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Protecting American Intellectual Property in Japan

John C. Lindgren
Craig J. Yudell

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ARTICLES

PROTECTING AMERICAN INTELLECTUAL PROPERTY IN JAPAN

John C. Lindgren† and Craig J. Yudell††*  

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† Patent Licensing Attorney, Texas Instruments, Inc., Dallas, Texas; J.D. magna cum laude 1993, Southern Methodist University; M.S.E.E. 1990, Southern Methodist University; B.S.E.E. 1986, Duke University. Mr. Lindgren is also registered to practice before the U.S. Patent and Trademark Office. Much of the material contained in this article was obtained by Mr. Lindgren while working as a patent license negotiator for Texas Instruments in 1989-93.
†† Associate, Felsman, Bradley, Gunter & Dillon, L.L.P., Fort Worth, Texas; J.D. 1993, Southern Methodist University; B.S.E.E. 1987, Arizona State University.
* The opinions expressed in this article are those of the authors and do not necessarily reflect those of Texas Instruments or Felsman, Bradley, Gunter & Dillon.
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I. Introduction

According to recent Tokyo press reports, the United States and Japan are once again at war—this time, though, it is a “Patent War.” Over the last decade, American companies have become extremely aggressive in seeking worldwide protection from infringement of their intellectual property. American corporations have recently focused their efforts on the high-tech companies of Japan. These American companies have gone beyond asserting U.S. patents against imports of Japanese companies in the United States and are now actively pursuing patent protection against Japanese companies in Japan itself. Those Japanese companies, of course, are responding in kind, spending large amounts of money and labor on patent acquisition, both in Japan and in the United States. As a result, the number of patent lawsuits between American and Japanese companies will likely increase in the courts of both countries in the future. It is crucial, therefore,
that American patent practitioners gain a thorough understanding of
both the Japanese patent prosecution system and the Japanese court
system in order to hold the current American advantage in this "Patent
War."

This understanding of the Japanese patent system can only be
achieved if Americans first acknowledge the fundamental differences
between Japanese and American culture. Today's Japan is a complex
hybrid of ancient Eastern and modern Western influences, preventing
us from stereotyping all Japanese as possessing a single view on pat-
et enforcement. In fact, five very different views on the matter cur-
cently exist, each founded upon a different aspect of Japanese culture.
These views occupy the full spectrum from abolishing patents alto-
gether to strictly enforcing them. The cultural bases that give rise to
these views can be used to explain some of the primary differences
between Japanese and United States patent law and practice, both in
acquisition and litigation. Successful protection of American intellec-
tual property rights in Japan today is possible if Americans make the
effort to understand the constantly evolving cultural underpinnings of
Japanese patent law and practice.

II. CURRENT ECONOMIC SIGNIFICANCE OF PATENTS

The current value of intellectual property is exemplified by suc-
cesses such as Honeywell's recent settlement of $127.5 million in
damages in their patent suit against Minolta over autofocus technol-
ogy.\(^1\) In addition, Texas Instruments has received royalty income of
more than a billion dollars over the past five years from patent licens-
ing agreements with all of the major Japanese semiconductor manu-
ufacturers. Japanese businesses are finding themselves the target of
patent infringement suits, both in the United States and in Japan.
There are three primary reasons for this, the first and foremost being
that Japanese companies manufacture products in extremely large
volumes, creating a huge net sales base upon which per unit royalties
may be calculated. Second, there is currently an imbalance in the
ownership of valuable intellectual property rights in favor of Ameri-
can companies. Third, there is a "revenge factor" to be considered, as
many American companies who invented pioneering technology have
had Japanese companies "borrow"\(^2\) that technology and eventually

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1. *The Day Minolta Lost in Court*, Tokyo Trigger, Aug. 1992, at 14-17 (Foreign Broad-
2. "The basic opinion of the U.S. was that anything that is born out of the intelligent
activities of human beings is to be protected. This was something that was impossible to under-
gain higher market shares than the American inventor company. It is no surprise then that a recent television show in Japan declared that Japanese firms are currently defendants in 1,679 patent suits in the United States.³

A. Successful Manufacturing = Large Potential Royalty Base

While Japan’s greatest asset in the new global economy is undoubtedly its current manufacturing prowess, one of the United States’ greatest assets is its innovation. Many of the truly pioneering inventions of the twentieth century were conceived by American inventors and patented in the United States. Since most patent licensing agreements provide that royalty payments are directly linked to sales of the infringing goods, patent owners receive the largest royalty payments from the most successful manufacturers. The massive manufacturing machine comprising “Japan, Inc.” is therefore a naturally attractive target to owners of intellectual property rights.

B. Intellectual Property Ownership Imbalance

American companies are also aggressively enforcing their patents against Japanese companies because of the imbalance which currently exists between the United States and Japan in the possession of valuable intellectual property rights.⁴ In 1991, American companies received patent royalties and licensing fees from Japanese companies totalling $3.2 billion.⁵ In the same year, Japanese royalty receipts from American companies totalled only $730 million.⁶ In order to take maximum advantage of this current imbalance, and “strike while stand for Japanese people, who are permitted to ‘borrow upon others’ cleverness’ in all matters.”

Advanced, Developing Countries Battling Over Patents [hereinafter Advanced, Developing Countries]. TOKYO TRIGGER, Aug. 1992, at 32 (F.B.I.S. trans.).

3. Sunday Present: The Intellectual Property War—Last Trap by the Americans (Japanese television broadcast, July 5, 1992) [hereinafter Intellectual Property War] (White Lily trans.) (on file with the Santa Clara Computer and High Technology Law Journal). During this broadcast, Akio Morita, the outspoken chairman of Sony Corporation, argued that the reason for all of the suits against Japanese firms was not any of the three just mentioned, but rather that “the Americans are finally realizing just how good the Japanese products are, and they are becoming frightened. . . .” The United States has been using intellectual property rights as a means, not necessarily to beat Japan, but to protect the United States’ economy from the Japanese economy.” Id. at 2.

4. “Cases in which U.S. companies and inventors have brought suit against Japanese corporations revolving around patent violations have become very frequent. . . .” Canon's Chairman Criticizes U.S. Patent Lawsuits Against Japanese Companies, TOKYO NIHON KEIZAI SHIMBUN, May 30, 1992, at 8 (F.B.I.S. trans.).


6. Id.
the iron is hot," American companies have begun to pursue protection of their intellectual property with new vigor directly in Japan, in addition to continuing their protection efforts in this country. The outcome of this "Patent War" is uncertain, however, since Japanese companies are aggressively seeking to shift the balance of intellectual property rights to their favor.

In 1991, four out of the top five grantees of U.S. patents were Japanese companies. This massive effort on the part of Japanese companies to gain inroads into intellectual property protection in America has not been matched by American companies obtaining large numbers of Japanese patents. In fact, not one of the top fifty grantees of Japanese patents in 1991 was a American company. By amassing huge patent portfolios, Japanese corporations may soon be able to offset many of the royalty claims from American corporations. The surge in the number of patents granted to Japanese companies in the last few years, in fact, has many American companies who have received large royalty payments in the past worried that they will soon be paying out royalties themselves.

C. The "Revenge Factor"

Finally, Japanese companies are the current target of choice for some U.S. patent holders due to the "revenge factor." Some American companies today believe that the technology "borrowing" committed by Japanese companies in years past is at least partly responsible for today's inequities in market shares between American and Japanese companies. They believe that Japan's large share of various markets

7. Furthermore, out of the top 50 patent grantees of U.S. patents, 19 were Japanese and 23 were American. Overall, Japanese companies received 33.5 percent of U.S. patents granted in 1991, while American companies received 47.6 percent of them. See Table 1 in Appendix.

