THE JAPANESE PATENT SYSTEM AND U.S. INNOVATORS

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Reform of the Japanese patent system has never ranked high on the agenda of the Office of the U.S. Trade Representative. Nor is there any sign that it has been a priority issue for U.S. business interests. As a result, the ambitious, multi-

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1. None of the features of the Japanese patent system that have been the subject of complaints by American business and that are discussed in this essay have been addressed in the General Agreement on Tariffs and Trade [GATT] Trade-Related Aspects of Intellectual Property Rights [TRIPS] Agreement process. There have been complaints about unreasonably slow remedial procedures in Japan, which are addressed in Article 41, paragraph 1:

Members shall ensure that enforcement procedures as specified in this Part are available under their national laws so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. (Emphasis added.)

Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO], Annex 1C, art. 41, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31; 33 J.L.M. 81 (1994) (emphasis added). The office of the U.S. Trade Representative has, however, apparently been willing to get involved in particular disputes involving Japanese patent rights of U.S. firms. See Hill, infra note 5. Alan J. Jacobs reports that on August 16, 1994, Japan and the United States signed a bilateral agreement requiring reforms of both patent systems. ALAN J. JACOBS, PATENTS THROUGHOUT THE WORLD J-5 (4th ed. 1996). Jacobs reports that Japan has made the required reforms, but the United States has not instituted an early publication system as agreed. Id.

2. For example, in a 1988 study conducted by the International Trade Commission on the views of U.S. business regarding foreign intellectual property systems, concern about the Japanese patent system fell well behind the concerns expressed about Brazil, Taiwan, Korea, and Mexico. Japan was, however, the only developed country that was prominently mentioned. U.S. INT’L TRADE COMM’N, PUB. NO. 2065, FOREIGN PROTECTION OF INTELLECTUAL PROPERTY RIGHTS AND THE EFFECT ON U.S. INDUSTRY AND TRADE, REPORT TO
lateral effort to "upgrade worldwide patent systems" that culminated in the ratification of GATT with its TRIPS Agreement did not attempt to have a significant impact on the Japanese patent system.\(^3\) Ironically, the GATT TRIPS process seems more likely to lead to changes in the U.S. system than in the Japanese.\(^4\)

However, there have been persistent complaints about the Japanese patent system.\(^5\) One patent lawyer has observed that "the complaints [about the Japanese patent system] are rather vague in nature."\(^6\) The essence of the complaints is that firms with significant innovations have been unable to obtain strong, enforceable patents in Japan that would enable them to dominate a product niche in that market and establish a Japanese distribution presence. Instead, these firms have found that they are under strong pressure to cross-license their Japanese patents and at best accept a modest royalty income. The Japanese licensee enters the market, and although its initial efforts may be weak, it learns from the experience, masters the technology, and becomes an important international competitor in subsequent generations of the technology.\(^7\) The complaints

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\(^1\) The United States Trade Representative, Investigation No. 332-245 (1988) (under Section 332(g) of the Tariff Act of 1930).


\(^3\) The GATT TRIPS accepted the basic international norms of patent protection followed by Japan, but not by the United States. The United States has already amended its patent statute to provide for a patent term of twenty years from filing (instead of seventeen years from issue) and to provide that acts of invention in WTO countries are relevant to proof of priority of invention. See Uruguay Round Agreements Act, Pub. L. No. 103-465, secs. 531-32, 108 Stat. 4809 (1994).

\(^4\) Perhaps the best known was that by Fusion Inc., whose patent battle with Mitsubishi over rights to high-wattage, microwave-excited, infrared lamps led to U.S. government involvement in the patent dispute between the two firms. This dispute was eloquently reported from the point of view of Fusion. Spero, supra note 3. A similar case is that of Allied Signal's experience with amorphous metals, described by David C. Hill in his contribution to this conference. David C. Hill, Allied Signal's Experience With Amorphous Metals Technology in Japan (unpublished manuscript, on file with the New York University Journal of International Law and Politics).


\(^6\) Donald M. Spero notes,

U.S. executives too often choose the path of least resistance, licensing aggressive competitors out of habit or because the net
assume that the desired protection would be available under the
U.S. system—the system with the right result—and that the
Japanese patent system is deficient because it does not provide
the same result.8

**Differences Between the Japanese and U.S. Systems**

The Japanese patent system differs from the U.S. patent
system in several important features,9 and these differences
lend support to the complaints. The key features are:

- (1) The Japanese system determines patent priority
  based on first-to-file rather than on first-to-invent.10 The first-to-file system rewards investment in

  present value of a license looks better than the results of investments required to aggressively pursue Japanese markets. Encouraged by U.S. and Japanese patent counsel who advise that "it's the way things are done in Japan," U.S. executives tend to focus on the few percentage points of royalty flow without realizing that it's ultimately gained at the expense of the company's technology.

