C. Patent Infringement Litigation in the Age of the Global Network -- Focused upon Defense against Invalidation of Patent in Infringement Litigation in Our Country

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1. Preface

A hearing of a case relating to the intellectual property right has changed dramatically in the last few years. It is true that with respect to a hearing of a case relating to the intellectual property right in our country in the past, there was a severe criticism that it took too long and a hearing period was long, thus failing to lead to remedy for the right as a result. From a statistical viewpoint, an average hearing period exceeded 24 months in the Tokyo District Court some years ago, whereas currently, a hearing has been concluded in 12 months in almost all cases. The Tokyo District Court, etc. which are representative courts deserve to be evaluated as the ones conducting a hearing most speedily in comparison of a hearing speed of intellectual property litigation in other countries individually. As seen from this viewpoint, it can be said that the hearing system of intellectual property litigation has changed much, and it is fully schemed in various respects to carry out a speedy hearing.

However, in the past, there existed an unsurpassable bottle-neck, notwithstanding any attempts to attain a speedy hearing. In other words, a court hearing an infringement litigation was unauthorized to determine the validity of a patent right on which the plaintiff's claim was based. This was a major bar to realization of a speedy hearing.

In this regard, by virtue of the decision of the Supreme Court (also referred to as "Fujitsu Semiconductor Litigation" or "Kilby Patent Litigation", named after the interested party or the inventor) which was rendered last year, a situation with an infringement litigation has changed to a considerable degree. This report discusses this point mainly.

2. Circumstances which existed until the decision of the Supreme Court was rendered, and its contents and its significance

Our country has adopted a system which provides remedy by bringing a suit against appeal decision in Japanese Patent Office (JPO) in response to demanding a ruling for invalidation, in case that a decision to grant a patent is issued in the wrong. Accordingly, a third party who may be possibly influenced by a patent granted in the wrong is required to go to the Japanese Patent Office to demand a ruling for invalidation to invalidate the patent.

Under such patent system of our country, even if there is a ground for invalidating a patent, the patent right once registered continues to exist as valid as long as an appeal decision to invalidate its registration does not become final and conclusive. Hence, a court hearing an infringement case cannot render judgment on the presumption that the patent is invalid. This is the logical consequence of the establishment of such system. In short, it follows that a simplified bypass cannot be allowed, so long as such system exists. This was repeatedly held in the former decisions of the Supreme Court. (See Former Supreme Court Decision April 23, 1917 Minroku 23 Shu, page 654 and

others)

Nevertheless, on April 11, 2000, the Supreme Court substantially changed the long-established precedent, and rendered the following ruling:

A court that hears a patent infringement case may determine whether a ground for invalidating a patent exists or not. If it is evident that a ground for invalidating the patent exists, claim based upon the patent right corresponds to the abuse of right and is not allowed. (Minshu Vol. 54, 4 Go 1368, Precedent Journal 1710 Go, page 68)

The decision of the Supreme Court meets demand for prompt settlement in a patent infringement litigation. Litigation economy is emphasized in reason for the court decision as shown below:

"It is desirable that a dispute be settled by one procedure as promptly as possible. In an infringement litigation based upon the patent right ... if it is not permitted to defend based upon the existence of a ground for invalidating the patent as a way of defending against enforcement of the patent right, this goes against litigation economy .. ".

Further, although there is no direct reference in the reason for the decision of the Supreme Court,
it is clearly seen that there was underlying thought that litigation administration should be put into operation in line with international harmonization. This is why the court decision was rendered at such time.

Since the decision of the Supreme Court was rendered, a lower court has unanimously begun to examine the validity of a patent in an infringement litigation. When the invalidity of a patent is evident, a hearing has been established which promptly dismisses claim based upon the patent right. In this sense, the decision of the Supreme Court has enormous impact on practical affairs of infringement litigation.

3. Relationship of the general theory of administrative acts with the act of granting a patent

Here, the following is a discussion of a relationship with the general theory of the administrative law.

