JAPAN: A COMPARATIVE MODEL FOR PATENT OFFICE VALIDITY CHALLENGES*

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I. OVERVIEW

On the eve of the release of proposed regulations in the United States to implement ground rules for the Administrative Patent Revocation Trials available under the Leahy Smith America Invents Act, Public Law 112-29 (2011) (under both Inter Partes Review and Post Grant Review), it may be useful to consider the parallel procedures under Japanese patent law which provide a comparative model for the new United States law.

Japanese practice is a model of elegant simplicity and efficiency; Japan provides a complete trial within six to twelve months. From April 1, 2012, an amended law provides a statutory right to at least two amendments, as explained by noted litigator Eiji Katayama.*** *See* § II, *The Japanese Comparative Model.* Government fees are essentially *de minimis* (as little as about $ 720) in comparison with attorney fees and other costs. *See* § II-A, *Japanese Post Grant Review for about $ 1000.*

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*** This paper is based in part upon an unpublished Katayama manuscript as well as the "Katayama Treatise", more formally styled as Abe, Ikubo & Katayama, **JAPANESE PATENT LITIGATION** (West Publishing 2009).

The Japanese system is a model of efficiency and speed. *See* § II-B, *Japan "Superhighway" Trial in Less than One Year.* After a trial typically lasting from six months to up to one year, there is a right to appeal to the Intellectual Property High Court that is roughly parallel to the Federal Circuit. *See* § II-C, *Judicial Review at the Intellectual High Court.*

But, unlike the Federal Circuit, in Japan new evidence may be submitted, particularly to show the state of the art. *See* § II-C-1, *New Evidence: Appellate Review with a De Novo Flavor.* Under the law still in effect (but which sunsets on April 1, 2012), there is also a right to amend at the appellate level, although in practical terms such an amendment has led to a remand to the Patent Office to consider such amendment. *See* § II-C-2, *Claim Amendments during the Appeal.*

Effective April 1, 2012, the Japanese Trial for Invalidity will allow for a *second* amendment, while eliminating the possibility of an appellate level amendment to the claims. *See* § III, *New Japanese Law to Permit a Second Amendment.*

What can the United States learn from the Japanese experience? And, more importantly, what can the Patent Office *do* within the constraints of the statute?

In some ways, Congress has given the Patent Office a remarkable degree of rulemaking freedom to in theory permit unlimited submission of evidence and unlimited opportunities for amendments *except for* a specific statutory mandate to complete proceedings in all but exceptional cases within one year. The challenge for the Patent Office will now be to craft regulations that are as fair as possible for patentees while at the same time making sure that the one year statutory mandate is followed. *See* § IV, *Statutory Stranglehold in the United States.*

II. THE JAPANESE COMPARATIVE MODEL

A. Japanese Post Grant Review for about $ 1000

The Japanese practice is a model of elegant simplicity and efficiency that is available to the public for a government fee as low as $ 720. A Trial against a single claim in a patent is about $ 720 or about $ 1370 where ten claims are involved. The basic fee is ¥ 49,500 (about $ 650) plus a per claim fee of ¥ 5,500 (about $ 72) or a total for a trial against one claim of ¥ 55,000 (about $ 720).

B. Japan "Superhighway" Trial in Less than One Year

For a "normal" Trial for Invalidity where there is no concurrent District Court litigation, the typical Trial for Invalidity takes from six months to one year. But, in the event there *is* concurrent litigation, then the Trial for Invalidity is taken up on an expedited schedule and moves even more quickly.

The speed of the Trial for Invalidity has to a great extent been due to the opportunity for only one amendment and one presentation of evidence *at the Board level,* although as from April 1, 2012, the law will permit a *second* chance for amendment (as discussed below). Thus, under a Trial for Invalidity at the Japan Patent Office, the Trial Board serves a notification of the Trial to the patentee, which until now has given the patentee one opportunity to amend the claims and to file his Answer.

C. Judicial Review at the Intellectual Property High Court

An appeal to the Intellectual Property High Court may be taken as a matter of right. The Intellectual Property High Court is in some ways similar to the Federal Circuit in that each is essentially the highest court for patents. (In both countries there is, of course, a right to seek an appeal to the Supreme Court, but just as *certiorari* is rarely granted for such review in the United States, so, too, it is rare for there to be a grant of an appeal to the Supreme Court in Japan.)

Yet, there are significant differences between the systems in the two countries that make the overall post-grant patent challenges in the two countries markedly different.

1. New Evidence: Appellate Review with a *De Novo* Flavor

If upon examination the Trial Board reaches a conclusion of invalidity, the patentee has a *right* to appeal to the Intellectual Property High Court, which presents multiple facets not present in the parallel United States proceedings.

In the Intellectual Property High Court there is a routine practice that the parties may submit new evidence, particularly concerning the state of the art at the time of the filing date.

