

VII. Legal System – Avoid Hollowing out of IP Venue

Venue for intellectual property litigation is moving out of Japan. New legal system is sought, which provides user-friendly services. At the same time, the new system should be one which can be regarded as being reliable by the parties. Under the new system, the Japanese court may have an initiative in formulating case laws in the IP arena. To have the initiative in that direction would meet the national interest.

[Problems]

- 1) In order to address the issue of IP infringement, Japanese companies tend to choose a US court as the venue for litigation.*
- 2) The Court of Appeals for the Federal Circuit is an appeal court excluding handling IP-related appeal cases in the United States. The Federal Circuit has issued many important judgments timely and promptly. These judgments have consequently formed a basis for global standard in interpretation of IP law.*
- 3) In Japan, complaints that judgments by individual district courts are made without conformity have been keen and increasing.*
- 4) Complaints are also directed to the shortage of IP experts who are knowledgeable, in addition to legal framework, about technology and international trend.*
- 5) In Japan, IP-related legal market is relatively small and limited even for Japanese experts with experience in international IP disputes. They are handicapped in view of enhancing their professional skill, in this age of mega competition.*

[Proposals]

92. Institute a Special IP Court

Speed for settlement is critically important for IP disputes and patent litigation. This is especially true for venture companies, as litigation costs are serious burden against management. A tardy decision, even if it is favorable, will not mean anything for the winning party. Big companies are not satisfied with the current court system wherein they have to spend significant time for coaching court judges about the meaning of scientific terms. For dispute resolution in the field of advanced technologies, a first important step is the interpretation of relevant technology. Law is merely to prove a ground rule for resolution. In view of judicial economics, disputes should be addressed in a shorter time with a single consolidated procedure.

One possible way is to set up a panel of judges with technical expertise. They can be

recruited from the Japanese Patent Office and from practicing lawyers and attorneys if they meet required qualifications. They can serve as a panel for a special IP court which would be instituted in Japan. Republic of Korea has had a head start in this respect. A desirable panel should be composed of judges with expertise in different areas. For example, a 3-member panel should include a judge with profound legal background, a judge with technical background and the other with background and experience in both areas.

This matter is of urgency. It does not wait for a lead time for preparation. We suggest the use of existing resources, holding down an expectation for a completed system. In this context, it may not be a right approach that science is taught to trainees without technical background. Trainees should be sought from the candidates with scientific background. The latter approach would be more efficient and productive than the former one. Under the circumstances, experienced examiners of the Patent Office and post doctorate degree holders would be the best resources for the panel of judges.

With the refined IP court system, the Japanese courts would be able to demonstrate rules and mechanisms for dispute resolution in the high tech areas. If that is the case, Japan would enjoy the position as a center for IP-related information overseas, and foreign patent holders might choose the Japanese court as the venue for resolution of IP disputes. Japan would be functioning as a intellectual property hub.

93. Establish Law School for IP

IP experts are still in shortage both in the field of bar and business. They need to be equipped with legal and logical thinking based on expertise on technology and management. Such experts, when produced from the educational institute, would be in a position to assist Japanese companies facing with international agreements and dispute resolutions.

Law school is a subject matter now under preparation for the implementation in 2004. The Japanese government sees that a significant increase of legal practitioners would be necessary in order to comply with globally expanded business arenas. Law school is expected to meet such need. Social needs for IP lawyers are growing year by year in the area of, for example, negotiations for international license agreements involving advanced technologies, dispute resolutions including court practice, and legislation of IP-related laws. Nevertheless, still in shortage is the number of judges who are familiar with technical issues, attorney with business expertise and law-makers familiar with actual business and excessively restraining regulations. Law school is considered to be a breakthrough under the circumstances.

The following are specific proposals for the law school scheme.

1) Establishment of law school should be subject to free competition. Standard for

establishment and other regulatory rules should be abolished. Each law school should be responsible for establishment, management and operation.

2) In enrolling, students with scientific background should be accepted with a priority.

3) Each law school should be responsible for curriculums and be allowed to freely introduce IP-related subjects.

4) Income tax should be withheld for donation to law school.

5) Judicial training provided for those who passed bar examination is currently compulsory and attendees are paid salary for the training period. Judicial training has been one of the reasons for objection to the idea of increasing the number of practicing lawyers. Under these circumstances, we suggest the abolishment of the judicial training system. Instead, a training institute should be established by official bodies including the ministry of justice and the court, or the bar association. The institute should provide training programs for trainees who passed a new bar exam and the programs be composed of a wide variety of subjects. Trainees should be paid a salary and have a discretion to choose subjects.