Moreover, by licensing technology in Japan, U.S. companies inevitably abdicate their market presence there and forfeit direct contact with customers. Japanese licensees typically use the technology base and invaluable market contacts to advance to the next generation of products and to improve their underlying manufacturing expertise. They can then enter U.S. markets with superior products.

Spero, supra note 3, at 59.

8. Similar complaints have been made about the U.S. patent system. For example Robert Kearns, the inventor of the intermittent windshield wiper, has waged an epic and ultimately unsuccessful litigation battle against the U.S. big three auto makers to force them to obtain their intermittent wipers from him. Although he obtained large damage awards, he was not able to stop them from manufacturing their own wipers. For a sympathetic account see John Seabrook, *The Windshield Wiper That Unleashed a Million-Dollar Battle Over the Ownership of Ideas*, The New Yorker, Jan. 11, 1993, at 38-52. For published decisions of the Federal Circuit Court of Appeals resulting from this litigation see Kearns v. Chrysler Corp., 32 F.3d 1541 (Fed. Cir. 1994); Kearns v. Fred Lavery Porsche Audi Co., 745 F.2d 600 (Fed. Cir. 1984). Seabrook said of Kearns: "He says he simply wants to make windshield wipers. That is all he has ever wanted. He will go on suing until automobile companies around the world are stopped from manufacturing his wiper, and he can make it himself." Seabrook, supra, at 39. Kearns collected millions, but he never manufactured a single wiper.


10. Id. at 358, 704-05.
processing the right papers at the patent office rather than being the actual pioneer inventor.

(2) The Japanese patent system permits applicants to defer examination of their application up to seven years, resulting in long delays in the issuance of patents.\textsuperscript{11}

(3) Japanese patent applications are made public eighteen months after they are filed.\textsuperscript{12}

(4) Japanese patent procedure permits third parties to oppose patent issuance, a process that results in delays.\textsuperscript{13}

(5) Japanese patent claims tend to be narrow and are construed narrowly.\textsuperscript{14} Japanese courts recognize only a very limited doctrine of equivalents; thus, patent claims are almost always limited to their literal scope.\textsuperscript{15} Consequently, competitors can often evade patents through relatively unimportant product variation.\textsuperscript{16}

(6) In Japan, injunctions against infringement are so rare as to be virtually unavailable.\textsuperscript{17} The patent owner must look only to money damages, which is a form of compulsory license.

(7) In the Japanese system, no remedy is available until the patent is issued, possibly long after the commercial products have been introduced.\textsuperscript{18}

(8) Government and Japanese industrial competitors cooperate in Japan in ways that leave out

\begin{itemize}
\item[11.] Id. at 360, 705.
\item[12.] Id. at 359.
\item[13.] Id. at 360, 706.
\item[14.] Id. at 360.
\item[16.] Yanagida et al., supra note 9, at 360.
\item[17.] “Injunctive relief is almost nonexistent.” Spero, supra note 3, at 66.
\item[18.] Yanagida et al., supra note 9, at 359.
\end{itemize}
non-Japanese firms and that would probably violate U.S. antitrust laws if done in the United States. 19

These eight features appear to suggest that the Japanese patent system is very different from the U.S. patent system. However, as the following discussion will illustrate, the differences may not be as great as they appear on the surface. One general similarity worth noting at the outset is that in both the U.S. and Japanese patent systems, the vast majority of patents concern relatively trivial technological changes and do not confer any significant market advantage on their owners.

1. First-to-File Rather Than First-to-Invent

The U.S. patent system is not entirely a first-to-invent system. 20 There are substantial procedural advantages conferred on the applicant who is the first to file. 21 Also, the ability to overcome an earlier filing by proof of an earlier invention date is limited to filings made within a period of one year after the first filed application has issued. 22 The reason that both the U.S. and Japanese systems place such importance on the filing date is administrative simplicity. Although the date of filing is clear, the actual date of invention is often obscure and difficult to prove because of conflicting and ambiguous evidence.

19. One author notes that patent flooding, the practice of surrounding a patent application with patents on other applications whose claims are on inventions barely distinguishable from the claims of the first patent, and in some cases derived from the first application rather than representing independent invention, would be considered patent fraud in the United States. "But in Japan, predators operate, to a large extent, with impunity. Its patent fraud statute has apparently never been invoked or implemented by the Japanese Patent Office." Spero, supra note 3, at 66. In the United States, efforts to enforce a patent obtained by fraud on the patent office is an antitrust violation. Walker Process Equip., Inc. v. Food Machinery and Chemical Corp., 382 U.S. 172 (1965). Japanese companies also appear to cooperate in technological innovation in ways that have been discouraged by the U.S. antitrust laws. See generally Maria Sendra, Strategic Alliances for Innovation in the Global Market of the 1990s: A Comparative Study of the Relationship Between Innovation and the Patent/Antitrust Mechanisms of United States and the European Economic Community, 9 Int'l Tax & Bus. Law 382 (1992).


