

# Patent Litigation in Germany, Japan and the United States

von  
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1. Auflage



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## II. Japan

Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (Hague Service Convention). Between Japan and the U.S. there is also the Consular Convention which admits the service of judicial documents through consular agents of each country.

If the defendant is a German company, the Japanese civil court makes a request for service with the complaint and its translation to the Central Authority of Germany in the meaning of Article 2 of the Hague Service Convention. It takes around 4 months in average to service judicial documents upon a German company<sup>37</sup>. Article 8, Paragraph 1 of the Hague Service Convention admits the service abroad directly through the Japanese consular agents. Germany, however, declared the opposition to such service through consular agents upon persons within Germany other than Japanese nationalities<sup>38</sup>. The service through the Japanese consular agents upon a German company is not available for Japanese Courts. Article 10, Sub-Paragraph (a) of the Hague Service Convention also admits to send judicial documents by postal channels directly to a defendant abroad. Germany, however, also is opposed to send judicial documents by postal channels<sup>39</sup>.

If the defendant is an American company, the service to the Central Authority of the U.S. which takes 5 months in average<sup>40</sup> and the service through Japanese consular agents which takes 3 months in average<sup>41</sup> are available for Japanese courts, because the U.S. are not opposed to such service in the U.S. Japanese courts are not interfered also with sending judicial documents from Japanese courts by postal channels directly to the defendant in the U.S., pursuant Article 10, Sub-Paragraph (a) of Hague Service Convention.

If, however, once a Japanese attorney at law is designated as representative for the defendant abroad, further judicial documents are serviced through the attorney upon the defendant.

**(3) Answer of the defendant to a complaint.** The defendant makes a written answer to a complaint. A written answer may have also a function as a preparatory brief. An answer is, however, normally quite simple in the practice. In most cases, the answer just asserts the dismissal of the claims in the complaint, and states that the reasons of the dismissal should be asserted in the first preparatory brief which will be submitted afterward. Even if the defendant does not appear the first date of the oral proceeding, the submitted written answer is regarded as stated in the oral proceeding, according to Article 158 of the Japanese Code of Civil Procedure.

In infringement cases, the defendant sometimes requests in a written answer that the presiding judge should ask the plaintiff to clarify some words of the patent claims, according to Article 149, Paragraph 1 of the Japanese Code of Civil Procedure, and states that the defendant will submit the first preparatory brief only just after the clarification of these words by the plaintiff.

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<sup>37</sup> Saiko-saiban-sho-jimu-sokyoku-minji-kyoku (Civil Affairs Bureau of General Secretariat in the Japanese Supreme Court) (ed.), *Kokusai-minji-jiken-tetsuzuki-Handbook* (Handbook for the International Procedure of the Civil Cases), 2013, p. 443, table of average time necessary for the service abroad in each country.

<sup>38</sup> "Table Reflecting Applicability of Articles 8(2), 10(a)(b) and (c), 15(2) and 16(3) of the Hague Service convention" in the web site of the Hague Conference on Private International Law under "<http://www.hcch.net/upload/applicability14e.pdf>".

<sup>39</sup> Ibid.

<sup>40</sup> Saiko-saiban-sho-jimu-sokyoku-minji-kyoku (Civil Affairs Bureau of General Secretariat in the Japanese Supreme Court) (ed.), supra note 37, p. 443, table of average time necessary for the service abroad in each country.

<sup>41</sup> Ibid.

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(4) **Begin of oral proceeding.** The first date of the oral proceeding is designated in summons. The date is empirically about one month after the expected date of the service of the complaint. The change of the first date is allowable, if the parties agree its change, according to Article 93, Paragraph 3 of the Japanese Code of Civil Procedure. Otherwise, the change of the date of the oral proceeding shall be allowed, only if there are obvious reasons, for example, overlapping of two proceeding date of the representative.

On the first date of the oral proceeding, the court normally refers a case to preparatory proceedings, according to Article 168 of the Japanese Code of Civil Procedure. The first date of the preparatory proceeding is designated by the presiding judge hearing the opinion of both parties. The first date of the preparatory proceeding takes place empirically one or two months after the first date of the oral proceeding.

