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PROPOSED CHANGES TO JAPANESE AND UNITED STATES PATENT LAW ENFORCEMENT SYSTEMS*

Marvin Motsenbocker

Abstract: Recent changes made to Japanese and American patent procedural laws have not addressed the contentious issue of patent enforcement. Purely technical decisions concerning patent rights and their enforcement need to be consistent between jurisdictions of each country. Courts of both countries are second guessing purely technical decisions of their patent offices and interfering with the smooth and predictable development of new technology and its associated rights. This particularly hurts non-citizen patentees who are unfamiliar with the particular legal customs of the other country. It is proposed that technical patent scope determination during Japanese patent infringement litigation be delegated to the Japanese Patent Office and that technical patent validity determinations during U.S. patent infringement litigation be delegated to the U.S. Patent and Trademark Office. The scientists and engineers who are dedicated to this common task at the U.S. and Japanese patent offices are best qualified to make these decisions which often affect patent rights of non-citizen patentees.

I. INTRODUCTION

The relationship between the United States and Japan has been soured by complaints about each other's patent laws and policies. U.S. politicians have called for pressure on the Japanese to resist non-tariff intellectual property barriers to U.S. companies who want to do business in Japan.¹ The U.S. General Accounting Office released a report in August 1993, that describes the frustrations with Japanese patent laws and claims that these laws dilute the value of U.S. inventors' patent rights in Japan.² Similarly, Japanese commentators have complained of unfair U.S. laws that give preferential treatment to domestic companies involved in litigation and give

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¹ *Rockefeller Introduces Special 301 Bill Targeting Japan's Patent Law Inadequacies*, Int'l Trade Daily (BNA), Aug. 31, 1992, available in LEXIS, BNA Library, BNAITD File.

² GENERAL ACCOUNTING OFFICE, GAO/GGD-93-126, INTELLECTUAL PROPERTY RIGHTS: U.S. COMPANIES' PATENT EXPERIENCES IN JAPAN 1-10 (1993) [hereinafter GAO REPORT].

special rights to inventors on U.S. territory.³ Some newspapers have even referred to this problem as "the patent war."⁴

As a result of patent law friction, Japanese and American negotiators pledged to alter their administrative patent laws, and Japan has made major changes to its law.⁵ These changes to the administration of patent law are new and in many respects have not yet been implemented. It is evident, however, that the changes proposed thus far do not address the more important problem of patent enforcement in Japan and the U.S.⁶

This Comment argues that the U.S.-Japan patent law dispute stems largely from a legal court's inability to properly handle technical issues. An underlying theme to the patent enforcement problem in Japan and the U.S. is that these countries' patent offices share responsibility with their courts for patent enforcement. Technical patent issues are initially decided by scientific personnel in each country's patent office using common principles, but then are often re-decided by technically uninformed judges and juries when the patents are enforced.⁷ As a result, businesses that develop technology and the public cannot fully rely on patent rights. Moreover, this interference in the technical work of the patent agencies reflects non-scientific, cultural nuances of each country and thus hurts foreign patent holders more than domestic ones.⁸ As technological

³ See Clayton Jones, *Japan, U.S. to Clarify Patent Rules*, CHRISTIAN SCI. MONITOR, Oct. 8, 1992, at 8.

⁴ Bruce Stokes, *Title Fights*, 24 NAT'L J. 1236 (1992); see also *U.S. Fixation with Patents Hurts Technological Progress*, NIKKEI WKLY., Apr. 11, 1992, at 6.

⁵ See Nobuo Monya, *Revision of the Japanese Patent and Utility Model System*, 3 PAC. RIM L. & POL'Y J. 227 (Marvin Motsenbocker & Hiroki Mitsumata trans., 1994); see also WORLD INTELLECTUAL PROPERTY ORGANIZATION, RECORDS OF THE DIPLOMATIC CONFERENCE FOR THE CONCLUSION OF A TREATY SUPPLEMENTING THE PARIS CONVENTION AS FAR AS PATENTS ARE CONCERNED, VOL. I: FIRST PART OF THE DIPLOMATIC CONFERENCE art. 21 (1991) [hereinafter WIPO] (explaining the extent of protection and interpretation of patent claims under the proposed treaty). Note that this WIPO document and its terms were never agreed to.

⁶ A patent only gives the owner the right to sue others to prevent them from making, using, or selling the invention. 35 U.S.C. § 154 (1988).

⁷ Japanese courts are not allowed to judge patent validity but determine the technical scope of claims. The Japan Patent Office ("JPO") can invalidate patents via a procedure called "Trial for invalidation of patent." Patent Law § 123, translated in AIPPI JAPAN, JAPANESE LAWS RELATING TO INDUSTRIAL PROPERTY (Japan Patent Office trans., 1992) [hereinafter JAPANESE LAWS]. Litigation in U.S. courts often centers around a jury redetermining all technical issues. Ronald B. Coolley, *Obviousness: Jury Determination and Review by the Federal Circuit Court of Appeals*, 67 J. PAT. & TRADEMARK OFF. SOC'Y 201, 203 (1985).

⁸ In the United States, juries comprised of U.S. (but of course not Japanese) citizens often second guess technical decisions of the U.S. Patent and Trade Office during litigation. Juries typically are biased, and this is taken advantage of by skilled litigators. See David B. Graeven, *Bringing the Juror Back into Intellectual Property Litigation*, LAW WORKS, Feb. 1994, at 14-15. In the Japanese system, patents are

advances are rapidly distributed throughout the world and as Japan and the U.S. become more interdependent, these national differences are becoming less acceptable. In order to harmonize the patent systems of both countries, courts should decide technical patent issues the same way for a given invention.

This Comment proposes that the U.S. and Japan eliminate national differences in patent enforcement by shifting responsibility for resolving technical patent issues during litigation from the courts to each country's patent office. Such a change would allow the courts to focus on their judicial responsibilities without interfering with the international development of technology and its associated property rights.

This Comment begins by summarizing patent granting and enforcement procedures in Japan and the U.S. Part II highlights the differences between the two countries, while Part IV summarizes attempts by negotiators to ameliorate the patent problem by changing Japanese and American procedural laws. Parts III and IV address the judicial problem of weak Japanese patents and propose solutions. Finally, Part V addresses concerns over excessive litigation of patent matters in the U.S. and Part VI proposes a solution to this problem.

II. BACKGROUND

A. *Two Components of the Patent Law Systems in the U.S. and Japan*

Patent rights arise from two mechanisms: 1) the administrative mechanism used to create a private patent grant for a technology that was never available to the public before; and 2) the enforcement mechanism by which patent rights are exercised by infringement proceedings in a court of law.

An administrative agency, the Japan Patent Office ("JPO") in Japan and the United States Patent and Trademark Office ("PTO") in the U.S., is responsible for administering the first component by issuing patents. Patents are granted after an inventor or assignee submits an application that contains a written description of the invention and a set of claims that

rarely enforced by the courts. This lack of enforcement hurts inventors of basic new technologies more than inventors who make minor copycat changes to old technology. Until now, U.S. inventors have excelled in such basic technology and some feel that they are discriminated against in Japan. *See generally* 131 CONG. REC. S12,805 (statement of Sen. D'Amato) (explaining the "crisis" caused by Japan's unfair trade practices); GAO REPORT, *supra* note 2, at 4-6.

describe the metes and bounds of the intellectual property to be protected. The patent office then conducts a protracted dialogue with the applicant, typically over a period of a few years, in which objections made by the patent office are countered by the applicant. During this process the specific claim language and its meaning are determined. Each patent agency uses three specific criteria to decide if an invention is patentable, including determining whether the idea is new, useful, and non-obvious compared to previously known technology. Once patented, the same criteria are sometimes used to decide if the patent is valid.⁹

Courts, on the other hand, are primarily responsible for the enforcement of patents granted by the patent office. When a patent holder enforces the patent in infringement proceedings, the court reads the patent "claims" and decides on their meaning and scope. An accused infringer's technology is appraised and compared with the patented invention to see if it is covered by that invention's claims. If so, the court may find infringement and the patent holder can collect damages.

These two mechanisms exist in both Japan and the U.S., albeit with some differences between the two. The procedural laws in both countries allow the public to appeal to the patent office to review the validity of a patent that may have been granted in error. However, in Japan, the JPO has the exclusive right to invalidate issued patents.¹⁰ In the U.S., an interested party can present evidence of prior art to the PTO by requesting (and paying for) a reexamination of a patent.¹¹ However, this is not done often, possibly because the courts do not give much weight to an ex-parte proceeding in which only one side (the patentee) is allowed to respond to arguments of the PTO and to appeal the results.¹²

In Japan, the public is allowed an additional low cost opportunity called "opposition" during patent procurement to help the JPO weed out

⁹ In Japan, a patent is defined as a highly advanced creation of a technical idea making use of a law of nature. Only inventions that are industrially applicable are patentable. Patent Law §§ 2(1), 29, *in JAPANESE LAWS, supra* note 7. In the United States, a patent can be obtained for the invention or discovery of any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof. 35 U.S.C. § 101 (1988).

¹⁰ 4 ZENTARO KITAGAWA ET AL., *DOING BUSINESS IN JAPAN* pt. VI § 2.13[1] (1994) [hereinafter *DOING BUSINESS*].

¹¹ 35 U.S.C. §§ 301-307 (1988).

¹² Congress expected 2000 examinations per year but there are only about 350 per year. One reason for this may be that the originally proposed reexamination procedure was watered down by the bar such that the party requesting reexamination has virtually no rights. As a result, most patent validity questions are still resolved by expensive court trials. See Robert B. Benson, *The New Reexamination Law-A Legislative History*, 9 AM. PAT. L. ASS'N Q.J. 227, 230-31 (1980).

patent applications that are not patentable.¹³ Opposition is an administrative procedure performed after a patent is published but before its granting whereby interested parties can submit reasons to the JPO for not allowing a patent to be issued. In the U.S., both the courts and the PTO are free to invalidate a patent, and invalidation by either is sufficient to extinguish the patent right. Japanese courts however, cannot invalidate patents but have the option (as do U.S. courts) to suspend litigation if there is a reasonable chance that the patent office will invalidate a patent being litigated.¹⁴

The court systems of Japan and the U.S. manage patent cases differently. In the U.S., only federal District Courts hear patent infringement cases between private parties.¹⁵ The Court of Appeals for the Federal Circuit ("CAFC") was established in 1980 to assume exclusive appellate responsibility and make policy.¹⁶ The Supreme Court tends to take a hands-off view of patent matters. These appellate courts do not hear testimony and rely heavily on District Court juries for determination of factual matters.

In Japan, the Osaka and Tokyo District Courts are most often used for patent infringement litigation and have established patent departments to carry out this responsibility.¹⁷ The Tokyo High Court oversees the activities of the JPO and handles appeals from the lower courts. Unlike U.S. appellate courts, Japanese appellate courts can hear evidence and take testimony¹⁸

The division of patent right responsibility between the different branches of the government complicates the problem of harmonizing patent law between Japan and the U.S. The patent granting agency may use different criteria than the courts for determining patent validity and for

¹³ In 1993, 6,620 oppositions were filed at the JPO, and 1,986 were accepted. The total number of examined patents was 88,559, which means that 7.4% of patents filed are subject to some form of challenge by opposition. Of the challenged patent applications, about a third are refused initially, and about one quarter are eventually rejected. JAPANESE PATENT OFFICE, 1993 ANNUAL REPORT 12-13, 43-44 (1993).

¹⁴ See *DOING BUSINESS* *supra* note 10, § 2.13[1]; Patent Law § 168(2), in *JAPANESE LAWS*, *supra* note 7.

¹⁵ All civil patent cases are heard in federal District Courts. 28 U.S.C. § 1338 (1988).

¹⁶ See Jack Q. Lever, Jr., *The New Court of Appeals for the Federal Circuit (Part I)*, 64 J. PAT. & TRADEMARK OFF. SOC'Y J. 178 (1982).

¹⁷ See Mark F. Wachter, *Patent Enforcement in Japan: An American Perspective for Success*, 19 AM. PAT. L. ASS'N Q.J. 59, 63 (1991).

¹⁸ *Id.* at 65.

interpreting patent claim language.¹⁹ To the extent non-citizens do not understand these ambiguities, they are unable to use the other nation's patent system to its fullest potential and naturally feel they are discriminated against.²⁰

International negotiators often come from the executive and legislative branches of their governments.²¹ Consequently, treaties and other international agreements between the U.S. and Japan usually concern the administrative law mechanisms governing patent rights and not the important judicial enforcement mechanism. U.S. and Japanese negotiators have made welcome improvements to U.S. and Japanese administrative laws governing the acquisition of patent rights in response to pressure for harmonization of patent laws.²² But the issue of enforcement deserves more attention.

B. Pressure From Both Sides Towards Harmonization Has Led to Changes in Administrative Law Only

1. Japanese Administrative Law Changes

The primary complaint of American companies concerning the Japanese patent system is that their inventions receive weak protection in Japan.²³ Some U.S. companies even claim that it is not worth the effort and expense to patent their inventions in Japan.²⁴ This poor perception of Japanese patents reflects the inability to enforce them.