21. 8 DONALD S. CHISUM, PATENTS sec. 10.03[1][c](Rel. 56 1995).

2. **Deferred Examination Procedures**

Since the subject of most patent applications does not become commercially important, applicants should have the opportunity to defer the expense of examination. However, this feature only makes sense if the patent is published, allowing competitors to see what potential patents are lurking in the wings. In the U.S. system, without pre-issuance publication,\(^{23}\) it is more important to issue applications so that other firms are made aware of what patent rights they face.

3. **Applications Published Eighteen Months After Issue**

Such publication prevents applicants from using the application process to defer the issuance date, permitting the applicant to wait and see how the technology develops while potential patent claims are unknown to competitors. "Submarine" patents have long been a problem in the U.S. system.\(^{24}\) In the modern world, because Japan and most European countries use the eighteen-month publication date and because firms seek to protect important technology worldwide, U.S. patents are in fact published within thirty months of the U.S. application.\(^{25}\) They are published, however, in Munich or Tokyo, not in Washington, D.C.\(^{26}\)

4. **Pre-Issuance Opposition Proceedings**

A patent examiner, faced with an *ex parte* patent application, faces a difficult task in evaluating the application alone.

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26. They will not be published in English, and they may not contain the best mode of disclosure required by U.S. law. See generally Balzan, *supra* note 25, at 160-61.
The examiner is not involved in daily technological work, has numerous applications, and is largely dependent on the library of the patent office. An opposition proceeding should enable the examiner to do a better job because parties with an adverse interest and a technological sophistication have an interest in providing relevant information. Opposition proceedings increase the complexity of applications, but also improve the quality of issued patents. In the Japanese system the patent office has the final say on patent validity; thus, the courts do not make a second review as they do in the United States.  

5. **Claim Breadth**

There seems to be broad agreement that Japanese patent claims tend to be narrower than U.S. claims. An applicant can, of course, overcome this problem by filing more claims and more patents. Toshiko Takenaka, in her magisterial comparative study of claiming practice, attributes this feature of the Japanese patent system to the particular sequence of its development.  

The use of a doctrine of equivalents in U.S. law is one feature that makes for broader claims in practice. The U.S. Supreme Court, however, has now taken for review an important case involving the doctrine of equivalents and may significantly alter the doctrine upon such review. The doctrine of equivalents has always had an unclear statutory basis.  

The appropriate breadth of patent claims has been a subject of dispute among scholars. For example, the present au-

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27. Yanagida et al., supra note 9, at 360-61.  
28. See Yanagida et al., supra note 9, at 360; Takenaka, supra note 15, at 244.  
32. The doctrine of equivalents is a judicial doctrine in U.S. law that has never been codified. The doctrine can be traced back to the Supreme Court decision in Winans v. Denmead, 56 U.S. (15 How.) 330 (1853), at a time when claiming practice was much more informal than it is now, under the subsequently (many times) amended statute.  
tor has been sympathetic to broad claims. The position has been criticized. The Japanese system choosing to construe claims more narrowly than the U.S. system is not clearly an undesirable practice.

6. **Injunctions**

   Injunctions are unusual in U.S. practice as well, and usually available only after a trial on the merits. Before the creation of the Federal Circuit, which has revived the presumption of validity, preliminary injunctions in U.S. patent cases were nearly unknown. If the patent is the subject of lengthy litigation, little or no time may remain in its term when it is finally adjudicated valid and enforceable.

7. **Remedy is Available Only After Issuance**

   The U.S. rule is the same. However, when this rule is combined with the delayed examination procedure, its effect may be to make an ultimately issued patent meaningless. Thus, applicants with serious patent applications should not use the delayed examination procedure.

8. **Government and Japanese Industrial Cooperation**

   No doubt there are advantages to being a member of the home team. No doubt Japanese firms find disadvantages in the U.S. system, such as infringement claims being tried by a jury. It is hard to know what to make of this complaint other than to view it as an inevitable fact of doing business in a foreign country.

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34. Kitch, supra, note 33.
35. Takenaka, supra note 15, at 244.
36. Takenaka, supra note 15, at 244-56.
37. See generally 5 Donald S. Chisum, Patents sec. 20.04 (Rel. 46 1993). Preliminary injunctions did not issue unless the patent had been previously adjudicated valid or had long been accepted by the industry under what was called the "beyond question" rule.
CONCLUSION

The government of Japan could do more to make doing business in Japan easier for non-Japanese firms. However, doing business in any foreign culture is challenging. Donald M. Spero, in his article in the Harvard Business Review, stresses that firms doing business in Japan with patentable technology should understand how the Japanese patent system is different from the U.S. system. 41

It seems probable that many patent applications by U.S. firms in Japan have not been handled as well as one might hope, both by the applicants and by Japanese officials. But there is no clear issue of principle in the design of the system that the United States can claim needs to be addressed as a matter of fair trade.

41. Spero, supra note 3, at 65.