



Present Situation of IP Disputes in Japan

Feb 19, 2014
Chief Judge Toshiaki Iimura

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1 IP High Court established -Apr.1.2005-

- **Appeal cases** related to patent rights etc. from district courts nationwide
- **Suits against appeal/trial decisions made by the JPO**
- **Handles civil cases, does not handle criminal cases**

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2 Jurisdiction over IP Cases (1)

- **TYPE A**
- Cases **containing technological elements** (patent rights etc.)

1st Instance

East Japan --- Tokyo District Court

West Japan--- Osaka District Court

2nd Instance **IP High Court**

Final Instance Supreme Court

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2 Jurisdiction over IP Cases (2)

- **TYPE B**
- Cases **not containing technological elements** (regular copyrights, etc.)

1st Instance

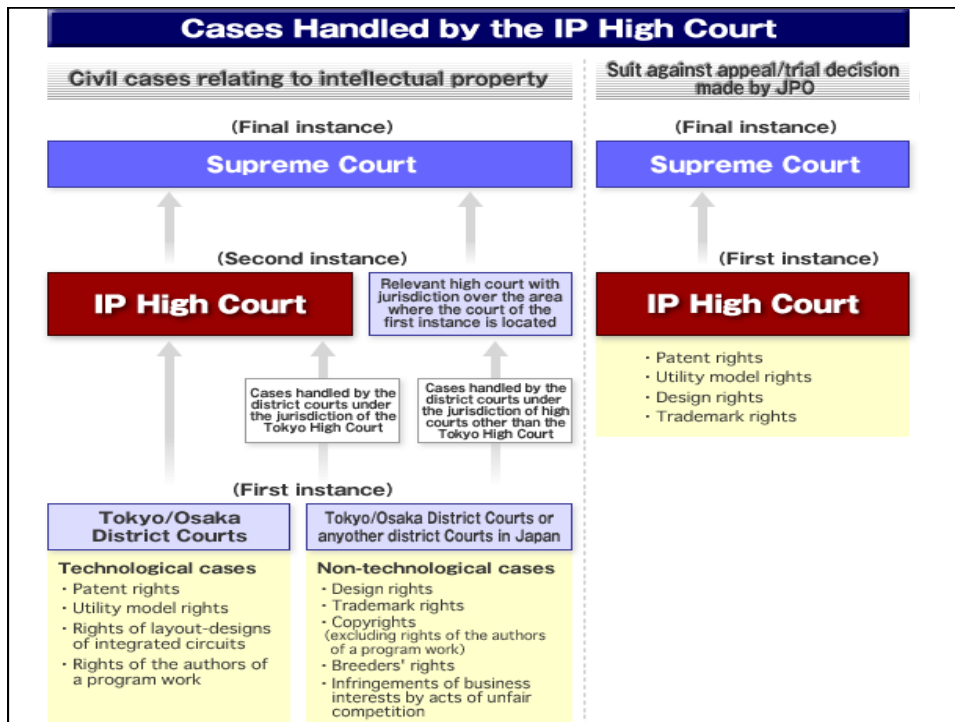
East Japan - Tokyo District Court +

West Japan - Osaka District Court +

2nd Instance **IP High Court** + other courts

In real practice, appeal cases are highly concentrated onto IP High Court

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3 Statistics - Year 2012 (1)

● District Courts (nationwide)	567 total
Patents	155 (27.3%)
Utility Models	3 (0.5%)
Designs	29 (5.1%)
Trademarks	92 (16.2%)
Copyrights	109 (19.2%)
Program copyright	19 (3.4%)
Unfair Competition Act	136 (24.0%)
Others	24 (4.2%)
Average term is 12 months	

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3 Statistics - Year 2012 (2)

- **IP High Court (appeal cases) 146 total**

Infringement Cases

Patents	58 (39.7%)
Utility Models	1 (0.7%)
Designs	7 (4.8%)
Trademarks	14 (9.6%)
Copyrights	29 (19.9%)
Program copyright	5 (3.4%)
Unfair Competition Act	28 (19.2%)
Others	4 (2.7%)