¹⁹ See *Ethicon v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988). The Ethicon court addressed the problem of simultaneous patent validity determination by the PTO and by a court. The Ethicon court declared that "the PTO and the court employ different standards of proof when considering validity, and the courts, unlike the PTO during a reexamination of patent claims, are not limited to review of prior art patents or printed publications." *Id.* at 1427. The court further explained that, "the two forums take different approaches in determining patent invalidity and on the same evidence could quite correctly come to different conclusions." *Id.* at 1428.

²⁰ Michael N. Meller, *Is the Japanese Patent Law a Potential Trade Barrier?*, 33 AIPPI J. 110 (1988).

²¹ For example, the principal Japanese negotiator to the WIPO patent harmonization talks, Mr. Uemura, is an official of MITI and the principal U.S. negotiators were from the U.S. Commerce Department. WIPO, *supra* note 5, at 534-35.

²² See Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) (implementing the Uruguay Round GATT agreements in 1994).

²³ See GAO REPORT, *supra* note 2, at 10; *Rockefeller Introduces Special 301 Bill Targeting Japan's Patent Law Inadequacies*, *supra* note 1, at 1.

²⁴ U.S. companies' criticism of patent protection in Japan is not universal. Some companies feel that they have encountered no particular difficulties in Japan. See GAO REPORT, *supra* note 2, at 4-6.

The complaint of weak patents was also applicable to U.S. patents before the CAFC unified patent law in the U.S.²⁵ In Japan, enforcement efforts have been less successful. Possibly fewer than one fourth of Japanese patents are enforceable.²⁶ Such a low enforcement rate indicates that holders of Japanese patents may suffer the same fate that U.S. patent holders confronted before the creation of a pro-patent court. Although this seems to be a judicial problem, most attention has been paid to the perceived inequities in the granting of patents.

The attention on administrative law resulted in Japan making major changes in its laws to shorten the time required to prosecute a Japanese patent application.²⁷ In 1987, Japan introduced a western-style multiple claim system which allows alternative versions of an invention to be stated in the claims rather than in separate patent applications.²⁸ In January 1994, the Japanese patent system was revised to shorten the time it takes to obtain a patent.²⁹ Recently, Japan has agreed to accept patent applications written in English.³⁰ These major changes should be beneficial to U.S. applicants for Japanese patents.

Negotiations with the American government officials and private parties have not, however, resulted in any changes to the judicial enforcement of patents in Japan. An opportunity existed through the World Intellectual Property Organization ("WIPO") patent harmonization treaty talks to affect judicial doctrines used for determining infringement between Japan, the U.S. and other countries.³¹ While the WIPO treaty did not come to fruition,

²⁵ Before 1982, U.S. patents had little value and were rarely enforced against infringers. Forum shopping allowed defendants to select a district court that would be reluctant to enforce monopolies against copiers of inventions.

²⁶ See ROBERT PATRICK MERGES, *PATENT LAW AND POLICY, CASES AND MATERIALS* 683 (1992). Many infringement cases are brought in Japan. However, there were only 21 district court decisions in 1989. As noted by one observer, "Out of the 21 aforementioned cases, infringement was found in only four, in the remaining 17, the court decided that there was no infringement. This is suggestive of a general climate of patent litigation in Japan where enforcement of patents through a court is not an easy task." Hideo Ozaki, *How Can a Patent be Successfully Enforced in Japan?*, *PAT. WORLD*, Mar. 1991, at 36.

²⁷ See Monya, *supra* note 5, at 231-37.

²⁸ Patent Law § 38, in *JAPANESE LAWS*, *supra* note 7.

²⁹ See Monya, *supra* note 5, at 229-30.

³⁰ See Andrew Pollack, *U.S. Agrees to Alter Patents, Period of Coverage*, *N.Y. TIMES*, Jan. 20, 1994, at D2. A big complaint of the United States was that, unlike in the United States where an application can be filed in any language, with a translation filing made later, and the ability to correct translation errors long after filing, the JPO only accepted applications in Japanese, and more importantly, errors in translation could not be corrected. In 1994 Japan agreed to change this procedural law.

³¹ The World Intellectual Property Organization patent treaty negotiation contained provisions for harmonization of patent protection in countries including the United States and Japan. For example, art. 21 of the draft treaty (Extent of Protection and Interpretation of Claims) contained language that would have

the WIPO negotiations demonstrated many of the difficulties inherent in patent law harmonization.

The WIPO negotiations included discussions about patent enforcement and could have resulted in pressure on the Japanese courts to increase the use of the doctrine of equivalents. (The doctrine of equivalents is a judicial doctrine by which the extent, or scope of a patent right is not limited to the literal reading of the patent but is extended to obvious minor modifications of it.) However, there was little or no discussion of the differences between judicial systems of the different countries.³² Many disagreements (including the U.S.-Japan patent problem) stemmed from these differences. For example, the Japanese proposed a change in treaty wording by which the doctrine of equivalents would be made less mandatory on the courts (more discretion to the judges) because otherwise, the requirement to use this doctrine would be automatically satisfied even if the requirement was in the "prior art," or public knowledge prior to the invention.³³ What the Japanese delegate did not say, and what the U.S. representative did not seem to understand, is that unlike in the U.S. court system, such a requirement in Japan would require Japanese courts to enforce patents against others who are using only prior art.³⁴ Obviously both sides should thoroughly understand the problems and nuances of the others' judiciary in these kinds of negotiations, yet it seems they may have underestimated the changes that can take place if their patent enforcement systems were more harmonized. If the WIPO treaty had been signed with a strong doctrine of equivalents element, the U.S. delegation could have achieved a significant concession for beleaguered U.S. holders of Japanese patents. The treaty draft that was negotiated would have forced the Japanese courts to use the doctrine of equivalents in all patent infringement cases.

mandated that courts in participating countries, including Japan, give stronger protection to patents. In particular, the treaty would have required that patent claims be read non-literally. This document would have directly worked against the tendency of limiting patent claim scope to examples in the specification. It stated: "[T]he claims shall not be interpreted as limited to those examples." WIPO, *supra* note 5, art. 21. If the Japanese courts were to follow this and other provisions of the draft treaty, they would not interpret patent claims so narrowly by limiting them to specific features of examples in the specification. U.S. inventors could greatly benefit as a result. *Id.*

³² *Id.*

³³ *See id.* at 442.

³⁴ U.S. courts can invalidate patents but Japanese courts can only attack patent scope to do this. Thus, forcing them to find infringement when the accused device is identical to both the patent claims and previously known prior art would create great injustices in the absence of other changes to Japanese court doctrine or practice.

The U.S. declared that it was unable to continue WIPO negotiations because it was asked to make more basic changes to its laws than other countries and because it wanted to extract more significant changes in patent systems of other countries.³⁵ It is regrettable that the talks were suspended because their successful conclusion might have resulted in the strengthening of Japanese patents by the greater use of the doctrine of equivalents.

2. U.S. Administrative Law Changes

The Japanese have had two major complaints concerning the American patent system. First, the U.S. first-to-invent principle discriminates against Japanese.³⁶ Second, U.S. juries often discriminate against Japanese litigants.³⁷ Recent changes in U.S. administrative law have dealt with the first issue, but the second cannot be remedied by administrative law changes.

Under the first-to-invent principle, the PTO grants a patent to the party who can show first conception of the invention and reduction of the idea to practice.³⁸ However, under the U.S. law, the first inventor's right existed only for inventions made in the U.S. Discrimination against non-U.S. patent applicants occurred because they could not obtain early invention dates from the moment of invention, unlike their U.S.-citizen counterparts who could claim earlier invention based on notebook entries if the act of invention occurred within the territorial jurisdiction of the U.S. Since only the first inventor in the U.S. can receive a patent, being first is all important.³⁹

³⁵ The principal U.S. negotiator left the meeting early and explained that great changes were required of the U.S. patent system whereas smaller changes were required to other countries' patent systems to conclude a treaty. The U.S. Secretary of Commerce declared on January 24, 1994, that the United States was suspending its negotiations indefinitely. See U.S. Dep't of Commerce, *U.S. Says "Not Now" to Resumption of Patent Harmonization Talks*, Jan. 24, 1994 (press release).

³⁶ Jones, *supra* note 3, at 8.

³⁷ *Id.*

³⁸ 35 U.S.C. § 102(g) (1988).

³⁹ When two different inventors file for and/or obtain the same patent an "interference proceeding" in the PTO decides who will finally get the patent right based on the first to invent principle. An examination of interference proceeding statistics published by the U.S. PTO indicates that for the 3-year period of 1986 through 1988, about 51% of U.S. citizens won patent priority contests against non-U.S. citizens. Since nearly half of all foreign applicants win such priority challenges, there does not appear to be widespread systematic discrimination against non-U.S. applicants by allowing first to invent rights only to U.S. citizens. Ian A. Calvert & Michael Sofocleous, *Interference Statistics for Fiscal Years 1986 to 1988*, J. PAT. & TRADEMARK OFF. SOC'Y, May 1989, at 399, 408.

The U.S. has recently remedied this inequity by giving inventors from other GATT countries the same first-to-invent rights as their American colleagues.⁴⁰ This is a step in the right direction for equal treatment, but creates problems for non-U.S. inventors by requiring that their inventive activities satisfy the unusual U.S. first-to-invent legal requirements. Now, in order to obtain full rights in any country of the world with the exception of the U.S., an inventor simply has to file an application.⁴¹ The inventor's actions, including recording of invention, reducing the basic idea to practice, signing personal records, countersigning these records by particular parties that are not co-inventors, and witnessing these documents, are not necessary and are rarely taken.⁴² However, these time consuming tasks are necessary for inventors to fully use the American first-to-invent system in order to prove date of conception and diligent reduction to practice of inventive ideas. Thus, this change in U.S. patent administrative law will force Japanese inventors who want to exercise their U.S. first-to-invent rights to change their work habits to satisfy U.S. judicial doctrines of evidence.⁴³ Since a major purpose of patent law harmonization is to remove the burdensome non-technical requirements from inventors, this change to U.S. law may well exacerbate the U.S.-Japan patent law problem. Furthermore, it may shift even more responsibility for the operation of the patent system to the courts by making the taking of depositions and other evidence overseas a necessary part of determining first-to-invent patent rights.

The second complaint of the Japanese concerning U.S. patent rights is that such rights are litigated too often in front of subjective American juries that look after U.S. company interests over foreign company interests.⁴⁴ The alleged bias is seen as a major cause of a so-called "patent war" by the

⁴⁰ This change was made as part of the GATT implementing legislation. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994). These changes generally become effective on January 1, 1996.

⁴¹ All countries except the United States and the Philippines sponsor a race to the patent office wherein only being the first to register an idea is determinative.

⁴² In first-to-file patent application countries such as Japan, acts that occur before filing do not need to be documented.

⁴³ In the United States, an inventor has rights from the moment of conception. However, it often takes a great deal of documented evidence to prove this. For example, if a patent applicant fails to prove that he diligently worked to reduce his conception to practice he can not claim this right. And other activities, such as seeking money to pursue the work can abolish this right. For example, Kanamaru, at Takeda Chemical Industries won a contest with a Cornell University professor who could not prove diligence at reducing his invention to practice. See *Griffith v. Kanamaru*, 816 F.2d 624 (Fed. Cir. 1987).

⁴⁴ See Jones, *supra* note 3, at 8; see also *U.S. Fixation With Patents Hurts Technological Progress*, NIKKEI WKLY, Apr. 11, 1992, at 6.

Japanese.⁴⁵ Jury bias extends to large companies in general. For example, one survey of Californians eligible for jury duty showed that a majority are more likely to favor an individual plaintiff over a corporate defendant even before they know anything about the dispute.⁴⁶ Japanese companies may have been targets in recent years because of their economic success. The Japanese have suggested ways to remove jury bias on technical patent issues.⁴⁷ However, negotiations thus far have failed to address this and other proposals to make the American system of trial by a jury of one's "peers" a reality for Japanese parties.

C. *The Inability of Japanese and U.S. Courts to Properly Handle Patent Disputes*

Most patent harmonization efforts between the U.S. and Japan concern the administrative law used to obtain a patent grant.⁴⁸ However, patent rights have no meaning, and are in fact worthless, if courts are unwilling to enforce them, or if the courts radically redefine the meaning of technical claims originally defined by the patent office. Although changes made so far to the administrative law are a welcome improvement to the patent law problem, changes in patent enforcement by the courts are essential to achieve real harmonization.

A new perspective on this problem might be that both Japan and the U.S. suffer from poor coordination between their courts and patent offices in the enforcement of patent rights. U.S. inventors and their assigns have certain expectations of the worth of their Japanese patents because the JPO makes patent grants with particular claim language. These expectations, however, are not met when these same claims are interpreted by courts in a manner that allows others to make near-copies of their inventions. Japanese inventors, on the other hand, expect their patent rights to be determined in a fair manner. These expectations are not met when these rights are

⁴⁵ See generally Jack Lehr, *Bias and Prejudice Against Foreign Corporations in Patent and Other Technology Jury Trials*, 2 FED. CIR. BAR J. 405 (1992).

⁴⁶ *Id.* at 408 n.8 (the research firm Metricus found that 70% of eligible jurors are likely to favor an individual over a corporate defendant); see also Stephen Adler, *Corporations Face Uphill Struggle in Jury Trials Involving Individuals*, WALL ST. J., Nov. 13, 1991, at B2.