A large portion of activity in patent acquisition and litigation, both in this country and in Japan, has involved the semiconductor industry. The impact of this industry in the area of patent law is evidenced, for example, by the fact that 17 of the top 50 grantees of U.S. patents in 1991 manufactured semiconductors, 10 of which were Japanese companies. See Table 2 in Appendix. In fact, the top three U.S. patent grantees last year were all Japanese companies which manufacture semiconductors. Id. For this reason, when Japanese or American companies are mentioned herein by way of example, they will primarily be semiconductor manufacturing companies.

8. An imbalance in the quantity of patents, however, does not necessarily translate into an imbalance in royalty payments. According to Kensuke Norichika, general manager of Toshiba's intellectual property division, "Japanese inventions, while legion, are more innovation than breakthrough. The Japanese counter this weakness in making the great discoveries by seeking necessary patents that are needed to manufacture future generations of a product." Richard Meyer, Patent Management: Toshiba, FINANcIAL TIMES, Sept. 29, 1992, at 56.

9. See Advanced, Developing Countries, supra note 2, at 56.

10. The Japanese are relative late-comers to intellectual property; hence they had few patented technologies of their own. So they have taken a narrow view of the
today is due to the lax enforcement of patents in the past. Prior to the mid 1980s, patent enforcement was very weak, even in the United States, and Japan was still generally considered to be behind the United States in leading edge technology development. In order to catch up as quickly as possible, some Japanese firms, rather than develop a new product or method of producing a product, simply “borrowed” existing technology from American companies and developed small variations. By taking this underlying technology from American companies, these Japanese companies saved millions of dollars and decades of time on research and development. This “leg up” on American firms, the argument goes, then allowed these Japanese companies to concentrate on small “tweaks” to their mass production manufacturing techniques, thus enabling Japanese companies to outperform, in both price and quality, the American companies who invented the technology. The only way to correct past inequities, according to some American companies, is to target their successful Japanese competitors for large royalty payments today.

III. PROTECTIONISM IN THE JAPANESE PATENT OFFICE

The Japanese Patent Office has long been criticized by Americans for operating under protectionist policies. Many American patent law practitioners believe that the Japanese Patent Office has an active policy of preventing American inventors from obtaining meaningful protection of intellectual property in Japan. This perception, however true it may have been in the past, is no longer valid in today’s political and economic climate. It is possible for Americans to receive valuable patent rights in Japan today. Furthermore, the favoritism previously thought to exist for Japanese applicants over foreign appli-
cants is currently on the decline. Today’s new responsiveness to American concerns is the result of a combination of economic and political factors which will be discussed in section III. First, however, an example will be given which illustrates why many American practitioners believe that the Japanese Patent Office actively practiced protectionism in the past.

A. The Kilby Patent

Jack St. Clair Kilby invented the integrated circuit in 1958 while employed at Texas Instruments in Dallas, Texas. He filed a patent in the United States on the invention on February 6, 1959, which issued on June 23, 1964.\textsuperscript{14} A corresponding patent application was filed in Japan on \textit{February 6, 1960}.\textsuperscript{15} A patent based on this application was finally granted by the Japanese Patent Office on \textit{October 30, 1989}.\textsuperscript{16} It took the Japanese Patent Office almost thirty years after the original Japanese application was filed to recognize that Jack Kilby was entitled to a patent on what may be the most important invention of the twentieth century. The Berlin Wall rose and fell in less time than it took the Japanese Patent Office to grant this patent.

Although the details of the delay and the reasons behind it will probably never be publicly explained by the Japanese Patent Office, it has been surmised that Japanese officials intentionally delayed the patent’s issuance in order to avoid harming the then-fledgling semiconductor industry in Japan. Even in the 1960s, this industry was projected to be extremely profitable and eventually to become a crucial part of the Japanese economy. To date, three years after the issuance of the patent, Texas Instruments has received no plausible explanation for the thirty year delay. The file folder on the patent is filled with unexplainable actions by the Japanese Patent Office. Correspondence was claimed to have been lost by Japanese examiners, examiners were mysteriously transferred off of the case, fees were claimed to have not been paid, and files were misplaced. There were even long periods of no activity at all. At one point, seven years elapsed without any response from the Japanese Patent Office after Texas Instruments filed a petition for accelerated prosecution of the patent.

\textsuperscript{16} A divisional of the first Japanese patent application was filed in Japan on January 30, 1964. This divisional was eventually abandoned, but another divisional was filed from it on December 21, 1971. This second divisional was the patent which was finally issued by the Japanese Patent Office on October 30, 1989.
In addition to these office action delays, another roadblock was thrown in the path of the Kilby patent. At the time of filing, Japanese patent law stated that a patent was enforceable for fifteen years from the date of publication for opposition. The new law, enacted after the Kilby patent had been buried in the Japanese Patent Office for several years, held that patents were enforceable for the shorter of: 1) fifteen years from the date of publication for opposition, or 2) twenty years from the filing date. The Japanese Patent Office, which had not yet examined the Kilby patent enough to publish it for opposition, argued that the new law applied to it, and thus the patent would expire by law before they even completed its examination. Naturally, Texas Instruments fought this interpretation of the law, and they eventually won the right to have the application “grandfathered” under the old law. Despite this success, the application still had not advanced enough in the Japanese Patent Office to be published for opposition. Texas Instruments continued to fight further delays until it was published in 1986. Immediately, twelve oppositions were filed, including one from every major semiconductor corporation in Japan. Eventually, all oppositions were cleared, and the patent was granted on October 30, 1989. The Kilby patent now expires on November 27, 2001 (15 years after it was published for opposition), and covers every single integrated circuit made, used, or sold in Japan.

Despite numerous past complaints from American companies regarding procedures of the Japanese Patent Office, the Kilby case represents one of the longest delays in patent prosecution in the history of the Japanese Patent Office. It may be impossible to prove a government-industry conspiracy existed in this case, but it is difficult to ignore that possibility. Ironically, Texas Instruments actually benefitted from the delay. If the patent had been issued in the late 1960s, for example, it would have expired in the early 1980s. During this period, the production of semiconductors in Japan was only a fraction of what it is today; therefore, the royalty base would have been correspondingly smaller. Also, as previously mentioned, patent enforcement was very lax prior to the mid-1980s, and therefore roy-
alty rates were much lower than those currently accepted. Due to the delay, some analysts have estimated that the annual royalties from this single patent could reach $800 million dollars.\footnote{Id.}

B. Today’s Climate

As a whole, the Japanese government undeniably promotes policies that can only be described as protectionist. In many areas of industry, such as construction, this protectionism is so pervasive that markets in Japan are, for all practical purposes, closed to American companies. While American companies have been working hard to level the playing field, the Japanese government has generally acted slowly to reform. The Japanese Patent Office, however, is setting precedent in this regard, although much improvement is still desired.\footnote{One point of particular concern to American intellectual property rights owners should be the recent announcement of the Japanese Patent Office (JPO) to hold a symposium in America with the stated goal of “sound[ing] the alarm on ‘excessive patent protection policy’ [of the U.S.].” Subtly, the article which announced this symposium stated that the JPO knows that “it is possible to work on the U.S. government indirectly.” \textit{Patent Office Considering Boston Conference to Address U.S. “Excessive Patent Protection”}, \textit{Nikkei Sangyo Shimbun}, April 5, 1993 (F.B.I.S. trans.).}

The Kilby case can be viewed, obviously, as supporting the opinions of some American patent practitioners that an anti-American bias is built into Japan’s patent system. The case can also be viewed, though, as a clear indicator that the environment in Japan is changing and that the Japanese Patent Office is becoming more responsive to the concerns of American businesses.\footnote{“This [Kilby] patent took too long to obtain, but perhaps it is a sign that the dam has broken,” Hayes, \textit{ supra} note 12, at B2 (quoting Alfred E. Hirsch, Assistant General Counsel for Intellectual Property at American Telephone and Telegraph Company’s Bell Laboratories).} After the Japanese Patent Office had refused for almost thirty years to grant the Kilby patent, there seemed to be no reason for them to suddenly do so. The action surprised everyone, even the attorneys who had spent large portions of their careers at Texas Instruments prosecuting the patent. Speculation exists that external political and economic pressure may have placed the decision to grant the patent outside of the patent office. Several factors responsible for this pressure continue to influence the Japanese Patent Office into becoming more receptive to the concerns of American companies.

