

DOUBLING UP THE HORSES IN MIDSTREAM:
ENHANCING U.S. PATENT DISPUTE
RESOLUTION BY THE PTO'S ADOPTION
OF THE JPO'S *HANTEI* REQUEST SYSTEM***

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ABSTRACT

For entities seeking to preempt or defend against adverse claims of infringement, navigating the present U.S. patent dispute resolution system is a thorny path. Judicial standing requirements hinder a potential defendant from fully assessing its risks before making and placing in jeopardy certain investments or assuming negotiation costs, thereby increasing its accountability, the financial stakes, and the probability of retaliation. While the standing doctrine has become more favorable to would-be licensees over time, a readily accessible opining mechanism for infringement would usher in still more benefits, including those unachievable through either litigation or conventional forms of alternative dispute resolution. Although the United States Patent and Trademark Office currently lacks Congressional authorization, the agency, due to its familiarity with patent claims and technical expertise, would be a prime candidate for administering such an advisory determination procedure, comparable to the Hantei Request System offered by the Japanese Patent Office. Moreover, the domestic implementation of this system by the PTO will not suffer the same disadvantages endemic to Japan's legal system.

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I. INTRODUCTION

The Japan Patent Office (“JPO”) issues advisory opinions through its *Hantei*¹ Request System to anyone who seeks to know in advance or post facto whether a business practice infringes a patent or if a patent anticipates another.² Though non-binding,³ it is an official opinion that could carry great weight in negotiations, especially if parties are receptive to deferring to the expertise of administrative officials.⁴ It is available for a nominal fee⁵ and is usually issued very quickly.⁶ This provides an efficacious route through which another party can be brought to negotiate before resorting to more time-consuming or expensive means.⁷

An equivalent to the *Hantei* Request is not offered by the United States Patent and Trademark Office (“PTO”). The closest U.S. equivalent to this practice is obtaining a diligence opinion from one’s counsel,⁸ which often costs more than \$30,000⁹ and enjoys questionable objectivity.¹⁰ A more drastic measure would be

¹ (“*Hantei*”) means “determination.” (author’s trans.).

² See JAPAN PATENT OFFICE (JPO) HANTEI, GUIDELINES FOR EASY HANTEI DEMAND FILING, § 1(1) (1998), http://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/hantei.htm [hereinafter GUIDELINES] (last visited Apr. 14, 2008). In the case of a trademark, the JPO will issue an advisory opinion regarding whether a mark used during the course of business infringes another’s. See *id.*

³ *Id.* (“*Hantei* results have no binding legal affects on defendants or third parties . . .”).

⁴ See *id.* (“[S]ince a *Hantei* is an official opinion of the JPO, the Office that granted the right in question, regarding the technical scope of the patented invention it is equivalent to an expert opinion, is sufficiently respected in society and is an authoritative opinion.”).

⁵ The cost is 40,000 Japanese yen, which is less than \$400. *Id.* § 1(2)(B)(b).

⁶ See *id.* at § 1(2)(B)(c) (noting that the *Hantei* system renders results “as soon as three months from filing of the demand for *Hantei*”).

⁷ See JOSEPH W.S. DAVIS, DISPUTE RESOLUTION IN JAPAN 169-70 (1996) (noting that the typical request fee for arbitration is \$5,000, and the hearing fee is \$300 per session, to be divided equally between the parties).

⁸ See John F. Duffy, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 WASH. U. J.L. & POL’Y 109, 155 (2000) (“The [*Hantei*] opinion is treated as ‘similar to an expert opinion’ . . .”). Reexamination of an issued patent is another procedure offered by the PTO, but it seeks to invalidate the patent as opposed to determine non-infringement. See generally U.S. PATENT & TRADEMARK OFFICE, 2 MANUAL OF PATENT EXAMINING PROCEDURE § 2209 (8th ed., rev. 5, 2006) [hereinafter MPEP]; 35 U.S.C. §§ 301-05, 311, 314-15, 318 (2000 & Supp. IV 2006). To accomplish the latter, one must rely on either a counsel’s opinion or a federal court’s declaratory judgment.

⁹ See Peter S. Menell, *A Method for Reforming the Patent System*, 13 MICH. TELECOMM. TECH. L. REV. 487, 507 (2007), available at <http://www.mtlr.org/volthirteen/menell.pdf> (“Opinion letters can cost in excess of \$40,000 per patent asserted.”).

¹⁰ As a preliminary matter, “the importance of the opinion of counsel ‘does not depend on its legal correctness.’” *Steelcase Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198 (W.D. Mich. 1997) (quoting *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992)). Moreover, the diligence opinion, if the litigant chooses to produce one, is most likely to be favorable to his position

to seek a declaratory judgment of non-infringement, but at that point one is already participating in litigation.¹¹ The PTO's adoption of something akin to the *Hantei* Request procedure would greatly expedite the resolution of patent disputes in the U.S., offering potential litigants a cheap and time-saving way of sidestepping unpredictable District Court rulings and the high risk of appellate reversals. The explication of any vehicle of reform that could expedite dispute resolution in a field where litigation is growing increasingly common despite its costs would help many businesses and inventors.

This comment proposes the creation of a pilot program by the PTO, adopting an advisory mechanism similar to the *Hantei* Request System of the JPO. This comment also advocates strong deference towards such advisory determinations on infringement, by District Courts in adjudicating patent cases that eluded settlement. This comment will examine the predicted benefits and feasibility of adopting such a review system in the U.S. It will also highlight potential pitfalls to be avoided, and disadvantages that should be weighed against the expected gains.

Commentators have not yet addressed importation of Japanese administrative patent practices and application towards alternative dispute resolution ("ADR"). Basic issues have been commented on such as problems with either the Japanese or U.S.

of non-infringement, invalidity, or non-enforceability. *See In re Seagate Tech., LLC*, 497 F.3d 1360, 1369 (Fed. Cir. 2007) ("Typically, counsel's opinion concludes that the patent is invalid, unenforceable, and/or not infringed."). Otherwise, because there is no adverse inference for not producing such an opinion, the litigant would probably never produce an unfavorable opinion. *See id.* at 1370 ("[A]n accused infringer's failure to obtain legal advice does not give rise to an adverse inference with respect to willfulness.") (citing *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345-46 (Fed. Cir. 2004) (en banc)).

¹¹ One other option would be to seek a license from the patentee and potential plaintiff. However, this additional cost poses a barrier to entry that might prohibit the would-be licensee from engaging in the arguably infringing activity altogether, depending on the licensee's financial situation. He may be able to recover this expenditure by paying the licensing fees under protest while challenging the validity of the licensed patent. *See MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 777 (2007) (holding that the petitioner "was not required, insofar as Article III is concerned, to break or terminate its . . . license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed."). Given the unlikelihood of recovering attorney's fees, however, the prospective licensee still stands to suffer some monetary loss, as well as time lost at trial. Moreover, while the implication of *MedImmune* is that the licensee would be able to bring suit against the licensor, it is not completely clear that he can. *See id.* at 769-70, 776 (refusing to opine on whether collateral estoppel still applies to non-repudiating licensees and prevents them from bringing suit, despite the holding that licensees have standing to seek declaratory judgment). For further discussion about licensing, please see *infra* note 143.

patent systems,¹² or importing Japanese administrative practices with a focus on litigation.¹³ In the context of litigation, scholars and reformists have neither analyzed the viability of adopting the *Hantei* Request System in the U.S.,¹⁴ nor looked beyond using the administrative organ of the PTO as a shortcut or judicial stepladder¹⁵ for determining technical questions.¹⁶ But most of all, many of the articles were written before the panoply of administrative and legislative changes were put into effect in Japan, altering the landscape of litigating patent disputes and the dynamics of handling them.¹⁷

¹² Professor Takenaka's article mentions that the *Hantei* Request System has been "enhanced" recently, but she steers her discussion towards patent infringement and damages. See Toshiko Takenaka, *Patent Infringement Damages in Japan and the United States: Will Increased Patent Infringement Damage Awards Revive the Japanese Economy?*, 2 WASH. U. J.L. & POL'Y 309, 354-55 (2000).

¹³ Professor Duffy takes brief notice of *Hantei* and its availability, but instead of delving extensively into the new procedure, chooses instead to defer its discussion until its popularity becomes more pronounced. See Duffy, *supra* note 8, at 155-56.

¹⁴ The Justice System Reform Council recommends that *Hantei* should be "expanded and vitalized, and coordination between litigation and ADR should be reinforced" in Japan, but does not make any recommendations regarding the exportation of the practice to other countries. The Justice System Reform Council, *Recommendations of the Justice System Reform Council: For a Justice System to Support Japan in the 21st Century*, 2001-2002 ST. LOUIS-WARSAW TRANSATLANTIC L.J. 119, 143 (2001).

¹⁵ Motsenbocker's comment focuses on the doctrine of equivalents, the inefficiencies of judicial review of technical matters, and domestic bias against foreign litigants. See generally Marvin Motsenbocker, *Proposed Changes to Japanese and United States Patent Law Enforcement Systems*, 3 PAC. RIM L. & POL'Y J. 389 (1995). He also suggests that U.S. courts require reexamination, rather than delving into *Hantei*. See *id.* at 426-27.

¹⁶ There is great potential of its domestic application as to buttressing or prefacing (but not usurping) the jealously guarded function of making an infringement determination.

¹⁷ Such revolutionary changes in Japan include: the 1996 amendment to the Code of Civil Procedure; the 1998, 2003, and 2004 amendments to the Patent Law; the recognition of the doctrine of equivalents in 1998, see Shusaku Yamamoto & John A. Tessensohn, *Broadly, Correctly and Openly – Japanese Patent Litigation as a Weapon for the 21st Century*, I.P. JAPAN (COMMEMORATIVE ISSUE) 242, 261 (1999); and the exercise of judicial authority to invalidate a JPO-issued patent in 2000 by the highest court in their land. See "*Tokkyo no Youkousei*" no Handan ni oite Chizai Kousai ga Hatasu Yakuwari to wa [Regarding the Decision about the "Patentability of Patents," the Role that the High Court of Intellectual Property Plays: Interview with the Chief of the High Court for Intellectual Property], CHIZAI AWARENESS [INTELLECTUAL PROPERTY AWARENESS] Apr. 13, 2006, <http://chizai.nikkeibp.co.jp/chizai/etc/shinohara20060413.html> (last visited May 4, 2007):

In the contentious litigation (the Kilby case) between Fujitsu and America's Texas Instruments (TI), in regards to infringement and the right to recover damages, in the year 2000, the highest court handed down the ruling that, "In light of the precipitously high likelihood of TI's patent being invalidated, their use of the patent as a basis of action against a third party would be an egregious misuse and as such unforgivable," agreeing with the invalidity defense. According to the 2004 Patent Reform's § 104(3), "In litigation involving patent rights and encroachment upon

This comment presents a fresh look at the justifications and feasibility of importing the *Hantei* Request procedure. Part II provides a brief overview of relevant U.S. patent law to provide a standard for comparison. Part III provides background information about the Japanese counterpart to U.S. patent litigation and its operations. Part IV explores the viability of ADR methods in both countries in managing patent disputes, with a focus on arbitration. Part V identifies the shortcomings of U.S. patent practice in both litigation and ADR. Part VI then addresses a specific weakness in U.S. patent practice and considers the substantive benefits of domestically implementing a *Hantei* Request System as a patch. Part VII analyzes the institutional differences that may account for any suboptimal operation of the *Hantei* Request System in Japan, and speculates why the U.S. will not suffer the same endemic disadvantages. Part VII also speaks to constitutional ramifications and concerns which must be factored into the practicability of the System's adoption in the U.S.

In a post-industrial society where patent rights are regarded as highly-valued assets and where a single transactional misstep may have significant economic consequences, if the legal system is not equipped with a means to clearly, quickly, and cheaply delineate the relationships and obligations of competing market players, then those entities will suffer the frustration of not being able to arrive at a timely answer, and assume the perils of miscalculating obligations arising under the patent laws. Importing the *Hantei* Request procedure to the U.S. can facilitate the demarcation between the livelihood and liability of a wary business. It can also supply private actors with an additional bargaining tool. To the extent feasible, it should be adopted.

exclusive use rights, when it is recognized that a patent ought to be invalidated according to an invalidation determination, the patent holder or exclusive licensee cannot enforce that right against opponents" (item 1), and "pursuant to the previous section's rule, when it is recognized that a patent is being asserted for the purpose of delaying the trial inappropriately, whether offensively or defensively, the courts may, either by party's petition or *sua sponte*, hand down a rejection or dismissal of the assertion" (item 2) are effected.

Id. (author's trans.).

II. THE PTO AND THE U.S. TRIAL SYSTEM

A. Allocation of Power and Delegation of Duties and Services

If patent litigation were a Greek tragedy, Act One would open with Estragon, an owner of a valid U.S. patent, who is alleging in a U.S. District Court that Vladimir has infringed on one or more of his patent claims. The accused will plead non-infringement and, more importantly, invalidity of the plaintiff's patent, which turns the tables on Estragon. If the patent he acquired at the end of the patent prosecution process is insufficiently robust, then Estragon might find himself exiting the courtroom with an invalidated patent instead of monetary and injunctive relief. Had the setting for this scene been the steps of any Japanese district courthouse prior to 2004,¹⁸ this reversal of fortune would have been impossible.

The U.S. District Courts have the prerogative not only to determine the infringement¹⁹ of PTO-issued patents, but their validity as well.²⁰ By contrast, the Japanese district courts, until recently, did not have dual authority to invalidate and construe patent claims.²¹ As such, U.S. District Courts' authority overlaps with, and in some ways overshadows, the PTO's authority to invalidate U.S. patents.²² However, as convenient as it seems for the courts to

¹⁸ See TOKKYO HO [PATENT LAW], No. 220 of 1999, art. 104(3) (authorizing courts to invalidate patents).

¹⁹ To be more precise, the court determines the scope of the patent's claims, and the jury enters the verdict on whether the alleged infringement occurred. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384 (1996).

²⁰ See, e.g., 28 U.S.C. § 1338(a) (2000) ("The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . ."); 35 U.S.C. §§ 101, 102, 103, 112 (2000 & Supp. IV 2006) (providing the requirements for patent validity); Declaratory Judgment Act, 28 U.S.C. § 2201(a) (2000) ("In a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration . . .").

²¹ See *Tokkyo no Youkousei*, *supra* note 17 (highlighting the inability of the courts to directly invalidate a patent in the context of a discussion about the impact of the Fujitsu and Texas Instrument ("TI") case in 2000 on the state of Japanese patent law) (author's trans.). Prior to this, invalidation proceedings had to be initiated by a "separate request to the JPO." Yamamoto & Tessensohn, *supra* note 17, at 255.