(5) **Preparatory proceeding.** A patent holder may assert not only an injunction claim, but also a claim for compensation of damages at the same time. In the practice, however, the proceeding for recognition of infringement and the proceeding for calculation of damages are, as a matter of fact, separated. In accordance with this separation of proceedings, evidences for each matter are also examined separately. Only after the court is convinced of an infringement and the validity of the allegedly infringed patent in the proceeding for recognition of infringement, the court begins the proceeding for calculation of damages.

(5-1) **Preparatory proceeding for recognising infringement.** A preparatory proceeding for recognising an infringement takes place several times with interval of one or two months. It continues about one year empirically. The plaintiff and the defendant make their assertion mutually with evidences so that the facts become clearer gradually.

The plaintiff states the facts in the complaint with evidences which are necessary to substantiate the infringement of specified products or processes of the defendant.

The defendant firstly has to make it clear that he admits or denies the facts asserted in a complaint. Normally, a defendant denies the infringement and/or the validity of a patent. If the plaintiff concretely states reasons why the products or processes of the defendant could infringe the patent with evidences, the defendant has to clarify the specific features of his products or processes which are not insistent with the features of the patent, according to Article 104-2 of the Japanese Patent Act (see Part 7, II. 7(3-1)).

The “Double Track” system is applied for the Japanese patent infringement dispute (see Part 7, II. 1). The defendant often asserts that the patent infringed allegedly should be invalid, according to Article 104-3 of the Japanese Patent Act. Furthermore, the defendant often makes a request for a trial for patent invalidation to the Japanese Patent Office. These two independent procedures of the two independent organisations are going on so-called “Double Track”, and meet together in the Japanese Intellectual Property Court in an appeal phase.

If the court is convinced of the infringement and the validity of the patent, the court attempts to arrange a settlement, according to Article 89 of the Japanese Code of Civil Procedure. If the parties agree with a settlement in the judicial procedure, the settlement shall have the same effect as a final and binding judgment, according to Article 267 of the Japanese Code of Civil Procedure (see Part 7, II. 2(2-4)).

If the parties cannot reach a settlement and the plaintiff only claims injunction of infringement, the court renders a judgement to injunct the infringing activities of the defendant. If, however, the plaintiff also claims the compensation of damages, the court goes into the preparatory proceeding for calculation of damages.

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**(5-2) Preparatory proceeding for calculation of damages.** In order to admit a claim for compensation of damages, the patent holder has to prove the existence of actual damages and its amount, according to the general rule of Article 709 of the Japanese Civil Code. Article 102, Paragraph 1 to 3 of the Japanese Patent Act, however, presents three alternatives for the estimation of damages (see Part 4, I. 2(2-2)).

The court may order the defendant to submit documents that are required to calculate the damage arising from the said act of infringement, according to Article 105 of the Japanese Patent Act (see Part 7, II. 7(3)).

The court may also appoint a certified public accountant as an expert to calculate the damages and to inspect the documents of the defendant necessary for the calculation of damages. The defendant is obliged to explain the facts which are necessary for the expert to calculate the damages, according to Article 105-2 of the Japanese Patent Act (see 2(2-5)).

**(6) Conclusion of oral proceeding.** Before the judgement, the court refers the case from the preparatory proceeding to the oral proceeding again. The parties shall state outcome of the preparatory proceeding, according to Article 173 of the Japanese Code of Civil Procedure. The court then concludes the oral proceeding, and designates the date for rendering a judgement. According to Article 251, Paragraph 1 of the Japanese Code of Civil Procedure, the court shall render a judgment within two months from the date of conclusion of oral argument. The two months' term is not compulsory. The date for rendering a judgement, however, is normally designated a few months after the conclusion of the oral proceeding.

**(7) Judgement.** The court renders a judgement based on the original of a judgement document, according to Article 252 of the Japanese Code of Civil Procedure. The parties can accept a copy of the original of the judgement directly after rendering a judgement. The judgement document contains the tenor, the indisputable facts, the allegation of the parties, reasons of the court for the judgement containing found facts and their submission under the law sometimes with the interpretation of relevant provisions.