The gigantic trade deficit between the Japan and the United States underlies every aspect of relations between the two countries. While the Japanese naturally desire to maintain their trade advantage, they are well aware that Americans are extremely concerned with the size of the trade deficit, and this issue has become a genuine public
relations difficulty for Japan. The political pressure that the United States has exerted on Japan to lower this deficit, as well as the recent increase in "Japan bashing" by the American public, has given Japan a heightened sensitivity to American concerns. Sony Chairman Akio Morita recognizes that "Japan is a country with no energy and no natural resources, so we must be able to sell our products to other countries in order to survive." Responsiveness to the concerns of the United States is necessary for the future of Japan's economy, so the entire government of Japan is under pressure to eliminate protectionism.

The Japanese Patent Office has been more willing to change its protectionist policies than other branches of the Japanese government due to the firm stance taken by the Reagan and Bush administrations on intellectual property. This position was first communicated to Japan in a report entitled "Competition with the Whole World—The New Reality," released in 1985. This report was considered "shocking" in Japan, since they had relied for decades on being able to "borrow" American technology at will during the prior period of lax patent enforcement. Since the release of this report, every significant trade negotiation with Japan has placed intellectual property enforcement as a major plank in the United States platform. In fact, President Bush, through his Council on Competitiveness, placed increased scrutiny on the policies and procedures of the Japanese Patent Office. In May of 1989, dissatisfied with the adequacy of the Japanese procedures, he placed Japan on the United States "watch list" of 17 countries that had denied effective patent protection for American inventions. If sufficient progress is not made within a specified period, trade sanctions will follow. This announcement was a major embarrassment to Japan, and they have since increased the staff of

22. Atsushi Kusano, a professor of Politics and International Relations at Keio University, said, "I think the biggest problem is that [the deficit and] the overall Japan-United States relations have a significant influence over juries' decisions. At the time Honeywell v. Minolta was decided ... we can't deny that this may have had a negative influence on the result of the trial [Honeywell received damages of $127.5 million]." Intellectual Property War, supra note 3, at 8.
23. Id. at 22.
24. This report was the work of the Committee on Industrial Competitiveness headed by the then-president of Hewlett-Packard, John Young. Commonly referred to as the "Young Report," the document urged American government to actively persuade foreign governments to strengthen their intellectual property laws. Many Japanese believe that this was the beginning of the current "Patent War," and that it "led to radical revisions of the [U.S.] government's industrial policy." Advanced, Developing Countries, supra note 2, at 31.
examiners in the patent office and made attempts to streamline their operations.\footnote{27}

Another factor that has improved the perceived fairness of the Japanese Patent Office to Americans has nothing to do with political pressure, but arises instead from marketplace economics. For many years, the time between application and issuance of patents in Japan was longer for an American applicant than for a Japanese applicant, primarily due to the common practice of Japanese companies to file oppositions only against American applications.\footnote{28} This practice has changed substantially in the last few years, however, as Japanese companies have begun to follow the lead of American businesses. Several Japanese companies have initiated patent battles with other Japanese companies. Today, in fact, some Japanese firms file oppositions against other Japanese companies' applications as often as they file oppositions against applications of American companies. This aspect of the decline of protectionism can be attributed solely to economics, as some Japanese companies have learned from Americans that patent enforcement can be a billion dollar industry. This pro-patent enforcement attitude, however, is not shared by all Japanese companies, as will be discussed below.

IV. JAPANESE VIEWS ON PATENT ENFORCEMENT

As mentioned earlier, it is essential that Americans understand the Japanese perspective on patent enforcement in order to acquire and defend intellectual property rights successfully in Japan. A wide spectrum of views on this subject currently exists in Japanese society and industry, and it is critical that Americans become sensitive to each of these perspectives before entering negotiations of intellectual property rights in Japan.

A. Anti-Enforcement Approach

A central tenet of Confucianism is that an idea cannot be owned but must be shared. The very idea of intellectual property rights being tied up in a single individual or company is therefore alien to ancient Japanese culture. Akio Morita, Chairman of Sony Corporation, summed up the disdain which many Japanese feel toward American enforcement of intellectual property rights by saying that:

Americans have a broader perspective on ideas than the Japanese.
When I was living in the United States, my child got sick, so I

\footnote{27. \textit{Id.}} \footnote{28. \textit{See supra} note 13.}
called my doctor. Our American doctor gave us instructions on what to do and what kind of medication to take. Now in Japan, you wouldn’t expect anything else to happen—but in the States, I received a bill for that telephone call from my doctor. Now, this tells you that they don’t give out any intelligence for free.\footnote{29}

Japanese companies have spent most of the post-World War II years playing “catch up” technologically. Some benefitted greatly, therefore, from “borrowing” technology from the United States during the long period of lax patent enforcement which occurred prior to the mid-1980s. Having relied on American companies to provide expensive research and development for their products for so many years, these Japanese companies concentrated their efforts and resources on developing minor manufacturing improvements, not on creating pioneering technology breakthroughs. The renewed vigor in the assertion of patent rights against the Japanese in recent years, therefore, has sent them scrambling to dramatically increase their own research and development expenditures. This anti-patent enforcement attitude is understandable in this light, since strict patent enforcement can only harm, not benefit, Japanese businesses in the short term.\footnote{30}

B. Conciliatory, Relationship-Building Approach

A different view on the subject of patent enforcement emphasizes that strong business relationships are more important than patent disputes. The possibility of forming joint ventures and other business arrangements in the long term future are more important than present squabbles over temporary cash payments. Therefore, companies espousing this view will typically pay whatever is reasonably asked of them in order to preserve future relationships. These companies believe that all disputes, not just those involving patent rights, should be resolved as quickly as possible in order to minimize unhealthy friction between American and Japanese companies.\footnote{31} This view is based

\footnote{29} Intellectual Property War, \textit{supra} note 3, at 7-8.

\footnote{30} The influence of this view can be seen throughout the Japanese Patent Office laws and procedure. One example of this is the extremely long delay between application and issuance of a patent in Japan. Since the limited term of enforceability of a patent begins to run as of its filing date in Japan, a lengthy examination will result in a short enforcement period. Additionally, under Japanese patent law, patent claims are to be interpreted very narrowly, and often if the technology has changed even slightly from the time of invention, the patent is found not to be infringed. Therefore, even if a patentee is able to file suit during this short period of enforceability, it is very difficult to convince a Japanese court that any product or process currently being marketed infringes a patent which was drafted years earlier. This amounts, therefore, to a virtual \textit{de facto} freedom of ideas in many cases. \textit{See infra} note 56 and accompanying text.

\footnote{31} Some friction admittedly exists already, due to the Japanese government’s protectionist policies.
upon the Japanese cultural belief that a general state of harmony, or wa, should always exist, rather than one of conflict.