²² Through reexamination, PTO examiners may end up rejecting certain claims in a previously issued patent, canceling any claims found to be unpatentable. See 2 MPEP, *supra* note 8, § 2287(II) ("There will be instances where all claims in the reexamination proceeding are to be canceled . . ."). If no claims survive the reexamination, the patent is in effect invalidated. Moreover, a concurrent or previous court finding of invalidity has binding effect on the PTO's own determination, eclipsing the latter's authority. *Id.* at § 2286(II) ("A final holding of claim invalidity . . . is controlling on the Office."). However, the converse is not true. A final court decision of

wield the scythe of invalidation above patent owners who have limited the resources available to their patent prosecutors or above self-filing inventors responsible for obtaining questionable patents, this plenipotentiary procedure is not without its share of costs and burdens.²³

A major downside of attempting to enforce U.S. patent rights is that a court may feel compelled to consider the affirmative defense of patent invalidity whenever raised by a defendant prior to addressing the issue of infringement.²⁴ The ubiquitous employment of this affirmative defense as a part of a responsive pleading's boilerplate has delayed the adjudicative process.²⁵ Nor would it be efficient for a court to risk tackling the issue of infringement before concluding the invalidity phase of the trial. If the patent is subsequently found invalid, the judicial resources expended during the infringement phase will have been wasted.

So far, only the difference between the U.S. and Japanese trial systems has been highlighted. However, there are also many differences in the administrative services offered by the PTO and the JPO. For instance, the PTO procedure for reexamination²⁶ has no

claim validity does not control the same inquiry in reexamination. *Id.* In both countries, though, the patent offices retain the exclusive authority over issuing patents.

²³ In the 396 patent decisions that LEXIS reported the Federal Circuit as having filed between January 1, 1998 and April 30, 2000 and for which written opinions were authored, sixty-nine of them (seventeen percent) involved claims of invalidity only. Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 BERKELEY TECH. L.J., 1075, 1138 (2001). If such a large percentage is litigated up to the appellate level based on the issue of invalidity alone, an even greater number would have to have been brought in the District Courts (excluding those appealed from the Board of Patent Appeals and Interferences) on at least that issue. A framework in which courts have jurisdiction over patent invalidity will impose a variety of economic, temporal, and procedural burdens on litigants who are solely interested in validity, and likely on litigants interested not only in validity as well. Some of these costs will be examined in Part V(B), *infra*.

²⁴ To reverse the sequence and evaluate the case on the merits first could amount to a waste of judicial resources. *See* Chu, *supra* note 23, at 1140-41.

²⁵ So habitual has the practice become that an advocate who does not raise this defense is likely to face a malpractice suit if his client is found to have infringed. *See* A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, U. ILL. J. L. TECH. & POL'Y 1, 27 (2004):

In *Sybron*, the client retained the firm for representation in a dispute over a "license" agreement covering a patent. In its answer the firm asserted a number of affirmative defenses, including the invalidity of the patent The firm then moved for summary judgment, but did not mention any of the affirmative defenses in the motion. The court denied the motion and held that the client had waived its affirmative defenses The client then brought a malpractice action against the firm seeking to recover the damages paid, the further payment, and the attorney's fees it had paid.

Id. (citations omitted).

²⁶ This post-issuance invalidity determination originally was only issued *ex parte*, but now can be issued *ex parte* or *inter partes* pursuant to the 1999 amendments to the reexamination

Japanese counterpart.²⁷ Reexamining a patent, however, may be an unattractive option for the initiator. Because of a variety of drawbacks, including fees, business concerns, and other practical disincentives, it is rarely used by third parties to invalidate patents.²⁸ Thus, a disinterested member of the public has little incentive to seek reexamination of a questionable patent.²⁹

There is potentially an even greater deterrent for interested third parties to seek reexamination. An interested third party is often interested because he is familiar with the prior art from his own inventive or commercial activities. Any prior art, while possessing offensive potential, could very well predate and anticipate his conceived inventions as well.³⁰ There is thus a disincentive for him to request reexamination using that prior art as a basis. Such a third party would prefer to sit on his finding rather than disclose it.³¹ Kamikaze behavior,³² in general, does not make good business sense, especially if one treasures long term relationships.

provisions. See DONALD S. CHISUM ET AL., *PRINCIPLES OF PATENT LAW* 151-52 (3d ed. 2004). See generally 2 MPEP, *supra* note 8, § 2209; 35 U.S.C. §§ 301-05, 311, 314-15, 318 (2000 & Supp. IV 2006).

²⁷ The JPO's *Hantei* Request procedure, although a determination on infringement rather than validity, is perhaps the closest analog.

²⁸ See Dale L. Carlson & Robert A. Migliorini, *Patent Reform at the Crossroads: Experience in the Far East with Oppositions Suggests an Alternative Approach for the United States*, 7 N.C. J. L. & TECH. 261, 264 (2006) ("For a variety of reasons, these reexamination systems have not been utilized to the extent hoped."). The authors explain that "the lack of requester involvement and the inability of the requester to appeal either a denial of a reexamination request or an adverse decision if reexamination is granted has resulted in *ex parte* reexamination being an underutilized method for challenging patent validity." *Id.* at 268.

²⁹ *Ex parte* reexamination costs \$2,520 to initiate. 37 C.F.R. § 1.20(c)(1) (2006). An *inter partes* reexamination would cost \$8,800 to initiate, plus hefty attorney's fees. 37 C.F.R. § 1.20(c)(2) (2006). See also 35 U.S.C. § 41(d) (2000) ("The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services . . ."). The entire proceeding "can cost each side \$10,000 to \$100,000 . . ." Steven J. Frank, *Patent Reform Cacophony*, IEEE SPECTRUM ONLINE (Dec. 2005), <http://www.spectrum.ieee.org/dec05/2349>.

³⁰ This comment assumes that it is highly unlikely for a person performing random searches to make the connection that a particular piece of prior art will pose a challenge to the patentability of a particular patent belonging to a stranger. As such, any high degree of familiarity with another's patent would probably stem from its being a co-occupant of the specific field of one's own invention. If that patent is something that anticipates the searcher's invention, it is almost certain that he will be familiar with both inventions and keen enough to realize when he has found prior art that will anticipate them both.

³¹ However, when he applies for his patent, he is still required to disclose this potentially fatal knowledge, which may diminish his reservations about requesting reexamination of another's current patent. See 37 C.F.R. § 1.56(a) (2006) ("Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability . . .").

Also, in regard to preserving longstanding business relationships, even if both patents survive the *ex parte* reexamination proceeding unscathed, the holder of the reexamined patent is not likely to harbor any good will towards the requester, nor be as receptive to future dealings. Despite the proceeding being *ex parte*, the “name of the person who files the request will not be maintained in confidence.”³³ The patent holder, having discovered the identity of the requester, will likely retaliate where feasible, scrutinizing the requester’s activities for potential infringement and then commencing a suit accordingly. In this respect, reexamination can be a serious liability, rather than a fail-safe weapon for a potential infringer who wishes to stay under the radar.

Finally, as a matter of practical litigation strategy, it may be ill-advised to undertake the invalidation of another’s patent through reexamination. As Professor Carlson has criticized:

The initial *ex parte* opportunity has been limited in its success, and it has not been widely utilized, partly because of the concern that defendants do not want to use their so-called “silver bullet”; that is, a piece of really good prior art. Why should they use that prior art in an *ex parte* proceeding, where they will have a very limited opportunity to participate in the proceeding and face the downside risk of an enhanced patent? Why should a defendant give up its silver bullet under those circumstances?³⁴

While the relatively new *inter partes* option for reexamination proceedings³⁵ does ameliorate this worrisome incentive for a potential litigant or requester to save his trump card, the option does not address the likely self-destructive³⁶ domino effect of identifying anticipatory prior art. Like *ex parte* reexamination, it thus falls prey to the same concern raised earlier, that the trump card may thwart the patentability of the cardholder’s own invention as well.

³² A word of Japanese origin, referring to an offensive aerial maneuver that results in significant losses for both sides. *NEW OXFORD AMERICAN DICTIONARY* 925 (Elizabeth J. Jewell & Frank Abate eds., 2001) (explaining the etymology and defining the adjectival form as “of or relating to such an attack” or “potentially self destructive”).

³³ 2 MPEP, *supra* note 8, § 2212.

³⁴ Dale L. Carlson & Jason Crain, *Reexamination: A Viable Alternative to Patent Litigation?*, 3 *YALE SYM. L. & TECH.* 2 (2000), available at <http://www.yjolt.org/old/modules.php?name=news&file=article&sid=2>. *Accord* Motsenbocker, *supra* note 15, at 424-26.

³⁵ See 35 U.S.C. § 314 (2000 & Supp. IV 2006); MPEP, *supra* note 8, § 2609.

³⁶ If one was merely a licensee without a patent of one’s own, it would not be self-destructive to try to invalidate the licensor’s patent. However, even if one is a licensee, if he owns his own patent, finding anticipatory art may backfire, invalidating both parties’ patents. The self-destructiveness hinges on the ownership of one’s own patent.

Additional procedural restrictions plague the popularity of re-examination. While the requirements upon the initiator are few,³⁷ the requirements prior to the initiation are plural and arguably more cumbersome.³⁸ Under the totality of the circumstances, it is no surprise that reexamination is not often utilized.³⁹

In Act Two of the tragedy of patent litigation, the defendant Vladimir has been found guilty of infringement. He licks his wounds, pays his debts, and returns to the drawing board. This time he fathoms another great money-making design as a spin-off of his old one. His problem is that Estragon or other potential plaintiffs may still have live patent rights, and Vladimir is not sure how far around those patents he has designed. Rather than continuing to invest in research and development in order to reduce his invention to a practicable model, he would like to know in advance whether his proposed invention or activity will give rise to liability.⁴⁰ This time, Vladimir arrives at the District Court before any would-be plaintiffs, hoping to avail himself of a favorable declaratory judgment invalidating Estragon's patent from Act One.⁴¹

Unfortunately for Vladimir, his claim is most likely premature. If he is not far enough along in the process of manufacturing, using, or selling his new product⁴² such that another infringement suit is

³⁷ Any person may initiate the reexamination. See 2 MPEP, *supra* note 8, § 2212.

³⁸ See generally 37 C.F.R. 1.510(b)(1)-(5) (2006); 2 MPEP, *supra* note 8, §§ 2216, 2609(C) (requestor must raise a "substantial new question" addressing the patentability of the invention that was not covered during the original examination); 2 MPEP, *supra* note 8, § 2609(B) (the only admissible evidence for the proceeding are prior patents or printed publications that raise 35 U.S.C. § 102 or § 103 based rejections); 35 U.S.C. §§ 302-07, 312(a) (2000 & Supp. IV 2006).

³⁹ The multifaceted drawbacks of reexamination shall be revisited in Part V(B), *infra*.

⁴⁰ Assume that he wants to do this without the cost of seeking a license at an early stage. For a discussion on the disincentives to taking on a license, even under protest, please refer to note 143, *infra*.

⁴¹ See, e.g., *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1559 (Fed. Cir. 1991) (illustrating a case where plaintiff sought a declaratory judgment invalidating defendant's patent). Depending on what the plaintiff is seeking, a declaratory judgment may be conceptually a closer approximation to a *Hantei* Request than to reexamination. If non-infringement, then the former. If invalidation, the latter.

⁴² See *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) ("A 'controversy' . . . must be one that is appropriate for judicial determination. . . . It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.") (citations omitted); *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988) ("First, the defendant's conduct must have created on the part of plaintiff a reasonable apprehension that the defendant will initiate suit if the plaintiff continues the allegedly infringing activity. Second, the plaintiff must actually have either produced the device or have prepared to produce that device."). *But compare* *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 774-75 n.11 (2007) (calling into question *Aetna's* construction of the Federal Circuit's "reasonable ap-

imminent,⁴³ he may not have the requisite standing to seek declaratory judgment.⁴⁴ But even if Vladimir does have a justiciable case,⁴⁵ bringing the action himself will not save him from a counterclaim of infringement. Having been provoked and notified of possible infringing activity, Estragon will most definitely respond by counterclaiming that Vladimir infringed Estragon's patent, with the result that they find themselves right back where they started, in Act One.

prehesion of suit" test) *with Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007) (concluding that the *MedImmune* Court had rejected *Aetna* before holding that "where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise . . .") and *id.* at 1384 (Bryson, J., concurring) (noting that "under the court's standard virtually any invitation to take a paid license relating to the prospective licensee's activities would give rise to an Article III case or controversy . . ."). While these recent cases usher in a new pro-plaintiff method for evaluating Art. III jurisdiction, they are inapposite to Vladimir's circumstances. *MedImmune* dealt narrowly with the plight of a would-be plaintiff that had already entered into a licensing agreement, and *Sandisk* with two parties whose licensing negotiations had stagnated before any agreement could be reached. Neither case reaches the fact pattern where negotiations have yet to be commenced on account of the patentee's ignorance of the potential infringer's intentions. Even the *Sandisk* Court conceded:

In the context of conduct prior to the existence of a license, declaratory judgment jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee.

Id. at 1380-81. Accordingly, where Estragon does not even know what Vladimir is developing, much less initiating negotiations, Vladimir cannot seek declaratory judgment against Estragon.

⁴³ See *Phillips Plastics Corp. v. Kato*, 57 F.3d 1051, 1054 (Fed. Cir. 1995) (holding that the mere notification by patentee that plaintiff's activity was covered by the patent and the concurrent invitation to negotiate a license were insufficient to establish actual controversy). In our hypothetical, Vladimir's pleading would be even more premature, given that Vladimir has not yet done anything to draw Estragon's attention.

⁴⁴ See 28 U.S.C. § 2201(a) (2000) ("In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration . . ."). See generally Thomas G. Pasternak & Karen J. Nelson, *Declaratory Judgment Jurisdiction: A Dance on the Razor's Edge*, in *CHISUM ET. AL.*, *supra* note 26, at 1060, 1062 (summarizing the basic test for jurisdiction). *But see MedImmune*, 127 S. Ct. at 774-75 n.11, 775, 777 (updating the traditional reasonable apprehension inquiry for justiciability under recent case law developments, ultimately extending standing to non-repudiating licensees who were immune from suits of infringement) and *Sandisk*, 480 F.3d at 1380-81 (without explicitly defining the outer limits of standing for declaratory judgments, generally circumscribing it to situations where there has been "some affirmative act by the patentee.").

⁴⁵ See U.S. CONST. art. III, § 2, cl. 1 ("The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made . . . to Controversies between two or more States; between a State and Citizens of another State; between Citizens of different States . . ."; 28 U.S.C. § 2201(a) (2000); *Arrowhead Indus.*, 846 F.2d at 736. See also note 48, *infra*.)

Declaratory judgment as a solution suffers from a problem similar to that of reexamination. There is a patent disincentive stemming from accountability and retaliation. One of the many concerns that militated against the use of reexamination was the lack of anonymity. In this case, even supposing that all the judicial standing requirements are met, the party seeking the declaratory judgment would be opening himself up to immediate reprisal in the form of an unwelcome counterclaim of infringement.⁴⁶ Moreover, rather than resorting to non-litigation means, he has invited litigation and all of its accompanying detriments. Vladimir is in an intolerable situation because he stands to later lose his investment in litigation⁴⁷ if he goes ahead and develops without any authoritative assurance that he is not infringing.⁴⁸ And yet, if he

⁴⁶ *Vas-Cath*, 935 F.2d at 1559 (noting that after *Vas-Cath* sued Mahurkar seeking a declaratory judgment for non-infringement, Mahurkar counterclaimed, alleging infringement).

⁴⁷ *Cf. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 732 (2002) (discussing in the context of the doctrine of equivalents, “[i]f competitors cannot be certain about a patent’s extent, they may . . . invest by mistake in competing products that the patent secures. In addition the uncertainty may lead to wasteful litigation between competitors, suits that a rule of literalism might avoid.”).