When an administrative act which is exercise of public authority is conducted by an intendance, the administrative act holds good even if such administrative act is illegal, unless a person who is prejudiced by such administrative act brings a suit for revocation before a court, which then renders a decision for revocation. Even if an administrative act is illegal, any person (including all the institutes) is not permitted to treat the administrative act as not valid (invalid) unless a court decision for revocation becomes conclusive and final. This nature is common to all the administrative acts including various acts such as development license disposition, business license disposition, driving licensing disposition, nuclear power reactor installation permission disposition, etc. (provided that there is an exception to this general rule as follows; in the event that an administrative act is performed in error and such error is "grave and apparent", the administrative act may be treated as not valid. However, in actual administrative lawsuits, it is very rare that an error of a general administrative act has been judged as being "grave and apparent").

Incidentally, the Commissioner of the Japanese Patent Office issues a decision to grant a patent and thereafter, makes a patent valid to an applicant by registration. This act is exactly exercise of public authority, which is an administrative act itself. In the

meantime, a patent right is defined as authority to permit to exclusively make use of a position to commercially work a patented invention. This authority is purely private right just like ownership, etc. That is, a patent is an act of granting a private right (exclusive right) by an administrative act. That is, administrative acts include various acts such as development license disposition, business license disposition, driving licensing disposition, nuclear power reactor installation permission disposition, etc. as mentioned in the foregoing. These legal positions are all defined under the public law, although it is possible that a private man can obtain a certain legal position by an administrative act in some case. On the other hand, the act of granting a patent right by the Commissioner of the Japanese Patent Office differs from other administrative acts in that it is purely an act of establishment of private right.

In the light of such nature of the patent right, if it is not permitted to defend in an infringement litigation based upon existence of a ground for invalidation unless a trial decision for invalidation becomes final and conclusive via ruling of the Japanese Patent Office, this should be too rigid, and hence, disadvantageous to a third party when making reasonable economical activities. Further, this should induce a third party to an unnecessary, not urgent demand for invalidation ruling even if an applicant obtains a patent. Thus, a patentee should incur cost for precluding this. Further, system cost of the society as a whole should be increased. In other words, burdens of cost and time should increase which cannot be ignored, if it is inevitably indispensable that the Japanese Patent Office should decide whether a patent is valid or not during the procedure of an invalidation ruling, and further, a court should judge whether an appeal decision is valid or not in a suit for canceling that decision although any particular, individual dispute does not arise.

Considering a patent right having the nature of private right and social costs involved in the case that demand for invalidation ruling is indispensable, there is room for giving special consideration to an act of granting a patent unlike a general administrative act. It can be said that the current decision of the Supreme Court is judgment rendered from this viewpoint. It can be said that the decision of the Supreme Court has made the minimum modification to the act of granting a patent upon consideration of influence on the established general theory of the administrative law, from the standpoint of demand for prompt settlement of a dispute. This is closely related to reason why the decision for the Supreme Court was rendered at the petty court.

4. Abuse of Right Theory

The decision of the Supreme Court holds that claim based upon a patent right which evidently involves a ground for invalidation, corresponds to the abuse of right and is not allowed. Its conclusion has been drawn by employing the so-called abuse of right theory.

When there exists publicly known art prior to the filing of an application, there were various theories such as a free state of the art theory, an embodiment restriction theory, an abuse of right theory, etc., as jurisprudence which limits a technical scope of an invention. It is presumed that the decision of the Supreme Court borrowed the abuse of right theory because consideration has been given so as not to influence the general administrative theory, and because that the abuse of right theory gives no feeling of strangeness in precluding exercise of private right. It is possible to evaluate the decision of the Supreme Court as substantially affirming argument of invalidation of a patent in an

infringement litigation.

Considering that the purport of employing the abuse of right theory is as set forth above, although subjective circumstances such as an individual specific relationship between a patentee and a non-patentee, a background fact, etc. are so-called general factors for considering the abuse of right, such subjective circumstances should be excluded from consideration factors when considering whether or not to correspond to the abuse of right. A right way of making judgment is to study a granted patent right in an objective manner and scrutinize focusing upon whether existence of a ground for invalidation is evident or not. Additionally, it should be construed that there is no restriction on kinds and scope of grounds for invalidation which can be examined and judged by a court hearing an infringement case.