In general, the Japanese believe that Americans are simply too litigious.\textsuperscript{32} A Japanese moderator of a business roundtable discussion on intellectual property declared that

in the United States, there are 800,000 lawyers as opposed to 17,000 in Japan. . . . When there is a crime or lawsuit [in America], attorneys come running, and when there is an accident, attorneys arrive before the policeman. When a plane crashes, I hear more than 2,000 lawyers gather around. . . . [T]he total annual revenue for American legal firms is around $100 Billion. . . . That is incredible.\textsuperscript{33}

Keio University Professor Kusano reiterated this view by saying that Americans “use courts and lawyers for very insignificant things. To them, it is an everyday affair, whereas we think of it as a last resort.”\textsuperscript{34}

Companies embracing this view are willing to pay the royalties American companies demand for an additional reason, however. These companies firmly believe that any company that overemphasizes patent royalties is an ineffective competitor. For example, Ken-suke Norichika of Toshiba, the number one grantee of U.S. patents in 1991,\textsuperscript{35} believes that “[o]ur competitiveness is not threatened as long as American companies’ attention is on income from intellectual property rights [and not from manufacturing profits].”\textsuperscript{36} This feeling is shared by NEC. “When a company starts relying heavily on patent revenue and income from technology transfers, it’s time to start selling shares in the firm,”\textsuperscript{37} according to former vice president of NEC, Michiyuki Uenohara. The Japanese newspapers are also becoming sharply critical of overly aggressive assertion of patents. One paper

\begin{thebibliography}{37}
\bibitem{1} At present, 7000 Japanese firms have made inroads into the U.S., but in contrast, only 200 U.S. firms are in Japan. From these figures we can understand the backdrop behind the tendency for an increasingly anti-Japanese complex in the U.S. If U.S., European, and ASEAN firms were to suddenly make inroads into Japan like that, surely Japanese people would not be able to hide their feelings. The muttering of U.S. government officials that “Japan is overdoing it” is only natural.\textit{United States Develops Patents as Weapons}, \textit{Tokyo Trigger}, Aug. 1992, at 18-22 (F.B.I.S. trans.).
\bibitem{2} In fact, a recent Japanese television show estimated that there are currently more than 1.7 million lawsuits per year in the United States including patent violations. \textit{Intellectual Property War}, supra note 3, at 2.
\bibitem{3} \textit{Id.} at 3, 18.
\bibitem{4} \textit{Id.} at 8.
\bibitem{5} \textit{Id.} at 11.
\bibitem{7} \textit{Id.} at 8.
\end{thebibliography}
criticized the pro-litigation strategy of American companies as an “excessive dependence [on a] legacy of past technological superiority.” Another Japanese paper warned that this “patent dependence disease” which currently infects American firms “will encourage conflict, rather than invention.”

C. Aggressive Litigant Approach

At least a few Japanese companies strongly disagree with both of the views previously discussed and take an aggressive pro-patent enforcement approach that rivals the strategy of many American firms. Fujitsu and Mitsubishi are included in this category, and recent negotiations over intellectual property rights reveal the companies’ preference for full-blown litigation over negotiated settlement. “Intellectual property rights can only be established through litigation,” stresses Todayoshi Homma, general manager of Mitsubishi Electric Corporation’s Intellectual Property Licensing Department. Fujitsu has taken an even stronger pro-patent enforcement approach by establishing a reputation in Japan as one of the few Japanese companies that seems to have no qualms about suing other Japanese companies over patent disputes.

These companies have taken patent acquisition procedures to new heights in order to produce valuable patent portfolios to assert against competitors. For example, extremely time-consuming procedures are now required of inventors in Mitsubishi plants in America. At the end of each workday, every engineer must have all of his day’s work product, sketches, conceptual diagrams, computer program printouts, and notes signed, dated, and notarized in order to establish the date of conception, just in case a patent dispute arises sometime in the future involving that work.

38. Stokes, supra note 5, at 1236.
39. Id.
40. In the past, Japanese corporations were often not very enthusiastic about managing and exercising rights once patents have been applied for and patent rights have been registered. After their experience in the United States, Japanese corporations are now carefully moving in the direction of aggressively exercising patent rights they own.

42. Intellectual Property War, supra note 3, at 20.
43. Yada, supra note 41.
D. "Sale of an Asset" Approach

Another pro-patent enforcement view, although shared by a small minority of Japanese companies, places the value of intellectual property rights on par with all other physical assets of the company. This approach is exemplified by Hitachi. Hitachi salespeople actually market and sell the company's patents to outside companies or individuals. Hitachi has consistently been among the top three grantees of both United States and Japanese patents for some time now, resulting in the formation of a huge patent portfolio. In addition to granting traditional patent licenses to competitors, they have actively sold entire patents to outside companies when management decides that Hitachi does not wish to engage in manufacturing the particular technology involved in the patent. These efforts resulted in a total patent-related income of $109 million last year, which accounted for about ten percent of the company's total profits for the year.

E. "Nuclear Bomb" Approach

An extremist view, beginning to gain support in Japan, is that the over-enforcement of patents by American companies will lead to a devastation equivalent to that of a full-scale military war. A video docu-drama entitled "The Intellectual Property War—Last Trap by the Americans" was broadcast on Japanese television on July 5, 1992. This video is set in the first decade of the twenty-first century. It paints a bleak picture of the aftermath of the economic war between Japan and the United States, in which neither side is declared the winner, but all high technology has been destroyed by over-enforcement of patent rights. The underlying suggestion is that the United States started this destruction by charging such exorbitant royalty rates on its

44. A license agreement can be thought of a "rental" of the right to use the invention embodied in the patent, whereas a sale of a patent is a legal assignment of the entire patent to the buyer. The buyer then has the right to go out and license others, including the seller, to use the invention embodied in the patent.
45. Yada, supra note 41.
46. Intellectual Property War, supra note 3. An earlier broadcast aired on November 17, 1991 had a similar theme; American inventors were depicted as "greedy technology-monopolizers." America's Patent Strategy, supra note 10, at 1.
47. The broadcast began with the following statement by the Japanese moderator:
   [T]here is a "nuclear bomb" about to explode which could destroy the world. This bomb is called intellectual property rights. . . . The United States is engaging in this war to recover from its trade deficit and other economic impoverishment, however, this dispute or war—if taken to the extreme, could lead to a stoppage of world production where no one is willing to produce and [this] could lead to world disaster. This is a simulation of the worst case of the disaster that is about to come true.

Intellectual Property War, supra note 3, at 1.
patents that eventually Japanese industry could no longer afford to export any goods to the United States. The loss of this major market caused all of the high tech industries to close, resulting in massive unemployment. Similarly, the video asserts, American companies in economic trouble discovered that they could make more short term money by heavily enforcing their patents, and thereby generating large royalty income, than they could through manufacturing. Eventually, therefore, they stopped production altogether and relied upon a slowly drying up well of intellectual property rights developed in the previous decade.

The "simulation" follows an American reporter who is visiting Japan to survey the post-"Patent War" damage. He visits factories that had long been closed and some that are on the brink of bankruptcy. None contain the high tech, robot-dominated assembly lines of "Japan, Inc." that are so publicized today. At one factory, the American reporter speaks to a worker named Kei. Kei has a postgraduate degree, apparently in manufacturing or production engineering, yet due to the lack of high tech production jobs, he has to work as a manual laborer at one-fourth of the salary he received before "the great collapse." The simulation concludes with the American saying, "Now there is a widening crevasse between those who produce knowledge and those who produce goods. And the structure of this divide is beyond the control of our leaders. . . . Weren't intellectual property rights supposed to protect the very spirit of initiative?"

A roundtable discussion accompanied this simulation, with panelists from academia, industry, and government, including Professor Atsushi Kusano, a specialist in politics and international relations at Keio University, Akio Morita, chairman of Sony Corporation, and Makita Shimokawa, from the Ministry of Foreign Affairs. Mr. Morita agreed with the general theme of the "simulation," stating that "production/manufacturing, or adding value to raw materials, creates the

48. Kei tells the American that he believes "Japan and the United States were pursuing an outdated dream. If you didn't have to produce anything and could make money on ideas and on more of an intellectual labor, why would anyone bother to do this kind of work [manual assembly labor]—if you can get away with it?" Id. at 3.

