JAUIP Summer IP Seminar

Fundamentals of Patent Dispute Resolution in Japan

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JAPAN TOPICS

I. Civil Litigation in Japan
   1. Main Characteristics of Japanese Patent Litigation
   2. Gathering of Evidence
   3. Damages

II. Border Protection in Japan

III. Alternative Dispute Resolution (ADR) in Japan

I. JAPAN CIVIL LITIGATION

Main Characteristics of Japanese Patent Litigation

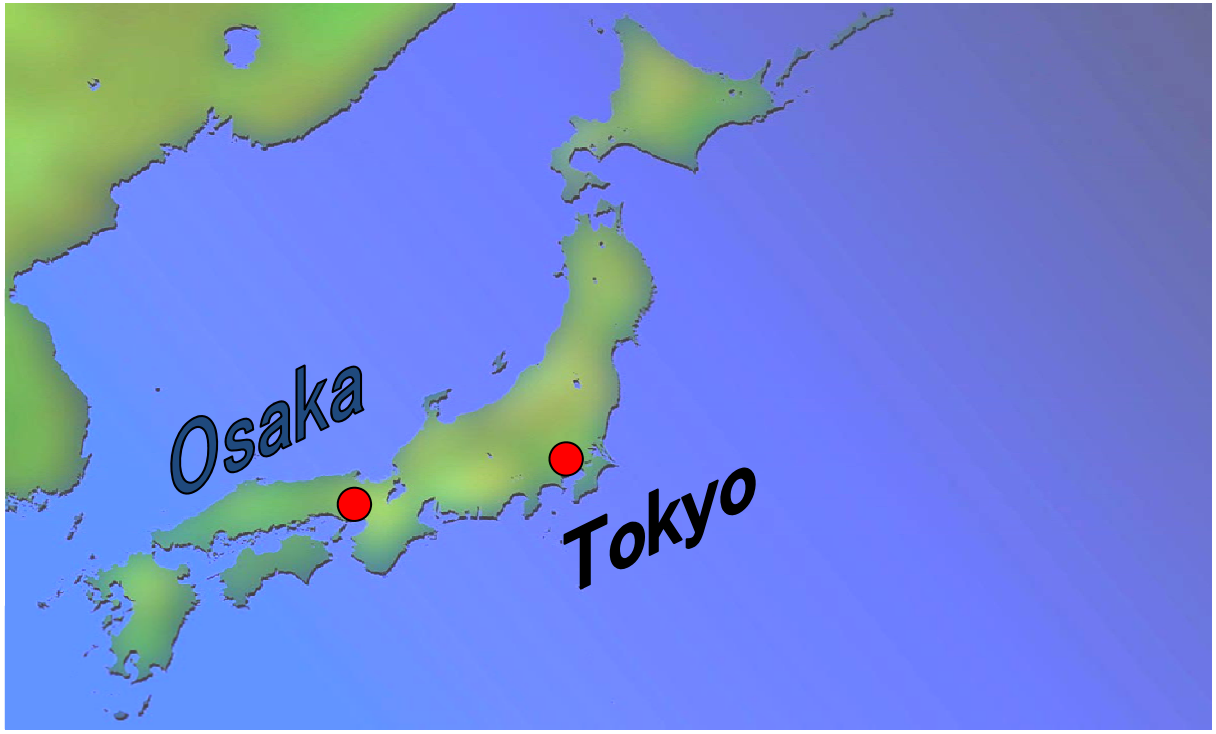
- Tokyo & Osaka district courts, and one court of appeals (IP High Court), and the Supreme Court of Japan
- Unified

  Infringement and validity issues are heard in the same forum
- No jury trial
- Specialized IP court/judges
- No thorough discovery procedures
- Two Phases of Discussions
- Settlement
- Fairly speedy
- Not so expensive
- Injunction/preliminary injunction