5. Case of suspending litigation proceedings

The Japanese Patent Law provides that a court may suspend litigation proceedings until an appeal decision in JPO has become final and conclusive, where the patent infringement litigation and a demand for invalidation trial are both pending. (Section 168, Paragraph 2 of the Japanese Patent Law) This is provided as measures for avoiding a contradiction between a trial decision and an infringement litigation. In this regard, the decision of the Supreme Court explicitly holds that the suspending system is not applicable to a case where it is definitely anticipated that a patent is to be invalidated.

In view of the above, when a court decides to suspend proceedings or otherwise to render a decision for dismissal in a particular case, there arises a question of what should be criteria for decision. (Note that in practical affairs of a court, examination of an infringement litigation is normally advanced as much as possible without immediately suspending it, even if an invalidation ruling is demanded. Consequently, the matter in question here relates to criteria for judgement to be made by a court when the hearing of an infringement litigation reaches a conclusive stage.)

In this regard, judgment should be made in line with the purport set forth in the decision of the Supreme Court. That is, the following factors are taken into consideration together:

i) Harmonization of admission of a demand based upon a patent of which invalidation is definitely anticipated, with idea of equity; and ii) need for examination operation in line with viewpoints of speedy proceeding and litigation economy. Of all things considered, the following points are considered as important criteria for judgment:

Whether a substantive judgment rendered by a court hearing an infringement case has stability or not; and whether dispute resolution has certainty or not.

Even assuming that a court of first instance dismisses claim on the ground that it is evident that a patent is invalid, the court must reexamine after appeal is filed, where there is a strong possibility that the right becomes valid (upon demand for appeal for correction), thus failing to lead to ultimate resolution of a dispute by infringement litigation procedure. When judgment lacks stability and certainty of dispute resolution is low as discussed above, an action for suspending the proceedings will be taken.

Thus, when uncertainty of a substantive judgment cannot be assumed entirely, a decision for dismissal is rendered, for example, in the following cases:

i) Even assuming that there is a possibility that the right will become valid (including such case where the right becomes valid by virtue of demand for appeal for

correction, after a court decision has been rendered in an infringement litigation), this has no effect upon the conclusion to dismiss the claim, in relation to an accused product; and

ii) When it is possible to construe that an accused product is not encompassed within the technical scope of an invention by construing the technical scope of the invention in a restrictive manner,

stability of a court decision of first instance is not impaired, and hence, a decision for dismissal is rendered.

6. Criteria for judging "patency"

As a case where a court decision for dismissal may be rendered, the decision of the Supreme Court requires not only that "there is a ground for invalidation in a patent" but also that "existence of the ground for invalidation is evident". The requirement "patency" is not necessarily clear. Normative, evaluative factors seem to be predominant. Normative, evaluative factors will give rise to problems from the standpoints of predictability and legal stability, thus necessitating work of extracting certain judgment criteria by accumulating court cases and analyzing practical affairs of the court cases in the future.

In this regard, the following points should be noted.

With respect to grounds for invalidation by reason of an usurped application or public use, a court hearing an infringement case examines evidence directly, including examination of a witness as to a presupposed fact. The court can directly evaluate and judge whether the presupposed fact exists or not and such fact does not involve any matters of expertise. For these reasons, as to existence or non-existence of a ground for invalidation related to these matters, the court can easily find it "evident". That is, the breadth of "patency" is narrow. It can be said that the fact that the court becomes convinced of existence of a ground for invalidation is substantially synonymous with the fact that existence of a ground for invalidation is evident. The same should apply to whether there is novelty or not.

On the other hand, as to grounds for invalidation by reason of non-existence of inventive step, a court hearing an infringement case will tend to esteem appeal proceedings in JPO and proceedings of a suit for canceling those appeal decision because extremely sophisticated expertise is required when determining whether inventive step exists or not. That is, the breadth of "patency" is broad in the case of such matter. As a generalization, such trend can be pointed out. However, it should be also pointed out that after the decision of the Supreme Court, there exist not a few examples of a court decision for dismissal rendered by a court of lower instance on the ground that "it is evident that there is no inventive step".