⁴⁷ In 1992 the vice minister of MITI proposed that juries be given their own independent scientific experts to help them decide matters in patent litigation. *MITI Requests U.S. Jury Trial Advisors*, 17 AIPPI J. 280 (1992).

⁴⁸ See Donald Chisum, *Introduction to 26 J. MARSHALL L. REV.*, 437 (Spring 1993) (special issue on patent law harmonization).

determined by a jury trial where, in essence, the jurors are peers of their opponents. Both countries' problems would be reduced if their patent agencies were more involved in interpreting patent rights during patent enforcement.

Although a number of commentators have discussed the U.S.-Japan patent law problem, to date no one has suggested that this problem be solved by shifting responsibility for patent enforcement from the courts to the patent agency of each country. Delegating technical issue resolution during litigation to the patent office in each country is preferable for patent harmonization for two reasons. First, patent offices are composed of technical experts who can agree on scientific issues regardless of country of origin. Second, it is much easier to alter patent office practice by negotiation than it is to alter court practice.

The theme of judicial disrespect for the technical work product of the patent agency is common to the problem of weak patents in Japan and to the problem of jury bias against non-U.S. citizen litigants in the U.S. The following section examines how Japanese courts fail to utilize the technical work product of the JPO. This part will propose changes that will increase the value of Japanese patents by shifting technical patent questions from the courts to the JPO. Part V then examines the U.S. courts and their disrespect for the technical work product of the PTO. Finally, Part VI proposes changes to transfer these technical judgments from the jury to the PTO.

III. JAPANESE COURTS AND THE WEAK JAPANESE PATENT PROBLEM

In the major industrialized countries of North America and Europe, patents for fundamental inventions are enforced more broadly against copiers than patents that are minor variations of previous patents, because they represent fundamentally new ideas. Fundamental inventions, however, receive poor protection in Japan because Japanese courts rarely find infringement.⁴⁹

The poor protection of fundamental inventions affects U.S. inventors and their assigns, in particular, because they tend to patent fundamental inventions and are accustomed to enforcing their rights by litigating them. Although courts in both the U.S. and Japan interpret technical patent claim language, patent validity issues are more often litigated in the U.S. Japanese courts, however, cannot invalidate patents. As a result, defendants

⁴⁹ See MERGES, *supra* note 26, at 36.

in U.S. patent litigation trials often use patent validity as a defense whereas defendants in Japanese courts may focus more on differences in scope between claims of the accused technology and the patented technology.

Japanese courts rarely find infringement because they interpret the technical scope of patent claims so narrowly that it is easy for an infringer to escape liability by making minor changes to a technology. It is common for copied inventions to differ in minor, obvious ways when faced with a patent. Courts apply the "doctrine of equivalents" to reach a holding that a patent has been infringed in these situations.⁵⁰ The doctrine of equivalents allows the interpretation of a patent claim to encompass not only its literal meaning but also obvious, minor differences.⁵¹ Patents are greatly weakened when courts are unwilling to utilize the doctrine of equivalents during patent infringement litigation.⁵²

While in theory the doctrine of equivalents is part of Japanese law, it is rarely used.⁵³ This is because Japanese courts apply other doctrines on an ad hoc basis which precludes the proper application of this doctrine as it is used in the U.S. or Europe.⁵⁴ In particular, Japanese courts most often look to the patent "specification," or main body of the patent, to limit the scope of the claim. Various parts of the specification are used to cripple the meaning of the claim. As a result, courts rarely find infringement.

Japanese courts use a variety of strategies to limit technical claim scope to details in the specification. First, Japanese courts commonly limit claims to specific examples disclosed in the "embodiments," or examples based on the "inventor's recognition theory."⁵⁵ Japanese courts thus limit

⁵⁰ For an explanation of the doctrine of equivalents and its application by Japanese courts, see *DOING BUSINESS*, *supra* note 10, § 2.16[9].

⁵¹ Under Japanese court practice, an "equivalence" is recognized only if there is: (1) interchangeability; (2) the same function and effect; and (3) the foreseeability of the interchangeability by an ordinary practitioner in the same technical field (obviousness of interchangeability). *DOING BUSINESS supra* note 10, § 2.16[9][a].

⁵² Even Japanese commentators agree there is a problem with the doctrine of equivalents. For example, Professor Nobuhiro Nakayama explained that Japanese courts effectively invalidate all or part of a patent under the pretext of interpreting its scope in order to eliminate improperly granted patents. This is done because Japanese courts cannot directly invalidate patents. See Nobuhiro Nakayama, *Patent Infringement Suits and Publicly Known Technology*, translated in *YANAGIDA ET AL., LAW AND INVESTMENT IN JAPAN* 361, 362. (Yanagida Nomura trans., 1994); see also Toshiko Takenaka, *Comparative Study of Patent Claim Interpretation in the United States, Germany and Japan*, 17 *IIC STUDIES* (forthcoming 1995) (Ph.D. dissertation at 492-93, on file at University of Washington School of Law); *DOING BUSINESS, supra* note 10, § 2.16[11-12].

⁵³ Takenaka, *supra* note 52, at 492-93.

⁵⁴ *Id.* at 451.

⁵⁵ *Id.*

the scope of the claim to embodiments in the specification based on the principle that "since the embodiments show the extent of the disclosure or the subject of what was invented, they indicate the maximum scope of protection."⁵⁶ This theory assumes that the inventor could have recognized any minor modifications used by the infringer, and is responsible for including them in the specification.

The 1976 Osaka High Court decision in *Art Metal K.K. v. Hankyu Department Store*⁵⁷ provides an example of this theory in use. In *Art Metal*, the claims could be literally interpreted to cover the alleged infringing device although the accused device differed slightly from the examples in the patent specification.⁵⁸ The defendant argued patent invalidity.⁵⁹ The court found that the accused device was covered under the technical scope of the claims but further found that the accused device was no different from the prior art and was entitled to the defense of "the free state of the art."⁶⁰ If this case had been brought in a German court, the court would have been able to find non-infringement based on the free state of the art.⁶¹ If this case had been brought in a U.S. court, the court would have been free to directly invalidate the patent.⁶² The Osaka High Court, however, disagreed with the use of the free state of the art as a defense because this would result in "artificial existence of the patent right."⁶³ Instead, the High Court directed that the technical scope of patent validity only cover the embodiments in the specification and not any equivalent modifications.⁶⁴ In the most cases, it appears that Japanese courts limit patent claims to the embodiments disclosed in the patent specification.⁶⁵ Consequently, the

⁵⁶ *Id.*

⁵⁷ See *id.* at 392 (discussing Judgment of Feb. 10, 1976 (*Art Metal K.K. v. Hankyu Dep't Store*), Osaka Kōsai [High Court], HANJŪ, No. 827, Nov. 21, 1976, at 64.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ The free state of the art is a doctrine whereby the public is allowed to practice that art which is known before the patent was applied for. This doctrine allows the defendant to escape liability without directly addressing the issue of patent validity, which German courts (like their Japanese court cousins) are not allowed to do. See Bernhard Geissler, *Patent Act 1981, Sec. 14: "Moulded Curbstone" (Formstein)*, 18 INT'L REV. INDUS. PROP. & COPYRIGHT L. 795 (1987) (discussing No. X ZR 28/85, Decision of the Federal Supreme Court [Bundesgerichtshof], Apr. 29, 1986) [hereinafter Geissler].

⁶² Patent technical invalidity issues are a major portion of litigation issues in U.S. courts.

⁶³ Takenaka, *supra* note 52, at 393.

⁶⁴ *Id.* at 393-94.

⁶⁵ *Id.* at 394.

scope of the patent claims in most infringement suits is limited to the embodiments in the specification.⁶⁶

In addition, Japanese courts limit the claims to particular nuances of the effects of the invention mentioned in one or more examples in the specification. In other words, Japanese courts follow an element-by-element analysis of the invention, and decide that a particular effect (even a minor one) of the invention is an essential element of it. The decision of a district court in *Haga v. Nishijin K.K.*⁶⁷ provides a typical example. The Haga patent covered an apparatus to clean small metal balls used in pachinko games (a popular game similar to a pin ball machine). The patent holder charged that another ball washer device was an obvious infringement. The court, however, did not even address possible structural differences between this mechanical invention and the accused device.⁶⁸ Without even comparing the claim elements with the features of the accused device, the court looked to the specification and read that one effect of the invention was to clean all the balls by the game player.⁶⁹ The accused device did not wash all of the balls. Based on this minor difference in the invention's effect, the court found no infringement.⁷⁰ U.S. courts are not allowed to narrow patent scope without addressing patent claim language.⁷¹ U.S. patent holders are not used to such narrow patent interpretation and may feel they are being singled out in Japan.⁷²

Japanese courts also limit the technical scope of claims to the objectives of the examples provided in the specification. The purpose of these examples is to help explain the invention to the reader. However, Japanese courts often will look to the specific "solution principle," or idea utilized by a particular example, and limit the patent scope to that example's solution principle, even if that solution pertains to the prior art and not to the invention.⁷³

⁶⁶ *Id.* at 394-395.

⁶⁷ *See id.* at 379-80 (discussing Judgment of June 25, 1975 (*Haga v. Nishijin K.K.*), Hamamatsu Chisai [District Court], 7 Mutaishū (No. 1) 188).

⁶⁸ *Id.* at 383.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.* at 355; *see also* *Loctite, Corp. v. Ultraseal, Ltd.*, 781 F.2d 861 (Fed. Cir. 1985); *Sjolund v. Musland*, 847 F.2d 1573 (Fed. Cir. 1988).

⁷² For a review of technology based examination discrimination, see Harold C. Wegner, *Unilateral Patent Simplification: Domestic Implementing Patent Legislation Under GATT TRIPs*, at 15-23 (paper prepared for a symposium of the Dinwoodey Center, Feb. 16, 1994).

⁷³ Takenaka, *supra* note 52, at 378.

For example, in *Fujii v. Sanko K.K.*⁷⁴ a claim to a device for adjusting the rope of a safety belt included a clasp made from a cover and a pipe into which a rope was inserted. The court determined the overall purpose of the invention based on the objective of a prior art, and used this to limit a particular disputed limitation.⁷⁵ The accused device replaced the pipe with a U-shaped cover. The court found no infringement based on the interpretation that the term "pipe" in the patent specification did not include the U-shaped cover.⁷⁶ Because the stated purpose of the prior art did not include the use of a U-shaped cover, the court allowed the infringer to escape liability based on this narrowing of the patent claim by the object of the invention.⁷⁷ U.S. courts do not narrow patent scope by using the overall purpose of prior art, as was done here. A U.S. court would have focused on the function of the disputed element, not the overall purpose of a prior art, when comparing the element with the accused device.⁷⁸ U.S. inventors do not easily understand such narrowing of patent rights. This makes an impression that the Japanese patent system is unfair, even though there is no evidence that U.S. and Japanese patent holders are treated differently from each other.⁷⁹

Moreover, Japanese courts may limit the scope of independent claims by reference to dependent claims.⁸⁰ Claim differentiation into independent claims and narrower dependent claims never existed in Japan, and the 1987 law which allows multiple patent claims has not been tested in the courts during infringement litigation.⁸¹ It is possible that the new "multiple claim system may give Japanese courts another excuse for reading limitations into a claim" by disregarding broad claims and finding no infringement on the basis of one of the narrow claims.⁸²

⁷⁴ See *id.* at 375 (discussing *Fujii v. Sanko K.K.*, 11 Mutaishū (No. 1) 247).

⁷⁵ *Id.* at 377.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.* at 379.

⁷⁹ See Bruce Stokes, *The Culture of Patents*, 20 NAT. J. 1350 (1988) ("A private group of US patent attorneys concluded after extensive study that the Japanese patent process does not favor Japanese firms.")

⁸⁰ The scope of an independent claim is interpreted individually. The scope of a dependent claim is interpreted by reference to a preceding independent claim. Thus, dependent claims are narrower than independent claims. The independent claims have value, in that if an independent claim is invalid, often its dependent claim(s) are still valid and can be used (albeit narrowly) against others.

⁸¹ The 1987 revision to the Patent Law allows multiple claims and wide invention in one application. Takenaka, *supra* note 52, at 425.

⁸² *Id.* at 427.

Finally, Japanese courts frequently find broad fundamental claims to be vague. When this happens, they limit the meaning of the claims to particular features of examples disclosed in the specification.⁸³ As a result, basic inventions which are expressed using broad claim language receive less protection. This is a problem when the patentee has expressed her invention using “means plus function” language in which a broad claim is expressed as (any) means to produce a particular function.⁸⁴ Means plus function language is useful to describe fundamental inventions because an element of the invention can be made by many different means. Therefore, it is convenient to describe the element as a means to achieve the function.