⁴⁸ Until he develops, he will not have standing to seek declaratory judgment. The way to determine standing may be treacherous. There must be a “case of actual controversy.” 28 U.S.C. § 2201(a) (2000). *See also* U.S. CONST. art. III, § 2, cl. 1. The Federal Circuit established a two-prong test: First, the “reasonable apprehension” prong, and second, the “sufficient interest” prong. *See Arrowhead Indus.*, 846 F.2d at 736. This is a grave hurdle because it forces the plaintiff to put his investment at risk in order to prove his sufficient interest, despite his unwillingness to risk his investment before he has a declaration that he will not be infringing. *But see Sandisk*, 480 F.3d at 1380-81 (noting that that “[t]he Supreme Court’s opinion in *MedImmune* represents a rejection of our reasonable apprehension of suit test” and suggesting broadly that there may be jurisdiction for hearing declaratory judgments wherever “the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do.”). *Sandisk* furthers the recent doctrinal shift in standing in favor of the would-be licensee, without stumbling over licensee estoppel issues. *See id.* Unlike *MedImmune*, 127 S. Ct. at 769-70, *Sandisk* avoids the question of estoppel, because the parties never settled on a license.

Sandisk, then, merely moves up the time when a potential infringer could seek declaratory relief from where a license has been negotiated to where potential parties to a future litigation disagree on whether one’s activity reads on the claims of another’s patent. The societal benefit from the *MedImmune* and *Sandisk* holdings derives from the ability to call upon a court to define the legal relations of all interested parties earlier, because the earlier people clarify their relationships and obligations, the less money needs to be needlessly expended on unnecessary insurance and/or royalties. Arguably, however, *Sandisk* does not shift the time scale as far as it could have. An opining mechanism like the *Hantei* Request System, with its still earlier availability, would further enhance Vladimir’s ability to assess his risks in advance, without simultaneously aggrandizing his accountability.

does not proceed, he will completely forego capitalizing on his new idea.⁴⁹

B. Authority and Jurisdiction

Every U.S. District Court has original jurisdiction over patent-related suits.⁵⁰ Since 1982, appeals in such suits from the District Courts have been streamlined and directed to the Court of Appeals for the Federal Circuit (“Federal Circuit”), which, “[e]xcept on those occasions when the Supreme Court intervenes, . . . is the ultimate authority on interpreting patent laws, and all inferior courts, as well as the Patent Office are bound by its interpretations.”⁵¹ On appeal or interlocutory appeal by a defendant found in a U.S. District Court to have committed infringement, the Federal Circuit will often be asked to reconsider the claim construction rendered by the lower court.⁵² Because Vladimir will not be able to easily attack the jury’s factual findings, he would do well to attempt to attack the judgment indirectly by faulting the lower court’s *Markman* hearing result.⁵³

⁴⁹ This translates into a social cost, because the world is deprived of the benefits of a competing product line. *Cf. Festo*, 535 U.S. at 732 (“If competitors cannot be certain about a patent’s extent, they may be deterred from engaging in legitimate manufactures outside its limits . . .”). This assumes that Vladimir is unable to obtain a license from Estragon or to afford negotiating and paying for one. There is also the possibility that Vladimir is unwilling to subject himself to paying a licensing fee under protest whose payment may very well turn out to be unnecessary. Please see the last paragraph in Part V and note 143, *infra*, for a brief discussion about the licensing option.

⁵⁰ 28 U.S.C. § 1338(a) (2000) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.”).

⁵¹ ALAN L. DURHAM, *PATENT LAW ESSENTIALS* 7 (1999).

⁵² In the 396 patent decisions that LEXIS reported the Federal Circuit as having filed between January 1, 1998 and April 30, 2000 and for which written opinions were authored, 179 of them involved express claim construction review (forty-five percent). Chu, *supra* note 23, at 1146.

⁵³ See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 387-88, 391 (1996) (claim construction is a question of law, and so *de novo* standard applies on appeal); *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1455-56 (Fed. Cir. 1998) (en banc) (holding that issues regarding claim construction are purely questions of law despite there being mixed questions of law and fact).

III. THE JPO AND JAPAN'S TRIAL SYSTEM

A. Allocation of Power and Delegation of Duties and Services

Just like the PTO, the JPO cannot determine infringement with binding force.⁵⁴ As in the U.S., infringement is determined by the judiciary.⁵⁵ From this point of commonality, however, the two systems diverge.

In contrast to the dual authority of the federal courts over infringement and invalidation, conducting invalidation proceedings⁵⁶ was, for the longest time, the JPO's prerogative alone. Before the year 2000, Japanese courts could not unilaterally invalidate patents called into question before them.⁵⁷ Recent judicial pronouncements and legislative amendments may have extended the courts' power to invalidate,⁵⁸ although they generally still refrain from doing so, sending the issue to the JPO instead.⁵⁹

Analogously, even though it is now available, invalidity of the plaintiff's patent is not freely wielded as a standard affirmative de-

⁵⁴ Motsenbocker, *supra* note 15, at 406 ("The disjuncture in patent scope interpretation between the Japanese courts and the JPO began in 1959, when the responsibility for deciding patent infringement was transferred from the JPO to the courts."). *See also id.* at 407 ("[T]he courts alone have the power to interpret these same patents during infringement litigation.").

⁵⁵ 28 U.S.C. § 1338(a) (2000) ("The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases.").

⁵⁶ Invalidation of patents may be made on the various grounds set out in Patent Law Article 49. TOKKYO HÔ [PATENT LAW], No. 220 of 1999, art. 49. *Contra* Yamamoto & Tessensohn, *supra* note 17, at 255 ("[I]n Japan one must make a separate request to the JPO in order to invalidate a patent.").

⁵⁷ *Compare* Yoshinobu Someno & Keiko Someno, *Patent Office and Court Procedures in Japan*, in PATENT AND KNOW-HOW LICENSING IN JAPAN AND THE UNITED STATES 110, 121 (Teruo Doi & Warren L. Shattuck eds., 1977) ("[A] patent duly established by registration may be subject to a trial [in the patent office] for invalidation (art. 123). This is the only way in which the validity of a patent can be tested.") with "*Tokkyo no Youkousei*," *supra* note 17:

[Regarding the damages suit between Fujitsu and the American company Texas Instruments Inc., the Supreme Court laid down the ruling that, "in light of the precipitously high likelihood of TI's patent being invalidated, their use of the patent as a basis of action against a third party would be an egregious misuse and as such unforgivable"]

(author's trans.).

⁵⁸ *See* TOKKYO HÔ [PATENT LAW], No. 220 of 1999, art. 104-3.

⁵⁹ *See* Motsenbocker, *supra* note 15, at 413 ("[A]n infringement court will usually exercise its right to stay the infringement proceedings if the request for invalidation goes to the appeals stage at the Tokyo High Court."). *Contra* Yamamoto & Tessensohn, *supra* note 17, at 255 ("A Japanese court is usually unwilling to halt or stay the proceedings of an infringement case in order to wait for the Patent Office to decide on the question of invalidity").

fense.⁶⁰ Moreover, there is still a disincentive for any purse-conscious defendant to make such an invalidation appeal because it “usually takes longer for the JPO to make a decision concerning an issued patent and to appeal this decision than it does to hold an infringement trial.”⁶¹

The consequences of having such a system of mutually exclusive domains over infringement and invalidity, either due to pre-2000 incapacity or post-2000 infrequency, are mixed. Facially, it appears that Japanese courts can resolve issues of liability more quickly without having to mull over the defendant’s affirmative defense of invalidity.⁶² However, the gains of potential celerity are diminished by the costs imposed by judicial deferral and delay. The court might grant a stay and refer the case to the JPO for an invalidation determination, which is likely to end up taking more time.⁶³

Another difference is the lack of reexamination for issued patents. Instead, the public enjoyed a 5-year period to oppose the validity of the newly issued patent under former Patent Law Section 44.⁶⁴ This opposition proceeding has no equivalent in U.S. patent law, though a similar ritual in U.S. trademark law persists.⁶⁵ Since 2004, however, patent opposition in Japan has been streamlined with invalidation proceedings.⁶⁶

One final notable difference is the *Hantei* Request System, whereby a requester can submit a demand to the JPO for a non-

⁶⁰ See Yamamoto & Tessensohn, *supra* note 17, at 255 (noting that patent invalidity cannot be an affirmative defense if the courts cannot rule on a patent’s validity).

⁶¹ Motsenbocker, *supra* note 15, at 411.

⁶² Takenaka, *supra* note 12, at 365.

⁶³ See, e.g., Motsenbocker, *supra* note 15, at 411.

⁶⁴ Japan Patent Attorneys Association, *2003 Amendment to Japan Patent Law*, <http://www.jpaa.or.jp/english/law/2003amendment.html> (last visited Sept. 14, 2007) (“The post-grant opposition system is abolished, and the invalidation trial system is changed, effective from January 1, 2004”).

⁶⁵ See generally 15 U.S.C. § 1063 (2000) (procedures for opposing the registration of trademarks).

⁶⁶ See JAPAN PATENT OFFICE, TOKYO FUYO GO NO ZYOUHYOU TEIKYOU SEIDO NI TSUITE [ABOUT THE POST-PATENT ISSUANCE NOTICE-UPDATE SYSTEM] (2004), available at http://www.jpo.go.jp/torikumi/t_torikumi/20041020.htm (last visited Apr. 14, 2008):

On account of the changes in the fifteenth year of the Heisei reign (2004), the patent opposition system was discontinued, having been consolidated with the patent invalidation system, whence it becomes a meaningful perspective to propose a plan for more facilely correcting situations involving the issuance of patents for inventions that cannot be patented.

In this endeavor, capitalizing on the opportunity provided by the Patent Reform in the fifteenth year of the Heisei reign (2004), a post-issuance information disclosure system was provided for in the patent law regulations (Rule 13(3)).

Id. (author’s trans.).

binding determination of the technical scope of a patent.⁶⁷ Three JPO examiners are then assigned to render the opinion.⁶⁸ No U.S. equivalent mechanism to seek an advisory opinion is offered by the PTO or the federal courts,⁶⁹ despite the import of its substance and its applicable utility to regulating business conduct and shaping licensing negotiations. Both the information to be gleaned and the availing mechanism are invaluable tools for those who wish to do business while minimizing the risk of litigation.⁷⁰

The *Hantei* Request procedure is highly accessible.⁷¹ Any individual or company may request one, with no explicit provision that excludes straw-men or intermediaries without “legal interest” in the technical determination.⁷² These straw-men or intermediaries can serve as buffers to insulate the interested party from potential reprisal. The prerequisites are far less daunting than those required for judicial standing⁷³ or administrative reexamination.⁷⁴ The ease of access to the *Hantei* Request and the safeguarding of the requester’s identity render the *Hantei* Request less confrontational than its U.S. analogs – either a request to the PTO for reexamination or the filing of suit for declaratory judgment.

In addition, *Hantei* is a low-cost option. Currently the request fee is less than \$400.⁷⁵ In contrast, the typical petition fee for arbitration alone will cost the claimant \$5,000,⁷⁶ with the cost of each subsequent hearing to be split between the parties.⁷⁷ As compared to the costs of litigation, the nominal *Hantei* Request fee is even

⁶⁷ TOKKYO HÔ [PATENT LAW], No. 220 of 1999, art. 71(1).

⁶⁸ TOKKYO HÔ [PATENT LAW], No. 220 of 1999, art. 71(2).

⁶⁹ Marcus B. Finnegan et al., *A Comparative Study of the Patent Laws of the United States and Japan*, in PATENT AND KNOW-HOW LICENSING IN JAPAN AND THE UNITED STATES 3, 9 (Teruo Doi & Warren L. Shattuck eds., 1977).

⁷⁰ See *id.* (“The interpretation of the scope of a patented invention is a critical facet of determining patentability, validity, and infringement.”).

⁷¹ GUIDELINES, *supra* note 2, at § 1(2)(B)(b) (*Hantei* Request fee is 40,000 Japanese yen).

⁷² See TOKKYO HÔ [PATENT LAW], No. 220 of 1999, art. 71; GUIDELINES, *supra* note 2, at § 1(3)(A) (“Parties requesting *Hantei* opinions are not required to have legal interest in the *Hantei* result. However, from the perspective of the purpose of the system, the demander must briefly explain their need to demand a *Hantei* opinion in the space for reason in the *Hantei* demand form.”).

⁷³ See generally Pasternak & Nelson, *supra* note 44, at 1060-66.

⁷⁴ See 2 MPEP, *supra* note 8, § 2212.

⁷⁵ See GUIDELINES, *supra* note 2, at § 1(2)(B)(b).

⁷⁶ DAVIS, *supra* note 7, at 169.

⁷⁷ *Id.* at 170 (“The hearing fee for the use of the JCAA facilities is \$300 per session. \$200 is charged if a hearing is canceled. The two parties split this expense.”).

more appreciably dwarfed.⁷⁸ Litigating and appealing can last for years, with a hefty tally comprising attorneys' fees, court fees, expert witness fees, staffing fees, recording fees, and lost employment time. In contrast to the twenty or thirty months that a litigant may have to brave before obtaining a ruling on infringement, the *Hantei* requester might only need to wait a mere three months before hearing back from the JPO.⁷⁹

B. Authority and Jurisdiction

Prior to 1998, a suit for claim infringement⁸⁰ would be brought in the district court of the local prefecture where the cause of action arose. In 1998, the Code of Civil Procedure Law was amended to allow for the change of venue to the Tokyo or Osaka District Courts in patent cases.⁸¹ Cases originating from Nagoya or Sapporo, for instance, can now be litigated in Tokyo.

The primary incentive for litigants in other prefectures to select either Osaka or Tokyo as the forum is technical competence and familiarity. The Osaka District Court has a special panel or "office" to handle patents disputes, while the Tokyo sister court has three such departments.⁸²

The Tokyo and Osaka High Courts, to which forty percent of the local district court judgments are appealed,⁸³ share jurisdiction over the lower courts.⁸⁴ They reverse twenty-five percent of the

⁷⁸ The costs of litigating a patent infringement suit through final judgment in a Japanese District Court typically run from 15 million yen to 30 million yen (from over \$130,000 to over \$260,000), assuming patent invalidity is not alleged. See, e.g., *Country Reports: A Practical Guide to Patent Litigation*, MANAGING INTELLECTUAL PROPERTY: THE GLOBAL MAGAZINE FOR INTELLECTUAL PROPERTY OWNERS, <http://managingip.com/CountryReport.aspx?CountryID=34> (last visited Oct. 7, 2007). In contrast, the costs to bring the same suit in the U.S. may be much higher. IP WORLDWIDE, May 2002, at 43 ("The cost to bring a patent case [in the U.S.] . . . ranges from \$750,000 to \$1 million for a simple dispute and from \$4 million to \$8 million for a modest one. Monster cases can cost \$10 million or more.").

⁷⁹ See GUIDELINES, *supra* note 2, at § 1(2)(B)(c) (noting that the response time for a *Hantei* request fee is "as soon as three months from filing of the demand for *Hantei*").

⁸⁰ We need not worry about adjudicated disputes concerning invalidation of patents up through 1998, because the invalidation proceeding was under the exclusive authority of the JPO until the year 2000. See "*Tokkyo no Youkousei*," *supra* note 17 (author's trans.).

