP High Court would be created from the divisions of the Tokyo Court, which already had significant intellectual property expertise, as the transformed foundation of the IP High Court.

The first part of the paper considers improvements to harmonisation from a national perspective, that is, adjustments to patent law as it currently exists in Japan to promote a greater level of harmonisation. In this, the role of the court and the development of the double-track problem – where the validity of a patent can be assessed by both the court and the patent office – is considered, as well as Japan's important historical legal development through transplantation.

While the reforms were centred on Japan's transition towards being an 'IP-based nation', the emphasis on specific institutions in the reform makes it clear that patent law is at the centre of this project. The IP High Court and its exclusive jurisdiction in patent law is one such example, but also when considering the establishment of a specialised court at all – the Court of Appeals for the Federal Circuit (CAFC) was a central part of the US plan to regain economic strength and has obvious parallels with the Japanese economic situation of the 1990s.

II. Court of Appeals for the Federal Circuit (CAFC)

The CAFC is an important institution when considering how harmonisation in intellectual property can be undermined by the institutional dynamics that emerge between a specialised court and the apex court – the US arrangement highlights the conflicts between the Supreme Court and the CAFC, whereas in the Japanese context a similar dynamic appeared between the IP High Court and the Japan Patent Office (JPO). The Supreme Court and the CAFC have differed in their interpretations of the direction of patent law, with the Alice decision in particular highlighting the flexibility with which the CAFC can filter Supreme Court decisions to realise a more patent-friendly approach.

In contrast to the legal context prior to the establishment of the IP High Court, intellectual property cases were not as centralised or concentrated in the US. Circuit diversity and the negative effect that circuit splits had on patent law specifically was one of the driving reasons behind establishing the CAFC. The circuit diversity in appeal courts – coming from the fact that court circuits have their jurisdiction assigned geographically – led to specific areas of the US that were considered to be highly sympathetic to patentee litigants and other circuits that developed a reputation for a more cynical perspective in patent disputes.

This incentivised a huge degree of forum shopping for patent litigants, where the outcome of infringement litigation could be influenced significantly by which part of the country the patent owner filed in. While fragmentation and forum-shopping in any legal system can be problematic, specifically in the context of intellectual property and patents, the effects were particularly significant - especially with the frequency with which injunctions are granted and the level of damages that are routinely awarded in the US courts.

III. Europe and the Unified Patent Court (UPC)

The UPC, on the other hand, explores the promotion of international harmonisation and the role of courts when they are the specific emanations of a political regime or project. The UPC and the project of a truly European patent more generally, have had a troubled history – though generally not because of the patent element (which had remained stable throughout most of the proposals), and instead the difficulty of agreeing an enforcement framework that adequately balances national interest with efficiency and stability of patent rights. For the IP High Court, the experience of the UPC stresses that the importance of deriving its legitimacy and authority from positive contributions to harmonisation and responsiveness to industry needs, rather than a political legitimacy that is subject to changes in government and government priorities.

The inefficiencies of both the national approach and the EPO application are particularly significant in this context of enforcement that the UPC was intended to remedy. The patents that are granted are all independent national patents and therefore a company claiming patent infringement must file a lawsuit in each Member State they wish to enforce their patent in. Given the degree to which most Member States are connected (in many cases, physically connected), as well the linguistic diversity, the costs in bringing enforcement proceedings in multiple Member States at the same time can be prohibitively expensive. This would be particularly the case for small businesses who lack the international presence and are trying to defend their patented invention against a much larger company.

A key element of the UPC, and a contribution to the political balancing of creating a new (almost) pan-EU patent court, is the creation of technical divisions. These divisions represent a degree of further specialisation within the UPC as a court system that deals exclusively with patent cases. The UPC itself consists of several divisions - with a Court of First Instance that has a central division established in Paris, and further specialised divisions in both London and Munich. Local divisions of the UPC provide more representation more consistently throughout Europe. The jurisdiction of the court, as the only court that is empowered to hear disputes about EPUEs, covers all of the participating States. In this respect, judgments rendered by the UPC in terms of infringement and validity apply throughout the territory - though the licensing of a EPUE can be done on a

Member State-level basis, where a licence would be granted for a specific part of the territory.

IV. Conclusions

By contextualising the development of the IP High Court with that of the CAFC and UPC, there are several areas of patent law that could be adjusted to improve national and international harmonisation. The first of which addresses the double-track problem, in which this paper suggests a return of power to the JPO as the exclusive arbiter of patent validity. The issue in this context, from an analytical point of view, is not that patent validity can be considered by both the court and the JPO, it is rather that the Japanese system sits awkwardly between an explicitly common law or civil law approach.

The introduction of an amicus-style procedure, drawing on the innovative approach of the IP High Court in Apple v Samsung, should be formally introduced for cases that are technologically or legally significant. The focus of both the pro-patent reforms of the US and the IP-based nation project in Japan was the experience of industry users – complaints about stakeholder engagement have been around since the start of the bilateral US-Japan talks, and a pared-down amicus system is a way of broadening the perspectives on the legal issues affecting specific technologies (predominantly emerging or disruptive technologies).

Finally, a system for the creation of thematic divisions of IP High Court is set out. Drawing on the European experience of establishing the UPC (as well as the associated difficulties of political balancing in its negotiation and arrangement), it is suggested that the establishment of regional divisions of the IP High Court that are technologically-specific would promote existing domestic expertise and more international collaboration through technology-specific interactions (reliant, of course, on a renewed commitment to translating decisions into English). The regional divisions would be significant in their technological expertise, but would also be an important component of the IP High Court's wider activities – while the IP High Court already organises many events in Tokyo, it reinforces the historical centralisation of Tokyo in Japan. By distributing limited legal functions to technical divisions outside of Tokyo, the IP High Court could have a broader impact in its outreach activities (such as conferences and symposia), as well as reinforcing the

commitment to the cycle of intellectual property for innovative communities across Japan.