**(7-1) Judgement recognising infringement.** If the court is convinced of the infringement and the validity of patent as well as the damages, the court upholds the claims in the judgement.

According to Article 259, Paragraph 1 of the Japanese Code of Civil Procedure, the court may declare the provisional execution additionally. In most infringement cases, courts do not render a declaration of provisional execution for an injunction claim. The court, however, often render a declaration of provisional execution for the claim for compensation of damages. According to Article 259, Paragraph 3, the court may also declare that the provisional execution of claims can be avoided if the defendant pays security. The amount of the security to avoid the provisional execution is determined discretionally by the court which has rendered the judgement. The amount of the security is empirically about 70 percent of the amount of the damages.

**(7-2) Judgement denying infringement.** If the court is not convinced of an infringement or the validity of the patent, the court dismisses the claims in the judgement. Even if the court recognises the invalidity of the patent, the registration of the patent at the Japanese Patent Office is still valid. It is, however, difficult for the patent holder to file an action again, even against other persons than the defendant, as a matter of fact.

If the decision of the trial board of the Japanese Patent Office to the effect that a patent is to be invalidated becomes final and binding, the patent shall be deemed invalid

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retroactively from the time of registration, according to Article 125 of the Japanese Patent Act. In such a case, the claims of the patent holder have to be dismissed. The patent holder sometimes withdraws the action by himself with the consent of the defendant, according to Article 261, Paragraph 1 and 2 of the Japanese Code of the Civil Procedure.

**(8) Appeal to the Japanese Intellectual Property High Court.** The Japanese Intellectual High Court which has an exclusive jurisdiction for appeals of patent infringement cases.

If a judgement of the Tokyo or Osaka District Court upholds the claims of the plaintiff, the defendant may file an appeal to the Japanese Intellectual High Court. If, on the contrary, the judgement dismisses the claims of the plaintiff, the plaintiff may file an appeal to the Japanese Intellectual High Court.

The period for an appeal to the court of the second instance is two weeks from the day when the service of a judgement has been received, according to Article 285 of the Japanese Code of the Civil Procedure. The period is unextendable. The court, however, may specify an additional period in the interests of a person abroad, according to Article 96, Paragraph 2 of the Japanese Code of the Civil Procedure. The additional period is normally 30 days. After filing an appeal, the appellant has to submit a preparatory brief to explain the reason for appeal.

The appellee also has a right to file an incidental appeal until the oral proceeding is concluded in the second instance, according to Article 293, Paragraph 1 of the Japanese Code of the Civil Procedure.

The provisions about the first instance, except as otherwise provided, shall also apply *mutatis mutandis* to proceedings in the second instance, according to Article 297 of the Japanese Code of Civil Procedure. The appeal case is, therefore, almost a continuation of the first instance. The parties may assert new arguments, state new facts or submit new evidences, insofar as such allegations or evidences will not delay the conclusion of the action, according to Article 157, Paragraph 1 of the Japanese Code of the Civil Procedure. With respect to appeal for infringement cases, an alleged infringer may assert a new reason on the basis of new evidences for prior art to make the patent invalid in the second instance.

Each party of the trial for the patent invalidation at the Japanese Patent Office may file an action to the Japanese Intellectual High Court against the trial decision in order to rescind the decision which is disadvantage for the party, according to Article 178, Paragraph 2 of the Japanese Patent Act. The Japanese Intellectual High Court has an exclusive jurisdiction for such action, according to Article 178, Paragraph 1 of the Japanese Patent Act.

In the “Double Track”-system, not only the trial board of the Japanese Patent Office, but also infringement courts of the Tokyo or Osaka District Court have an authority to determine the validity of a patent. The decisions of two independent organisation could contradict each other. The Japanese Intellectual Property High Court, however, has an exclusive jurisdiction for the action rescinding the decision of the trial board as well as for the appeal against the judgement of the Tokyo or Osaka District Court. The conflicts of two decisions can be harmonised, as a matter of fact, in the Japanese Intellectual High Court (see Part 7, II. 1.).