The court’s holding in the *Fuji K.K. v. Risa K.K.*⁸⁵ utility model patent litigation is an example of a broad patent claim that was limited to a specific example. In *Fuji*, the claim cited a door knob cover comprising a cloth (outer layer) and a polyurethane foam “being fixed on the cloth” in which the foam covers the knob.⁸⁶ The specification included one example in which the foam was glued to the cloth. The accused device had exactly the same features as the example except that the foam was not glued, but held in place by its placement between the cloth and the doorknob. To resolve a dispute over the meaning of “fixed on,” the court stated that the example given did not show use of the cover without glue and so “fixed on” meant fixed on before placing the cover on the doorknob with a rubber band.⁸⁷ U.S. courts would probably not have limited the term “fixed on” in this manner.⁸⁸ Patent applicants in fact use broad terms like “fixed on” to denote wider meanings when petitioning a patent office for patent rights.⁸⁹ If the JPO finds a proposed claim’s meaning to be too broad or ambiguous it forces the applicant to adopt a narrower meaning. The courts respect and utilize the history of patent examination analysis when such history supports a narrow patent scope. In such a case, the court looks to the correspondence between the patent applicant and the JPO during prosecution.⁹⁰ It is thus unsettling to U.S. holders of Japanese patents when

⁸³ *Id.* at 395; see also *DOING BUSINESS*, *supra* note 10, § 2.16 [4].

⁸⁴ Takenaka, *supra* note 52, at 409-10.

⁸⁵ See *id.* at 399 (discussing Judgment of Feb. 16, 1983 (*Fuji K.K. v. Risa K.K.*), Tokyo Chisai [District Court], 15 Mutaishū (No. 1) 49).

⁸⁶ *Id.*

⁸⁷ *Id.* at 400.

⁸⁸ *Id.* at 401 & n.65.

⁸⁹ *Id.* at 401

⁹⁰ *DOING BUSINESS*, *supra* note 10, § 2.16[6].

the courts do not similarly respect the decisions of the JPO to go the other way and allow broader claim language.⁹¹

Foreigners find it difficult to understand these Japanese court decisions. Japanese courts' interpretation of patent technical scope differs so much from the interpretation of claims allowed by the JPO during patent prosecution. It is common practice in all major patent systems that a patent applicant present examples in the specification to teach the invention. The claims are commonly written broad enough to include more than the specific examples given. If the courts could interpret patent claims in a manner consistent with their interpretation by the patent office there would be more legal certainty over the exact meaning of the patent.

The disjuncture in patent scope interpretation between the Japanese courts and the JPO began in 1959, when the responsibility for deciding patent infringement was transferred from the JPO to the courts.⁹² Before 1959, the JPO had exclusive responsibility for judging infringement and for declaring patents invalid. The JPO used the same standard for interpreting the scope of patents in both granting the patent and in determining infringement. According to one Japanese scholar, when the responsibility for deciding infringement was transferred to the courts by the Patent Act of 1959, the courts removed the doctrine of equivalents and instituted the "all elements rule" of the U.S.⁹³ This created a disjuncture between the standard for patentability and the standard for protection scope.⁹⁴ Therefore, beginning in 1959, the JPO used one standard for giving patent protection for inventions. The courts used a different standard for enforcing these rights. This lack of coordination between the JPO and the courts contributes to the appearance of weak patents, since patentees and other interested parties cannot rely on the JPO's interpretation of patent rights.⁹⁵

⁹¹ See *id.* (discussing Judgment of Feb. 15, 1974 (Yoshinaga Prince K.K. v. K.K. Maruman [Flint Igniter Case]), Tokyo Chisai [District Court], 1974 Torikeshi Shū 79, and Judgment of Apr. 20, 1973 (Badische Anilin Und Soda Fabrikes A.G. v. Sanwa Kasei Kogyo K.K. [Foaming Agent Case]), Tokyo Chisai [District Court], 1973 Torikeshi Shū 75).

⁹² See *DOING BUSINESS*, *supra* note 10, § 1.06[2].

⁹³ Takenaka, *supra* note 52, at 91-92.

⁹⁴ *Id.* at 93.

⁹⁵ The argument that the JPO would also interpret Japanese patents narrowly as the courts do, has some validity, but is flawed. It is true that even before 1959, under the "inventor's recognition theory" the JPO also construed patent rights very narrowly. However, the JPO has changed greatly in recent years. For example, multiple claim practice has been instituted, and a significant effort has been made to force Japanese companies to file broader and more significant (but fewer) patent applications. See Fumitake Yoshida, *Harmonization of Patent Systems*, AIPPI J., Mar. 1990, at 61-62. Thus, although the JPO had a restrictive approach to claim interpretation in the distant past, it has since changed in step with patent systems of other industrialized countries.

The lack of coordination between the courts and the JPO is responsible for much of the overly narrow judicial interpretations of Japanese patents. One reason for this problem is that the JPO and the courts function very differently, yet both decide technical issues of patent validity for the same patent rights. A second reason is that the JPO alone has the power to invalidate improperly granted patents, yet the courts alone have the power to interpret these same patents during infringement litigation.⁹⁶ The courts, therefore, are in a quandary when faced with a questionable patent. They have to avoid infringement holdings to achieve justice, and do so by interpreting the occasional patent very narrowly on an ad-hoc basis. Thus, oftentimes a court has no option but to interpret patent claims very narrowly by using one or more of the tactics mentioned above in order to achieve justice.⁹⁷ This practice is widespread and may be the major cause of the appearance of weak patents in Japan.⁹⁸

The Supreme Court of Japan acknowledged and approved this practice in the *Truck Case*.⁹⁹ In *Truck*, a patent covered a device for preventing derailment of a train car. The Tokyo High Court interpreted the meaning of "having a gap sufficient for free movement between the wheel's shaft and its support" as meaning free movement up and down as well as sideways.¹⁰⁰ The alleged infringing device allowed free movement up and down only in a manner already shown by the prior art.¹⁰¹ The court found

⁹⁶ It could be argued that few Japanese patents are actually improperly granted. This is because business competitors have the opportunity to help the JPO find prior art that would invalidate the patent before its granting, via the opposition procedure. The United States, on the other hand, seems to rely more on the duty of the applicant to disclose all known relevant prior art. 37 C.F.R. § 1.55 (1994).

⁹⁷ This situation is more common than might be expected because any publication anywhere in the world (in any language) that describes the invention or makes it obvious invalidates the invention. It seems nearly impossible for a patent office to consider everything that was ever published in the world while evaluating each patent application. As a result, new "prior art" often surfaces during the public opposition period and sometimes later. Other reasons may exist to find a patent invalid: For example, when the owner obtained it improperly or used the invention publicly before applying for a patent. The U.S. patent system partly addresses this problem by requiring all applicants to disclose all related publications when filing a patent application. See Harold C. Wegner, *Inequitable Conduct and the Proper Rules of Patent Attorney and Examiner in an Era of International Patent Harmonization*, 16 AM. INTELL. PROP. L. ASS'N Q.J. 38, 52-54 (1988).

⁹⁸ Approximately half of all patents that are used in infringement proceedings are considered invalid by the judges who oversee these trials. Because patent invalidation trials at the JPO are even slower than patent infringement trials in the courts, the courts have no option but to find non-infringement by an indirect means. Interview with Osamu Takura, former Judge, Tokyo High Court, in Seattle, WA (Oct. 23, 1993) [hereinafter Takura interview].

⁹⁹ See DOING BUSINESS, *supra* note 10, § 2.16[5] (discussing Judgment of Dec. 7, 1962 (Okabe K.K. v. Hitachi Seisakujo K.K. [Truck Case]), Saikōsai [Supreme Court], 16 Minshū 2321.

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

no infringement. The verdict was appealed to the Supreme Court which sustained the Tokyo High Court, stating:

The alleged infringer cannot raise a validity issue here as to whether the contents of the patent are publicly known or not. However, in considering for what invention the patent was granted, it is impossible to neglect the level of technical skill at the time of filing of the patent *Such being the case, there is no other way to interpret the invention except in the narrow way found by the Tokyo High Court.* (emphasis added).¹⁰²

Seen from the viewpoint of the Supreme Court, the case by case application of a narrow patent scope interpretation is sometimes necessary to achieve equity in the enforcement of patents. As long as patents of questionable validity are litigated in Japanese courts, the courts will interpret them narrowly. Furthermore, the practice of overnarrow claim interpretation by the courts is probably extended to claims of patents whose validity is not in question. Thus, the case by case application of narrow patent scope interpretation is a general problem affecting all patent holders.

The reluctance of Japanese courts to use the doctrine of equivalents continues. An example is the *Pulpwood Barking Machine Case*.¹⁰³ Infringement was found in this case, and although the Supreme Court mentioned the doctrine of equivalents, it did not apply it in the way an American or German court would have.¹⁰⁴ Furthermore, the facts of this case show how willing the courts are to accommodate copiers of inventions.¹⁰⁵ The *Pulpwood Barking Machine* patent claim language granted by the JPO was unusually narrow, there was no doubt that it did not encompass prior art, and the difference between the patented invention and the infringing device was very minor and unusually obvious.¹⁰⁶ It has even been argued that this case was such an obvious example of piracy that it would not have gone to trial in the U.S. or Germany.¹⁰⁷ It seems that the reluctance of Japanese courts to enforce patents may have encouraged the

¹⁰² *Id.*

¹⁰³ See Takenaka, *supra* note 52, at 480 (discussing Judgment of May 29, 1988 (*Pulpwood Barking Machine Case*), Saikōsai [Supreme Court], JURISTO, No. 903, Mar. 1, 1988, at 85.

¹⁰⁴ *Id.* at 480.

¹⁰⁵ *Id.* at 484-85.

¹⁰⁶ *Id.* at 484.

¹⁰⁷ *Id.* at 485.

infringer to litigate with the patent holder instead of settling out of court, as one probably would have done in the U.S.¹⁰⁸

It has been recently argued that Japanese courts are interpreting Japanese patents more broadly.¹⁰⁹ In 1994, The Tokyo High Court overturned a decision of the Tokyo District Court in which no infringement had been found. Although the Tokyo High Court did not employ the term "doctrine of equivalents" or "equivalent," it expanded the scope of protection beyond the literal claim language.¹¹⁰ This apparent shift in the Tokyo High Court's attitude towards greater protection of inventions is welcome. However, the broader interpretation of patent claims by Japanese courts does not address the underlying problem of inconsistent application of laws to intellectual property rights. As long as courts faced with invalid patents are unable to declare such patents invalid, they will continue to apply inconsistent legal doctrines on an ad-hoc basis. Patent claims will continue to remain unreliable and patent rights will be weak because the public will not be able to trust patent claim language.

The creative ad hoc interpretation of a patent's technical scope based on statements made in the specification often contradicts the patent scope meaning determined by the JPO. This failure to rely on the patent claim hurts the public and business partners of patentees by putting the jury "to sea without guiding charts."¹¹¹ Although the ostensible goal of Japanese courts is legal certainty, the inconsistent application of the doctrine of equivalents leads to unpredictable results.

IV. SOLUTIONS TO THE PROBLEM OF WEAK JAPANESE PATENTS

The relative weakness of Japanese patents results from the narrow interpretation given to the scope of patents by Japanese courts. This problem could be solved by formally or informally shifting responsibility for technical patent scope interpretation to the JPO, or it could be solved by

¹⁰⁸ In a more recent case the scope of a biotech patent claim was not extended to a minor modification of an obvious chemical substance. See David Swinbanks, *Roche Loses Round in Interferon Patent Battle*, 368 NATURE 486 (1994).

¹⁰⁹ Shoichi Okuyama, *Latest Developments in Japanese IP Cases: THK Co., Ltd. v. Tsubakimoto Precision Prods. Co., Ltd.*, 19 AIPPI J. 240, 242 (1994). In this case, the Tokyo High Court overturned a decision of the Tokyo District Court based on a broad interpretation of a patent claim. This case has apparently been appealed to the Japanese Supreme Court. *Id.*

¹¹⁰ *Id.*

¹¹¹ *Malta v. Schumerich Carillons, Inc.*, 952 F.2d 1320, 1324 (Fed. Cir. 1991).

the Japanese courts' adopting of policies for wider patent claim interpretation.

A. *Timely Reexamination of Patents by the JPO at the Beginning of Litigation*

Parties to a patent lawsuit should petition the JPO to reexamine the affected patent and to issue an advisory opinion on patent scope.¹¹² More importantly, the JPO should change its procedures to conduct such determinations with utmost dispatch. Doing so would bring the JPO's technical expertise to bear on patent infringement issues early in a patent infringement suit. The JPO should be involved for the additional reason that patent claims are created at the patent office, which is ultimately responsible for determining what they mean. The JPO has the power to invalidate patents anytime after their issuance. Moreover, a court's assistance is not needed or allowed during this administrative procedure. If there is a problem or mistake in the JPO's intended meaning of claim language, the JPO should have the first chance to clear up ambiguities since the JPO was created for this task and already has a procedure for handling these requests from interested parties.¹¹³

Japanese courts cannot make direct requests of government agencies anytime they are unsure of the language of documents made by such agencies, or when they think the agency made a mistake.¹¹⁴ An obvious solution to the uncertainty of validity and technical scope of patents involved in litigation is for one of the litigants to request the JPO to reexamine the patent, and make a binding decision on its technical validity, and to request the JPO make a helpful suggestion about the scope of the patent. If the patent is invalid the suit can be terminated at an early stage and, if valid, the agency's explanation of why it is valid and its

¹¹² Non-binding interpretations of patent scope, called *hantei*, are sometimes done now under Patent Law § 71. Patent validity can always be challenged under Patent Law § 123. Patent Law §§ 71, 123, in JAPANESE LAWS, *supra* note 7.