⁸¹ See MINSOHŌ [CODE OF CIVIL PROCEDURE], No. 109 of 1996, art. 6.

⁸² Yamamoto & Tessensohn, *supra* note 17, at 259-60.

⁸³ DAVIS, *supra* note 7, at 361.

⁸⁴ Osaka and Tokyo District Court decisions can be appealed to the Osaka and Tokyo High Courts. Given the 1998 amendment to Japan's [Code of Civil Procedure], which gave the Osaka and District Courts "exclusive and special jurisdiction for certain IP suits", the two High Courts

time.⁸⁵ These two appellate courts have greater discretion in making their findings than the U.S. Federal Circuit, because they can hear issues of both fact and law *de novo*.⁸⁶ Both High Courts are also equipped with a special intellectual property (“IP”) division to assist them in technical aspects of the district court opinions.⁸⁷ Moreover, the Tokyo High Court has the exclusive authority to take appeals from decisions by the JPO’s internal Board of Appeals.⁸⁸

Despite the coexistence of two appellate authorities, there appears to be high uniformity in decision. While this phenomenon could be ascribed to the expert technical departmental support available to the Tokyo and Osaka District and High Courts, the lack of forum shopping in general may also be a factor. Because juries are not impaneled in Japan, awards are typically smaller⁸⁹ and suffer less risk of regional bias.⁹⁰

Finally, the Supreme Court is the ultimate authority, but may only hear questions of law from the High Courts on constitutional issues.⁹¹ The Supreme Court retains a few judges who specialize in IP matters to serve as research assistants to the Justices.⁹²

IV. ALTERNATIVES TO LITIGATING PATENT DISPUTES

A. Arbitration in the U.S.

Even though there is currently no *Hantei* Request System available in the U.S., Vladimir can avail himself of any one of a number of respectable, authoritative bodies that offers arbitration and specializes in IP disputes. One such body is the Intellectual

now hear a great percentage of patent appeals. Yamamoto & Tessensohn, *supra* note 17, at 248-49 (“For cases coming within the jurisdiction of Tokyo, Nagoya, Sendai or Sapporo, the plaintiff can file the suit in the Tokyo District Court; and for causes of action arising from Hiroshima, Fukuoka or Takamatsu, one may file the suit in the Osaka District Court.”).

⁸⁵ See DAVIS, *supra* note 7, at 68.

⁸⁶ See *id.* at 68, 361.

⁸⁷ See Takenaka, *supra* note 12, at 353-54.

⁸⁸ DAVIS, *supra* note 7, at 67.

⁸⁹ See *id.* at 125; Yamamoto & Tessensohn, *supra* note 17, at 258.

⁹⁰ The lack of a jury also renders it easier for either appellate court to justify rehearing questions of fact on the grounds that the local district court judge was not as deserving of deference as a reasonable jury might have been in fact-finding. Regardless, the peculiarities of the Japanese legal system will be revisited in Part VII(A), *infra*.

⁹¹ See Someno & Someno, *supra* note 57, at 123.

⁹² Takenaka, *supra* note 12, at 353-54.

Property panel of the National Arbitration Forum.⁹³ Another is the American Intellectual Property Law Association (“AIPLA”), which has established an Alternate Dispute Resolution Neutral Registry.⁹⁴ Recently the American Bar Association’s Section of Dispute Resolution has formed a new Intellectual Property Committee to expand the availability of ADR for IP disputes.⁹⁵

The benefits of arbitration over litigation in intellectual property matters are manifest and many: (1) Finality, if the parties desire it, in the form of near non-appeal-ability of arbitral decisions;⁹⁶ (2) confidentiality of business secrets;⁹⁷ (3) informality and procedural flexibility;⁹⁸ (4) amicability,⁹⁹ if the parties wish to preserve and nurture a lasting and mutually beneficial relationship; (5) party-tailored results to suit the needs of *both* sides, rather than a one-sided remedial adjudication;¹⁰⁰ (6) simultaneous resolution of parallel disputes¹⁰¹ with similarly situated adverse foreign parties; and (7) cost savings from foregone litigation.

⁹³ National Arbitration Forum, Intellectual Property, ADR Panel, <http://adrforum.com/users/naf/IntellectualPropertyADRPanel.pdf> (last visited Apr. 14, 2008).

⁹⁴ American Intellectual Property Law Association, Alternative Dispute Resolution Registry, http://www.aipla.org/Content/NavigationMenu/Professional_Development/Alternative_Dispute_Resolution_Registry/Default787.htm (last visited Apr. 14, 2008) (“The neutral registry is a roster of members of the Association who are willing to be retained as a neutral in intellectual property dispute resolution situations.”).

⁹⁵ ABA, Section of Dispute Resolution: Intellectual Property, <http://www.abanet.org/dch/committee.cfm?com=DR028500> (last visited Oct. 7, 2007).

⁹⁶ See Marion Lim, Note, *ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy*, 6 *CARDOZO J. CONFLICT RESOL.* 155, 170-71 (2005); 35 U.S.C. § 294(c) (2000) (“An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person.”).

⁹⁷ See NAT’L ARBITRATION FORUM, *MEDIATING AND ARBITRATING INTELLECTUAL PROPERTY DISPUTES* 6 (2005). See also Yamamoto & Tessensohn, *supra* note 17, at 245 (noting that arbitration might be attractive to Japanese parties who would like to keep their cases heard in confidence).

⁹⁸ Compare NAT’L ARBITRATION FORUM, *supra* note 97, at 5-6 (“Primarily the flexibility flows from the innovation and ingenuity of the parties in fashioning their arbitration agreement. Because arbitration is a species of contract law, parties can craft the terms or parameters by which an arising dispute will be handled in arbitration. Such flexibility is not possible in litigation.”), with DAVIS, *supra* note 7, at 171: Another possible advantage is the flexibility of arbitration. The parties can nominate the arbitrators, determine what procedure to follow, set the standards to be applied in making a determination, and select what laws apply. The only problem with these attributes is that it is rare for the parties to agree on these points.

⁹⁹ *Id.*

See NAT’L ARBITRATION FORUM, *supra* note 97, at 6.

¹⁰⁰ See *id.* at 5-6.

¹⁰¹ Interview with Osamu Koike, Counsel, Fuji Photo Film Co., Ltd., Intellectual Property Legal Division, in New York, N.Y. (Nov. 6, 2006) (noting that the resolution of parallel disputes with foreign parties cannot always be accomplished during litigation for jurisdictional reasons).

The *Hantei* Request procedure is even more attractive in view of its functional importance.¹⁰² It is common practice for entities doing business in the U.S. to seek due diligence opinions from their counsel.¹⁰³ These opinions generally assert in varying degrees of vagueness that the client is not infringing on any patents, so far as the counsel knows. The utility of such an opinion is somewhat limited, for a variety of reasons.

First, the substance of a legal opinion will be of limited credibility. The opposing counsel sitting across the discussion table will take the position that Vladimir is infringing, even if the latter's counsel has assured Vladimir that he is not. If the dispute is taken to trial, the main role that the diligence opinion will play is to show non-willfulness of the alleged infringement by Vladimir.¹⁰⁴

The opinion typically costs in excess of \$30,000,¹⁰⁵ but is unlikely to take an absolute position one way or another unless the party has paid more for it.¹⁰⁶ Vladimir should not optimistically expect the full and unconditional support from counsel unless he pays

¹⁰² See Duffy, *supra* note 8, at 155 (“The resulting administrative opinion is treated as ‘similar to an expert opinion’ . . .”).

¹⁰³ One point of view, although perhaps less tenable now, was that when “a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. . . . Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel . . .” *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) (citations omitted), *overruled by In re Seagate Tech., LLC*, 497 F.3d 1360, 1365, 1371 (Fed. Cir. 2007). As illustrated in note 104, *infra*, this is no longer a requirement.

¹⁰⁴ Even though such opinions are not mandatory, and in *Jack Schwartz Shoes, Inc. v. Skechers U.S.A., Inc.*, 233 F. Supp. 2d 512 (S.D.N.Y. 2002), even unnecessary for the defendant to fend off a willful infringement claim, the defendant’s failure to obtain an opinion after actual notice of potential infringement generally militates “strongly in favor of enhanced damages.” *Novo Indus., L.P. v. Micro Molds Corp.*, 239 F. Supp. 2d 1282, 1290 (S.D. Fla. 2002), *rev’d*, 350 F.3d 1348 (Fed. Cir. 2003). *But cf.* *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir. 2004) (en banc) (“The adverse inference that an opinion was or would have been unfavorable, flowing from the infringer’s failure to obtain or produce an exculpatory opinion of counsel, is no longer warranted. Precedent authorizing such inference is overruled.”); *Seagate*, 497 F.3d at 1371 (reemphasizing that “there is no affirmative obligation to obtain opinion of counsel.”). None of this is meant to trivialize to importance of obtaining and following the competent opinion, which can save a defendant found guilty from treble damages per 35 U.S.C. § 284 (2000).

¹⁰⁵ *Compare* Menell, *supra* note 9, at 507 (“Opinion letters can cost in excess of \$40,000 per patent asserted.”), *with* DAVIS, *supra* note 7, at 368 (explaining that in the mid-nineties an opinion of a legal expert may have cost from \$5,000 to \$20,000 in Japan).

¹⁰⁶ Since diligence opinions can suffice in safely advising the client without taking a firm position, risk-adverse counsel wishing to insulate themselves from potential malpractice suits may be more willing to equivocate. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 n.9 (Fed. Cir. 1992) (“An opinion of counsel, of course, need not unequivocally state that the client will not be held liable for infringement. An honest opinion is more likely to speak of probabilities than certain-

for an insurance bond to cover the counsel's liability.¹⁰⁷ Taking this into consideration, Vladimir's accountants would rationally suggest that he be open to offering a settlement payment of any amount less than the insurance premium.¹⁰⁸ A lower-priced *Hantei* opinion of unimpeachable technical and non-partisan competence would be a welcome alternative.

The cost savings become much more apparent in the context of litigation. U.S. patent litigation fees can easily end up in the millions of dollars.¹⁰⁹ The early stage *Markman* hearing that determines the legal claim construction is very expensive. Discovery in general is very expensive. Nor are expert witnesses cheap to procure. Beyond the trial level, moreover, the litigants will in the majority of cases continue to be entangled by an adjudicatory appeal.¹¹⁰ To exacerbate the financial burden, because claim construction is a question of law,¹¹¹ the results of the *Markman* hearing will be considered *de novo*.¹¹² This amounts to both parties having to suffer the most expensive portion of trial twice.¹¹³

B. Arbitration in Japan

There are very few bodies in Japan that offer arbitration. The primary organizations are the Japan Shipping Exchange ("JSE");¹¹⁴

ties."), *abrogated by* *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc).

¹⁰⁷ Outside counsel would presumably be reluctant to issue an absolute opinion that, if ultimately shown to be wrong and incompetent, could readily open itself to a malpractice suit and subject itself to potentially millions of dollars in liability for a mere \$40,000 business item (see note 105, *supra*) without some sort of indemnity to insulate itself.

¹⁰⁸ If no other course of action is available to escape liability.

¹⁰⁹ "The cost to bring a patent case . . . ranges from \$750,000 to \$1 million for a simple dispute and from \$4 million to \$8 million for a modest one. Monster cases can cost \$10 million or more." IP WORLDWIDE, May 2002, at 43. See also AMERICAN INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2005, I-108 (2005) (showing that the average cost of litigation for cases where the amount in controversy is less than \$1 million is \$770,000).

¹¹⁰ See Kimberly M. Ruch-Alegant, Note, *Markman: In Light of De Novo Review, Parties to Patent Infringement Litigation Should Consider the ADR Option*, 16 TEMP. ENVTL. L. & TECH. J. 307, 308 (1998) (observing that "unless the losing party is out of money and time, that party will most likely appeal.").

¹¹¹ *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 387-88, 391 (1996).

¹¹² *Id.* (determining that claim construction is a question of law, and so the *de novo* standard applies on appeal).

¹¹³ See Ruch-Alegant, *supra* note 110, at 308 (as a consequence of *Markman*, *de novo* review effectively means re-litigating the case).

¹¹⁴ DAVIS, *supra* note 7, at 156.

the Japan Industrial Property Arbitration Center (“JIPAC”),¹¹⁵ formerly the Arbitration Center for Industrial Property; and the Japanese Commercial Arbitration Association (“JCAA”).¹¹⁶ It is regrettable that none of these institutions are heavily relied upon, due in part to the public’s general ignorance of arbitration.¹¹⁷

The benefits of arbitrating patent disputes in Japan are similar to those in the U.S., already enumerated in Part IV(A), *supra*. Successful arbitration of a patent dispute in Japan might even result in proportionately more monetary savings than in the U.S., because would-be litigants could forego a second costly discovery at the appellate stage in addition to the fact-finding at trial.¹¹⁸

Parties utilizing arbitration in Japan typically reach a resolution within 6 months.¹¹⁹ The initial request fee may be just under \$500.¹²⁰ This request fee is followed by investigation fees, which will run between \$900 and \$1,800.¹²¹ In addition, there are charges for each hearing, as well as a surcharge of 1.5 to 10% of monetary settlement.¹²²

Given the litany of costs, the choice of the most cost-effective or appropriate means of dispute resolution should not be regarded blithely. It is not unheard of for arbitration in Japan to “be more expensive than patent litigation itself.”¹²³ As such, the advantages of arbitration must be weighed carefully against its disadvantages; otherwise the ultimate winner of the dispute may find that the system has cheated him out of his expected returns. Having chosen a mechanism less than optimally compatible to his needs and re-

¹¹⁵ Yamamoto & Tessensohn, *supra* note 17, at 244.

¹¹⁶ DAVIS, *supra* note 7, at 156.

¹¹⁷ *Id.* at 174. There are, of course, other reasons that shall be elucidated in Part VII(A), *infra*.

¹¹⁸ See DAVIS, *supra* note 7, at 68, 361 (appellate courts review questions of facts and law *de novo* and can engage in their own fact-finding). This estimation assumes that the parties are resolute and irreconcilable enough to litigate up through the appellate level.

¹¹⁹ See Yamamoto & Tessensohn, *supra* note 17, at 244.

¹²⁰ See *id.* *But cf.* DAVIS, *supra* note 7, at 169 (representing that \$5,000 was the initial request fee).

¹²¹ See Yamamoto & Tessensohn, *supra* note 17, at 244.

¹²² *Id.*

¹²³ *Id.* at 246. Furthermore, if both avenues of dispute resolution are unprofitable, and there is no accessible alternative free of institutional disincentives, the would-be plaintiff may well be discouraged from asserting his rights. This is the revisionist paradigm explaining why the Japanese pursue legal or administrative remedies. See KENNETH L. PORT, JAPANESE TRADEMARK JURISPRUDENCE 7 (1998) (suggesting that the Japanese “forego rights not because they affirmatively want to, but rather because the system is so inept at dealing with their case that they are forced to forego these rights.”).

sources, he will suffer the suboptimal prescription that it mechanically returns.