**(9) Final appeal to the Japanese Supreme Court.** Against the judgement of the Japanese Intellectual High Court, a final appeal may be filed with the Supreme Court, according to Article 311, Paragraph 1 of the Japanese Code of the Civil Procedure. The period for a final appeal is two weeks from the day when the service of a judgement has

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been received, according to Article 313 in connection with Article 285 of the Japanese Code of the Civil Procedure. The additional period for a person abroad, usually 30 days, is also admitted for the period for the final appeal.

Reasons for final appeal are restricted to a misconstruction of the Japanese Constitution or any other violation of the Japanese Constitution, according to Article 312, Paragraph 1 of the Japanese Code of Civil Procedure. It is almost impossible to find such a reason for final appeal for an infringement case. Parties, however, make a petition to the Japanese Supreme Court to accept the case as a final appeal on the ground that the judgement of the Japanese Intellectual High Court is inconsistent with precedents rendered by the Supreme Court or the case involves material matters concerning the construction of laws and regulations, according to Article 318, Paragraph 1 of the Japanese Code of Civil Procedure.

The final appellant has to submit a statement of reasons for final appeal 50 days after the final appeal, according to Article 315, Paragraph 1 of the Japanese Code of Civil Procedure and Article 194 of the Japanese Rules of Civil Procedure.

Sometimes the final appeal is accepted for infringement cases, especially when the Grand Panel of the Japanese Intellectual Property Court renders a judgement for the important issue concerning the construction of laws or regulations.

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#### 1. Jurisdiction

Although patent litigation is solely within the jurisdiction of the federal courts, state courts can decide cases which involve patent rights that are not determinative of validity and infringement. For example, matters relating to patent licenses are breach of contract cases and decided by state courts. Unless there is some other jurisdictional basis, such as the diversity of citizenship of the litigants or jurisdiction based upon another federal statute, the district court cannot decide a breach of contract case.

The key jurisdictional issue for a federal district court is whether there is a question arising under federal law, subject as the Patent Act. The issue is not always clear. For example, the Supreme Court recently decided that claims of malpractice against a patent attorney with regard to his representation relating to PTO activities and/or patent litigation are not matters which arise under the patent laws.<sup>42</sup> Although the patent laws are central to the dispute, they are collateral facts which can be heard by a state court.

There are 94 federal district courts throughout the United States and its territories. Each of them has jurisdiction to hear and decide cases arising under the patent laws of the United States. Assuming that the accused infringer has sufficient contacts within the particular geographical area assigned to a district court, the accused infringer may be sued in that venue (28 U.S.C. § 1391). The selection of venue is often disputed and applications seeking a change in venue are not uncommon.

There are no special patent judges. The same judge who presides over a patent litigation hears all other matters that fall within the district court's jurisdiction, including both civil and criminal matters.

As a general rule when a litigation is filed the judge is selected at random and that judge retains responsibility for the matter through trial. Certain district courts, in view of the significant number of patent litigations have developed special rules to be used in patent cases, particularly relating to discovery, Markman (claim scope) hearings and other issues unique to patent litigation.

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<sup>42</sup> *Gunn v. Minton*, 133 S. Ct. 1059, 185 L. Ed. 2 d 72 (2013).

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There are eleven courts of appeals situated throughout the United States, each of which has jurisdiction to hear appeals from the federal district courts within their circuit. However, there is only one appeals court designated to decide patent appeals from all district court decisions. It is the Court of Appeals for the Federal Circuit, generally referred to as the Federal Circuit. It is located in Washington, D.C. Although it also has jurisdiction to decide a limited number of other matters, the majority of matters before it are patent matters and its judges are patent law specialists.

The Federal Circuit is often the final arbiter for patent matters. Although decisions from the Federal Circuit are appealable to the Supreme Court of the United States, permission from the Supreme Court is required before an appeal is accepted. In recent years the Supreme Court has accepted a greater number of patent appeals than it has in the past. Nonetheless, the vast majority of patent litigations end with the decision of the Federal Circuit.