7. Discrepancy between Outcome of an Infringement Litigation and an Appeal Decision in JPO/ Outcome of a Suit for Cancellation of an Appeal Decision

Study will be made of a case when a discrepancy occurs between a court decision of a court hearing an infringement case and an appeal decision of the Japanese Patent Office or a decision of a court hearing a suit for cancellation of an appeal decision (i.e., a court within the exclusive jurisdiction of the Tokyo High Court). After a decision for dismissal has been rendered in an infringement litigation, correction is made within litigation proceedings during a period when the decision for dismissal does not become

final and conclusive, and thus, there arises no problem. In the meantime, when a court decision in an infringement litigation becomes final and conclusive, there is room to give rise to a problem.

What is the outcome of the following case?

First, a court hearing an infringement case has rendered a decision for dismissal for the reason that existence of grounds for invalidation is evident. Thereafter, an appeal decision judging that there is no ground for invalidation becomes final and conclusive.

It is presumed that there is no remedy against this case. In short, conventionally, the defendant in an infringement litigation could not submit an defense on the ground of invalidity of a patent, but now, such defense can be submitted by virtue of the decision of the Supreme Court. The plaintiff can submit evidence to reject it on one's own responsibility in an infringement litigation. If the plaintiff could not argue and produce evidence to an extent sufficient enough to convince the court of the argument in result, the plaintiff should bear disbenefits as a natural consequence. It would be right to say that there is not ex-post remedy.

Next, what is the outcome of the following case?

After an admitted court decision rendered by reason of non-existence of a ground for invalidation has become conclusive and final, an appeal decision in JPO to invalidate a patent becomes final and conclusive.

In this regard, there are many scholars who argue as follows:

In the case that an administrative act on which an infringement litigation was based becomes invalid, it is construed that there is a ground for retrial in a court decision of the infringement litigation rendered on the premise of the invalid patent. Thus, even if the defendant has fulfilled payment of money based upon the admitted court decision, the defendant is admitted to demand ex-post remedy such as claim for return of unjust enrichment from the plaintiff.

8. Conclusion -- Future of Infringement Litigation

With respect to the decision of the Supreme Court holding that a court may determine whether or not there is a ground for invalidating a patent in an infringement litigation, and current practical affairs, the following will discuss how these should be evaluated, in keeping up with a futuristic view.

First, it would be right to say that a dispute resolution function of a court that hears an infringement case has expanded greatly. It is not too much to say that there is no case in which the defendant does not argue with respect to invalidation of a patent in an infringement litigation of a modern type. However, prior to the ruling of the decision of the Supreme Court, a court hearing an infringement case could not determine a ground for invalidation openly, thus failing to exercise its dispute resolution function. However, this point at issue could be resolved by virtue of the ruling of the decision of the Supreme Court. It can be said that the decision of the Supreme Court is one of court decisions which were the most influential on practical affairs.

On the other hand, examination of an infringement litigation has become complicated and difficult considerably. A judge of a court in charge of an infringement case is required to be well-versed in latest appeal decisions in JPO and precedents relating to grounds for invalidation of patents. A party concerned also needs to have advanced abilities to carry out efficient examination and understanding of prompt examination.

Secondly, prior to the ruling of the decision of the Supreme Court, the plaintiff who is a patentee ran no risk when "instituting an infringement litigation". Conventionally, even if the plaintiff lost an infringement case, the plaintiff's disadvantage did not go beyond dismissal of claim for damages, and inability to inhibit the defendant from manufacturing and selling a product of the defendant. There was no danger that it would be determined that a patent be invalidated in an infringement litigation. However, after the decision for the Supreme Court was rendered, the plaintiff is exposed to the worst risk that it may be determined that a patent be invalidated in an infringement litigation. It can be said that there arises need that the plaintiff should make prior search more deliberately than in the past before instituting a lawsuit because a risk of losing a case is significant; and there arises the need that the plaintiff should select a behavior pattern of settlement in order to avoid the worst outcome, depending upon the progress of proceedings.