V. REALISTIC CHALLENGES FACED BY U.S. PATENT DISPUTE RESOLUTION

A. Problems with Alternative Dispute Resolution

For all of its benefits, ADR – especially arbitration – is not without its own drawbacks. Patent disputes by nature may “necessitate that parties take their disputes to court” rather than resort to ADR.¹²⁴ Among the countervailing concerns are the following: (1) The high-stakes nature of most patent disputes militate for the adjudicative finality of *stare decisis*;¹²⁵ (2) if there is an appeal, the review of the arbitral award would be *de novo*;¹²⁶ (3) dissatisfaction with early and potentially unfavorable finality for those who can afford to litigate through the appellate stage;¹²⁷ (4) the adversarial relationship of the parties who ardently want their day in court and object to compromise verdicts;¹²⁸ (5) the significance and precedential value of judicially validated patents;¹²⁹ (6) the paramount public interest in discovering patent invalidity which confidential extrajudicial resolutions would suppress;¹³⁰ and (7) the *Lear* doctrine.¹³¹

¹²⁴ Lim, *supra* note 96, at 187.

¹²⁵ See *id.* at 174-75.

¹²⁶ See *id.* at 187.

¹²⁷ See *id.* at 176-77.

¹²⁸ See *id.* at 181-82. Arbitrators may devise Solomonian solutions to the chagrin of parties who would rather have a definitive win-lose result rather than a lukewarm win-win outcome.

¹²⁹ See *id.* at 177-80. The precedential value should not be overestimated, however, since collateral estoppel may not bar non-parties to making the same argument, nor is a ruling of validity ever conclusive of the patent’s validity (unlike a ruling of invalidity).

¹³⁰ See *id.* at 184-85.

¹³¹ “The ‘Lear doctrine’ states that the public has a strong interest in patent validity, which should be determined by courts, and suggests that an arbitration of patent validity may not be binding on the parties.” *Id.* at 171 n.97 (citing *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969)). See also *Lear*, 395 U.S. at 670 (“Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor’s discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification.”). While disagreeing with the majority’s reluctance to apply its new rule to state-governed trade secrets, Justice Black ultimately concurred with the rule’s application to patents, concluding that “[t]he national policy expressed in the patent laws, favoring free competition and narrowly limiting monopoly, cannot be frustrated by private agreements among individuals, with or without the approval of the State.” *Id.* at 677 (Black, J., dissenting).

B. Problems with Litigation

The frustrations with and shortcomings of litigation have already been highlighted by Vladimir's plight at the end in Part II, *supra*, where he was put "in the position of having to choose between abandoning a particular business venture or bringing matters to a head by engaging in arguably infringing activity."¹³² In addition, there are the excessive front-loaded costs of discovery-heavy litigation and the inconveniences inherent in a protracted, adversarial, technical proceeding whose core issue is a legal question.¹³³ In short, the problems of litigation abound, with the flipside of each of the benefits of ADR listed in Part IV, *supra*, as a corresponding pejorative.

Furthermore, the outcome of litigation is highly unpredictable. With a high reversal rate,¹³⁴ patent litigation is quite aptly a "dance on the razor's edge."¹³⁵ It is neither efficient nor affordable. District courts are too many and too ill equipped to handle technical disputes with consistency, and yet they are courts of first instance.¹³⁶ The expenses of preparing for litigation and attorneys' fees at the trial level are a sunk cost, and this initial stage of trial but a rite of passage. The more knowledgeable and circumspect interpreter is the Federal Circuit, but it only lends its wisdom on appeal.¹³⁷ Uniform claim interpretation is thus bought with the price of appeals,¹³⁸ to the chagrin of every indigent litigant who cannot afford to prosecute the merits of his case at the high-roller's table.

Not only is appellate adjudication unsatisfactorily unpredictable, but from the outset litigation is unsavorily imbalanced. Usually, the defendant will find himself being unexpectedly hailed into

¹³² *Cygnus Therapeutics Sys. v. ALZA Corp.*, 92 F.3d 1153, 1160 (Fed. Cir. 1996), *overruled by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

¹³³ See *Ruch-Alegant*, *supra* note 110, at 323 (concluding that losing parties in patent trials "will almost automatically appeal" every time, purse- and time-permitting); see also *id.* at 308 (noting that on appeal, the *de novo* review of claim construction mandated by *Markman*, 517 U.S. 370, 372, 391 (1996), means practically re-litigating the case anew).

¹³⁴ See *Lim*, *supra* note 96, at 176 ("The Federal Circuit reverses these district court judgments of validity and infringement twenty-two and twenty percent of the time, respectively.").

¹³⁵ *Pasternak & Nelson*, *supra* note 44, at 1060.

¹³⁶ See *Duffy*, *supra* note 8, at 165 (explaining why uniformity of decision in the U.S. comes at a high price).

¹³⁷ Further appeal to the U.S. Supreme Court is authoritative, but even more expensive.

¹³⁸ See *Duffy*, *supra* note 8, at 165 ("The Federal Circuit can provide such uniformity, and it is also a knowledgeable interpreter of patent claims. But centralizing claim interpretation in the Federal Circuit also has its costs.").

court on his adversary's "terms and convenience."¹³⁹ Without the initiative, Vladimir will lose control of which District Court the suit is ultimately brought, and remain vulnerable in a state of unease until Estragon finally decides when it is best on his schedule to bring suit. Vladimir gives up home court advantage, the element of surprise, and valuable trial preparation time.¹⁴⁰

The disadvantages incumbent in waiting for a suit incentivize a first-strike attempt at invalidation, but the recurring problem is that Vladimir might not have standing to initiate either an invalidation proceeding in court or a reexamination by the PTO until he has made an investment that he is reluctant to risk.¹⁴¹ The system is currently structured such that Vladimir will have 20/20 vision in hindsight but he may be exasperatingly blind to the fact that Estragon is staring him in the face, even if Vladimir has *already* attempted to identify with reasonable diligence every patent that he is potentially infringing. Vladimir is trapped at an impasse,¹⁴² limited to reactive rather than proactive measures.

Of course, Vladimir could always approach Estragon and, through any one of ADR's many platforms, try to obtain a license to the latter's patent. However, while this method does eliminate the risk of litigation and payment of damages, it runs the risk of Vladimir paying more than was due in the case of a false positive.¹⁴³ Vladimir's business decision is impaired by the lack of an

¹³⁹ See Pasternak & Nelson, *supra* note 44, at 1065.

¹⁴⁰ See *id.*

¹⁴¹ Cf. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 731 (2002) (discussing in the context of the doctrine of equivalents, "[i]f competitors cannot be certain about a patent's extent, . . . they may invest by mistake in competing products that the patent secures.").

¹⁴² The situation likens to having "the sword of Damocles . . . hanging overhead." Frank, *supra* note 29.

¹⁴³ Had the dispute gone to trial, the jury might have found that Vladimir's activity was non-infringing. But the threat of litigation alone may serve as deterrence to development in that technical area, or force reluctant licensees to pay supra-competitive prices to avoid litigation. On a macroscopic level, this amounts to a significant harm to the public and the economy, exacerbated if the patent were actively trolled to harass small entities. The *Lear* Court seized upon a similar concern, reasoning that if licensees were "muzzled [from challenging the invalidity of the licensed patent], the public may continually be required to pay tribute to would-be monopolists without need or justification." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). However, Vladimir might consider the option of taking a license, paying under protest, and filing for declaratory judgment. See *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 777 (2007) (holding that a licensee does not need to refuse to pay the debt due under the licensing contract to have standing to sue for the invalidation of licensor's patent). One drawback is that the licensee may lose and end up paying needless litigation costs. His is a trade-off, then, between unnecessary royalty payments and unnecessary litigation fees. Vladimir will be able to discover just how gratuitous his license payments are, but at the price of court fees and attorneys' fees. The second drawback

unbiased, authoritative assessment about his venture's interplay with Estragon's patent.¹⁴⁴

VI. PROPOSALS

A. The Missing Link: What is lacking in the U.S.?

In ADR schemes as well as litigation, there is want of a central, unifying source of advisory authority – short of the Court of Appeals for the Federal Circuit – that is knowledgeable, credible, reliable, objective, and both more celeritously and financially accessible than the Federal Circuit to private parties. Grave and precarious is the situation of a potential defendant who is unsure of how to conform his conduct so that, absent of closing shop, he may safely steer clear of costly suits. Vladimir's predicament at the end of Part II, *supra*, illustrated that Vladimir was unwilling or unable to use any mechanism, including licensing, to diagnose the likeli-

to this strategy is that one of its two outcomes ultimately does not inform Vladimir of whether his activity or patent reads on the licensor's claims: If the court finds that Estragon's patent is invalid, Vladimir can practice his patent for free; but if Estragon's patent is valid, Vladimir has not only suffered the costs of litigation, but he still might not know whether the licensing payments are necessary. Even if Estragon's patent is valid, Vladimir might not be infringing. This second drawback may be mitigated, though, if Vladimir seeks a declaratory judgment of invalidity and non-infringement at the same time.

¹⁴⁴ Estragon, on the other hand, has an option unavailable to the Vladimir. In limited circumstances, Estragon could lodge a complaint with the International Trade Commission ("ITC"), which could issue injunctive relief after an administrative hearing. See Tariff Act of 1930, 19 U.S.C. §§ 1337(d), (e), (f), (g), and (i) (2000). One of the advantages of the ITC route is that it saves time and litigation expenses. Steve Seidenberg, *Patent Rocket Docket: Patent Holders Choose the International Trade Commission for Fast, Powerful Results*, 93 A.B.A. J., Jan. 2007, at 38 (contrasting how ITC judges usually issue a decision "within [fourteen] months" with how "it takes at least [twenty-two] months for an infringement case to go to trial in most district courts."). However, it suffers from certain deficiencies that prevent it from completely supplanting the demand for either patent litigation or a *Hantei* Request System. For instance, it is unlikely that Vladimir would lodge a complaint with the ITC and invite an investigation of his own activities. To the extent that the potential defendant would prefer discretion, this administrative approach seems more pro-plaintiff. But for Estragon as well, the ITC cannot award him damages. See *id.* He will still have to file a suit in district court to seek compensation. Secondly, because the ITC can only grant injunctive relief, there may be less of a deterrent effect on infringers. Supposing the injunction is issued, the parties would negotiate a license to continue operations according to the Coase Theorem, and the end result would be the same as if the district court could only award reasonable royalties for future instances of infringement. The consequences of greatly diminished deterrence in this scenario are discussed in greater detail in Part VII(A)(2), *infra*, in the context of the Japanese legal system. Thirdly, the ITC can only investigate instances where the alleged infringer is importing goods into the U.S., limiting this option to a narrow subset of cases. *Id.*

hood of his being liable for infringement on Estragon's patent before making his investment, so he would either have to abandon the idea or risk the whole of his investment and more.¹⁴⁵ A high-risk, low-gain environment is far from ideal to encourage industries to innovate "[s]cience and useful [a]rts."¹⁴⁶

At the same time, the dual invalidation authority in the U.S. deserves attention. At present, the situation is unbalanced because the PTO has only the power to invalidate, while the courts have both the power to invalidate and to find infringement. Whether this inequality is acceptable may well depend on the desirability and availability of alternate constructs.¹⁴⁷

The first proposal is for mutual exclusion – the PTO would hold the power to invalidate patents exclusively, leaving the courts with only the exclusive power to determine infringement. However, this may lead to unacceptable delays and increased court costs as it did in Japan before the 2004 amendment of its Patent Law, which was alluded to in Part III, *supra*. The courts would take a hands-off approach and pass the invalidity determination to the JPO, a procedure that usually proved to be inefficient in light of the fact that the latter determination would take longer than the trial itself.¹⁴⁸ This is not an attractive proposal to either litigant.

The second proposal is for mutual inclusion – both the PTO and the District Courts would have the authority to invalidate patents and determine infringement. This is a weak proposal for different reasons. Each governmental branch, in exercising overlapping dual authority, will engender the potential for reaching inconsistent, conflicting results; incentivize forum shopping; and introduce more confusion into an already unpredictable system.

¹⁴⁵ Not only might Estragon recover his lost profits, he might even be able to win treble damages from Vladimir for willful infringement. See 35 U.S.C. § 284 (2000) (the court may punitively treble the compensatory damages). Willful infringement determinations, however, could become less common with future legislation. See, e.g., *Seagate*, 497 F.3d at 1371 (overruling the negligence standard set in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), and requiring instead objective recklessness as a precondition to awarding punitive damages) and Patent Reform Act of 2007, S. 1145, 110th Cong. § 5(b)(2) (2007) (articulating a "clear and convincing evidence" standard for a finding of willful infringement).

¹⁴⁶ U.S. CONST. art. I, § 8, cl. 8 ("To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries").

¹⁴⁷ Practically, the delineation of the powers of the PTO and the federal courts ultimately depends on Congress, but should the public seize on tenable and better alternatives, Congress could be moved by public opinion to reconsider.

¹⁴⁸ Motsenbocker, *supra* note 15, at 411, 413.

The third proposal takes a step back and calls for a re-conceptualization of the paradigm. Instead of viewing the dynamic in terms of a power struggle, the process could be treated as a fair division of labor towards a collective goal. The court can enter the final judgment, but the PTO, having adopted a mechanism similar to the *Hantei* Request System, could be consulted by either litigant or the court for *Hantei* evidence, which in turn would be considered as a persuasive predetermination. The PTO's finding could also act as presumptive evidence, clear and convincing evidence,¹⁴⁹ or even conclusive evidence in favor of either party. Alternatively, the courts may treat the PTO like a magistrate whose fact-finding it may accept at face value.

There are many attractive elements in this third proposal. It is less invasive and radical than either of the first two proposals. Moreover, it is conceptually palatable, because there is a close relation between the validity of a patent and its infringement to begin with.¹⁵⁰ The PTO is deemed competent to evaluate the validity of patents, and so its competence in assessing infringement is at least defensible.¹⁵¹ In light of how “[c]onstruing the claims is always the first step in an infringement or validity analysis,”¹⁵² the courts and the PTO examiners, while performing their respective duties, engage in the same methodology, at least initially. The overlap in routine leads to the inference that the PTO would not find completely foreign the idea of evaluating claims for infringement, nor would its actual performance of such be gauche.

Whether an invention can be validly patented and whether it infringes¹⁵³ a prior patent is teleologically the same characteristic. Anticipation – a core inquiry in determining the initial patentabil-

¹⁴⁹ If used offensively, the *Hantei* might provide the same clear and convincing evidence required under 35 U.S.C. § 282 to invalidate a legitimate patent. See *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984).

¹⁵⁰ See *CHISUM ET AL.*, *supra* note 26, at 861 (“Literal infringement is analogous to anticipation.”).

¹⁵¹ *Cf. Aluminum Fabricating Co. of Pittsburgh v. Season-All Window Corp.*, 259 F.2d 314, 316 (2d Cir. 1958):

In a case such as this, where [both the trademark is strong and the challenger of the mark's validity has also presented strong evidence against the presumption], the courts should not overrule the action of the Patent Office to whose care Congress has entrusted the preliminary determination as to whether a mark fulfills the requirements of the statute.

Id. Similarly Congress has entrusted the PTO the preliminary determination as to whether a patent application fulfills the rigorous requirements of the corresponding statute, and is not anticipated.

¹⁵² *CHISUM ET AL.*, *supra* note 26, at 860.