### **2. Parties to the proceedings**

**(1) Court.** The United States provides for the right of a jury trial in patent matters unless no monetary relief is being requested. Under the United States judicial system judges decide issues of law; jurors decide issues of fact; and judges decide issues relating to equitable remedies such as injunctions.

At the time a patent litigation is filed a judge is chosen at random from the panel of judges sitting in the district. As well, it is customary for a Magistrate judge to be selected to assist the judge.

Federal judges are appointed by the President of the United States with the advice and consent of the United States Senate.<sup>43</sup> They serve for their lifetime, although at a certain age they may take “senior status”, which permits them the right to reject matters assigned to them and limit their schedules.

Magistrate judges are appointed for ten years. Generally they function most effectively in deciding discovery disputes. Decisions by the Magistrate regarding discovery disputes (or indeed any dispute assigned to the Magistrate by the judge) are appealable to the judge.

The judge and Magistrate judge handle all of the proceedings up to trial. Unless both parties agree to have the trial conducted by the Magistrate judge, the district court judge presides at the trial, making rulings of law and deciding issues such as the admissibility of testimony and the proper instructions that should be provided to the jury.

The jury selection process differs slightly from district court to district court. In general the parties suggest questions to the judge to determine whether a potential juror is biased and should be excluded but the judge does the questioning. In addition to the right to excuse a prospective juror for cause, the parties are entitled to a number of preemptory challenges which they can use to dismiss prospective jurors. Depending upon the court the jury sometimes consists of 6, 8 or 12 jurors – although patent matters are generally tried to a jury of 6.

**(2) Necessary and permissible parties.** The owner of 100 % interest in the patent is a necessary party. Where there are multiple owners they must all agree to act. It is not possible to initiate a patent litigation unless all of the patent owners agree to act together as plaintiffs. Where there is joint ownership, it is important that an agreement be reached that the parties will act in concert.

From a practical perspective, if all of the owners do not act together the patent is pragmatically unenforceable. Under United States law any owner of a patent can license the rights to others and does not have to account to any other owner of the patent.

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<sup>43</sup> United States Constitution, Article 2, Section 2.



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Therefore, a litigation cannot be initiated without the consent of all owners and unless there is an agreement to the contrary, any owner named in the litigation can settle the litigation, for example, by licensing the accused infringer without the consent of the other owners.

Non-exclusive licensees cannot initiate an action for patent infringement. In general, an exclusive licensee also cannot initiate a patent litigation on its own. However, there are instances where an exclusive licensee can do so. Whether the exclusive licensee has standing to initiate proceedings depends upon the provisions of the exclusive license agreement. Courts look to the provisions of the license to see if the patent owner expressly gave the exclusive licensee the right to sue. However, the presence of a contractual provision granting the right to sue, without more, is not sufficient. The courts look to the entirety of contract terms including the breadth of grant; the length of license and whether given the totality of the circumstances the accused infringer can properly avail itself of the defenses of invalidity against the party suing it.<sup>44</sup>

If all of the necessary parties are named in the litigation additional permissible parties can also be named. This could include exclusive licensees, if the licensees can demonstrate separate injury. It is highly unlikely that a non-exclusive licensee could qualify as an injured party because it is unlikely that it can establish that it suffered financial harm when the very nature of its license contemplates competition. Nonetheless, if the non-exclusivity is based upon geography such that the licensee is exclusive in an area, injury to the non-exclusive licensee might be demonstrated.

**(3) Rights of action.** In patent matters the most common causes of action are the patent owner's claim for infringement and the counterclaim filed by the accused infringer seeking patent invalidation on any number of the grounds available to an accused infringer in defense of a claim of infringement.