¹¹³ *Id.*

¹¹⁴ The Japanese judicial system is independent of the executive branch of government. In 1959, the power of the JPO was severely curtailed when it lost its exclusive right to interpret the scope of patent claims during litigation. Instead, this procedure, called "*hantei*" became non-binding on the courts. This loss in power to determine patent claim scope is regrettable because as a result, a schism was created between the standard used to determine patent claim scope during patent application examination and patent claim scope during patent enforcement. The Japanese courts use a different standard than the JPO. See DONG BUSINESS, *supra* note 10, § 1.06[2].

interpretation of claims would be available to the court.¹¹⁵ This suggestion should not be confused with the past practice wherein requesting a binding patent scope certification trial was a prerequisite to filing an infringement case with a court.

Legally interested parties already have the right to ask the JPO for a patent invalidity trial under the patent statutes. The real issue, therefore, is why the technical expertise of the JPO is not used to settle the invalidity question for patents used in infringement litigation. Japanese courts are willing to suspend litigation if it seems that the JPO may make an important decision concerning a litigated patent.¹¹⁶ The reason for the problem is that it usually takes longer for the JPO to make a decision concerning an issued patent and to appeal this decision than it does to hold an infringement trial.¹¹⁷ Since trials tend to last a long time, the parties are usually looking for ways to settle out of court. To encourage settlement, the court could call on the timely advice of the JPO. Moreover, technical determinations of patent scope and infringement (*hantei*) by the JPO, while not binding on the court, would help simplify the court's task of comparing patented with non-patented technology. Therefore, speeding up invalidation trials at the JPO through the appeals stage would most effectively cure this problem.

Courts should suggest to one or both parties involved in patent litigation to petition the JPO for: 1) a binding invalidation trial and 2) a non-binding official interpretation (*hantei*).¹¹⁸ This suggestion could be implemented by incorporating this requirement into the pleading procedure. Specifically, the request could be a prerequisite to the presumption of willfulness at the time of filing a lawsuit. The plaintiff in an infringement lawsuit often sends a warning letter to the defendant before instituting legal proceedings. The sending of this warning letter is encouraged to establish willfulness on the part of the infringer.¹¹⁹ A plaintiff's request to the JPO for a *hantei* should be encouraged to show a good faith belief that the patent has been infringed. Analogously, a defendant's request to the JPO for an invalidation of the patent should be encouraged as a means of providing evidence to the court. Such requests would be inconvenient to both sides.

¹¹⁵ *Id.* § 2.13[1][i].

¹¹⁶ *Id.*

¹¹⁷ Although requests to the JPO for an invalidity trial usually are made at the same time as the initiation of infringement litigation, the litigation is usually over before the JPO makes a decision. Takura interview, *supra* note 98.

¹¹⁸ Patent Law § 71, in JAPANESE LAWS, *supra* note 7.

¹¹⁹ See DOING BUSINESS, *supra* note 10, § 2.18[1].

However, much could be gained if the court could use the JPO's findings of patent validity because the court cannot make such judgments itself. This is particularly true given the duration time of Japanese patent litigation.¹²⁰

Another indirect means to encourage the parties to petition the JPO before initiating litigation would be for the Japan Patent Association to adopt a policy that its members petition the JPO for patent invalidity and infringement determinations before filing or responding to infringement suits. This is the kind of policy that falls within the domain of a trade organization. It is similar to alternative dispute resolution that has become popular in the U.S. with companies that are weary of excess litigation.¹²¹

By encouraging companies to petition the JPO, they could avoid relying on a court system which often applies legal doctrine unevenly. As a rule, courts in Japan interpret patents unusually narrowly on a case by case basis to cope with the problem of improperly granted patents. If the technical validity of a patent were reexamined early in litigation, improperly granted patents could be invalidated by the JPO. Thus, courts would no longer be in the difficult position of having to interpret patent claims unusually narrowly in order to avoid finding infringement of improperly granted patents. This would have the indirect effect of freeing the courts to apply a doctrine of equivalents in patent litigation, and foreign patent holders would not feel as victimized by unreasonable interpretations of valid patents during infringement litigation.

Giving a "friend of the court" power to the JPO would not defeat the purpose of the 1959 patent reorganization law which transferred the power of determining patent infringement from the JPO to the courts. By requiring the JPO to give its technical input to the court at the beginning of a dispute the courts can continue to safeguard patent rights. Only purely technical aspects of patent claim determination would be requested from the JPO. Courts would still be free to find infringement and look at various kinds of misconduct. Moreover, the proposed change would not substantively differ over current practice because any legally interested party has the right to petition the JPO (and many do so). The courts should welcome technical

¹²⁰ See Meller, *supra* note 20, at 112.

¹²¹ More than 600 companies and 150 law firms in the United States have pledged to the Center for Public Resources (the national ADR coordinating body) that they will consider forms of ADR before going to court against other signers. See James P. O'Shaughnessy, *Alternative Dispute Resolution: An Effective Tool to Protect Intellectual Property*, LAW WORKS, Mar.-Apr. 1994, at 18. Likewise, bringing commonly litigated issues such as patent validity and technical scope to the patent office could bring down costs for companies that prefer to spend money on factories and R&D instead of legal services.

input from the JPO. This would allow them to focus on equitable concerns such as good faith conduct on the part of infringers.

Under the proposed changes, regular district courts in Japan would be less likely to interfere with government agencies such as the JPO. The courts now already interfere with the JPO's work by indirectly invalidating patents when they refuse to use the doctrine of equivalents and interpret patent claims unusually narrowly. If one or more parties were required to petition the JPO for a *hantei* or invalidation trial before bringing their dispute to a court, the present relationship between the courts and the JPO would be respected more. One of the functions of the court is to hear evidence. The JPO is the best source for evidence and expert opinions concerning its own work product.

Of course, the key to making this suggestion work is getting the JPO to respond to official interpretation and invalidation requests in a timely manner. The JPO already has a fast examination request procedure for applicants who want an early examination of their applications. The JPO has also made remarkable strides in streamlining the procedure to examine patent applications rapidly.¹²² If the JPO made pre-litigation requests the highest priority, it could handle these requests quickly, especially since the JPO is already familiar with the patents involved.

The biggest problem is the time the JPO takes to conduct invalidity trials. If JPO invalidation trial results were rendered quickly, they would significantly assist resolution of the situation in a non-threatening manner.¹²³ JPO invalidation decisions are binding on the courts and can be appealed by the losing party to the Tokyo High Court.¹²⁴ It is important that such appeals from invalidation judgments also be conducted with the utmost dispatch by the high court. A rapid response by the JPO would be helpful even during litigation because an infringement court will usually exercise its right to stay the infringement proceedings if the request for invalidation goes to the appeals stage at the Tokyo High Court.¹²⁵ Since invalidation trials last longer than infringement trials, the best solution might be to greatly speed up these infringement trials.¹²⁶

122 Monya, *supra* note 5, at 229 & nn.6-8. Steps taken by the JPO include increasing the JPO staff, using an examination investigator system, adopting a paperless system, commissioning outside organizations to research prior art, and improving management of the number of patent applications.

123 Takura interview, *supra* note 98.

124 Patent Law § 178; Utility Model Law § 41, in JAPANESE LAWS, *supra* note 7.

125 DOING BUSINESS, *supra* note 10, § 2.13[1][i].

126 Takura interview, *supra* note 98.

B. Adoption of German Court Doctrine to Recognize Wider Patent Scope

An alternative solution is for Japanese courts to adopt German legal doctrines used to enforce strong patents. Many similarities exist between the German civil code system and the Japanese civil code system with respect to patent law.¹²⁷ In both systems, district courts are not allowed to invalidate patents.¹²⁸ More importantly, both systems previously used the judicial "inventor's limitation theory," to interpret patent protection scope during litigation. According to the "inventors limitation theory" an inventor is responsible for knowing what form his invention can take. He has the right to explain these forms in his patent specification and is limited to what he recognizes to be his invention. German courts noted the flaw in the inventor's limitation theory and replaced it with the "expansion theory" on the basis that it was more realistic.¹²⁹ The "expansion theory" allows the invention to be expanded to new uses or embodiments of the invention that may not have been conceived by the inventor, possibly because other developments in technology had not been made at the time of filing the patent application. Japanese courts should similarly replace the Japanese inventor's recognition theory with a new theory that extends patent protection to modifications of the invention. This would allow Japanese patents to be enforced more often against copycat infringers because most infringers include slight modifications to the patented invention.

Although in principle Japanese courts rely on claim language to determine patent scope, in reality the claims are usually severely limited by details of the patent specification. This hurts the patentee and the public who need to rely on the patent claims to understand the limits to patent property rights. Ideally, the JPO, the courts and the public should all have the same understanding as to what the patent property rights are. It follows that Japanese courts should use the same test for infringement as used by the JPO when it decided to grant the patent.

Like present day Japanese courts, German courts formerly relied primarily on the patent specification and not the claims in determining patent

¹²⁷ Japan's patent law is modeled after the German patent law. In particular, Japanese patent scope is modelled after German principles. For a discussion of this topic, see Takenaka, *supra* note 52, at 9, 77-87.

¹²⁸ For a discussion of the Japanese system, see Wachter, *supra* note 17, at 63-67.

¹²⁹ Takenaka, *supra* note 52, at 454.

scope. This practice was abolished and replaced with the defense of the "free state of the art" in the *Molded Curbstone Case*.¹³⁰ In this case, the German Supreme Court decided that concepts such as "principle of invention" and the "nature of the problem being solved," as determined from the patent specification, are not the primary tests to be used for determining patent infringement. Instead, the German court allowed the defense that the infringing embodiment alleged to be an equivalent would not be patentable over the prior art.

This case affirmed and extended German patent law doctrine whereby patent claims are not merely the starting point but, rather, the essential basis for the determination of patent scope.¹³¹ The German district courts, like their Japanese counterparts, cannot invalidate a patent. The German Supreme Court solved this problem by allowing the district court, in effect, to indirectly invalidate patents by examining the alleged infringing embodiment as if it were a patent application. The alleged infringing embodiment can then be declared unpatentable over the prior art. However, the rule established by the *Molded Curbstone Case* is only applicable to limit the range of equivalents and does not allow a court to find non-infringement when literal infringement (such as exact copying of an invention) exists. This is a limitation on the defense of the free state of the art.

If Japanese courts were to develop the defense of the free state of the art as interpreted in the *Molded Curbstone Case*, they would have to extend it to literal infringements and make judgments that touch upon the validity of patent claims. The Osaka District Court, in essence, did this in the *Woven Basket Case*.¹³² This case concerned a woven basket having particular construction characteristics. During a patent infringement trial, the Court found that all of the elements claimed in the utility model patent were public knowledge before the patent application was filed. The court admitted that it did not have the power to deny the patent's validity but dismissed the action for damages, holding:

¹³⁰ See Geissler, *supra* note 61, at 795. The principle of the free state of the art is that everyone has the right to use technology that is free and already publicly known. This principle became a defense for defendants charged with patent infringement who are using technology that was already in the public domain.

¹³¹ *Id.* at 798.

¹³² See DOING BUSINESS, *supra* note 10, § 2.16[5] (discussing Judgment of Apr. 17, 1970 (Art Metal K.K. v. Fukai Kinzoker Kōgyō K.K. [Woven Basket Case]), Osaka Chisai [District Court], 2 Mutaishū 151).

Those techniques which are publicly known or have been used are in the public domain. The utility model contains nothing more than what is already in the public domain. The products of the defendant are exactly the same as those described in the cited prior art literature. It should not be permissible to restrict the use of techniques already in the public domain. Therefore, the plaintiff shall not be allowed to exercise its right against the defendant.¹³³

This holding is analogous to the use of the defense of the free state of the art in Germany to allow a defendant to escape an infringement holding because the defendant's technology was public knowledge at the time the plaintiff applied for his patent. It is unfortunate that this approach was denied at the appellate level.¹³⁴

If the Japanese courts were free to use the reasoning of the Osaka District Court in the *Woven Basket Case* they would not have to interpret patent claim scope very narrowly on a case-by-case basis in order to achieve justice. Courts could then more consistently and broadly interpret patent claims. This would improve the reliability of Japanese patents and would therefore eliminate much of the U.S.-Japan patent friction.

Allowing courts to determine the validity of infringing embodiments over the prior art would not really shift power away from the JPO to the courts. Currently, only the JPO can declare technology patentable over the prior art or declare a patent claim invalid. To give some of this power to the courts might seem to violate the distribution of authority between the JPO and the courts. However, such court decisions would not apply to other claims and the patent could still be enforced against these. Furthermore, the courts are already making Japanese patent rights uncertain by interpreting them very narrowly on a case-by-case basis. Indirectly therefore, they have already taken power away from the JPO. By following the German precedent, the Japanese courts' actions which indirectly invalidate patent claims would simply be more transparent and consistent. As a result, patentees and the public would be more certain about Japanese patent rights and foreigners would feel less victimized by what seems to be a random case-by-case process.