In the context of a review of District Court litigation on appeal, "a party can submit new evidence to the IP High Court, which was not submitted previously to the [lower tribunal]." Katayama Treatise, § 4:72, *Scope of Review,* p. 120 (2009). Citing Civil Procedure Law, art. 301, the Katayama treatise notes that "[o]ne should note, however, the IP High Court might dismiss such new evidence, if there is no reasonable explanation why it could not have been submitted earlier." *Id.*

Under the United States law, an appeal to the Federal Circuit provides *no* opportunity for any further amendment and provides *no* opportunity for presentation of new evidence and, indeed, in the case of an obviousness determination, provides *no* opportunity for a fresh consideration of the evidence:

Thus, a fact-based determination of obviousness in the United States by the Patent Office *must* be affirmed if the evidence presented at the Board is such "as a reasonable mind might accept as adequate to support a conclusion." *In re Suitco Surface, Inc.*, 603 F.3d 1255, 1259 (Fed. Cir. 2010).

There is *no* opportunity to amend and *no* opportunity to present new evidence at the Federal Circuit. Rather, there is a restricted page-limited briefing and fifteen (15) minutes of total argument time for each side.

2. Claim Amendments during the Appeal

Until the current law that sunsets on April 1, 2012, the patentee has had the right to seek an amendment to the claims *at the appellate level.* As a practical matter, however, when an amendment was proposed under this practice, the appellate court would simply *remand* the case back to the Trial Board, which would then need to consider the amendment.

As noted in the following section, as from April 1, 2012, a second amendment opportunity *at the Trial Board* is now built into the statutory regime while the opportunity to amend at the appellate court is abolished.

III. NEW JAPANESE LAW TO PERMIT A SECOND AMENDMENT

A. The Circuitous Pathway to a Second Amendment

The Diet recognized the inefficiency of the *de facto* second chance for amemdment that required the circuitous approach of an appeal to the Intellectual Property High Court to present the amendment, there, merely to trigger a remand to the Patent Office for consideration of that amendment.

Thus, under the current (old) law that sunsets with the effective date of the new law on April 1, 2012, the patentee who is unsuccessful at the Trial Board has been able appeal to the Intellectual Property High Court and *at that stage* present *amended claims* early in the proceedings. But, as a practical matter, whenever a timely request to amend the claims was filed with the appellate body, the case was *remanded* to the Japan Patent Office to consider the amendment.

B. The Direct Approach to a Second Amendment at the Patent Office

To simplify this circuitous right to a second amendment, the Diet thus amended the law to provide for what is, in essence, a *second* amendment at the Trial Board, while abolishing the right to amend at the appellate court.

The mechanism for this amendment is as follows: If, after the first stage of proceedings at the Trial for Invalidity (when there is a first opportunity to amend the claims), the Trial Board intends to invalidate the patent, the trial board needs to issue a prior "announcement" of the trial decision. The patentee may *then* amend the claims and respond to the "announcement" of the proposed trial decision.

Once the trial board has rendered the final decision to invalidate the patent, the patentee has no chance to amend the claim. The patentee may only file an appeal to the Intellectual Property High Court without a right to amend the claim at that stage.

IV. STATUTORY STRANGLEHOLD IN THE UNITED STATES

In many ways, the U.S. Patent Office has been given a remarkable degree of freedom to craft regulations to implement the twin systems for Administrative Patent Revocation Trials. As set forth in the Appendix, *Statutory Stranglehold: Administrative Patent Revocation Trials Statutory Ground Rules*, there are more than ten areas where the Director is given discretion to set forth procedures to implement the new law, including the ability to "set[ ] forth standards and procedures for allowing the patent owner to move to amend the patent…" 35 USC § 316(a)(9).

But, the kicker is that whatever provisions are implemented, they must be complementary to the statutory "requir[ement] that the final determination in an inter partes review be issued not later than 1 year after …, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months." 35 USC § 316(a)(11)(Inter Partes Review).

There undoubtedly will be calls made within the patent community for regulations that offer a liberal right to amend and present evidence during an Administrative Patent Revocation Trial. The challenge for the Office will be to find a rulemaking solution that is as liberal as possible but which nevertheless is consistent with the statutory mandate for completion of proceedings within one year from institution of proceedings.

What means can the Office provide to permit amendments and the presentation of evidence *consistent with meeting the twelve month deadline for completion of proceedings?* Should auxiliary claims as in Europe be permitted responsive to a petition but prior to institution of proceedings? Providing rules as fair as possible to patentees while being true to the twelve month statutory deadline represents a critical and important challenge for the Patent Office.

Appendix, Statutory Stranglehold:

Administrative Patent Revocation Trials
Statutory Ground Rules, 35 USC § 316(a)

The Director shall prescribe regulations –
(1) providing that the file … shall be made available to the public…;
(2) setting forth the standards for … sufficient grounds to institute a review [ ];
(3) establishing procedures for the submission of supplemental information…;
(4) establishing and governing inter partes review [ ] and the relationship of such review to other proceedings under [the patent law];
(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to –
  (A) the deposition of witnesses submitting affidavits or declarations; and
  (B) what is otherwise necessary in the interest of justice;
(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;
(7) providing for protective orders…;
(8) providing for the filing … of a response to the petition… after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;
(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent … to cancel a challenged claim or propose a reasonable number of substitute claims…;
(10) providing either party with the right to an oral hearing…;
(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review …, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under [35 USC §] 315(c);
(12) setting a time period for requesting joinder…; and
(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

* This section governs an Administrative Patent Revocation Trial under the Inter Partes Review statute; parallel provisions are provided under 35 USC § 326(a)(11) for Post Grant Review.