¹⁵³ At least literal infringement, if not infringement by the doctrine of equivalents.

ity and later in determining validity upon reexamination – and infringement merely rest at opposite ends of a time spectrum. “That which infringes, if later, would anticipate, if earlier.”¹⁵⁴ Thus, if the PTO’s professionals were to review the claims for infringement together, theoretically they would be making a partially similar if not the same inquiry again, whereas the District Court would be viewing it on first impression.

Granted, the PTO examiners may also be seeing the claims for the first time. The two patents might have been handled by different art units; or, relevant prior art may have been overlooked or unidentified by the search; or, the original examiners are no longer employees at the PTO; or, each examiner focused on the disclosure of the patent applications rather than the claims. This last point will be discussed in more detail below.

B. Why implementing the Hantei Request System in the U.S. should usher in benefits

The *Hantei* Request System could aid litigation practice and improve other areas whose users would benefit by being able to predict the very consequences of litigation that they seek to avoid. It would accomplish this by affording the public a means of early detection,¹⁵⁵ which would in turn bolster the reliability of claims of PTO-issued patents.

Next, judicial acceptance of *Hantei* would promote both patentees’ and the public’s reliance on judicial decisions and the PTO’s patents, by streamlining the interpretative standards against which patent claims will be measured.¹⁵⁶ This would ensure the

¹⁵⁴ *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889). *See also* *Beckson Marine v. NFM*, 292 F.3d 718, 726 (Fed. Cir. 2002) (reasoning how “that which will [literally] infringe, if later, will anticipate, if earlier.”) (internal quotation marks omitted); *In re Robertson*, 169 F.3d 743, 745 (Fed. Cir. 1999) (noting that the test for anticipation under 35 U.S.C. § 102(e) is “that ‘each and every element as set forth in the claim is found, either expressly or inherently, in a single prior art reference.’” (quoting *Verdegaal Bros. v. Union Oil Co.*, 814 F.2d 628, 631 (Fed. Cir. 1987))). Analogously, that which, if earlier, would have anticipated by rendering the invention obvious could be infringing per doctrine of equivalents if later.

¹⁵⁵ *See* *Duffy*, *supra* note 8, at 148 (“Opining on ambiguities in claims may improve the PTO’s ability to detect and eliminate such ambiguity prior to the issuance of a patent, which, in turn, would improve the certainty and reliability of patent rights generally.”).

¹⁵⁶ After all, long before any suit was brought, the issuance of the patent by the PTO had put the public and subsequent inventors on notice of the particular claim language and scope in the patent on which ultimately the “patentee and the Patent and Trademark Office agreed” *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538 (Fed. Cir. 1991).

smooth development of new technology. Both corporate and small entities will know how to better conform their conduct so as to not infringe if the courts do not regularly second-guess the PTO's decisions.¹⁵⁷

The public would witness a corollary benefit with the increased uniformity and predictability of claim construction and invalidation. Even if infringement is left strictly to the province of the courts, no evidentiary rule or constitutional principle expressly prohibits judges from relying on the PTO as experts. In determining whether the claims of one patent literally reads on another, the court will need tools to decipher the meaning of the claims of both patents.¹⁵⁸ Each patent will rely on its own specifications¹⁵⁹ to define its claims, likening the specifications to the public's and the court's dictionary. However, having two discrete dictionaries, one for each patent, will limit their utility in the cross-parsing.¹⁶⁰ Here, the role of the PTO would be to provide the objective, official, unifying thesaurus.¹⁶¹

¹⁵⁷ Motsenbocker, *supra* note 15, at 389. *See also* Markman v. Westview Instruments, Inc., 517 U.S. 370, 390 (1996):

As we noted in *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938), “[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public.” Otherwise, a “zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field,” *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942), and “[t]he public [would] be deprived of rights supposed to belong to it, without being clearly told what it is that limits these rights.” *Merrill v. Yeomans*, 94 U.S. 568, 573 (1877).

Id.

¹⁵⁸ “Unfortunately, the nature of language makes it impossible to capture the essence of a thing in a patent application. . . . The language in the patent claims may not capture every nuance of the invention or describe with complete precision the range of its novelty.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 731 (2002).

¹⁵⁹ And other intrinsic evidence, such as its prosecution history and overall claim consistency. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1320-23 (Fed. Cir. 2005) (en banc) (“[T]he methodology [that the *Texas Digital* court] adopted placed too much reliance on extrinsic sources such as dictionaries, treatises, and encyclopedias and too little on intrinsic sources, in particular the specification and prosecution history.”).

¹⁶⁰ Ruling out fraud or piracy, it is likely that the terminology in the disclosure of each patent will have been independently chosen by each patentee, leaving the court with two separate glossaries covering two different dialects.

¹⁶¹ *See Texas Digital Sys. v. Telegenix, Inc.*, 308 F.3d 1193, 1202-03 (Fed. Cir. 2002), *abrogated by Phillips*, 415 F.3d 1303:

Dictionaries, encyclopedias and treatises, publicly available at the time the patent is issued, are objective resources that serve as reliable sources of information on the established meanings that would have been attributed to the terms of the claims by those of skill in the art. Such references are unbiased reflections of common under-

After a patent has been granted, 35 U.S.C. § 282 gives the patent a presumption of validity that the challenger must overcome by clear and convincing evidence.¹⁶² This should be a major consideration in favor of non-infringement for the subsequent patent, ideally giving rise to a presumption of non-infringement as well, because the PTO must have examined the prior art and checked for anticipation. A District Court Judge seeing the disputed claims for the first time may be inclined to give deference to an administrative body or agent thereof that has *already* reviewed the claims¹⁶³ for non-anticipation and therefore implicitly made an indirect finding as to the non-infringement by this subsequent patent.¹⁶⁴

One point that disfavors this proposal is that if¹⁶⁵ and when the PTO examiner initially conducts the prior art search, he will focus on the prior art teachings. When the focus is limited to what

standing not influenced by expert testimony or events subsequent to the fixing of the intrinsic record by the grant of the patent, not colored by the motives of the parties, and not inspired by litigation. Indeed, these materials may be the most meaningful sources of information to aid judges in better understanding both the technology and the terminology used by those skilled in the art to describe the technology.

Id. Even though the Federal Circuit, in *Phillips*, retreated from this position of holding technical dictionaries in high regard and affording them great weight, the advantages of having an objective authority to reference were not undermined nor disavowed. *Phillips*, 415 F.3d at 1320-23. The PTO could fill this role as a figurative dictionary with the implementation of the *Hantei* Request System, especially since the PTO would have participated in manufacturing and modifying the intrinsic evidence during its examiners' interaction with the applicants, unlike a real dictionary.

¹⁶² See 35 U.S.C. § 282 (2000) ("A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. . ."); *Neff Instrument Corp. v. Cohu Elecs. Inc.*, 298 F.2d 82, 86 (9th Cir. 1961) ("A presumption of validity, which can only be overcome by clear and convincing proof, arises from the issuance of a patent. This presumption is based upon the expertness of the Patent Office.").

¹⁶³ A parallel administrative mechanism allows would-be plaintiffs to seek, where possible, rulings from the tech-savvy administrative law judges in the International Trade Commission, which "tend to hold up unusually well on appeal to the Federal Court." Seidenberg, *supra* note 144, at 38.

¹⁶⁴ And even if the initial prior art search was not thorough enough and the first patent, having slipped through the cracks, was *never* reviewed in the context of granting the second patent, a quick and low-cost *Hantei* request before litigation is the expeditious answer to resolving the dispute of infringement. Granted, the PTO does not have enough resources to scrutinize the claims of every prior patent for *every* patent application, but this does not mean that it cannot spare three examiners per request when the requester has already singled out the two patents whose claims are to be compared.

¹⁶⁵ An applicant may perform his own search under expedited filing. See 37 C.F.R. § 1.155(a)(2) (2004) (listing a pre-examination search as a prerequisite to an applicant's request for accelerated examination").

is taught by the disclosures of prior patents,¹⁶⁶ the examiner might not scrutinize the claims of the prior patents, or understandably overlook their overlap with the sought claims.¹⁶⁷ So even though the PTO is focusing on the disclosures, it may miss the importance of a prior disclosure in context of the purportedly new claims before them. This is especially true if the patent only includes the minimum requirement of one embodiment for the purposes of 35 U.S.C. § 112 to show possession.¹⁶⁸ The examiner is unlikely to consistently predict every unstated embodiment of each prior patent and relate it to the present application. Further difficulties result from inventors' attempts to patent the *structures* of their ideas,¹⁶⁹ rather than the specific and oftentimes unforeseen *applications* of their ideas.¹⁷⁰

¹⁶⁶ Or printed publications or published patent applications. See 35 U.S.C. § 102(a), (b), (e) (2000); 1 MPEP, *supra* note 8, § 904. ("The examiner, after having obtained a thorough understanding of the invention disclosed and claimed in the nonprovisional application, then searches the prior art as disclosed in patents and other published documents, i.e., nonpatent literature (NPL).").

¹⁶⁷ The enabling characteristic of the disclosure is what anticipates and denies patentability. See, e.g., *Alexander Milburn Co. v. Davis-Bournonville Co.*, 270 U.S. 390 (1926) (holding that a prior patent that did not fully claim what it disclosed would still bar from patentability a subsequent application that did claim the former's unclaimed subject matter).

¹⁶⁸ See 2 MPEP, *supra* note 8, § 2106; *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed. Cir. 1991) (noting that the disclosure of a single embodiment in an application is enough to provide sufficient teaching and anticipate future patents under 35 U.S.C. § 102).

¹⁶⁹ See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 731 (2002):
An invention exists most importantly as a tangible structure or a series of drawings. A verbal portrayal is usually an afterthought written to satisfy the requirements of patent law. This conversion of machine to words allows for unintended idea gaps which cannot be satisfactorily filled. Often the invention is novel and words do not exist to describe it. The dictionary does not always keep abreast of the inventor. It cannot. Things are not made for the sake of words, but words for things.

Id. (citing *Autogiro Co. of America v. United States*, 384 F.2d 391, 397 (1967)).

¹⁷⁰ When the PTO examiner scrutinizes a patent application, he will consider grounds for rejection under 35 U.S.C. § 103, among others. See *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) ("[T]he §103 condition . . . lends itself to several basic factual inquiries. Under §103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained . . .") (citations omitted). However, the prior art references he cites under 35 U.S.C. § 103 will be limited to those in fields analogous to the subject matter of the applicant's invention. See *generally* *In re Clay*, 966 F.2d 656, 658-59 (Fed. Cir. 1992):

Two criteria have evolved for determining whether prior art is analogous: (1) whether the art is from the same field of endeavor, regardless of the problem addressed, and (2) if the reference is not within the field of the inventor's endeavor, whether the reference still is reasonably pertinent to the particular problem with which the inventor is involved.

Id. Prior art references that the examiner may call upon to bar the application on 35 U.S.C. § 102 grounds, unfortunately, have no such restriction, and can be derived from any field of

The main thrust of the criticism, then, is that the PTO is no better than the District Court judge at comparing and contrasting two patents in the first instance. However, having a *Hantei* Request System whereby three examiners, experts in the narrow field of art¹⁷¹ in which the patents are classified, jointly review both patents will seriously undercut this argument, especially if among the three chosen there happens to be at least one examiner who previously handled the prosecution of any of the patents' original applications.¹⁷²

The *Hantei* Request procedure will serve seven additional functions: (1) Act as reinforcement of prior validity determinations to reaffirm confidence in the PTO's expertise; (2) amicably sort out the false conflicts in the universe of currently active patent claims to reduce inconsistency in claim construction and increase predictability; (3) mandate the scrutiny of the *claims* of the two patents in a distraction-free vacuum rather than considering the universe of prior and occasionally extraneous *disclosures*;¹⁷³ (4) test the robustness of patents that are fencing off certain practices from the public domain;¹⁷⁴ (5) ensure that society has the full benefit of robust and mutually exclusive patents, such that licensees will not have to license from a plurality of patentees in fear that otherwise he might expose himself to a multiplicity of infringement suits; (6) eliminate bias in judicial proceedings against foreign patentees;¹⁷⁵ and (7) liberate and optimize judicial resources.

Some of the greatest benefits derived will be manifest in both judicial and extra-judicial contexts. In particular, the *Hantei* Re-

endeavor or have been invented for any purpose. The breadth of scope may tax the examiner's ability to detect anticipating applications of prior art in unrelated fields.

¹⁷¹ The PTO has at least 271 art units to which the handling of patent applications is divided and assigned. OFFICE OF INSPECTOR GEN., U.S. DEP'T OF COMMERCE, USPTO SHOULD REASSESS HOW EXAMINER GOALS, PERFORMANCE, APPRAISAL PLANS, AND THE AWARD SYSTEM STIMULATE AND REWARD EXAMINER PRODUCTION, FINAL REPORT IPE-15722 i (2004). ("PTO's patent corps has 8 technology centers that process patents. Together, the centers have 271 art units, each with a staff of examiners that specializes in a unique technology, scientific method, or classification."). See also 1 MPEP, *supra* note 8, § 504.

¹⁷² This contrasts with the general office policy of the PTO when dealing with reexamination proceedings. See 2 MPEP, *supra* note 8, § 2236 (the supervisory examiner of the art unit "will assign the reexamination request to an examiner different from the examiner(s) who examined the patent application.").

¹⁷³ A court will not be able to do this during an invalidation proceeding, nor the PTO during reexamination.

¹⁷⁴ The object would be to filter out weak, overlapping patents in favor of strong ones. See Motsenbocker, *supra* note 15, at 407.

¹⁷⁵ See *id.* at 391 (advocating that greater reliance on each country's patent office may eliminate national differences).

quest procedure preserves anonymity and promotes results. The anonymity provided not only dispels the fear of bringing a suit that ultimately backfires in the form of a counterclaim, but also the fear of being haled to court on an adversary's terms and convenience.¹⁷⁶ *Hantei* prevents the divestment of the choice of forum, thereby preserving it for those who are wary of litigation but who nonetheless would consider it.

Also admirable is the high accessibility of the *Hantei* Request procedure, which costs less than reexamination or invalidation proceedings to finance,¹⁷⁷ and requires less of the applicant, as compared to the stringent requirements of standing for declaratory judgment or restrictive burdens of production for reexamination.¹⁷⁸ A would-be plaintiff seeking declaratory judgment may not yet have developed the invention or rendered it patentable, but would still like a predetermination of likelihood of infringement before making the investment to further develop his concept.¹⁷⁹ The lack of standing requirements or restrictions upon applicant status¹⁸⁰ in requesting a *Hantei* overcomes this hurdle.¹⁸¹

The attractiveness of anonymity thus extends to assuring that his investment will not be needlessly jeopardized, a contingency that plagued Vladimir in his quest for declaratory judgment at the end of Part II, *supra*.¹⁸² Similarly, one who avails himself of an ad-

¹⁷⁶ See Pasternak & Nelson, *supra* note 44, at 1065. These concerns were previously highlighted in Part V, *supra*.

¹⁷⁷ Compare GUIDELINES, *supra* note 2, at § 1(2)(B)(b) (the request costs 40,000 Japanese yen, amounting to less than \$400) with 37 C.F.R. § 1.20(c)(1) (2004) (An ex parte reexamination costs \$2,520 to initiate) and 37 C.F.R. § 1.20(c)(2) (2004) (An inter partes reexamination would cost \$8,800 to initiate). See also Frank, *supra* note 29 ("A reexamination proceeding can cost each side \$10 000 to \$100,000 . . .").