¹³³ *Id.*

¹³⁴ *Id.*

C. *Expand the Scope of Patent Correction Trials to Allow the JPO to Administer the Doctrine of Equivalents*

The JPO already reinterprets patent claim scope after a patent's grant and this power could be expanded to cover infringing equivalents of the invention. Patent correction trials can be requested in which the claim of an issued patent can be narrowed (for example to avoid prior art), errors can be corrected, and ambiguity can be clarified. Correction trials have the potential to clarify patent scope issues so that patents could be less ambiguously enforced against infringers. For example, during a correction trial, the patentee could restate what he intends the scope of his patent to be (after learning about an infringer) and the JPO could modify the patent claim language.¹³⁵ However, under current law, a Japanese patent claim can not be enlarged this way, even if the enlarged claim was supported in the original application.¹³⁶

If the scope of patent correction by the JPO could be widened to allow broadening of a claim to cover an infringer's activities after they were discovered, but before the filing of an infringement suit against her, then these proceedings could function as a doctrine of equivalents.¹³⁷ This is similar in both function and effect to the use of continuation practice in the U.S. PTO to re-draft a claim broad enough to ensnare infringers after discovery of infringement.¹³⁸ It is also similar to U.S. re-issue practice (in the PTO) in which a patentee can seek a wider claim up to two years after

¹³⁵ Other courts have found this activity (i.e. change to patent claims to cover an infringer's device) to be equitable. For example the Court of Appeals for the Federal Circuit stated in 1988: "[N]or is it in any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application." *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989).

¹³⁶ DOING BUSINESS, *supra* note 10, § 2.13[2].

¹³⁷ Replacement of the judicial doctrine of equivalents by this administrative procedure was proposed for the U.S. patent system. This might be easier for the U.S. patent system than for the Japanese patent system however because the scope of U.S. patent claims can be broadened by correction up to two years after their granting. See generally Adelman & Francione, *The Doctrine of Equivalents in Patent Law: Questions that Pennwalt Did Not Answer*, 137 U. PA. L. REV. 673, 711-29 (1989).

¹³⁸ See, e.g., *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989). The Kingsdown Court declared:

[T]here is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the marketplace; nor is it in any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application.

the grant of his patent.¹³⁹ However, this procedure would not be acceptable in Japan unless the general public is given the right to challenge a claim that had been broadened by an opposition proceeding. Otherwise an applicant could escape public review of a patent application claim by prosecuting her application with a narrow claim(s) through opposition and then widening the claim(s) later in an *ex parte* patent correction trial proceeding. This suggestion would therefore require changing Japan's patent statutes in two ways. One way would be to allow the widening of a patent claim by a correction trial. The second would be to subject a widened claim to the same interference proceeding as is used for the *de novo* granting of a patent claim.

The major problem with this third proposal may be that a patent claim would be less certain because of the potential to change it. However, a Japanese patent claim is already interpreted on a case-by-case basis. Thus, the proposal would not make a patent claim less certain than it already is.

Of the three proposed solutions, the first (timely reexamination of patents at the beginning of litigation) is probably the most easily implemented. The JPO has drastically improved its procedures for the reexamination of patents and this should greatly decrease the pendency of patents being examined by the PTO.¹⁴⁰ If the JPO similarly conducted patent invalidity trials for patents involved in litigation, it could eliminate these patents from further litigation and also allow the courts to more predictably enforce patents which the courts feel are valid.¹⁴¹

The second proposed solution (adoption of German court doctrine) would improve the disposition of patent suits by giving courts the freedom to use the defense of the free state of the art to eliminate invalid patents. This solution is feasible because the Japanese lower courts have some experience with it already.¹⁴² The third proposed solution (to let the JPO reexamine and grant broader claim(s) to a patent after it is granted) would essentially transfer responsibility for determining equivalents of a patented technology from the courts to the patent office. This would run counter to the trend in Japanese law of giving more power to the courts and is therefore probably unacceptable.¹⁴³

¹³⁹ 35 U.S.C. § 251 (1988).

¹⁴⁰ See *Monya*, *supra* note 5, at 231-37.

¹⁴¹ Takura interview, *supra* note 98.

¹⁴² See *DONG BUSINESS*, *supra* note 10, § 2.16[5] (discussing *Woven Basket Case*).

¹⁴³ See *Takenaka*, *supra* note 52, at 480 (discussing *Pulpwood Barking Machine Case*).

V. U.S. COURTS AND THE EXCESSIVE LITIGATION PROBLEM

Frequent and costly litigation of U.S. patents is a major problem not only to Japanese inventors and their assigns but to U.S. citizens. Unlike other major patent systems which employ a public opposition procedure, litigation is the principal route whereby others challenge the validity of U.S. patents. Technical issues of patent validity are commonly contested in these suits. Furthermore, juries are increasingly being used to evaluate technical patent validity questions because of the greater chance of proving a patent valid.¹⁴⁴ This is a problem for Japanese defendants who feel that Americans are biased against non-U.S. companies and that jury verdicts often reflect this bias. The perceptions of the Japanese are aggravated when virtually all acts of the PTO, including purely technical decisions, are reviewed by American juries and judges. U.S. District Court judges often do not have an understanding of the technical issues involved until they are well into the patent trial.¹⁴⁵ Keeping technical decisions in the technical administrative agency created specifically for their resolution would remove this disparity and alleviate much of the U.S.-Japan patent friction. Thus, the solution to the patent enforcement problem for foreign litigants lies in properly balancing the shared responsibility for patent rights between the courts and the PTO.

Congress took a step towards reducing costs when it passed the 1980 Reexamination Act.¹⁴⁶ A purpose of this statute was to allow reexamination of patent validity in an impartial forum at one hundred times less cost, and to give greater certainty to a patent holder and its financial backers.¹⁴⁷ If reexamination could be done by the PTO instead of by trial, a large portion of patent litigation would be unnecessary because about half of all patent litigation concerns technical validity issues.¹⁴⁸ This would eliminate much

¹⁴⁴ See Roy E. Hofer, *The Obviousness Issue: The Jury takes over!*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 107 (1989); John B. Pegram, *Patent Jury Actions: Winning for the Defendant*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 493 (1989).

¹⁴⁵ Victor G. Savikas, *Survey Lets Judges Render Some Opinions About the Patent Bar*, NAT'L L.J., Jan. 18, 1993, at S7. Savikas surveyed over 700 U.S. District Court judges and found that 41% felt that patent cases should be tried in a special patent court. Thirty-nine percent also felt that patent cases are too difficult to be tried by jury. *Id.*

¹⁴⁶ H.R. REP. NO. 1307, 96th Cong., 2d Sess., pt.1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463. Reexamination was meant to allow both patent holders and challengers to avoid the high costs and delays of patent litigation.

¹⁴⁷ *Id.*

¹⁴⁸ *Id.*

of the bad feelings that Japanese have about the U.S. patent enforcement system.

A. *The 1980 U.S. Patent Reexamination Statute Does Not Go Far Enough*

U.S. patent litigants have been searching for non-litigious solutions to confirm patent validity for many years. For example, in the 1970s many patent holders sought "no defect" reissue patents outside the scope of the reissue statute. By asking the PTO to reissue their patents, the patentees could be more sure of the strength of their patents. In 1977, the "Dann Amendments"¹⁴⁹ formalized this process and allowed interested parties to submit adverse information and challenge the reissue seeker by a quasi inter partes proceeding.¹⁵⁰ One problem with this solution was that patent owners who sought a reissue often discovered that an ex parte proceeding could turn into an inter partes procedure where all issues of validity, including fraud could be raised. The protracted reissue proceedings available under the Dann Amendments were finally abolished by repeal of the amendments in 1982.¹⁵¹ However, the need to re-examine patent validity remained.

The experience with the Dann amendments indicates that proper re-examination requires a good balance of inter partes procedure and ex partes procedure. Courts can judge demeanor testimony and are best suited for inter partes proceedings. The PTO can decide technical issues and is best suited for ex parte proceedings. Both demeanor testimony and technical issue resolution are needed for re-examination of patent validity and, therefore, under the present U.S. system both the courts and the PTO should play a role.

The major purpose of the 1980 Reexamination Act was to strengthen issued U.S. patents and make their validity more certain, although the effects on the rights of non-U.S. citizens was not a concern.¹⁵² In particular, Congress was concerned about the effects of litigating patent validity on the financial health of American companies. Congress felt that the PTO could

¹⁴⁹ From 1977 to 1982, the so-called "Dann Amendments" were in effect, allowing public access to reissue proceedings.

¹⁵⁰ See, e.g., *Henkel Corp. v. Coral, Inc.*, 754 F.Supp. 1280, 1294 (N.D. Ill. 1990).

¹⁵¹ *J.P. Stevens v. Lex Tex*, 747 F.2d 1553, 1558 & n.2 (Fed. Cir. 1984).

¹⁵² H.R. REP. NO. 1307, 96th Cong., 2d Sess., pt.1, at 4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6463.

reexamine patent validity for one hundredth the cost of the courts and that about 2000 patents would be reexamined each year.¹⁵³ Since about 1400 patents per year are still litigated, statutory reexamination has not been a solution to the expensive litigation problem which affects U.S. companies as well as Japanese companies because more U.S. companies are involved in litigation.¹⁵⁴

Statutory reexamination has great potential to assist the courts in deciding technical matters being litigated. Today, reexamination results, if available, are given great deference by courts and juries who realize their own limitations in understanding advanced technology. Courts will often stay proceedings to wait for reexamination that can lead to "simplification of litigation that might result from the cancellation, clarification, or limitation of claims,"¹⁵⁵ and which can "provide valuable analysis . . ." ¹⁵⁶

B. Statutory Reexamination of U.S. Patents and its Shortcomings

Statutory reexamination has not significantly eliminated the patent litigation problem which affects U.S. citizens and Japanese alike because: 1) its scope is too narrow; 2) it is not mandatory and integrated well into litigation practice; and 3) reexamination does not allow the non-patentee requester the right to rebut arguments made by the patentee.

1. The Scope is Too Narrow.

Only a few technical patent validity issues can be reexamined by the PTO.¹⁵⁷ Unlike in the Japanese opposition-based reexamination procedure, a requester can only show patents and publications relating to novelty and

¹⁵³ *Id.*

¹⁵⁴ In the twelve months ending June 30, 1992, 1,407 patent cases were heard in district courts. Fifty one percent of these were by jury trial. Forty-one percent of the judges queried believed that patent cases should be tried to a special patent court established for that purpose. Seventy percent of the judges said that they never appoint special masters, and twenty-five percent said they rarely do. Less than one percent of the judges who responded to the poll said they routinely appoint experts to assist the court. This situation is quite different from that in Europe where special courts comprised of technically trained judges and special masters trained in technology hear invalidation trials. This situation is also quite different from that of the PTO which uses only technically trained examiners to determine patent validity issues. Savikas, *supra* note 145, at S7.

¹⁵⁵ *Ethicon v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988).

¹⁵⁶ *Id.*

¹⁵⁷ 35 U.S.C. § 302 (1988).

non-obviousness issues to the PTO.¹⁵⁸ Patent specification issues such as enablement of claims (complete explanation of how to make and use the invention) from the specification are not reexamined except when new or amended claims are presented.¹⁵⁹ Determining whether a patent specification supports claim language seems to be just the sort of technical issue that the PTO was established to address. However, court litigation is still the exclusive route for reexamination of these technical questions. Japanese patentees are used to having the JPO examine these questions and other technical issues for Japanese patents. However, they are forced to become embroiled in litigation when dealing with these same issues in the U.S.

On the other hand, patent reexamination by the PTO should be limited to technical issues that do not require extensive demeanor testimony. The Courts use a wider scope of claim interpretation and a different burden of proof when examining the claims of the patent challenger.¹⁶⁰ Reexamination by the PTO can never take the place of a full-blown analysis in a court trial. However, courts usually defer to the findings of the PTO concerning technical matters. Thus, it is important that if reexamination is undertaken, it must be carried out properly, and by experienced examiners. The JPO, for example, usually allows the reexamination requester a second chance to rebut the patentee's arguments during invalidation trials.¹⁶¹

2. *Reexamination is Not Mandatory and is Not Integrated Well with Trial Practice.*

Statutory reexamination findings often have no impact on litigation because they are usually not available at the early stages of a lawsuit when they would be most helpful to resolve a conflict. There are two reasons for this. First, reexamination is not commenced in a timely manner. Reexamination requests are frequently made late, after initiation of a lawsuit. Second, it frequently takes a long time (over a year) to reexamine and appeal reexamination findings. If reexamination were better coordinated with litigation so that results were timely available, courts

¹⁵⁸ *Id.*

¹⁵⁹ 35 U.S.C. § 112. Issues pertaining to the specification itself are not reexamined.

¹⁶⁰ *Ethicon v. Quigg*, 849 F.2d at 1427.

¹⁶¹ *See DOING BUSINESS*, *supra* note 10, § 2.13[1].

would be more willing to stay proceedings and to use reexamination findings to save time and money.

Congress considered the issue of when to initiate reexamination of patents involved in litigation in the 1970s. An early draft of the reexamination legislation proposed then would have required any patent or publication relied on as evidence of patent invalidity during litigation to have been first considered by the PTO. Unfortunately the final reexamination statute passed by Congress does not include this provision.¹⁶² This has caused confusion. For some years the PTO and the courts waited for each other to make a final decision on patent validity when both were examining a patent.¹⁶³ This situation evolved from the fact that both the PTO and the courts can invalidate patents.

