Patent Litigation in Japan from an Attorney's Point of View

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I. INTRODUCTION

The litigation procedure of a jurisdiction sometimes makes substantial progress in a short period of time. This has happened in Japanese patent litigation procedure. In the last ten to fifteen years, substantial changes were made by amendments of law, court judgments and court practice. Major events among these substantial changes included the following:

(1) The Supreme Court's Kilby decision in 2000 and the amendment of the Patent Act thereafter enabled the courts to examine the validity of patents.
(2) Exclusive jurisdiction for patent infringement suits in the first instance was given to the two district courts, the Tokyo District Court and the Osaka District Court, in 2004.
(3) The Intellectual Property High Court (hereinafter: the IP High Court) was established in 2005 as the court of appeals that reviews all appeals in patent cases.
(4) In 2004, the courts were authorized to render protective orders that may make it easier for the patentee to access the accused infringer's trade secrets.

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(5) The duration of cases has become significantly shorter; most of the cases are now concluded in one year due to a change in court practice and an increase of IP judges since the 1990s.

In the light of such changes, I would like to introduce the characteristics of Japanese patent litigation procedure from the viewpoint of a practitioner.

II. PREPARATION BEFORE BRINGING SUIT

1. Proof of Infringement

There are no discovery proceedings in Japanese law. This means that the patentee must basically search for evidence of infringing acts independently. If the patented invention is directed to an object, the patentee should obtain the suspected products, examine them and ascertain that the products satisfy all claim elements of the patent.

If the patented invention is directed to chemical products such as a pharmaceutical composition, an experimental analysis of the products may be needed before commencing legal action.

When it is difficult to prove the infringing act directly, especially in the case of a patent directed to a manufacturing process, the patentee has to collect documents to somehow establish the patent infringement. In Japan, documents are likely to be more powerful in convincing judges than an expert opinion as evidence in infringement cases, and therefore it is necessary to collect adequate documents. Even so, sometimes an expert's opinion is also useful to prove infringement. With this in mind, it is also important to search for and contact good experts.

Evidence preservation is also available pursuant to Section 234 Code of Civil Procedure.[1]

2. Choice of Action(s): Regular Lawsuits and/or Provisional Injunctions

If a patentee is seeking monetary damages, the patentee should choose a regular lawsuit. However, if a patentee is only seeking an injunction, the patentee can choose either a regular lawsuit or a provisional injunction (*kari shobun*) as the first action. In Japan, it usually takes five to ten months for the district court to issue a provisional injunction order. A single judge hears the provisional injunction case, whereas a panel of three judges in intellectual property divisions hears the regular infringement case. In addition, there are many differences between these two actions as shown in the table below. It is better to choose the preferable action depending on the situation. In some cases, both the regular lawsuit and provisional injunction proceedings are chosen.

1 See Appendix.

Table:

The main difference
between regular lawsuits and provisional injunctions

	Regular lawsuits	*Provisional injunctions*
Legal basis (Proceedings)	Code of Civil Procedure (*Minji Soshō-hō*)	Civil Preservation Law (*Minji Hozen-hō*)
Possible claim	monetary damage and injunction	injunction
Hearing	open to the public (except preparatory proceedings)	closed *inter partes*
Judge(s)	a panel of three judges	a single judge
Possibility of withdrawal	only with defendant's consent	defendant's consent not necessary
Court fee	calculated based on value of subject matter	2000 JPY
Duration	9-13 months	5-10 months

3. *Forum Shopping*

The Tokyo District Court and the Osaka District Court have exclusive subject matter jurisdiction over litigation relating to patent rights and utility model rights.[2] Currently, the Tokyo District Court has four intellectual property divisions (i.e. the 29th, 40th, 46th and 47th Civil Division) and the Osaka District Court has two intellectual property divisions (i.e. the 20th and 26th Civil Division).

In which court the plaintiff should file the lawsuit basically depends upon the defendant's corporate address and the place of the infringing activity. If the defendant's office or manufacturing/sales facility is located in eastern Japan, the Tokyo District Court has jurisdiction. If it is located in western Japan, the Osaka District Court has jurisdiction. In cases where the defendant resides in Osaka but the place of the infringing activity is Tokyo, the plaintiff can choose the court.