49. Id. at 22.

50. Akio Morita is well known for taking extremist political positions. In 1989, he co-authored the recently banned book, The Japan That Can Say No, along with former Cabinet member Shintaro Ishihara. One of his contentions was that supremacy in semiconductors has given Japan a power that they could have used to change the military balance between the United States and the former Soviet Union, merely by denying leading edge semiconductors to one superpower and furnishing them to the other. The mere fact that Japan would consider doing this, after the United States had rebuilt Japan after World War II and established their technological position today, disturbed many Americans. SHINTARO ISHIHARA, THE JAPAN THAT CAN SAY No (Frank Baldwin trans., 1991).
core of any economy. If everyone wanted to live by selling ideas and patents, I think it would be a disaster."\textsuperscript{51} For an opposing point of view, supposedly typical of American companies today, the panel cited Mel Sharp, former General Patent Counsel at Texas Instruments and current president of Innovation Strategies, an intellectual property consulting firm. Mr. Sharp was quoted as saying that

\begin{quote}
[Intellectual property rights have become the key factor in corporate competitiveness. Those who are creative or original will win—those who can only imitate will disappear. I think that is good. If you want to compete in the business world, you must invest in R&D and own your own intellectual property rights. If you don't do that—you won't be able to survive in the future.\textsuperscript{52}
\end{quote}

Apparently, the panel disagreed with this statement, believing strongly that businesses can survive, and even thrive, through imitation and slight modification.

It is difficult to say which of these five positions on intellectual property rights is currently the most prevalent in Japan. It is even more difficult to predict which will prevail ten years from now, for Japan is in a constant, if slow, state of flux. It is therefore important for American practitioners to recognize the existence and influence of each of these views throughout Japan.

V. PATENT PROSECUTION IN JAPAN

Once United States patent practitioners have acknowledged both the wide spectrum of views in Japan regarding patent enforcement and the current trend away from protectionism by the Japanese Patent Office, many of the differences between the United States and Japan, in both patent law and practice, can be more easily understood.

A. Differences Between United States and Japanese Patent Law

Much literature exists on the prosecution of patents in Japan,\textsuperscript{53} and this discussion is not intended to be an exhaustive presentation of how to comply with the Japanese patent code. While Japanese patent law is very similar to United States patent law in many respects, for

\textsuperscript{51} Intellectual Property War, supra note 3, at 14.
\textsuperscript{52} Id. at 16.
example in the requirements of utility, novelty, and non-obviousness, many important differences exist. The focus of the discussion here will be on the differences that have proved the most difficult to resolve in world patent law harmonization efforts (such as the GATT negotiations, Uruguay round) and their effects on current patent negotiations between American and Japanese companies.

1. First-to-File vs. First-to-Invent

Perhaps the single most glaring difference between the two countries' laws relates to establishing the priority of an invention. In Japan, the first inventor to file an application on the invention in the Japanese Patent Office owns the rights to that invention. United States law, on the other hand, holds that the first person to invent the subject matter of the patent owns the rights to the invention. Although the United States is in the clear minority here, American practitioners and inventors strongly believe that this concept is by far the more equitable. Although "first-to-file" is infinitely simpler from an administrative viewpoint, it seems inherently unfair to make valuable patent rights depend entirely on how quickly an inventor's attorney can file the required paperwork in a patent application.

2. Patent Term Limits

A second major difference in the patent laws of the two nations is the length of enforceability of patents. The term of a standard utility patent in the United States is seventeen years, measured from the issue date of the patent, regardless of how long it took the U.S. Patent and Trademark Office to examine and grant the patent. The term is completely unrelated to the filing date of the patent. In Japan, on the other hand, the lifespan of a patent is the shorter of: 1) fifteen years from the date of publication for opposition, or 2) twenty years from the filing date. As discussed above, linking the term of the patent's enforceability to the filing date effectively allows the patent office to dictate the length of that term through hastening or delaying the examination process.

3. Pre-issue Publication vs. Absolute Pre-Issue Secrecy

A patent application filed in Japan is automatically published, or "laid open," for inspection by the general public eighteen months from

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54. The United States and the Philippines are the only two countries in the world that have "first-to-invent" rather than "first-to-file" laws.
56. See supra note 30.
the earlier of the Japanese filing date or the foreign convention priority date. This publication, called a Kokai, entitles the applicant to a right of compensation under certain conditions for the subsequent use of the invention by third parties, but only if a patent is eventually issued on the application. Additionally, the pending application is published a second time before issuance in Japan, as a Kokoku. This second publication, or “publication for opposition,” occurs after the patent office examiners have fully investigated the prior art and have found nothing that would bar the issuance of the patent. The Kokoku is essentially an invitation for companies who would be affected by the issuance of the patent to attempt to do a better job than the examiners were able to do in undermining its validity.

Under United States law, on the other hand, the examiners are solely responsible for discovering all of the relevant prior art, and patent applications are held in strict secrecy until issuance. Even the file on a finally rejected application is sealed from public inspection. Many American inventors see this secrecy as a distinct advantage over the Japanese procedure.

4. Deferred Examination

In Japan, a patent application is examined only after a request for examination is filed. This request must be filed within seven years of the filing date of the application, or else the application is deemed withdrawn. The United States has no corresponding procedure, as all applications filed are automatically examined. Many American practitioners and inventors see the Japanese procedure as desirable due to the high cost of working a patent completely through the United States Patent and Trademark Office. In today’s world of rapidly changing technology, using a deferred examination procedure would benefit an applicant greatly since he could wait up to seven years to see if any competitors are using his invention before spending any more money prosecuting a patent on it. Adopting this system would, however, likely require an adoption of a publication procedure similar to Japan’s, in order to further the United States patent law’s goal of disclosure.

57. Patent Law, art. 65 (Japan).
58. Patent Law, art. 65 bis (Japan).
B. Differences Between United States and Japanese Patent Practice

In addition to an understanding of the major differences in the patent laws of the United States and Japan, an understanding of the differences in the practice of patent law in the two countries can be invaluable in negotiating patent disputes in Japan.

1. Authorized Practitioners

In the United States, only patent attorneys and patent agents are authorized to practice before the United States Patent and Trademark Office. Admission to the Patent Bar requires passing the rigorous Patent Bar Examination, which often has a pass rate of less than fifty percent. Only individuals who have taken and passed a certain minimum number of college hours of physics, chemistry, or engineering are allowed to even sit for the examination. In Japan, on the other hand, both Bengoshi (regular attorneys-at-law with no special training or testing) and Benrishi (patent "agents" who are not lawyers and who are not required to meet any educational, training, or testing requirements) are authorized to practice law before the Japanese Patent Office. Many American practitioners believe that the lack of technical educational and testing requirements for Japanese practitioners adversely affects the quality of all Japanese patents, and further tilts the scales of valuable intellectual property ownership in favor of the United States.

2. Corporate Organization

In the United States, it is common for large corporations to prosecute the majority of their own patent applications through in-house patent attorneys and agents. Texas Instruments, for example, currently employs twenty-nine patent attorneys and seventeen patent agents. All but two of these are located at the company’s headquarters in Dallas, Texas. Due to a general shortage of patent attorneys in the United States, there is a relatively high turnover of employees in many corporate patent departments, and this has forced corporations to pay higher salaries to patent attorneys in order to keep them on board. Limited legal department budgets have thus limited the number of patent attorneys employed by each American corporation.

In Japan, however, the situation is entirely different. Fujitsu, for example, has a staff of 150 "patent attorneys"59 and Toshiba employs over 400 Benrishi to prosecute the company’s patents. Because they

are not attorneys-at-law, the salary requirements of Benrishi are relatively low.\textsuperscript{60} Also, there is not much of a national demand for Benrishi, since virtually anyone can become one, so company loyalty is very high, with practically no employee turnover.\textsuperscript{61} Toshiba's Benrishi are decentralized, with only seventy located at the company's headquarters. Three are always located in New York City for training, as are two in Washington, D.C. The remaining 325 are scattered with research and development groups throughout the various technical departments of the company.\textsuperscript{62}

Although the United States should lower neither its educational nor examination requirements for membership in the United States Patent Bar, American companies could benefit from following the lead of Japanese companies in decentralizing their patent staffs. Physically locating patent attorneys and agents in close proximity to engineers involved in research and development would allow closer working relationships to develop between inventors and in-house counsel. Such an arrangement would also increase the efficiency of the attorney or agent by thoroughly familiarizing them with the technology. This decentralization, along with the size, low salary, and low mobility of the patent staff of Japanese companies explains their ability to file far more patent applications than their American competitors.