An extreme example of the confusion over whether the courts or the PTO should take the lead in patent reexamination is the ten-year-long *E.I. DuPont v. Phillips Petroleum* litigation.¹⁶⁴ In this case, patent reissue was requested one year before litigation and the defendant requested reexamination four years into the litigation (in 1985), yet after approximately nine years of litigation in which the patent claims were rejected several times, the PTO had not rendered a binding decision. The court noted that a seasonable decision by the PTO might save a great deal of court time and expense.¹⁶⁵ The problem of excessively long litigation was partly solved when the CAFC declared in *Ethicon*¹⁶⁶ that the statutory meaning of "special dispatch" by which reexamination was to be expedited, did not allow suspension of patent reexamination pending the outcome of co-pending patent validity litigation in a district court.¹⁶⁷ The poor coordination between the courts and the patent office over their shared responsibility may exist in Japan as well.¹⁶⁸

The second time-related reason why patent reexamination does not promote the early settlement of patent disputes is that patent reexamination through the appeals stage can take much time. Unlike the European opposi-

¹⁶² See Benson, *supra* note 12, at 228. A key feature of the original system proposed by the Patent, Trademark and Copyright Law Section of the American Bar Association in 1974, is to prevent the use of prior art patents or publications in litigation to invalidate a patent unless they were first presented to the PTO.

¹⁶³ See, e.g., *E.I. Du Pont De Nemours v. Phillips Petroleum*, 720 F.Supp 373 (D. Del. 1989).

¹⁶⁴ *Id.*

¹⁶⁵ *Id.* at 377-81.

¹⁶⁶ *Ethicon v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988).

¹⁶⁷ *Id.*

¹⁶⁸ See DOING BUSINESS *supra* note 10, § 2.13[1][i].

tion system, which uses a panel of experienced examiners in the Opposition Division,¹⁶⁹ the PTO often begins reexamination by giving the work to the original examiner of the patent and a provision exists to change examiners.¹⁷⁰ By starting the reexamination at the lowest administrative level, U.S. patent reexamination, in contrast to European patent reexamination takes more time. Appeals from the U.S. examiner have to go through the PTO board and then to the CAFC.

Unfortunately, reexamination results are not timely available to settle disputes because after reexamination, a lengthy appeals process is sometimes used.¹⁷¹ Congress responded to the need for rapid settlement of questionable patents by having PTO reexaminations conducted "with special dispatch."¹⁷² It is equally important that reexamination through appeal to the CAFC be conducted with special dispatch. The small group of patents which enter litigation are very important because unlike the majority of issued patents, they are considered valuable enough to enforce. However, Congress did not expedite the appeals process by stipulating that only experienced examiners handle reexamination.

3. *PTO Reexamination Does Not Satisfy Judicial Due Process Requirements.*

The strongest criticism of reexamination of U.S. patents by the PTO is a judicial one. Reexamination results are often not respected and reexamination is often avoided because a non-patentee reexamination requester has no right to participate in reexamination after initiation and cannot even appeal the results, yet the requester is adversely affected by reexamination.¹⁷³ Juries and judges are often reluctant to challenge

¹⁶⁹ The European Patent Convention states:

An Opposition Division shall consist of three technical examiners, at least two of whom shall not have taken part in the proceedings for grant of the patent to which the opposition relates. An examiner who has taken part in the proceedings for the grant of the European patent shall not be the Chairman. Prior to the taking of a final decision on the opposition, the Opposition Division may entrust the examination of the opposition to one of its members

European Patent Convention, art. 19(2), *reprinted in* GERALD PATERSON, *THE EUROPEAN PATENT SYSTEM* app. 1 (1992).

¹⁷⁰ 37 C.F.R. § 1.525 (1994).

¹⁷¹ 35 U.S.C. § 306 (1988).

¹⁷² 35 U.S.C. § 305 (1988).

¹⁷³ *See* Benson, *supra* note 12, at 227-31, 236-37.

reexamination results on their technical merit even though in general, only one side has been heard.¹⁷⁴ Therefore, the requester is frequently bound by the reexamination results. This inequitable situation is probably responsible for the infrequent use of reexamination by non-patentees in the U.S. Japanese patent reexamination on the other hand, does not have this problem because the reexamination requester has at least one chance in practice to rebut the patentee's arguments.¹⁷⁵ Giving these important due process rights to non-patentees in the U.S. system was debated at length by the American Bar Association ("ABA") committee which conceived the original reexamination proposal.¹⁷⁶ The attorneys on this committee decided that the final decision on patent validity should not be made in the PTO but that the courts should have the final say in the matter.¹⁷⁷ Furthermore, there was a concern that the infringer might prejudice her position in the district court if he participated to any significant degree in an inter partes proceeding in the PTO. This strong influence of the ABA seems irresponsible because litigators would lose great profits if infringement litigation were a less favored route to settle patent conflicts.¹⁷⁸

Because of the technical complexity of patent litigation, it appears that the fears of the committee that developed the reexamination system have been realized anyway. Technical validity determinations are occasionally being made in the PTO in an ex parte forum where only one side is heard. When this happens, a court often will not have the final say because many judges and juries realize their technical limitations and give great weight to the PTO's findings.¹⁷⁹ Therefore, the non-patentee

¹⁷⁴ Due to a compromise with the ABA over the wording of the reexamination statute, the non-patentee has the right to respond once to the patentee's reply to the PTO's initial decision to conduct reexamination but before the first office action of the reexamination. This greatly watered down provision is rendered meaningless by the procedural strategy whereby the patentee simply waits until the first office action after the reexamination has started. Consequently, the party requesting reexamination must make serial reexamination request(s) and incur further delays in order to have any input to the reexamination process.

¹⁷⁵ *DOING BUSINESS*, *supra* note 10, § 2.13[1][e],[f].

¹⁷⁶ *See Benson*, *supra* note 12, at 227-31.

¹⁷⁷ Ronald B. Coolley, *Patent Jury Issues: What the Federal Circuit Has Done and Will do in Comparison with Standards of Review Established by the Other Circuit Courts*, 67 J. PAT. & TRADEMARK OFF. SOC'Y 3, 16-19 (1985).

¹⁷⁸ The ABA was a highly prejudiced party since the patent litigators had a great deal of litigation profits at stake. Even though the ABA did not violate the rules that the legal profession created for itself, the public and inventors were not properly involved in these discussions. There is no evidence that inventors or the public at large, for whom the patent system exists to serve, elected the participating attorneys to represent their interests.

¹⁷⁹ *See generally Hofer*, *supra* note 144, at 107-33; *Pegram*, *supra* note 144, at 493.

reexamination requester is already prejudiced under the present law because she has limited opportunity to participate in the reexamination.

As technology becomes more complicated and difficult to explain to the layperson, this problem will only get worse. It is inevitable that technically trained persons will be relied on to determine the technical problem of patent validity. The issue is no longer whether this should be done. The issue is how we can design a more neutral environment where technical experts can do their job without the influence of payment for particular opinions in inter partes litigation. To the extent that non-U.S. citizens use a different system for handling this problem, they may feel they are victims of unjust actions.

VI. STATUTORY REEXAMINATION AS A SOLUTION TO THE U.S. LITIGATION PROBLEM

The nexus of the reexamination problem is how to coordinate the courts with the PTO so that the strengths of each institution are utilized to resolve patent validity questions. The PTO was created to search and examine new technology and to grant patent rights. In theory, it contains an impartial pool of technical expertise for this purpose. To ensure that patent issues are handled properly, all legal professionals who practice before the PTO must have technical training and pass a special bar. The courts, on the other hand, do not contain the technical expertise of the PTO, but are best at handling issues decided by demeanor testimony. Even if technically trained law clerks were available, they would have to be used by juries as well as judges, since juries often make decisions concerning scientific merit.¹⁸⁰ It is difficult for courts to correctly decide technical issues by long, drawn out jury trials in which expert witnesses hired to promote their employers' viewpoints battle over the meaning of technical advances in front of uncomprehending juries. This is particularly onerous to Japanese participants because Japanese courts have their own experts which are not hired by one side.¹⁸¹ The courts and the PTO have complementary talents.

¹⁸⁰ See, e.g., *Stevenson v. Sears Roebuck & Co.*, 713 F2d. 705, 710 (Fed. Cir. 1983); *Allen Archery, Inc. v. Browning Mfg. Co.*, 819 F2d. 1087, 1091 (Fed. Cir. 1987). Although the ultimate issue of validity is a question of law several elements of this issue such as anticipation, obviousness, novelty, and utility are totally or at least in part factual questions.

¹⁸¹ Japanese Courts, along with courts in European civil law countries, have their own experts. These experts are not paid by one side to give biased opinions. If it is unacceptable to rely on the PTO for patent reexamination, then technical law clerks could be supplied to courts which hear patent and other technology-related litigation. As a start, certain districts in which this kind of litigation is concentrated

The most efficient disposition of patent validity reexamination should encompass both the courts and the PTO.

To better coordinate the courts with the PTO, three major changes are needed. First, technical issues which are best handled by the PTO should be delegated to it. The PTO should prosecute reexaminations at the level of the Board of Patent Appeals and Interferences by experienced examiners with the additional purpose of assisting the courts. The board should be required to give full statements of reasons for allowing claims so that its work product could be more fully used by the courts. Second, reexamination should be mandatory and timely filed by parties who intend to present patent invalidity as a defense in litigation. Third, a reexamination requester should be given a genuine opportunity to file a response during the reexamination, and both parties should be given the right to appeal to the CAFC. The requester would, like the patentee, be bound by the results.

The following is a list of patent validity questions that are decided by litigation. I suggest that the first five be delegated to PTO reexamination. Federal district courts can review and set aside PTO reexamination findings under the clearly erroneous standard.¹⁸² Therefore, exclusively delegating these first five validity questions to the PTO would not obviate the court's role in overseeing the reexamination process.

**DELEGATION OF PATENT VALIDITY QUESTIONS
BETWEEN THE COURTS AND THE PTO:**

Validity Question	Present Forum	Proposed Forum
double patenting	PTO & court	PTO
novelty	PTO & court	PTO
non-obviousness	PTO & court	PTO
enablement (§112)	court	PTO
invention description (§112) (benefit of previous filing)	court	PTO
best mode (§112)	court	court
invention priority	court	court

(e.g. Delaware, Northern District of California, Eastern District of Virginia) could be given technical law clerks and venue for patent cases could be restricted to these districts. This could be paid for by raising the court filing fee for patent cases.

¹⁸² Fregeau v. Mossinghoff, 776 F.2d 1034, 1037 (Fed. Cir. 1985).

public use	court	court
wrong inventor	court	court
invention date (rule 13 aff.)	court	court
fraud and misrepresentation	court	court

Reexamination requests directed to the first five issues listed above should be timely and the PTO must carry out reexamination quickly in order that the courts may use the results. A party involved in an infringement suit should be required to file a reexamination request for any patent whose invalidity based on one or more of these five issues will be asserted as a defense at trial. The reexamination request should occur before or at the same time as the first responsive pleading in order to preserve a patent invalidity defense. Mandating a request for reexamination at such an early time is not an unreasonable burden. The reexamination requester would (according to this proposal) have the right to make a further response later in the reexamination proceeding and would have the right to appeal the findings.

The PTO carries out reexamination by "special dispatch" under the present rules¹⁸³ and, since the Ethicon decision, does not stay proceedings in order to wait for a court settlement.¹⁸⁴ One problem is the time required to process appeals from reexamination findings. This problem would be alleviated if reexaminations were conducted by the PTO board and if the findings could be appealed to the CAFC.

It is very important that the reexamination requester be allowed an opportunity to submit comments during the reexamination. The U.S. examiner should be able to ignore submitted evidence and to request further evidence from any party. It would also be useful, considering the *res judicata* aspect of reexamination, that the U.S. examiner be able to request a court to obtain or to reexamine evidence for the reexamination.¹⁸⁵ This would more fully utilize the court's expertise in judging demeanor testimony. Additionally, the volume of submissions could be limited by using page limits and requiring a "preliminary statement" as is done now at the beginning of interference proceedings.¹⁸⁶ Giving the reexamination

¹⁸³ 37 C.F.R. § 1.550(a) (1994).

¹⁸⁴ *Ethicon v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988).

¹⁸⁵ Patent examiners are not trained in law. Only the courts can properly deal with demeanor testimony.

¹⁸⁶ Papers which are not authorized by the rules or requested by the examiner-in-chief can be returned unfiled and preliminary statements are filed at the beginning of an interference. PAT. &

requester an opportunity to submit comments would not be a burden to Japanese parties who already do this as part of the opposition procedure and for invalidity trials at the JPO to challenge the granting of Japanese patents.¹⁸⁷

1. Possible Criticisms of the Proposed Changes to Statutory Reexamination

Possible criticisms of the proposed changes to strengthen statutory reexamination and increase reliance on it for resolution of patent disputes are: 1) reexamination removes the presumption of validity that exists in court trials for patent infringement and is too prejudicial to patentees; 2) because different reexamination criteria are used by the courts and the PTO, reexamination will not significantly decrease the work load of the courts; 3) making reexamination an inter partes proceeding has great potential for abuse and delay; and most importantly 4) shifting the responsibility for reexamination from the courts to the PTO unconstitutionally deprives parties of the right to trial by jury. Although these are genuine concerns, the proposed changes would not produce these negative effects.

a. Statutory reexamination does not violate the presumption of patent validity

The purpose of statutory reexamination is to remedy administrative error. In *Patlex Corp. v. Mossinghoff*,¹⁸⁸ the presumption of patent validity was held not to be a property right subject to constitutional protection from reexamination.¹⁸⁹ Another criticism is that once reexamination is opened, the PTO is not limited to the arguments presented by the requester and other reasons for invalidating the patent may be considered *sua sponte* by the examiner. This argument misses the point that the purpose of reexamination is to correct mistakes made by the PTO, and neglects the fact that the PTO has the power to reexamine patents *sua sponte* at any time anyway. Additionally, reexamination, because of its

TRADEMARK OFF., DEP'T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 2300.02 (Mar. 1994).