Main Characteristics of Japanese Patent Litigation

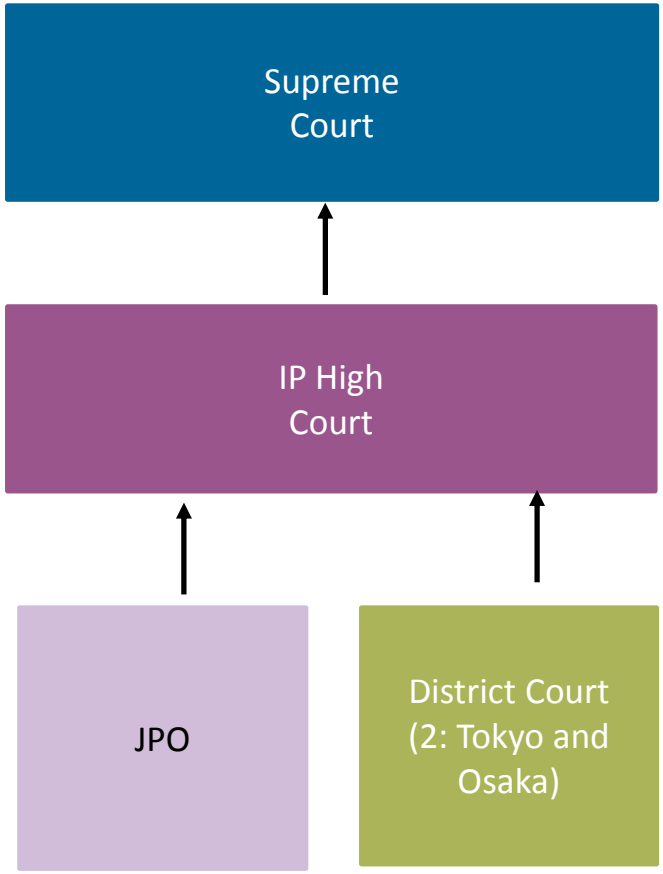
Trial courts

Tokyo & Osaka District Courts



Main Characteristics of Japanese Patent Litigation

Appeal from district courts and JPO is to IP High Court



Main Characteristics of Japanese Patent Litigation

- Specialized IP court/judges
  - Tokyo & Osaka District Courts have specialized divisions for intellectual property rights
  - Staffed with technical experts

Main Characteristics of Japanese Patent Litigation

Two Phases of Discussions

- At the first phase, parties focus on discussions about infringement issues and invalidity issues, and at the second phase, parties focus on discussions about damages issues

- The court, before finishing the first phase, decides whether hearings for calculating the amount of damages should be held

This practice could encourage the parties, especially the losing party to proceed settlement of the case.

Also this could avoid unnecessary discussions about damages issues and contribute to efficient and speedy resolution of patent disputes

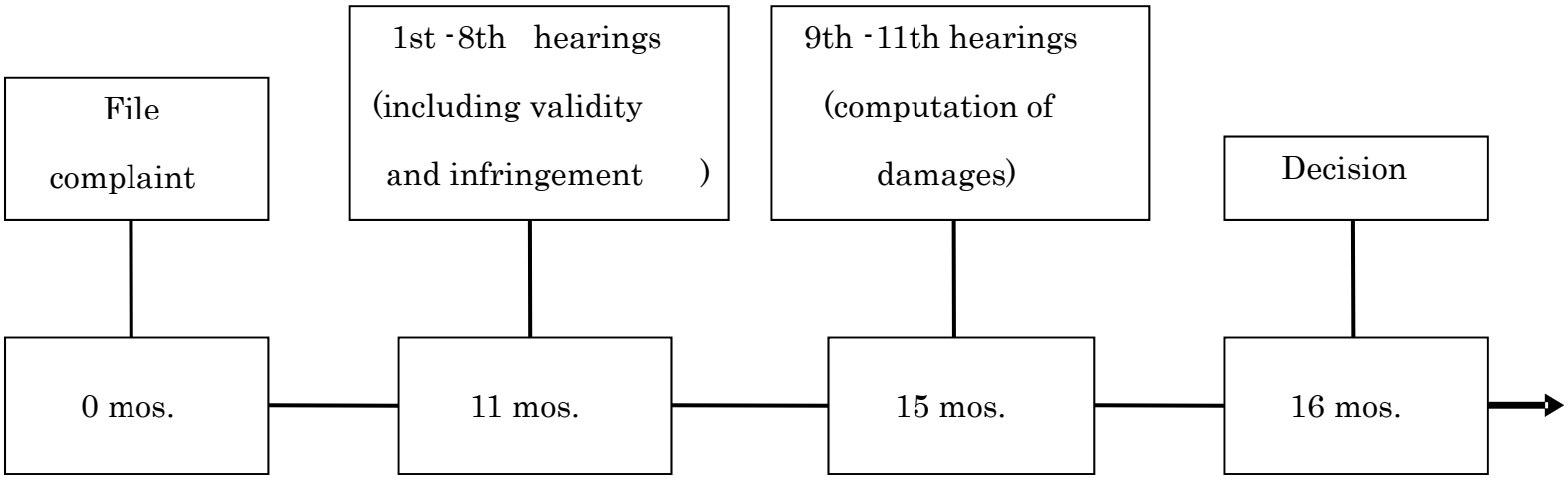
Main Characteristics of Japanese Patent Litigation