3. Acquisition Strategy

In 1991, a total of 178,083 patent applications were filed in the United States,\textsuperscript{63} while more than 300,000 patent applications were filed in Japan.\textsuperscript{64} Due to the labor and financial constraints of American companies discussed above, many limit their patent applications to only those that internal management deems truly important. Texas Instruments, for example, files patent applications on approximately one third of the invention disclosures it receives from its engineers. The corporation's patent department is able to file only about 450 applications per year in the United States and 245 per year in Japan.\textsuperscript{65} Fujitsu filed 1,000 patent applications in Japan in the month of Sep-

\begin{footnotesize}
\begin{enumerate}
\item See generally id.
\item Id.
\item Meyer, supra note 8, at 57.
\item Nishioka, supra note 36.
\item It is the author's experience that Texas Instruments is granted about 375 U.S. patents per year and only about 25 Japanese patents per year.
\end{enumerate}
\end{footnotesize}
With their advantage in large, inexpensive, loyal patent staffs, Japanese companies such as Fujitsu and Toshiba can afford to file patent applications on virtually every idea their engineers conceive. Toshiba itself is ranked number one among United States patent grantees, receiving over 1000 U.S. patents per year.

VI. **Patent Litigation in Japan**

As outlined above, an American company can effectively obtain patent rights in Japan, as long as it is equipped with an understanding of both the spectrum of philosophical viewpoints of the Japanese towards intellectual property protection and the differences between the United States and Japanese patent systems. However, as previously discussed, many Japanese feel that technology should be shared with society, not restricted or impeded by western ideals of personal property rights. This philosophy has often led Japanese companies to use American intellectual property without regard to patent rights. An American owner of a Japanese patent may need to bring a patent infringement lawsuit against the Japanese infringer in order to protect these rights. The remainder of this article introduces the critical aspects of the Japanese legal system that the American patentee will need to understand in order to bring a successful patent infringement action in Japan.

**A. The Courts**

An important initial requirement for successfully litigating a patent infringement action in the courts of Japan is for the foreign patentee to understand the structure of the Japanese legal system.

1. **Historical Background**

The end of the Shogunate period in 1867 signalled the end of over seven hundred years of military rule in Japan. The new civilian government spent much of the second half of the nineteenth century developing a new legal system to replace the military system. Japan has a history of incorporating foreign policies and ideas into its own society; so accordingly, when the new civilian government reformed the civil and penal codes, it based them primarily on translations of French and German Codes. Because of these influences, the current
civil court system has many similarities to European civil law. For example, there are no jury trials, and the presentation of issues and evidence is controlled by judges. Although the United States influenced the legal system after World War II, a present day hearing in Japan is more a formal presentation of written documents than an adversarial proceeding.

2. District Courts: The Primary Trial-Level Courts

Japan has a single national court system as opposed to the dual system of state and federal courts in the United States. The primary trial level courts of the Japanese system are the District Courts, which possess original jurisdiction over patent infringement cases. There are a total of fifty District Courts in Japan, at least one for each prefecture, in which a patent suit can be initiated. Due to their complexity, a patent case is typically tried by three judges, one being the “judge in charge,” or Shunin. This judge will sign, and usually write, the judgment and opinion. If a provisional injunction is sought, the Shunin will typically handle the injunction proceeding, or Karishobun.

Because of the large number of businesses in their districts, the Tokyo District Court and Osaka District Court handle seventy to eighty percent of the patent infringement cases in Japan. Both courts have special divisions that exclusively handle patent cases. The special divisions have access to scientific advisors at the Japanese Patent Office, who advise the judges on technical issues. The court may also appoint a completely independent and unbiased technical expert to look at relevant issues. These special divisions have given the Tokyo and Osaka District Courts significant experience with patent law. In an area of law that is extremely complex and highly specialized, this is clearly a great advantage to all parties involved in a patent infringement suit.

70. Although all District Courts have subject matter jurisdiction, to maintain the suit in a District Court, that court must also have personal jurisdiction over the defendant. This requires that the infringer reside in the district or that the infringing acts occurred in the district.


72. There are no such special divisions to handle patent cases in the U.S. District Court. The creation of such special divisions has clearly produced efficiency and uniformity in Japanese patent suits, and many American practitioners view the Japanese system more desirable than their own in this regard.
3. High Court: The Appellate Court

Decisions of the District Court are appealed to the High Court, which is the first level appellate court. A panel of three judges may review not only the arguments from below, but also new evidence. In the Tokyo District, there is a special division of the High Court that hears patent appeals from the special patent divisions of the District Court.73

4. Supreme Court: The Court of Last Resort

The second appeal is taken to the Japanese Supreme Court, which is the court of last resort. The Supreme Court panel of fifteen judges is located in Tokyo. For major cases, there is a grand panel of all the judges, but ordinary cases are heard before a panel of five. Appeals from the High Courts are limited to errors of law and issues of constitutional interpretation, but if such errors are alleged, the party may have an appeal of right. However, just as in the United States, patent suits almost never reach the Supreme Court.

B. The Patent Infringement Lawsuit

When initiating a patent infringement lawsuit in Japan, the foreign-based patentee has many critical matters to consider: the applicable substantive law, the procedural law and customs, retaining adequate Japanese counsel, preparing for trial, and formulating a strategy to obtain acceptable relief. Successfully pursuing the lawsuit will require that all these factors be carefully considered in light of Japan’s unique legal and social structure.

1. Attempt to Negotiate Settlement

Probably the most crucial aspect of the Japanese culture and legal system for the foreign litigant to understand is the importance of conciliation. Japanese culture and history have enshrined honor and harmony as the cornerstones of Japanese civilization. In Japan, determining relative rights between parties is not nearly as important as preserving societal harmony, or wa.74 Amicable settlement of pat-
ent infringement litigation is more the norm than the exception\(^\text{75}\) because such formal confrontation would disrupt the *wa*. By pursuing rights in court, both parties are shamed and, thus, dishonored. Settlement of disputes by reaching a harmonious consensus is the prevailing goal of both Japanese culture and the Japanese legal system. Therefore, litigation of a patent dispute, or of any dispute for that matter, is considered a rather extreme measure. An attempt at a negotiated settlement will be taken seriously by the Japanese defendant, and often will result in a swift and satisfactory resolution of the dispute.

Also, the Japanese courts universally encourage settlement.\(^\text{76}\) Often, the court will subtly express its opinion of how the suit will result if it is not settled. Not surprisingly, a harmonious consensus soon follows. The resulting settlement will likely resemble the ultimate resolution had the case reached judgment, but it will have been reached through amicable agreement of the parties, saving face for all.

2. Preparation for Trial

A key element to success in Japanese patent litigation is finding exceptional Japanese counsel. Since this person will be integral to the litigation, it is important to create a working relationship and to have direct, in-depth communication with your Japanese counsel. Many Japanese attorneys understand English, but in the interest of effective and accurate communication, translators and written translations of written documents should be liberally used.

Finding a Japanese attorney, or *Bengoshi*, who is experienced with patent litigation is very difficult. Normally, the "patent attorney," or *Benrishi*, who was retained to write the Japanese patent that is the subject of dispute will not be qualified to act as trial counsel. Typically, the *Benrishi* is merely a patent agent who is not a member of the Japanese Bar. Moreover, very few of the seventeen thousand attorneys in Japan have any expertise with patent cases. It is recommended that a large corporation with on-going business in Japan keep a qualified *Bengoshi* on retainer at all times. Thus, a working relationship establishing familiarity with the client's patents can be initiated with the *Bengoshi* prior to the litigation. The retainer arrangement also avoids the very real problem of finding competent counsel when litigation arises suddenly.