¹⁸⁷ Patent Law § 123, in JAPANESE LAWS, *supra* note 7.

¹⁸⁸ *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 at 602 (Fed. Cir. 1985).

¹⁸⁹ *Id.*

rigorousness, usually results in a stronger patent (more valuable to the patentee) which is more difficult to challenge in court proceedings.

- b. *The proposed changes would decrease litigation because opinions of technical experts are given great deference by the courts*

Although the courts use a much wider scope of review when examining patent validity, in practice they defer to the technical findings of non-partisan administrative agencies which are responsible for making technical judgments. The proposed changes would only broaden the purview of PTO reexamination to include technical issues that it is particularly well equipped to reexamine but which it is not currently allowed to examine.

Some commentators feel that administrative agency expertise is well respected and that courts are often reluctant to substitute their inexpert judgment for the expertise of an administrative agency.¹⁹⁰ This is, in fact, a major reason why juries are perceived as being pro-patentee and why, unlike other civil litigation, most patent litigation is carried out by jury trial.¹⁹¹ It could even be argued that under present rules, statutory reexamination has too much influence on the courts in view of the fact that the non-patentee has no right to participate in or appeal the results of reexamination. Thus, the opposite problem of prejudice to the non patentee party needs to be addressed by giving this party the right to appeal patent reexamination findings. This is an important concern of Japanese corporations that are defendants in patent litigation.

- c. *Patent reexamination must be inter partes if it is to achieve its purpose of providing a low cost forum for validating patents.*

When the present reexamination system was designed there was great concern that reexamination avoid the problem of chaotic inter partes proceedings.¹⁹² It could be argued that replacing a court proceeding with an administrative proceeding for settling purely technical issues would create

¹⁹⁰ E. Brendan Magrab, *Patent Validity Determinations of the ITC: Should U.S. District Courts Grant them Preclusive Effect?*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 125, 138 (1993).

¹⁹¹ For a discussion of appellate cases handled by the Court of Appeals for the Federal Circuit, and the key role played by juries, see generally Hofer, *supra* note 144, at 107-33; Savikas, *supra* note 145, at S7; Graeven, *supra* note 8, at 14-15.

¹⁹² See Benson, *supra* note 12, at 231.

problems similar to those experienced under the Dann amendments. However, the only way to keep all disputed technical questions solely in the courts would be to eliminate the present reexamination system. Congress wanted the PTO to decide technical matters because it originally created the PTO for this purpose and because of the high cost and potential for abuse in using the courts for resolution of technical issues.

Since the PTO has the power to conduct reexamination, the issue is how the PTO can avoid abuses that tend to go with inter partes proceedings. I suggest that the board be given wide discretion both to solicit information from any party and to ignore unsolicited information from parties involved in inter partes proceedings. The European Patent Office has experience in this area and has evolved a policy of wide examiner discretion to curb abuses in the opposition procedure.¹⁹³

It could be argued that as long as technical issue determination cannot be done in a purely inter partes manner, the potential for abuse will exist and have to be addressed. The real issue, then, is how best to combine technical expertise with inter partes information in a non-partisan manner.

c. The right to jury trial does not conflict with statutory reexamination.

Because the proposal would transfer technical fact finding from the jury to the PTO, the Seventh Amendment right to jury trial is implicated. This is the most important criticism of statutory patent reexamination, and much has already been written about what aspects of civil litigation are subject to the Seventh Amendment requirements.¹⁹⁴ In practice, although patent obviousness is generally considered to be a legal question, district courts frequently let the jury rule on obviousness, and simply assume that factual findings were made to support the verdict.¹⁹⁵ This exacerbates the appearance of unpredictability of patent rights for Japanese participants.

Patent validity is already subject to reexamination by a non-Article III court and by administrative agencies without benefit of jury trials. The U.S. Claims Court determines patent validity and allows no jury trials (there are

¹⁹³ The European Patent Office Technical Board of Appeal held that after the initial response to a notice of opposition, observations from parties are only admissible in the exercise of the discretion of the Opposition Division or a Board of Appeal, if such observations are necessary and expedient. See 12 OFF. J. EUR. PAT. OFFICE 470 (1990).

¹⁹⁴ See, e.g., Douglas Laycock, *The Death of the Irreparable Injury Rule*, 103 HARV. L. REV. 688 (1990).

¹⁹⁵ See Cooley, *Obviousness*, *supra* note 7, at 205.

no jury trials in suits against the government).¹⁹⁶ Although the defendant in U.S. Claims Court suits is the government, patent validity holdings have estoppel value and influence the licensing of patents to private businesses.¹⁹⁷

Another strictly non-jury forum is the International Trade Commission ("ITC"). A patent holder can sometimes choose to sue in an ITC administrative proceeding instead of a district court. The ITC administrative court rules on patent validity in patent infringement cases although its jurisdiction is limited to international trade matters and invalidation of patent claims does not have estoppel effect on district courts.¹⁹⁸ Assuming that a jury is only responsible for findings of fact and that a court is responsible for findings of law, the standard of review for ITC patent validity decisions is not different from the standard of review for district court patent validity decisions. And the ITC's decisions are independent from patent validity decisions of the district courts.¹⁹⁹

The PTO itself has statutory authority to determine the validity of issued patent claims (without a jury) involved in interferences and in reexaminations.²⁰⁰ A finding of patent invalidity by the PTO in an interference results in cancellation of the claims. Although the PTO does not use a jury, an adversely affected party can seek review of the ex parte rejection of the patent application by civil action in a district court under Title 35 Section 146.²⁰¹ However, in this event, the facts found by the PTO will be treated with the same standard of review as facts determined by a jury.²⁰² Thus, the PTO's work product will not be challenged by a jury.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Am. Hosp. Supply Corp. v. Travenol Lab.*, 745 F.2d 1, 5 (Fed. Cir. 1984).

¹⁹⁹ In *In re Certain Steel Rod Treating Apparatus*, the International Trade Commission found a patent to be valid but a District Court subsequently found the same patent to be invalid. The ITC issued a temporary restraining order while the District Court case was appealed to the Court of Appeals for the Fourth Circuit. *In re Certain Steel Rod Treating Apparatus and Components Thereof*, USITC Pub. 1210, Inv. No. 337-TA-97 (Jan. 1982). See also Magrab, *supra* note 190, at 127-38. The argument is made that most ITC decisions are given preclusive effect in U.S. District Courts but that for patent cases courts are split on this point. The view is advanced that patent validity determinations by the ITC should be given a rebuttable presumption of preclusive effect and therefore the burden should be on the challenging party to prove that she did not have a full and fair opportunity to litigate the issue of patent validity in the ITC hearing.

²⁰⁰ 37 C.F.R. § 1.601 (1994).

²⁰¹ 35 U.S.C. § 146 (1988).

²⁰² 35 U.S.C. § 146 (1988) ("The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.").

The reexamination of patent validity by the PTO seems to be consistent with the "public rights" doctrine in which Congress enforces public rights created by statutes within its power to legislate, and to decide whether these rights are subject to jury trial. Whether patent rights fall under this doctrine is not completely clear.

On one hand, the U.S. Supreme Court declared that in creating new "public rights," Congress could assign their adjudication to an administrative agency with which a jury trial would be incompatible.²⁰³ Patent rights, on the other hand, have existed as long as Congress itself and may not be new public rights created by Congress in the meaning that the Supreme Court used. Perhaps a better way to understand the problem is to look at the bundle of patent rights as a composite of private common law rights and the public right to exclude others. This approach was taken by the Supreme Court in a 1923 decision. In *Crown Die & Tool Company*,²⁰⁴ Justice Taft declared that all a patentee acquires from a patent grant is the (public) statutory right to exclude. The (private) common law right to make, use and vend one's own invention was not subject to the patent statutes.²⁰⁵

The power of the PTO to reexamine patent validity may be best explained as a means by which this administrative agency is allowed to fix its own mistakes. This was the approach taken by the CAFC in *Patlex*,²⁰⁶ in which the Court declared that the reexamination statute belongs to "the class of 'curative' statutes, designed to cure defects in an administrative system."²⁰⁷ The court determined that fair opportunity for judicial review and full respect for due process is essential in the reexamination of patents and declared that "when these standards are met, the Constitution does not require that we strike down statutes, otherwise having a reasonable legislative purpose, that invest administrative agencies with regulatory functions previously filled by judge and jury."²⁰⁸

The more pertinent constitutional challenge therefore is not whether a jury has the right to compete with the PTO in determining patent validity, but rather, ensuring that judicial review and due process are maintained at all times during reexamination by the PTO. As long as the PTO has

203 *Atlas Roofing Co. v. Occupational Safety and Health Review Comm'n*, 430 U.S. 442 (1977).

204 *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24 (1923).

205 *Id.*; see also *Joy Technologies v. Quigg*, 12 U.S.P.Q. 2d (BNA) 1112 (D.C. Cir. 1989).

206 *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985).

207 *Id.*; see also *Graham & Foster v. Goodcell*, 282 U.S. 409 (1931).

208 *Patlex Corp. v. Mossinghoff*, 758 F.2d at 604-05.

responsibility for conducting reexamination, the reexamination findings will have estoppel effects on at least one side of each disputed issue. It follows that the proceedings must be inter partes and all parties must be given the right to appeal the reexamination results in recognition of this fact. By shifting technical reexamination to the PTO (with proper appeals), Japanese parties would feel less victimized by the present jury system.

The prospects for a strengthened U.S. patent reexamination system have become improved within the last year. As a result of bilateral discussions between the U.S. and Japan²⁰⁹ a bill to strengthen the U.S. patent reexamination statute was submitted to Congress in August of 1994.²¹⁰ This bill would have enlarged the scope of statutory patent reexamination, allowed third party requestors of reexamination to participate in the proceedings, and give them the right to appeal the results of reexamination.²¹¹ The bill, however, was not passed.

VII. CONCLUSION

The Japanese and U.S. patent enforcement problems share the same underlying imperfect coordination of patent office technical expertise with the courts' expertise in adjudicating proceedings via demeanor testimony. Japanese patent litigation primarily revolves around the issue of patent technical scope interpretation by the courts. This is a technical problem but the technical agency is normally not allowed to assist the courts. As a result, the courts frequently re-interpret a patent in a manner different from the patent office and patent litigation in courts primarily revolves upon patent technical validity issues. U.S. citizens who hold Japanese patents feel victimized by a system which they cannot understand because it does not seem to follow consistent principles. Americans feel victimized when their basic technology is not protected by the consistent application of the doctrine of equivalents.

U.S. patent litigation on the other hand, primarily revolves around patent validity determination by the courts. This is a technical problem but the PTO is normally not allowed to assist the courts. As a result, the courts

²⁰⁹ Aug. 16, 1994 U.S.-Japan bilateral patent law agreement. As part of this agreement the U.S. PTO agreed to introduce legislation to institute an "early publication" system and a revised reexamination system by 1996. See *U.S.-Japan Conclude Agreement on Reexamination and Publication*, 48 Pat. Trademark & Copyright J. (BNA) 412 (Aug. 18, 1994).

²¹⁰ S. 234, 103d Cong., 2d Sess. (1994).

²¹¹ *Id.*

reexamine patent validity in ways that are frightening to the Japanese who are accustomed to a more inexpensive and dispassionate forum in their country. Japanese, in particular, feel victimized by the high cost jury system which they feel is biased against them.

Both of these problems could be resolved by transferring technical matters during patent litigation from courts to the patent offices. Japanese patent validity should be reexamined by the JPO, and patent scope advisory opinions should be made available by the JPO to the courts in a timely manner. This would encourage the courts to routinely apply the doctrine of equivalents and also alleviate the court's problem of trying infringement cases for patents of questionable validity. Litigants of U.S. patents on the other hand should avoid unnecessary and costly trials by U.S. citizen juries by using the technical expertise of the PTO. The U.S. patent reexamination process should be strengthened by giving equal rights to adversely affected parties and by making reexamination a prerequisite to the affirmative defense in patent litigation. Modifying the patent systems of both countries so that they could be used for technically-based alternative dispute resolution in this way would benefit all parties.

Delegating technical issue resolution to the national patent offices can achieve real patent law harmonization because patent offices are composed of technical experts who can agree on reality-based (not politically-based) scientific principles. Furthermore, each country has the same problem of judicial disrespect for the technical work product of its patent agency. This common problem would be a suitable topic for mutual negotiations on international patent law harmonization.