Settlement

- Judges generally take an active role in suggesting the possibility or the terms of a settlement at any stage between filing and the final judgment

- The judges usually have an opportunity to talk with each party individually, and they sometimes disclose their feelings about the issues in the case

Sample Timeline of Japanese Patent Litigation
(1st Instance)



Gathering of Evidence

- No thorough discovery procedures
- Most evidence is documentary

Gathering of Evidence

1. Denial of the Allegation With Reason

- When the defendant denies the plaintiff's description of the accused product or process, the defendant must clarify the relevant product or process in a concrete manner

Gathering of Evidence

2. Orders to Produce Documents

- At the request of a party, the court may order the opposing party to produce documents necessary to prove infringement or to assess damages caused by the infringement

Protecting Confidential Information

1. **Restriction of Public Inspection or Copying of Documents Submitted to the Court**

   - Should the record include any trade secrets, the court may limit the persons who have access to the documents containing trade secrets
   - This provision, however, does not restrict persons who are parties in the case from access to the documents

Protecting Confidential Information

2. Protective Order

- To restrict persons who can access to the confidential information to specific persons, you should get protective order from the court.
- In the case of the breach of the order, the person who has broken the order could be punished.
- Non-disclosure agreement is often concluded between the parties before submitting evidence containing trade secret.

Role of Experts

- Examination of an expert in the courtroom is rarely conducted
- Instead, each party produces a written expert opinion
- Experiment reports made by internal staff of the party are popular evidence.
- Expert opinion on the proof of damages
  - If the court orders preparation of an expert opinion on the proof of damages caused by the infringement, the other party must provide the expert with the necessary information to enable the expert to give an opinion

Damage Calculation

1. Lost Profit Based on the Number of Infringing Product & the Profits of Patentee's Products

   The number of infringing products assigned × Amount of the profit of patentee's products

   - determined by multiplying the number of infringing products by the profit per unit the plaintiff would have earned without the infringing activities within a limit not exceeding the potential production capacity of the patentee
   - If, however, circumstances prevented the patentee from selling part or all of the infringing products, a sum equivalent to the amount subject to that circumstance will be deducted
   - does not require a patentee to practice the patented invention in Japan

Damage Calculation

2. Lost Profit Presumed by Infringer's Profits

   Amount of infringing party's profit (the number of infringing products assigned × Amount of the profit of infringing products)

   - presumed to be equal to the profits gained by the infringer through the infringement
   - does not require a patentee to practice the patented invention

3. Licensed Royalties

   Amount of infringing product's sales × License fee (%)

   - A patentee may demand compensation for damages in the amount the patentee would have been entitled to receive under a license for the working of the patented invention

Damage Calculation

Example:

Quantity of Infringing Product sold: 10,000 pieces

Infringing Product Unit Price: 1,000 yen

Plaintiff Product Profit/Piece: 400 yen

Infringing Product Profit/Piece: 300 yen

License fee entitled: 5%

§ 102(1)⇒10,000 pieces × 400yen＝4,000,000yen

§ 102(2)⇒10,000 pieces × 300yen＝3,000,000yen

§ 102(3)⇒10,000 pieces × 1,000yen × 0.05＝500,000yen

Recent High Damage Award

- Pachinko (slot machine) patent case (2002)
  -7.4 billion yen (US$74 million) (Tokyo Dist. Ct.)

- 2009: 860 million yen (US$8.6 million) (Tokyo Dist. Ct.)
- 2010: 1.79 billion yen (US$17.9 million) (Tokyo Dist. Ct.)
- 2011: 147 million yen (US$ 1.47 million) (Tokyo Dist. Ct.)
- 2012: 166 million yen (US$1.66 million) (Tokyo Dist. Ct.)
- 2013: 336 million yen (US$3.36 million) (Tokyo Dist. Ct.)
- 2014: 1.57 billion yen (US$15.7 million) (Tokyo Dist. Ct.)

II. BORDER PROTECTION IN JAPAN

Border Protection in Japan

- **Japan Customs** can enforce border protection of patents

- Under Section 69-2 and 69-11 of the Customs Law, the exportation and importation infringing goods are prohibited.

- Any person who has transported or attempted to transport such goods into/from Japan shall be punished under Section 108-4 and 109 of the Customs Law.

Customs Procedures

- Japan Customs make determination on patent infringement in its Identification procedures.

- However, suspected goods are in fact retained, once an application for suspension is accepted

- Thus, it is very important whether an application for import suspension is accepted or not.