\(^{75}\) Of the 369 patent infringement cases filed in the District Court in 1990, 60 were withdrawn, 125 reached judgment, and 157 were settled. *Japanese Patent Practice: Prosecution/Litigation*, A.I.P.L.A. Proc. K18 (June 1992).

Expert witnesses also play an important role in patent litigation in Japan. Although the Tokyo and Osaka special patent divisions have the aid of technical advisors, the judges themselves typically do not have technical backgrounds. In order to educate these judges on the technology involved in a light most favorable to their case, many litigants employ experts to conduct highly technical experiments and submit written statements to the court. It can be advantageous to employ professors from prestigious universities such as Tokyo University and scientists who are well respected in their field. Such highly qualified experts strongly influence Japanese courts.\textsuperscript{77}

Although not required, it is customary for the patentee to send a warning letter to the infringer, prior to initiating suit, asking that the infringing activity be stopped. Often, this letter alone will be taken very seriously by a Japanese company and will bring about some type of settlement. The letter is important to the Japanese because it can potentially avoid litigation, and thus allow the infringer to "save face."

A glaring difference between Japanese civil procedure and United States civil procedure exists in the absence of evidentiary "discovery" in Japan. This presents a problem for the patentee in cases involving process patents, where evidence of infringement is not available through overt acts of the defendant. However, there are provisions of the patent law that mitigate the absence of discovery. Japanese patent law provides that if a product produced by a patented process is novel, the defendant is presumed to have used the patented process to produce the product.\textsuperscript{78} This provision shifts the burden of proof, requiring the defendant to disclose its process in order to overcome the presumption of infringement. A second provision allows the court to order a party to produce documents in its possession whenever total unfairness to the other party would result if the documents were not disclosed.\textsuperscript{79} Moreover, unlike other areas of law where lack of discovery could render the plaintiff's case impossible to prove, evidence will likely be available in patent cases, since most cases will involve product claims. Infringement can thus be proven simply by purchasing the defendant's products on the open market.

3. Karishobun: Temporary Relief

A Karishobun is a procedure, undertaken by a court during the pendency of the suit, that orders a party not to carry on a specified

\textsuperscript{77} Id. at 66.
\textsuperscript{78} Patent Law, art. 104 (1959 as amended) (Japan).
\textsuperscript{79} JOEL B. HARRIS, LITIGATION IN JAPAN: A TRIAL PRACTICE AND PROCEDURE MANUAL 35 (1980).
activity. The plaintiff files a motion for the Karishobun, and if extreme necessity for relief and a strong likelihood of infringement is shown, the court will order the provisional relief. This procedure is analogous to a temporary injunction in U.S. courts. In extreme cases, the court may order that infringing goods be seized and held through the pendency of the main suit.

Obtaining a temporary order that prevents the defendant from continuing an infringing activity is generally difficult and time-consuming. This is especially true in patent infringement cases, which are frequently complicated. Nevertheless, such relief may be crucial to protect business interests for the duration of the litigation, and further, the granting of relief may be instrumental in speeding up the settlement process. Moreover, because the judge presiding over the Karishobun may also be the “judge in charge,” or Shunin, of the main lawsuit, if one is filed, success in the Karishobun may have influence on the main action.

After considering the evidence presented at the Karishobun hearing, the judge will rule on the motion. If the decision will be adverse to the plaintiff, the judge will typically ask the plaintiff if it would like to withdraw the request for Karishobun. This provides the plaintiff an opportunity to “save face.”

4. Honso: The Main Lawsuit

Many acts of the defendant may constitute infringement, including manufacture, import, use, sale, transfer, or display for sale of an infringing product, process, or article. There are a number of ways in which to prove a product infringes. The easiest is to show that the infringing device meets the literal wording of the patent’s claims. When the device does not literally “read on” the patent claims, the scope of the patent may still be sufficient to encompass the device. Prior to 1960, Japanese patent law followed the German legal theory of extending the scope of patent protection beyond the strict limits of the claim to the heart of the fundamental inventive concept. The 1960 revision of Japanese patent law was interpreted as adopting the American concept of imposing strict patent claim boundaries. Since then, the Japanese have narrowly interpreted claims. In fact, the Doctrine of Equivalents, which has been used in the United States to extend the

80. A Karishobun typically takes from 18 to 24 months to reach decision; however, in one recent suit, Monsanto Co. v. Stauffer Chemical Co., Tokyo D.C., July 10, 1987, a provisional injunction was obtained in only 9 months. Wachter, supra note 76.
82. Hara & Ohba, supra note 71, at PL31.
scope of claim boundaries, is only of limited influence in Japan. On occasion, the judiciary has allowed arguments based on "equivalency" to broaden the scope of claims, as well as arguments based on "file wrappers" and prior art to limit the patent's scope. In general, however, claim interpretation remains extremely narrow.

The reason for this narrow interpretation of patents derives from the general philosophy of the Japanese patent system to spread technology throughout society. By limiting the scope of protection for a patent, others are permitted to develop similar ideas. According to Shoji Tada, an official at the Japanese Patent Office, exposing an inventor's work to the public has helped Japanese companies "avoid the waste of time in coming up with the same ideas." This clearly is at odds with the United States patent philosophy of protecting the inventor's exclusive right to the fruits of his labor. These "philosophical differences between the U.S. and Japan[ese] patent systems will remain for a long time," said Akira Okawa, a former chief examiner in the Japanese Patent Office. "In Japan, we have a balance between the rights of patent holders and society. In the U.S., they don't care about society."

Recognizing this philosophy of the Japanese system, both Japanese and American companies have adopted a policy of "cluster filing" patent applications. This procedure involves filing a myriad of accompanying applications along with every principal application. These accompanying applications are written to cover every conceivable variation of the principal invention. In this way, a competitor is prohibited from obtaining a similar patent and forcing a cross-license on the technology. Also, gaining rights to variations of the invention effectively broadens the scope of protection beyond the narrow interpretation the courts would normally give the patent. In effect, the patentee protects its patent by building a wall of patents around it.

The defense to a patent infringement suit will primarily focus on interpreting the patent's claims as not encompassing the accused device. As an alternative defense, the defendant may claim that the original patent is invalid because of some defect in its issuance. Under Japanese law, however, this cannot be presented as a defense in the main lawsuit, or Honso. Instead, the validity of the patent must be

84. See supra note 30.
86. id.
87. id.
challenged before the Japanese Patent Office in a "nullity" proceeding. Japanese patent law gives the court discretion ary power to suspend the main infringement suit while the validity issue is being resolved. The courts, however, consider the issue of validity a separate matter, so they "uniformly reject such motions unless a patent is finally declared invalid."88

A typical trial involves many short hearings spread out over many months. This form of trial may be very unsettling for the lawyer accustomed to the frantic pace and extensive hearings of American trials. Japanese court hearings may last only ten minutes and occur as infrequently as every three months. It is here that patience and a commitment to accepting and working within the Japanese legal system is most crucial.

Unlike a American hearing, the Japanese hearing is in practice nothing more than a forum for the attorneys to present their written briefs and statements to the court. Very little oral argument is presented by the Bengoshi. Their argument is typically presented in short two to three page briefs addressing only a narrow aspect of the case, and most evidence is presented in the form of short written statements, rather than live witnesses. Questions by the judges are typically not directly answered but rather become the subject of the next round of briefs.89

The written nature of the Japanese trial provides a highly documented history of the case. This is especially helpful to foreign patent owners who can clearly follow the progress of the case and maintain control by reviewing translations of all statements. This also allows the patent owner, who is likely the most qualified expert on the technology, to create initial drafts of written statements dealing with the technical issues of the case.

There is no set time frame for the duration of a trial, and the Bengoshi do not conclude the presentation of evidence. As with most civil law systems, these hearings continue until the judges determine that the case is ripe for decision, at which time they pass judgment, which includes a written opinion. This judgment does not become final, however, until after any appeal.