¹⁷⁸ See also 37 C.F.R. 1.510(b)(1); 2 MPEP, *supra* note 8, §§ 2216, 2609(C) (requestor must raise a "substantial new question" addressing the patentability of the invention that was not covered during the original examination). See generally 35 U.S.C. §§ 302-307, and § 312(a) (2000 & Supp. IV 2006). This concern was raised in Part II, *supra*.

¹⁷⁹ Cf. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 732 (2002) ("If competitors cannot be certain about a patent's extent, they may be deterred from engaging in legitimate manufactures outside its limits, or they may invest by mistake in competing products that the patent secures.")

¹⁸⁰ See GUIDELINES, *supra* note 2, at § 1(3)(A) (anyone may request one). See also TOKKYO HÔ [PATENT LAW], No. 220 of 1999, art. 71.

¹⁸¹ While the lack of more stringent standing requirements may open this procedure to abuse, patentees and their assigns need not fear the hectoring of *Hantei* requesters. As long as the imported implementation of the *Hantei* Request procedure retains its advisory, non-binding character, the potential for its abuse is minimal.

¹⁸² This assumes that he has painstakingly already acquired legal standing. See, e.g., *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988) ("Plaintiff may not, for example, obtain a declaratory judgment merely because it would like an advisory opin-

visory opinion will be immune from the business-world blacklisting that would have been virtually guaranteed had he sought reexamination or invalidation of another's patent instead. This is possible only because the *Hantei* requester need not be an interested party.¹⁸³ A dummy applicant or middleman may be employed to submit the request.¹⁸⁴

A *Hantei* Request System eliminates the deterrent to seeking the assurance that an inventor needs before making his investment.¹⁸⁵ Vladimir can go ahead with his idea and design around¹⁸⁶ Estragon's prior patent, reducing his invention to practice, and promoting "the [p]rogress of [s]cience and useful [a]rts."¹⁸⁷

There is a plethora of uses for *Hantei* in evidence and negotiations, be it in the arena of ADR, pre-litigation preparation, or litigation.¹⁸⁸ On its face the *Hantei* Request System appears to be rife with advantage and promise.

ion on whether it would be liable for patent infringement if it were to initiate some merely contemplated activity." Vladimir must have established by "meaningful preparation" in the potentially infringing activity that he has a "true interest to be protected by the declaratory judgment." *Id.* However, where he merely seeks assurance rather than protection, and where the prerequisites for judicial protection are more than he can afford, he should be able to seek the advisory opinion from an alternative, extra-judiciary source.

¹⁸³ See GUIDELINES, *supra* note 2, at § 1(3)(A) ("Parties requesting *Hantei* opinions are not required to have legal interest in the *Hantei* result. However, from the perspective of the purpose of the system, the demander must briefly explain their need to demand a *Hantei* opinion in the space for reason in the *Hantei* demand form.").

¹⁸⁴ Interview with Hironari Kawashima, Kobe Steel, Ltd., Intellectual Property Department, in New York, N.Y. (Oct. 30, 2006).

¹⁸⁵ And he could seek assurance without violating the spirit of the "reasonable apprehension" prong of the test for judicial standing, which restricted the grounds for declaratory judgments for fear of an onslaught of suits against patentees. *Cf. Arrowhead Indus.*, 846 F.2d at 736 ("If, on the other hand, defendant has done nothing but obtain a patent, there can be no basis for the required apprehension, a rule that protects quiescent patent owners against unwarranted litigation."). Because the *Hantei* Request System specifically avoids litigation and does not jeopardize the would-be defendant's patent rights, it would be available to Vladimir where for policy reasons the declaratory judgment might not.

¹⁸⁶ See Giles S. Rich, *Foreword* to DONALD S. CHISUM ET. AL., *supra* note 26, at iii; *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 731 (2002):

[T]he patent laws require inventors to describe their work in "full, clear, concise, and exact terms," 35 U.S.C. § 112, as part of the delicate balance the law attempts to maintain between inventors, who rely on the promise of the law to bring the invention forth, and the public, which should be encouraged to pursue innovations, creations, and new ideas beyond the inventor's exclusive rights.

Id. (citation omitted).

¹⁸⁷ U.S. CONST. art. I, § 8, cl. 8.

¹⁸⁸ The JPO has recommended that *Hantei* evidence be used for:

- (a) Confirmation of patent infringement (continuation or cessation of working)
- (b) Resolution of conflict by agreement of the parties involved in accordance with *Hantei* results (especially useful for petty disputes)

VII. DELIBERATION

A. Why *Hantei* might be a Better Fit for the U.S. than for Japan

In Japan, a variety of factors may account for any suboptimal capitalization of the *Hantei* Request procedure: The populace's unfamiliarity with and underutilization of the local arbitration system; the lackluster appeal of a low cost-benefit ratio in relying on arbitration; a lenient judicial system; and the lack of statutory punitive damages. Each is analyzed in turn below.

1. Deficiencies of Arbitration

Beyond the enumerated reasons in Part V(A), *supra*, regarding the incompatibilities of arbitration with patent disputes in particular, arbitration in Japan also suffers from a few endemic deficiencies. Compared to the U.S., arbitration is poorly understood in Japan,¹⁸⁹ and, therefore, underused.¹⁹⁰ The lack of this platform impairs the opportunities for relying on *Hantei*. Even if a *Hantei* opinion were requested, there would be no receptive forum, formal or informal, in which to communicate the import of the finding with the other party, or to posture oneself in zero-sum situations. In other words, because there is no adequate forum, there is no pressing need to apply for a *Hantei* to help convince the opposing party who will never show.

(c) Various uses in legal proceedings:

- (i) As documentary evidence proving infringement
- (ii) As documentary evidence proving the item in question is an equivalent (evidence regarding the patentability of the item in question)
- (iii) As documentary evidence proving non-existence of cause of action in equitable action for injunction or in common law for claiming damages
- (d) Indication of patent numbers on goods
- (e) Use in negotiation for licensing, license agreement or transfer agreement
- (f) Use as an attachment to an application or information provision document (request of shoreline control of infringing goods) to customs
- (g) As a document providing the Police with grounds for accusation
- (h) As a document supporting a demand made to an arbitration institution
- (i) As evidence in a warning letter or rebuttal against such warnings
- (j) As a document to support claims of infringement of registered rights or antitrust laws
- (k) As grounds to demand to the courts the opportunity to state an opinion if a claim seeking provisional injunction is submitted.

GUIDELINES, *supra* note 2, at § 1(2)(A).

¹⁸⁹ See DAVIS, *supra* note 7, at 174 (noting the general ignorance of arbitration).

¹⁹⁰ See Yamamoto & Tessensohn, *supra* note 17, at 245.

From 1991 to 1993, for instance, the JCAA received only three to six newly filed requests for arbitration annually, many of which were subsequently withdrawn.¹⁹¹ Similarly, the JSE only received three to five new disputes annually in the early 1990s.¹⁹² By contrast, the American Arbitration Association received about 63,000 new cases in 1993.¹⁹³

The ignorance of or under-reliance upon institutional arbitrators might also be ascribed to the novelty of the idea of submitting patent disputes to arbitration, and to the newness of the institutions themselves. It was only recently that patent disputes could be submitted for arbitration.¹⁹⁴ As late as 1996, arbitral awards from patent disputes were not enforceable.¹⁹⁵

Another general disincentive to employing arbitration in Japan is the practical concern of personal expenditure. The \$5,000 initial request fee is “not inexpensive.”¹⁹⁶ Later incurred administrative fees are based on the value of the claims, ranging between \$5,000 and \$140,000.¹⁹⁷ Not only this, but arbitration may take the same amount of time as litigation to conclude.¹⁹⁸ In an engagement so protracted, it is not inconceivable that arbitration could cost as much as litigation,¹⁹⁹ if not more.²⁰⁰ Exacerbating this risk is the possibility that even when the ultimate decision is favorable, the potential gains are dwarfed by those derivable through litigation, because arbitrators are more conservative than the courts and reluctant to craft large damage awards that cannot be easily appealed.²⁰¹ The potential of a higher cost for arbitrating disputes than litigating them, combined with the probability of a smaller arbitral award than a final, adjudicated damages award, necessitate against the use of arbitration.

¹⁹¹ See DAVIS, *supra* note 7, at 160.

¹⁹² *Id.* at 156.

¹⁹³ *Id.* at 160. 63,000 is the number of total cases received. Since the main thrust of the argument is that arbitration is little known or infrequently utilized in Japan in general, the U.S. rate of patent arbitration is not considered.

¹⁹⁴ *Cf. id.* at 158 (noting that patents were not arbitrable in Japan as of 1996).

¹⁹⁵ See *id.* *But cf.* Yamamoto & Tessensohn, *supra* note 17, at 244 (noting that judges now encourage parties submit their patent disputes to arbitration).

¹⁹⁶ DAVIS, *supra* note 7, at 169. *But see* Yamamoto & Tessensohn, *supra* note 17, at 244 (suggesting that the initial request fee is under \$500).

¹⁹⁷ DAVIS, *supra* note 7, at 169.

¹⁹⁸ See *id.* at 164, 172 (twenty-nine months). *But see* Yamamoto & Tessensohn, *supra* note 17, at 244 (noting that arbitral resolution could be achieved in six months).

¹⁹⁹ DAVIS, *supra* note 7, at 172.

²⁰⁰ Yamamoto & Tessensohn, *supra* note 17, at 246 (conceding that arbitration may cost more than litigation).

²⁰¹ See DAVIS, *supra* note 7, at 173.

In sum, the unfamiliarity with and impracticality of entertaining arbitration are understandably formidable barriers to the Japanese public's ability to embrace it. It may just be that in Japan, arbitration is seldom relied on because "the disadvantages outweigh the advantages."²⁰²

2. Deficiencies of Litigation

As with domestic arbitration, the Japanese judicial machinery also suffers from idiosyncratic properties that foreclose a potential legitimate forum in which *Hantei* might be heard. These idiosyncrasies include the lack of adequate judicial deterrent and its symmetric effect – the lack of adequate judicial remedy.

In Japan, the opportunity to call upon *Hantei* may have been negatively impacted by the statistical rarity of infringement findings, which in turn stemmed from the lack of judicial application of the doctrine of equivalents before 1998.²⁰³ Claims were narrowly read as a consequence of the courts' reluctance to invalidate a "questionable" patent altogether.²⁰⁴ This phenomenon might also have been attributable to a presumption that if a patent could survive the 5-year opposition period unscathed, it was a strong, meritorious patent.²⁰⁵ But this issue is effectively moot now that both the doctrine of equivalents has been adopted²⁰⁶ and the post-issu-

²⁰² *Id.* at 171.

²⁰³ See *Tsubakimoto Seiko Co., Ltd. v. THK K.K.*, 52 *MINSHŪ* 113 (Sup. Ct., Feb. 24, 1998) (vacating and remanding to the Tokyo High Court the infringement analysis, with orders to consider the equivalents of claim elements based on the fulfillment of five conditions), *translation available at* http://www.softic.or.jp/en/cases/Tsubakimoto_v_THK.html (last visited Oct. 10, 2007).

²⁰⁴ See Molsenbocker, *supra* note 15, at 407.

²⁰⁵ Compare to Lanham Act §§ 15 and 33(b), 15 U.S.C. §§ 1065 and 1115(b) (2000) (U.S. trademarks become incontestable and are afforded a *conclusive* presumption of validity if after registration, there is five years of continuous use and no adverse final decision as to its validity in that interim).

²⁰⁶ See Yamamoto & Tessensohn, *supra* note 17, at 261 (noting that the Japanese Supreme Court permitted a finding of infringement under doctrine of equivalents in 1998). This comment's author speculates that this doctrinal development rendered at least marginally more difficult the JPO examiners' task of evaluating infringement in response to a *Hantei* request. Prior to the recognition of the doctrine of equivalents by the courts, unless the JPO unilaterally aspired to be more thorough, the minimum required of the examiners to make a functional *Hantei* rendition that would mirror a subsequent judicial analysis was to superficially inspect the claims of the questioned patents for literal infringement. However, after *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997), and *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002), the author also speculates that PTO examiners conducting *Hantei* investigations would not have to do much more.

ance opposition procedures have been extra-judicially phased out by the 2003²⁰⁷ amendment in the Patent Law.²⁰⁸

Another limiting factor may be the traditionally small awards prescribed by the courts where infringement is found.²⁰⁹ Japan has not adopted a system of trial by jury in civil actions,²¹⁰ and judge-ordered awards are, in theory, less susceptible to sympathetic augmentations than amounts determined by plaintiff-favoring juries. Moreover, due to the formulaic use of damage-calculation schemes by Japanese courts, coupled with the lack of statute-granted punitive damages,²¹¹ the resulting awards are often small in comparison to those given in the U.S.²¹² In addition, under a provision in Japanese Patent Law Section 102 that survived the 1998 amendment, courts have discretion to “limit damages to an amount equal to a reasonable royalty, even if actual damages were higher.”²¹³

While predictability and uniformity are normally associated with a healthy judicial system, in Japan they are arguably open to exploitation. The courts’ clockwork reliance on the damages calculation formula and high uniformity of adjudication in Japan’s national legal system²¹⁴ allows would-be litigants to accurately predict the award amount and settle before trial accordingly.²¹⁵ This is a mixed blessing. Granted, the parties may be better able to assess the costs and benefits of undertaking litigation if they can presage the outcome, but there is an immediate and adverse side-effect –

²⁰⁷ In the fifteenth year of the Heisei reign by the Japanese calendar.

²⁰⁸ See Japan Patent Attorneys Association, *2003 Amendment to Japan Patent Law*, <http://www.jpaa.or.jp/english/law/2003amendment.html> (last visited Sept. 14, 2007).

²⁰⁹ See, e.g., Yamamoto & Tessensohn, *supra* note 17, at 258 (noting that the patent infringement awards made by Japanese courts in 1990 through 1994 were “abysmal” and “less than [one percent] of the U.S. annual average . . . over the same period.”).

²¹⁰ See DAVIS, *supra* note 7, at 125.

²¹¹ See *id.*

²¹² For instance, from 1990 through 1994, Japanese awards amounted to less than [one percent] of the U.S. annual average in the same period. See Yamamoto & Tessensohn, *supra* note 17, at 258 (Approximately \$415,000 compared to \$92 million). Also, in 1996, it appears that the average reasonable royalty rate set by U.S. courts was 11% compared to 4.2% as awarded by the Japanese courts. Takenaka, *supra* note 12, at 337.

²¹³ *Id.* at 321 (contending that the Japanese legislature was “more concerned about protecting innocent infringers than about protecting patentees.”).

²¹⁴ See DAVIS, *supra* note 7, at 126.