Customs Procedures

Procedures of application for suspension

(1) Filing of an import suspension petition (Section 69-13 of the Customs Law)

(2) Announcement

- The Customs announces the fact and the deadline for an interested party including an importer or a manufacturer of the infringing products to submit an opinion within 10 business days after the date of the filing on the homepage of the Customs.
- If the Customs knows interested parties such as prospective importers in Japan, the Customs informs them about the fact and ask them for opinions.

(3) Expert Advisors (Section 69-14 of the Customs Law)

- The Customs can request expert advisors' opinion if:
  - (i) an opinion is submitted by an interested party;
  - (ii) there exists or could exist a dispute between the petitioner and the importer; or
  - (iii) it is proper to request expert advisors' opinion because it is not clear that infringement is proved by the petitioner.
- Expert Advisors are selected from, lawyers(Bengoshi), patent attorneys(Benrishi), and scholar

Customs Procedures

(4) Hearing

- At a hearing, each party has the opportunity to state their opinions and answer to the expert advisors' questions.

(5) Expert Advisors' opinions

- After the hearing, each expert advisor provides his/her opinion.

(6) Decision

- Customs is expected to decide whether to accept, reject, or withhold the filing within about three months from the announcement of the application based on the majority opinions of the expert advisors.

Customs Procedures

- Could be withheld in the following cases.
  - Not easy to decide infringement or validity issues in a limited time
  - Accused infringer has filed or is about to file a suit in court seeking a declaratory judgment.
  - Arguments related to invalidity of the patent are fairly strong and invalidation trial has been already filed at the JPO

Customs Procedures

- Very fast
  - 3-4 months until the decision whether an application for import suspension is accepted or not
- Very tough for each party
  - Practically need proof in the same extent as an infringement suit
- Could be withheld
  - Complicated issues
  - DJ action
  - Invalidation trial

See at http://www.customs.go.jp/mizugiwa/chiteki/pages/ipr_p.pdf

III. ADR IN JAPAN

ADR in Japan

- ADR – Alternative Dispute Resolution
- Act on Promotion of Use of Alternative Resolution (ADR Law)
  - empowered Minster of Justice to certify ADR organizations.
- ADR organizations
  - Japan Intellectual Property Arbitration Center (JIPAC)
  - Japan Commercial Arbitration Association (JCAA)
  - ADR centers operated by local bar associations

ADR in JIPAC

- JIPAC is specializing in the intellectual property dispute resolution
- ADR in JIPAC
  - Arbitration
  - Mediation
  - Advisory Opinion

Advantages of ADR

- Not open to the public
- Speedy
- Specialized
- Flexible

Arbitration

- Agreement on arbitration
  - Parties need to agree to leave the resolution to arbitrators
- A panel of three arbitrators
  - appointed from attorney at law and patent attorney
- Same effect as a final court decision
  - enforceable by obtaining an execution order from a court
- Parties can not appeal

Mediation

- Mediators coordinate the settlement negotiation
- The other party can refuse to the mediation proceeding
- A panel of one to three mediators
  - appointed from attorney at law and patent attorney
- Settlement agreements have the same legal effect as those of private agreements.

Advisory Opinion in JIPAC

- Opinion on scope of patent and validity of patent
- The applicant can choose ex parte or inter partes proceeding
- Panelists (one attorney at law and one patent attorney)
- Oral hearing

  - could be omitted upon the applicant’s request
- No binding

Actual Situation of ADR in Japan

- Not used so often
- Settlement is encouraged by judges in a patent infringement suit
- Advantages of ADR should be considered again

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Shinichi Murata is a partner at Kaneko & Iwamatsu, a Japanese law firm especially concentrating its practice in technical litigation, including intellectual property litigation and commercial litigation, in Tokyo.

Mr. Murata has extensive experience on a wide range of intellectual property matters, including Intellectual property litigation, trial for invalidation of patents and trial for cancellation of Japan Patent Offices' decisions, Infringement/validity opinion work, drafting and negotiating licensing of IP rights, and drafting joint development agreements.

Mr. Murata especially has a lot of experience in patent litigations over various technologies including telecommunication technology, pharmaceuticals, chemicals, electrical, semiconductor, etc.

Mr. Murata worked with Finnegan, Henderson, Farabow, Garrett & Dunner at their offices in Washington, DC (2001-2003). Mr. Murata received bachelor of laws degree from the Tokyo University (1992), a diploma of completion of Legal Training from the Legal Training and Research Institute of the Supreme Court of Japan (1995), and LL.M. in Intellectual Property Law from the George Washington University (2001).