2 See Section 6 CCP (Jurisdiction for actions relating to patents etc.), Appendix.

4. Calculation of Damages

Section 102 of the Patent Act[3] provides three bases to calculate the damage amount:

(i) lost profit based on the infringer's sales quantity multiplied with patentee's profit rate (Section 102(1)),
(ii) infringer's profit (Section 102(2)), and
(iii) license royalty (Section 102(3)).

The damage claim based on lost profit is available only if the patentee sells products, because Section 102(1) Patent Act covers "objects which would have been sold by the patentee if there had been no such act of infringement."[4] In the calculation formula based on lost profit provided in the section, there are some factors to reduce the damage amount. For instance, if there are any circumstances under which the patentee would have been unable to sell the same quantity as the defendant sold, the amount of damages shall be reduced.

In Japan, it is very common to claim damage based on license royalty.

5. Court Fee

The amount of court fees is determined in accordance with the subject matter value. When the complaint seeks monetary damages, the subject matter value is the amount being sought. In case of an injunction, the subject matter value is calculated by any of the following three formulas for cases to be handled by the Tokyo District Court:[5]

(i) decrease in the plaintiff's annual sales x plaintiff's profit rate x remaining patent term x 1/8;
(ii) estimated defendant's annual sales x estimated defendant's profit rate x remaining patent term x 1/8; or
(iii) (amount corresponding to annual royalty fee x remaining patent term[6]) – interim interest.

3 See Appendix.
4 Section 102(2) PA; see Appendix.
5 Calculation of the subject matter value is not necessarily the same for the Tokyo District Court and the Osaka District Court.
6 The remaining patent term should be counted in months.

III. Overview of Litigation Procedure (in the First Instance)

A lawsuit starts with submission of the complaint. The court decides the first hearing date after having received the complaint, and it is normally due approximately one and a half months after submission of the complaint. Before the first hearing date, the defendant should submit a written answer, which normally only consists of a denial of the "gist of demand" contained in the complaint.

The first court hearing is held in the courtroom open to the public. In patent infringement cases, the subsequent hearings are usually treated as preparatory proceedings of the court and the parties and are not open to the public. Each oral hearing is normally short, because its main purpose is to clarify the arguments, narrow the points of discussion and give some suggestions to the parties for preparation of the next briefs. The parties prepare their arguments precisely in briefs and the court also examines the case mostly based on the briefs.

When the court reaches a tentative conclusion, it often seeks a court settlement. If the parties agree to start settlement discussion before the court, the court will commence settlement proceedings (*wakai tetsuzuki*).

If the parties cannot reach a settlement, the final court hearing is held. The final court hearing is again open to the public. The judges confirm that all arguments and evidence submitted in the proceedings are officially acknowledged. Then, mostly after two to three months, the court decision will be rendered. In patent infringement cases, the duration of the court proceedings in the first instance is normally about ten to thirteen months.

IV. Characteristics of Procedure

1. Experts

In Japan, there are three kinds of experts involved in patent litigation.

The first is the so-called court research official (*saiban-sho chōsa-kan*) provided in Section 57 of the Court Act (*Saiban-sho-hō*)[7] and Section 92-8 of the Code of Civil Procedure.[8] These are technical researchers and regular employees of the courts. Most of them are experienced appeal examiners who are temporally seconded to the courts from the Japan Patent Office. They are in charge of cases from the beginning through the end and give technical advice and their opinion to the judges. In the Tokyo District Court, there are seven court research officials, and in the Osaka District Court there are three.

The second kind of expert is the expert commissioner (*senmon i'in*) provided in Section 92-2 of the Code of Civil Procedure.[9] These are mostly university professors or

7 Section 57 CA (Court Research Officials); see Appendix.

8 Section 92-8 CCP (Clerical work of court research official in cases relating to intellectual property); see Appendix.

9 Section 92-2 CCP (Involvement of expert commissioner); see Appendix.

patent attorneys who have special knowledge in their technical fields. Courts prepare a list of experts and revise it on a regular basis. If a court considers it helpful to involve one or more expert commissioners in a case, appropriate persons on the list are appointed. They are in charge of a limited part of the proceedings and give their opinion from the view of a specialist.

The third kind of experts are private experts retained by parties. With regard to patent litigation it is rare that such party experts are examined as witnesses. Mostly, opinions of party experts are submitted to the court as an exhibit to a brief of the party counsel.

2. *Technical Presentations*

The court sometimes requests the parties to make technical presentations at hearings of the preparatory proceedings, especially in case of difficult technical issues. Sometimes expert commissioners (*senmon-i'in*) are appointed to attend the technical presentations and to give their view of the issue. A court research official (*saiban-sho chōsa-kan*) will also sit in the presentation with the judges.