On the rare occasion that an infringement suit does not settle and the court reaches a decision, the court may award damages, a permanent injunction, or both. The primary remedy available to a prevailing plaintiff is damages. The measure of damages may be either the amount of infringer's profits, the equivalent of a reasonable royalty.

89. Wachter, supra note 76, at 78.
during the period of infringement, or any actual lost profits of the plaintiff due to the infringing sales.\textsuperscript{90} Unlike American alternatives, multiple damages for punitive and/or deterrent purposes are not available.

If the patentee is not actually commercially using his own patent in Japan, the patentee can only claim damages measured by a reasonable royalty.\textsuperscript{91} This limitation on damages, as compared to the cost of litigation, is extremely important for the foreign patentee to keep in mind during settlement negotiations. It may not be worth going to trial in some cases if lost profits and court costs are not available as rewards.\textsuperscript{92}

The calculation of damages may start either from the date of publication for opposition of the patent or the actual date infringement began, whichever is later. This provision of the Japan Patent Law has been severely criticized in the United States because the publication for opposition of a patent may occur years after the technology has been "laid open," or presented, to the public. Thus, for many years during the useful life of the technology, the inventor has no cause of action. Although the law may not protect the patentee to the extent an American patentee might want, the law is both equitable and sensible.

Primarily, it would be impractical to provide a cause of action under Japan's deferred examination patent system. The purpose of the system is to create efficiency by delaying the examination of a patent until it is determined that the invention will be used. If the inventor determines that working the invention would be uneconomical, he will abandon the patent. In this way, the Japanese Patent Office is saved the time of prosecuting a useless patent. Up to half of the applications that are "laid open" to the public will not be published for opposition.\textsuperscript{93} If a cause of action were allowed prior to publication for opposition, this would create inequity whenever injunctions and damages were awarded to applicants who were never issued a patent.

Secondly, the law does provide the patentee a right to compensation. If infringement occurs before the publication for opposition, but after the patent has been "laid open" for public disclosure, the patentee can give notice to the infringer that it is claiming a reasonable royalty

\textsuperscript{90} Patent Law, arts. 101-102 (Japan).
\textsuperscript{91} Hara & Ohba, supra note 71, at PL14.
\textsuperscript{92} This was true in the case of the damage award given to American Cyanamid in an infringement suit against Nissan. American Cyanamid pursued its case through to an affirmative judgment, but its remedy was limited to a reasonable royalty because it had not used the patent in Japan. American Cyanamid Co. v. Nissan Kagakukogyo K.K., 2 Mutaiazaisan Reishu 414 (Toyama D.C., Sept. 7, 1970).
\textsuperscript{93} See generally, Hara & Ohba, supra note 71, at PL14, PL55.
calculated from the date of such notice until publication for opposition. In view of the fact that up to half of the applications laid open will not be accepted, however, this right is not enforceable until after publication for opposition. Finally, the Japanese feel the law is a perfectly reasonable compromise, because it provides a harmonious balance between the sharing of technology with society and rewarding the inventor.

A second remedy available to the court is a permanent injunction prohibiting infringing acts. This was the remedy awarded by the Tokyo District Court to Monsanto in a 1987 patent infringement suit against Stauffer Chemical Company. There, the Tokyo District Court broke new legal ground by holding that testing a herbicide for Agricultural Registration, where such registration was required to sell the product, was "use" that constituted infringement of the plaintiff's patent. The court issued a permanent injunction that prohibited Stauffer from making, using, selling, or transferring its herbicide until the expiration of Monsanto's patent. Rather than accepting damages or a royalty, Monsanto was able to stop its competitor's penetration into the Japanese market through an injunction.

The ability to request the appropriate remedy, even an extension of existing law as in the Monsanto case, is but one of the skills required of patent litigants in Japanese courts today. Working from a foundation comprised of an understanding of the cultural, philosophical, and legal differences between the United States and Japan, American patent practitioners should be able to hone such litigation skills. It is necessary for them to begin doing so immediately, as patent litigation in Japan is likely to escalate in the future.

VII. Conclusion

In order to remain competitive in today's global economy, every country must actively protect its assets. Some of America's greatest assets are its intellectual property rights, and it is crucial that they be effectively protected from infringement. Notwithstanding the claims of some foreigners that Japan's patent system is unfairly biased against them, an American inventor can successfully obtain and enforce patents in Japan. Americans face the obvious difficulties of the language barrier, the vast cultural differences, and an unfamiliarity with the Japanese patent system. These obstacles can be overcome. Successful protection of American intellectual property rights in Japan...
simply requires Americans to recognize that they are foreigners in Japan. If American inventors are willing to make the effort to understand the cultural underpinnings of Japanese law and practice, they will find, contrary to popular belief, that their intellectual property can be effectively protected in Japan.

Although the United States currently holds an advantage over Japan in the ownership of intellectual property rights, it is important for American companies not to become dependent upon a steady stream of royalty income. Japanese companies are working diligently to shift the balance of ownership of patent rights in the very near future. In addition, American companies should heed the warning of the "Nuclear Bomb" view of some Japanese toward patent enforcement, and not decrease investment in manufacturing improvements in reliance on temporary increases in royalty income. American patent practitioners must arm themselves with a true understanding of the Japanese patent system in order to win the current "Patent War," as well as those of the future.
## Table 1: List of Companies by Rank96

<table>
<thead>
<tr>
<th>RANK</th>
<th>COMPANY</th>
<th># PATENTS</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>Toshiba Corp (Japan)</td>
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</tr>
<tr>
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<td>Mitsubishi Denki KK (Japan)</td>
<td>964</td>
</tr>
<tr>
<td>3</td>
<td>Hitachi Ltd (Japan)</td>
<td>962</td>
</tr>
<tr>
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<td>Eastman Kodak Co</td>
<td>863</td>
</tr>
<tr>
<td>5</td>
<td>Canon KK (Japan)</td>
<td>831</td>
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<tr>
<td>6</td>
<td>General Electric</td>
<td>818</td>
</tr>
<tr>
<td>7</td>
<td>North American/US Philips Corp</td>
<td>753</td>
</tr>
<tr>
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</tr>
<tr>
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<tr>
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</tr>
<tr>
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<td>AT&amp;T Bell Laboratories</td>
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<tr>
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<td>Siemens AG (Germany)</td>
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</tr>
<tr>
<td>15</td>
<td>Matsushita Electric Industrial Co Ltd (Japan)</td>
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<tr>
<td>16</td>
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<td>Sundstrand Co</td>
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<td>49</td>
<td>Imperial Chemical Industries Ltd (UK)</td>
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<tr>
<td>50</td>
<td>Ford Motor Co</td>
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<td></td>
<td>Pioneer Electronic Corp (Japan)</td>
<td>181</td>
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</tbody>
</table>

### SUMMARY

Distribution by Country

- United States: 47.6%
- Japan: 33.5%
- Germany: 7.9%
- U.K.: 3.0%
- Other: 8.0%

Of the top 50 Grantees of US Patents in 1991:

- 19 were Japanese companies, receiving 8,780 patents, and
- 23 were United States companies, receiving 9,381 patents.

Of the top 10 Grantees of US Patents in 1991:

- 5 were Japanese companies, receiving 4,528 patents, and
- 5 were United States companies, receiving 3,752 patents.

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### Table 2: 1991 Worldwide Semiconductor Market Share vs. United States Patent Rank

<table>
<thead>
<tr>
<th>RANK</th>
<th>COMPANY</th>
<th>REVENUE ($M)</th>
<th>MARKET SHARE</th>
<th>US PATENT RANK</th>
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<td>Micron Tech.</td>
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</tbody>
</table>

**SUMMARY**

Overall, Japanese companies’ 1991 Market Share was 46.4%, and North American companies’ 1991 Market Share was 38.4%.

Of the top 25 Market Share Owners in 1991:
- 10 were Japanese companies,
- 11 were North American companies.

Of the top 10 Market Share Owners in 1991:
- 6 were Japanese companies,
- 4 were North American companies.

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