[Image of IP Law School]

- *Purpose: To foster attorneys, judges and business people strong in IP matters*
- *Applicants: Undergraduate students with scientific background*
- *Qualification: Applicants have to pass the AO test. Selection should weigh career and essay. Finalist has to take interview.*
- *Carriculum: Practice-oriented subjects in relation to various aspects of IP law. (Students are assumed to have acquired basic knowledge on IP.)*
- *Period: 3 years (Accelerated completion possible but staying for more than 4 years not allowed.)*
- *Faculty: Faculty should be composed of practitioners including experience judges, attorney-at-law and patent attorneys.*
- *Bar exam: Examination to verify the qualification of each applicant.*

94. Establish an IP Research Institute for Post-graduate Studies

Establish an IP research institute for post-graduate studies. The institute should have an IP research center and the IP law school for research work and education for practitioners. It can be regarded as an institute for a center of excellence in research, policy-making and education.

95. Promote International Exchanges of Jurists in IP Arena

IP law is an area of law in which internationally common rules are established in more complete form compared with other areas of law. Common rules form a basis for global arguments, allowing an internationalization of judicial system. Currently, R&D and business are now cross-boarder. It is not desirable that constructions of law differ from each other with respect to IP law. Once the exchange of judges and practitioners are promoted with an initiative of Japan, interpretation and enforcement of IP would be promoted, which will then put her on a leading position. Jurists and practitioners in the IP arena should have an initiative to enhance respects for IP by way of enforcement and to develop such respect to Asian countries and Oceanic countries.

96. Strengthen Role of Patent Attorney at the Court

Importance of IP infringement actions will be increasingly from now on. It would be critical that patent attorney with technical knowledge actively participates in a patent infringement action. He or she will contribute to complete a case with an articulate yet prompt judgment and to enhance the trust of the party and the public on the court decision.

In Japan, procedures without the aid of attorney are legally acceptable. This attorney-free procedure allows a broad interpretation of a power of attorney for infringement actions. With duty for disclosure of relevant information on an individual patent attorney and the Patent Attorney Association, we think that a patent attorney may well be acting before courts.

The role of patent attorneys should be strengthened to meet the need of clients.

97. Strengthen Functions of ADR Organization

Alternative dispute resolution (ADR) means out-of-the court dispute resolutions which include arbitration, mediation, consultation and arranged settlement. One of the advantages for using ADR is the maintenance of confidentiality. In USA, for example, American Arbitration Association (AAA) has handled many cases reaching around 80,000 per year.

In Japan, Japan Intellectual Property Arbitration Center (joint entity supported by Japan Bar Association and Japan Patent Attorneys Association), Bar Association's Arbitration Center and Japan Commercial Arbitration Association provide ADR services. It is forecasted that the number of IP disputes will increase rapidly. Along with the refinement of the judicial system for IP action, ADR organizations should have an enhanced power for enforcement and simplified user-friendly procedures.

98. Simplify Process for Invalidation of Patent

When infringement action is filed before a court, Defendant usually counter-files an appeal with the Patent Office claiming order of patent invalidity. Where a reason for patent invalidity is clear, then the court has, according to a recent case law, a power to render the patent invalid without waiting for the decision of appeal. Yet, relationships between infringement action and nullification appeal is unclear. Drastic reform should be sought in this regard, which will include, for example, transfer to courts of appeal procedures now exclusively handled at the Patent Office.

There have been criticisms against the transfer to the courts of appeal procedures. Some complained that judges would face difficulty in understanding technologies involved. However, court judges have so far dealt with a number of infringement actions which likewise necessitated in-depth analysis of technologies in question. Another approach is the use of appeal examiners by the court. In any event, approaches for patent invalidity should be simplified and ideally, a single body should handle the procedures for invalidity.

The Japanese government has already launched a plan to drastically amend the Civil Procedure Law in order to cope with increasing complicated cases such as patent infringement and malfunction. However, the items for amendment do not include the adjustment of patent infringement action and appeal procedures. This agenda should be added.

99. Improve Supreme Court's Homepage and Case Reporters

Homepage of the Supreme Court is insufficient in speed and coverage. The Supreme Court's service should be improved and one of the specific target is its homepage. In addition, the IP case reporter should be revived for the convenience of users. The reporter was abolished when the Supreme Court opened its homepage.

100. Set a Sealing on Litigation Term

Currently, an average litigation term among actions handled by the district courts over the nation is 21.6 months as of October 2001. IP litigation is a burden against management. Quicker is the better. The International Trade Commission in the United States, for example, concludes within one year from the filing of a complaint in non-complicated cases. In Japan, while the litigation term is getting shorter and shorter, there should be a statutory limitation for the term, say, one year from the complaint.