Although many patent litigations are solely directed to issues of infringement and validity of a patent, to the extent there are other disputes between the parties whether related to the patent or otherwise, they can be combined in a single litigation. If these are not disputes normally within the jurisdiction of the federal courts, they can nonetheless be included under principles of ancillary jurisdiction. (FRCP Rule 18)

**(4) Adding of additional parties.** After the initial filing of the Complaint, there is a period of time in which a party can amend the Complaint without the need for the court's permission. Thereafter, amendment of the Complaint and the adding of parties cannot proceed without seeking permission from the court to do so. The application to the court needs to demonstrate good cause. In general, if the litigation is still in its early stages, courts are liberal in permitting the pleadings to be amended. (FRCP Rule 14)

**(5) Representatives.** Although the issue is one of state law, there is a general long standing understanding that corporations, limited liability entities and other business entities other than individuals must be represented by counsel. Individuals can appear *pro se*, but judges generally advise individuals to seek representation given the complex nature of the proceedings. Nonetheless, an individual can file or defend a patent litigation, although it is a rare occurrence. (28 U.S.C. § 1654)

Once a party appoints its legal representative the counsel files a formal Notice of Appearance with the court so that all subsequent papers will be directed to counsel. It is not unusual for lead counsel not to be admitted to practice in the state where the district court is located. In such circumstances it is necessary for the party to appoint local counsel to appear with the lead counsel. The lead counsel and other non-admitted

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<sup>44</sup> *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1340 (Fed. Cir. 2006).



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attorneys then make application to be admitted *pro hac vice* before the district court. These applications for admission are customarily granted provided the attorneys have not been subject to disciplinary proceedings elsewhere and represent that each has become familiar with the local rules and agree to abide by them.

Once a party enters an appearance and appoints a counsel it is ethically inappropriate for the counsel for one party to speak to a principal of another party unless the other party's counsel participates. Principals can always speak to other principals, but attorneys cannot speak to opposing principals absent participation by or consent by opposing counsel.

Although, generally counsel is selected because of his or her experience with patent matters, counsel need not be admitted to practice before the PTO nor demonstrate any technical knowledge or expertise. Nonetheless, for PTO proceedings at least lead counsel must be admitted to practice before the Patent Office.

**(6) Experts.** It is the general practice in the United States for each party to retain its own experts on issues that it believes requires expertise. Although the court has the inherent power to seek the aid of an expert of its own, this is not the usual situation.

Generally, experts are retained in such areas as:

- Practice and procedure before the PTO to enable the jury to understand the patent solicitation process and how it may have a bearing on the claims and/or the actions and statements made by the patent owner's representatives to the PTO in seeking the grant.
- Technical experts to explain the technology, the prior art and how it relates to the patents.
- Technical experts who on an element by element basis apply the claims of the accused product or method.
- Economists or certified public account representatives who analyze the financial information in support of the lost profits and reasonable royalty damage analysis.
- Technical experts to explain any issues of "equivalency" from a technical perspective.

Often a single expert testifies on a number of issues. Under the FRCP Rule 26 each expert must provide a written report which is exchanged with the opposing party's counsel. The expert is subject to pretrial depositions so that the basis and conclusions made in the expert report can be explored.

Discussions between the expert and counsel for the party who they had been retained by are not subject to the attorney/client or attorney work product privilege and can be discovered.

**(7) Third party participation.** There are a number of ways in which third parties can participate either directly or indirectly in litigation. Where, for example, the patent owner has sued a number of different parties in different proceedings, all of which are based upon the same patent, it is customary for the parties to enter into a common interest agreement which permits the sharing of information and strategies and still preserve the attorney/client and attorney work product privilege.<sup>45</sup>

Where there are multiple parties named in the same litigation, although they may share a common interest in defending the litigation they often do not have identical

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<sup>45</sup> At one time it was relatively easy to include all accused infringers in a single proceeding. A recent amendment to U.S. law has made that more difficult. It is now more usual, especially with regard to cases filed by NPE's, for a series of separate litigations to be filed often in the same court against various defendants. See *Optimum Power Solutions LLC v. Apple Inc.*, C 11-1509 SI, 2011 WL 4387905 (N.D. Cal. Sept. 20, 2011); *WiAV Networks, LLC v. 3Com Corp.*, C 10-03448 WHA, 2010 WL 3895047 (N.D. Cal. Oct. 1, 2010).