Each party usually has about 30 minutes for making its presentation. A presentation using visual aids, such as slides and including figures, is preferred for a better understanding of the technical points.

3. *Document Production Order and Protective Order*

When a patentee, in order to establish infringement, needs to look into documents that are in the hands of the accused infringer, the patentee can file a request to the court to obtain a document production order.[10] Such a request can be especially useful in a case where the patent in question is a process patent and direct proof of infringement is difficult. It is also applicable in the stage of damage calculation. The court will issue the order only if appropriate.

The courts were authorized to issue protective orders to protect confidential information by the amendment of the Patent Act in 2004.[11] Upon a party's request, a court may issue a protective order to one party not to disclose the confidential information of the other party. There are two requirements for the courts to issue the order. First, the documents to be disclosed to the opposite party include confidential information that has not been disclosed to public. Second, the disclosure of the confidential information would jeopardize the business activity of the party possessing the document holder. Up to the present, only a few protective orders have been issued.

It has been discussed whether the protective order can also be issued in a provisional injunction procedure since the provision of Section 105-4 Patent Act reads "[i]n a *lawsuit* concerning the infringement of a patent right or exclusive license". On this point, the

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10 Section 105 PA, Section 220 CCP; see Appendix.
11 Section 105-4 PA, Section 220 CCP; see Appendix.

Supreme Court rendered an important decision in 2009 and found that the protective order can be issued within the procedure of provisional injunction.[12]

4. *Invalidity Defence*

There are two separate possibilities for an accused infringer to attack the validity of the patent.

One is the defence of invalidity in the infringement proceedings based on Section 104-3 of the Patent Act.[13] In this case, the civil courts examine validity of the patent. The result legally affects only the parties to the infringement suits. For some time, the defence of invalidity has been successful in many cases, and many patentees have lost their cases because the infringement courts held their patents to be invalid.

The other course of action to attack the validity of a patent is an invalidation trial before the Japan Patent Office. In the invalidation trial, a board of three appeal examiners examines the case. Oral proceedings are usually held in these trials. On average, it takes nine and a half months for a board to render its decision, and sometimes the JPO decisions were rendered faster than the infringement court's decision. If the trial board finds the patent invalid and the decision becomes final, the patent is deemed as not having existed from the beginning.[14]

In the patent infringement lawsuits, defendants often pursue both courses, i.e. making the invalidity defence in the infringement suit and in parallel filing requests for invalidation trial. In many cases, the results of the court and the JPO are identical, but sometimes inconsistent. According to the statistics, in 24 cases out of 170 cases, the district courts and the JPO reached different results.[15] That inconsistency sometimes makes parties' status unstable.[16]

5. *Appeal*

The party having lost the first-instance proceedings may appeal to the IP High Court within two weeks after the date of the decision of the district court. The IP High Court was established in 2005 and has exclusive jurisdiction over the appeal suits regarding patent infringement. The appellant should file written grounds of appeal to the court within 50 days after filing the appeal.

Usually, appeal proceedings are speedier compared to the lower courts' process. On average they take about six to ten months.

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12 Supreme Court, 27 January 2009, Heisei 20 (*kyo*) 36), Hanrei Jihō No. 2035, 127.

13 See Appendix.

14 Section 125 PA; see Appendix.

15 Decision rendered from April 2000 to December 2008. "Recent development of Board of appeal" Japan Patent Office, June, 2009

16 The so-called dual system to evaluate validity of the patent is one of the recent points of discussion in Japan.

If the JPO renders a decision in an invalidation trial and a party files a lawsuit to overturn the JPO decision, the case will also be examined by the IP High Court. The IP High Court has exclusive jurisdiction to review the JPO decision. The IP High Court has four divisions. Usually the same division of the IP High Court examines an appeal case in an infringement litigation based on a patent and a lawsuit to review the decision of the JPO on the same patent.

V. CONCLUSION

With the recent changes in procedure and the increased number of IP judges, Japan seems to be among the world's forerunners with regard to patent litigation.

Frequently judgments are rendered comprising views that may be of interest to other countries. Although language would be a problem, a symposium like this one will, I believe, facilitate familiarity with Japanese patent litigation. Therefore, I sincerely appreciate the efforts made by Dr Guntram Rahn and other people who have enthusiastically worked on and prepared for this symposium.