²¹⁵ This is the rationalist paradigm used to explain why the Japanese might be less rights conscious than their U.S. counterparts. See PORT, *supra* note 123, at 8:

The would-be Japanese litigant fully understands the likely litigated outcome and chooses to settle confident that he/she would not fare substantially better if he/she litigated the case to judgment. . . . To the rationalist, . . . the Japanese simply know their system too well and settle fully compensated rather than waste their time and energy suing.

for the cases where the award of reasonable royalties will be less than the damages, the defendant has less incentive to deal in good faith. He could rationally infringe and risk litigation in the hopes of a favorable finding. The worst-case scenario is that he pays what he would have paid had he licensed from the outset. Given the circumstances and the state of the law, “[i]t’s stupid not to steal.”²¹⁶

It appears that Japan already has a reliable predetermination method of liability independent of *Hantei*. It just happens to be overly reliable²¹⁷ and not predisposed to opening a dialogue where *Hantei* evidence would be an effective bargaining chip. Compared to Japanese parties, U.S. parties would probably prefer to have the technical *Hantei* opinion at their disposal before going into the arbitrator’s conference room.

In light of the infrequency of findings of infringement, habitually diminutive award sizes, and exploited predictability, litigation in Japan is less attractive to patentee-plaintiffs²¹⁸ and less deterring of infringing defendants.

B. Customizing the Solution

The *Hantei* Request System need not be imported clause for clause. Application of the system should be tailored towards the demands of the public and the capacity of the PTO to supply the services. Several improvements to the current *Hantei* Request System should be considered in light of these concerns.

First, among the three examiners who are chosen, the PTO should require where possible that there be at least one examiner who has previously handled the office actions of any of the patents under scrutiny. This extra step would ensure that the examiners most familiar with handling the patents are actively participating in debating the technical scope of each patent. Any potential bias by an examiner for the patent issued on his watch will be balanced out by that of the examiner who issued the other patent. The PTO may

²¹⁶ Yamamoto & Tessensohn, *supra* note 17, at 258.

²¹⁷ See PORT, *supra* note 123, at 8.

²¹⁸ It is worth pointing out that all of these enumerated factors may be indicative not of a well-functioning legal machine, but of the opposite premise, that the Japanese system is in actually broken and therefore under-utilized. Cf. PORT, *supra* note 123, at 7-8 (discussing a revisionist view of why litigation is little resorted to in Japan). The two explanatory paradigms, revisionist and rationalist, appear to be mutually consistent.

even reduce the number of examiners to just two, one for each patent to be compared in the *Hantei* request.

There need not even be a second patent.²¹⁹ The comparison may be between an active patent and the proposed or current activity of a non-patent holder. This would, in effect, be a more affordable, reliable, neutral, and authoritative version of the diligence opinion, while accomplishing the same baseline purpose of the opinion, *viz.* to show non-willfulness.

In case the use of *Hantei* would supplant that of diligence opinions, the PTO might be concerned with the flood of requests that would overwhelm the office's resources. In this contingency, a joint effort, not unlike the current Patent Prosecution Highway between the JPO and the PTO, could expediently dispel this fear. Whereas the Patent Prosecution Highway pilot program is geared towards reciprocally delegating the examination of the eligibility of patent applications, here the sister program²²⁰ would be devoted to interpreting the scope of claims. In order not to sacrifice the advantages of having the patent examiners most familiar with the patents debating them together,²²¹ the PTO examiners would have to be retained, but the third examiner, if there is one, might be a JPO examiner. In the alternative, if this "*Hantei* Highway" is implemented only after the Patent Prosecution Highway has become regular practice, then we can expect that one or both *Hantei* requesters to the PTO were applicants whose patent applications were also forwarded to JPO examiners. Thus, the *Hantei* request to the PTO would be handled by one or more of the original JPO examiners, reducing the burden on the PTO's resources in those cases. In short, volume control of the "*Hantei* Highway" traffic may depend on the continued success and utilization of the Patent Prosecution Highway.

Also, institutionalized use of *Hantei* would have the net effect of accelerating the completion of invalidation proceedings. If, in

²¹⁹ Though ideally the examiners might want to have two familiar patents before them to contrast the scope of the claims of each patent, the *Hantei* requester need not be a patent holder. He may be a Vladimir, a prospective investor, a current applicant awaiting approval, a cautious businessman who is not tech-savvy, a concerned member of the public, or a diffident inventor who is curious to know if his latest invention has successfully been designed around a prior patent and is worth applying for a patent. Alternately, the *Hantei* requester may be an Estragon who wishes to gauge the chances of litigation success against a potential infringer that is operating without any patent of their own.

²²⁰ For ease of reference, we might call it the "*Hantei* Highway."

²²¹ *Cf.* 2 MPEP, *supra* note 8, § 2236(I) (the supervisory examiner of the art unit "will assign the reexamination request to an examiner different from the examiner(s) who examined the patent application.").

rendering the non-binding opinion on actual infringement, the examiners took note of a particularly weak patent, the *Hantei* might be used in a subsequent invalidation proceeding to sift out questionable or duplicative patent claims.

In conclusion, there is no procedural, functional, institutional or economic reason why the U.S. could not synergistically use a *Hantei*-like system to its advantage, giving the public more choices and tools to consider using during either litigation, pre-litigation, or ADR.²²²

C. Overcoming Potential Drawbacks

Even without divesting the court of its power to evaluate the scope of patent claims, assignment of the same task to the PTO may raise a variety of constitutional implications and doubts. First, is the delegation of power to an administrative agency constitutionally permissible?²²³ According to Professor Duffy's detailed analysis of the primary jurisdiction doctrine, administrative assistance does not appear to be problematic.²²⁴

Second, there is a potential separation of powers issue between the executive and the judicial branches of the government.²²⁵ As long as the opinion on the scope is advisory, however, then

²²² The synergy is amplified by the particularities of the economic and structural make-up of the U.S. IP market, which is better situated to appreciate the advantages of *Hantei* than the Japanese public composite. Interview with Osamu Koike, Fuji Photo Film Co., Ltd., Intellectual Property Legal Division, Counsel, in New York, N.Y. (Nov. 6, 2006) ("In my opinion, *Hantei* is more favorable for small entities such as individual inventors or venture companies rather than established big companies. . . . In this regard, *Hantei* would be more suitable to US; there are more individual inventors, small venture companies, and patent-licensing entities.")

²²³ See Someno & Someno, *supra* note 57, at 111 (noting that Japan has a constitutional restriction on its administrative agencies, prohibiting them from acting as "tribunals of last resort."); KENPŌ [JAPANESE CONSTITUTION], art. 76, para. 2. Note, however, that Japan has managed to constitutionally permit and provide *Hantei* service. Might the PTO be able to do so under the U.S. Constitution as well?

²²⁴ See Duffy, *supra* note 8, at 136-42, 165 (speculating from how flexibly and broadly the primary jurisdiction doctrine, which allows a trial court to obtain an advisory opinion from a centralized, expert administrative agency, is applied in other areas of U.S. law that there should similarly be no constitutional barrier to its application in patent law). But more convincing is an already extant, working example of reliance upon an administrative organ. The International Trade Commission has jurisdiction over a certain subset of patent disputes, and administrative law judges may order injunctions against infringers. Tariff Act of 1930, 19 U.S.C. §§ 1337(d), (e), (f), (g), and (i) (2000).

²²⁵ The *Chevron* doctrine is probably not implicated, because the PTO has not been charged with interpreting or administering the Patent Act in regard to infringement. Thus, even if there were any ambiguity with 35 U.S.C. § 271, *Chevron*'s two-step inquiry would not lead to the

courts still have the last word.²²⁶ As such, the power of the executive branch is kept in check in case of its abuse.

Last, there may be concerns about depriving litigants of the right to trial by jury, preserved by the Seventh Amendment.²²⁷ Strict reliance by the court on PTO's *Hantei* evidence at face value may deprive the defendant in an infringement suit of his right to be tried before a panel of peers. In light of this concern, the import of *Hantei* evidence may, as a concession, be diluted to afford the same weight as any other piece of evidence for the jury to consider in the totality of circumstances. Ideally, however, the jury should be instructed to afford it great weight, if possible up to the point of being clear and convincing evidence of infringement or non-infringement, so long as this construct remains within constitutional bounds.

This argument assumes that the Seventh Amendment preserves a right to trial by jury in a patent dispute. It has been accepted in U.S. common law and traditionally practiced since 1791 in England that a jury determines infringement as a matter of fact.²²⁸ The concern is that if *Hantei* evidence is used defensively by Vladimir and accepted by the court as conclusive evidence, perhaps Estragon would be deprived of his right persisting since the 18th century forwards to have his claims tried before a jury, so long as he remembers to invoke it.²²⁹

The indulgence of the historical analogy inquiry in *Markman*²³⁰ may have laid the question of whether litigants have the right to a trial by jury in patent disputes to rest, and to resurrect a contention to the contrary may seem outrageous, but perhaps the issue merits a second look. In his concurring opinion in *Chauffeurs*,

conclusion that any judicial deference is owed to the agency's determination of infringement or non-infringement. *See Chevron, U.S.A., Inc. v. Natural Res. Def. Council*, 467 U.S. 837 (1984).

²²⁶ *See Cromwell v. Benson*, 285 U.S. 22, 51-52 (1932) (noting that in cases of "equity and admiralty" the courts historically could sua sponte call upon neutral third parties, such as administrative agents, to assist it in making factual determinations, and that while the "reports of masters and commissioners . . . are essentially of an advisory nature, it has not been the practice to disturb their findings . . . and the parties have no right to demand that the court shall redetermine the facts thus found.").

²²⁷ *See U.S. CONST. amend. VII* ("In Suits at common law . . . the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.").

²²⁸ *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376-77 (1996).

²²⁹ *See FED. R. CIV. P.* 38(b).

²³⁰ *See Markman*, 517 U.S. at 376-84 (concluding that even though "there is no dispute that infringement cases today must be tried to a jury, . . . evidence of common-law practice at the time of the framing does not entail application of the Seventh Amendment's jury guarantee to the construction of the claim document . . .").

Teamsters and Helpers Local 391 v. Terry,²³¹ Justice Brennan urged the Court to discard its historical inquiry as irrelevant because the nature of the remedy was the dispositive factor.²³² His observation was unsurprising in light of how the Court and the dissenting Justices, despite utilizing the same historical inquiry, came to opposite conclusions, each corresponding to the difference of opinion on how the nature of the remedy was construed.²³³

It follows then that where the nature of the sought remedy in a patent dispute is not monetary, a court, relying on either the majority or the dissent's traditional two-step²³⁴ analysis or Justice Brennan's shortcut, may conclude that the relief sought is equitable.²³⁵ Therefore, in proceedings where the plaintiff is solely seeking an injunction or invalidation, the reasons for supporting the right to a jury trial are not animated. A greater or even conclusive reliance on PTO-adduced evidence in these cases by the courts may be less intrusive upon constitutional rights than in other cases.

In addition, in an invalidation proceeding against Estragon's patent, Estragon's interests might be more pronounced and likely to be trampled upon than they would be after an unfavorable ruling of non-infringement. By comparison, his interests are not hurt as much because he would still retain his patent rights in the latter scenario. If, however, absent the *Hantei* evidence, he would have won on the infringement claim, there is then still the danger of a potentially substantial divestment of Estragon's property right.

The final inquiry, then, goes to determining the net worth of the talismanic requesting of *Hantei* by the judicial system on a regular basis and affording it either clear and convincing or conclusive weight. The courts' procedural gains must be balanced against the litigants' property interests in observance of the minimum requirements of due process.²³⁶ The court would engage in this analysis by

²³¹ *Chauffeurs, Teamsters and Helpers Local No. 391 v. Terry*, 494 U.S. 558, 574 (1990) (Brennan, J., concurring).

²³² *See id.* (Brennan, J., concurring) ("However, this Court, in expounding the test, has repeatedly discounted the significance of the analogous form of action for deciding where the Seventh Amendment applies. I think it is time we dispense with it altogether.").

²³³ *See id.* at 584 (Kennedy, J., dissenting) ("Having made this decision in favor of an equitable action, our inquiry should end.").

²³⁴ *See id.* at 565 ("To determine whether a particular action will resolve legal rights, we examine both the nature of the issues involved and the remedy sought.").

²³⁵ In U.S. patent law, the statutory remedies available to a patentee include injunctive and monetary relief, as authorized by 35 U.S.C. § 271(e)(4)(B) and (C) (2000), and attorneys fees under 35 U.S.C. § 285 (2000).

²³⁶ *See* U.S. CONST. amend. XIV, § 1 ("[N]or shall any State deprive any person of life, liberty, or property, without due process of law . . .").

first estimating how often the inclusion of *Hantei* evidence would be outcome determinative,²³⁷ multiplying this probability by the average cost to the unfairly treated litigant, and then juxtaposing this multiplicand²³⁸ against the government's interest in achieving better overall judicial efficiency and executive ease.²³⁹

VIII. CONCLUSION

Current methods of patent dispute resolution in the U.S. do not readily offer the user authoritative, neutral, and reliable guidance allowing him to best modify his business behavior in order to avoid liability. Means of procuring such valuable instruction are encumbered by impractical burdens and conditioned upon self-defeating concessions. The high visibility and accountability of conduct, the perceived certainty of retaliation, the automaticity of heavy-impact consequences, and the seemingly confrontational nature of even innocent probing effectively foreclose risk-adverse innovators from choosing a safe path on which to pursue prospects while protecting their investments.²⁴⁰ This high-stakes, high-risk environment is not conducive to effective handling of patent disputes, chilling, rather than encouraging, industries to innovate “[s]cience and useful [a]rts”.²⁴¹

A *Hantei* Request System will introduce a new, sensible, and attractive option of petitioning an administrative organ for a non-binding technical ruling on the scope of an adversary's patent. It will provide prospective private parties with better, faster, and more highly accessible information that can be critical in determining the strength of their positions and the relative worth of their

²³⁷ This represents the likelihood of producing false positives and false negatives in suits between the Estragons and Vladimirs of the world.

²³⁸ This represents the overall gravity of deprivation and unfairness to the party who would have won but for the summary adjudication on the conclusive weight of an inaccurate technical opinion.

²³⁹ See generally *Goldberg v. Kelly*, 397 U.S. 254, 262-63 (1970) (“The extent to which procedural due process must be afforded the recipient is influenced by the extent to which he may be ‘condemned to suffer grievous loss,’ and depends upon whether the recipient’s interest in avoiding that loss outweighs the governmental interest in summary adjudication.”) (citation omitted).

²⁴⁰ The latter concerns likewise discourage risk-adverse patentees from questioning potentially infringing practices.

²⁴¹ This is discordant with the spirit of the constitutional mandate to “promote the Progress of Science and useful Arts” U.S. CONST. art. I, § 8, cl. 8.

assets, without exposing the availing parties to the subsequent risk of litigation, harassment, or blacklisting.²⁴²

Additionally, judicial reliance on the procedure will usher in many intangible benefits that will enhance the internal machinery of national patent dispute resolution. Moreover, there is no procedural, institutional, economic, or constitutional barrier to prevent the U.S. federal courts or the PTO from synergistically utilizing the *Hantei* Request System to their advantage, giving large and small entities more options to consider before litigation, during litigation, or without litigation via ADR.

Therefore, a *Hantei*-like Request procedure, customized to reflect the demands of the public and the facility of the government, should be adopted.

²⁴² Calling upon the ITC is another administrative means of construing claims, but it cannot promise the anonymity of a *Hantei* Request. See Tariff Act of 1930, 19 U.S.C. §§ 1337(d), (e), (f), (g), and (i) (2000).