3 Statistics - Year 2012 (3)

- **IP High Court**
- **Suits against JPO appeals/trial decisions**

457 total

Patents	342 (74.8%)
Utility Models	3 (0.7%)
Designs	22 (4.8%)
Trademarks	90 (19.7%)

3 Statistics - Year 2012 (4)

- **Trend**

1. Globalization
2. IT-related Cases
3. FRAND

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4 Human Resource of IP High Court

- **IP High Court**

- 4 Divisions
- 18 judges
- 11 research officials
- Expert adviser system
- Expert witness system

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5 Role of IP High Court (1)

- **Problem: Parallel routes of patent invalidity judgment (double-track)**
 - ↓
- **De facto streamlining of duplicative procedure between **invalidity defense at infringement suit** and **trial for invalidation****

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5 Role of IP High Court (2)

- **Grand Panel system**
 - for a case that contains an important legal issues
 - composed by 5 judges
 - so far, 9 cases were rendered
- **IP High Court determined to hold the Grand Panel to hear smartphone cases of Apple versus Samsung**

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5 Role of IP High Court (3)

- **Significance of establishing a Specialized Court for IP cases**
 1. Highly technical and specialized expertise needed
 2. Wide coverage of subject matters
 3. Needs to harmonize with the international dimension, global business environment, as well as patent practice
 4. Importance to demonstrate how to structure a specialized proceeding system under the conventional judiciary system ¹³

6 Preliminary Injunctions (1)

- **Advantages:**
 - low cost
 - held by not open court hearings
 - judge is able to hold hearings for parties separately
 - speedy solution is strongly required

6 Preliminary Injunctions (2)

- **More advantages:**
 - Plaintiff can withdraw the claim without defendant's consent
 - In other words, plaintiff is able to back off by withdrawing so when he or she is likely to lose

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6 Preliminary Injunctions (3)

- **Consider permanent injunction in a regular litigation:**
 - It is a general practice to claim both injunction and damage award
 - The number of cases using preliminary injunction amounts to more than 50% of that of cases subsequently litigated

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6 Preliminary Injunctions (4)

- Since preliminary injunction is easily processed, it can be a powerful weapon for a patentee
- However, a court tends to require the same (higher) standard of proof as the actual litigation
- Because preliminary injunction would harm defendant to a great extent, especially when a court later holds non infringement

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6 Preliminary Injunctions (5)

- Once a judge is assigned to a case to determine whether to grant preliminary injunction, he/she may encourage **a settlement type of dispute resolution** frequently

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6 Preliminary Injunctions (6)

- for other IP rights than patents
 - In the case of design right, trademark and copyright infringement, preliminary injunction is frequently used

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7 Discovery (1)

- Japan has no discovery system like the one in the U.S.
 - ↓
 - How and to what extent can plaintiff collect information from defendant?

7 Discovery (2)

- In 2005, the Patent Act was revised to enable plaintiff to obtain information and materials of defendant by newly introducing **Disclosure Order** and **Protective Order system**
- When Disclosure Order is to make a defendant disclose their technological secrets that is highly likely to cause irreparable harm to the defendant, a judge can issue Protective Order along therewith

7 Discovery (3)

- There was a severe sanction against non-compliance with the Protective Order;
- It could also cause plaintiff company not to engage in development once plaintiff got to know such confidential information;
- If a multiple number of plaintiff's employees knew confidential information, it created extra burden to find out who to consult with for litigation strategy

7 Discovery (4)

- The revision enables a court to solve patent infringement disputes in a speedy manner. Nowadays, a decision of a patent infringement case is delivered within 1 year from the filing

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8 Technology expert

- IP High Court has 11 research officials as technology experts (in the fields of mechanical engineering, electronic engineering and chemistry)
- They are full-time employees of the court with practice backgrounds of patent examiner, trial examiner or patent attorney
- They do research on technical matters related to a case

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9 Invalidity defense

- When plaintiff files an infringement suit based on a patent right, etc. against defendant (seeking injunction and/or damages), the defendant is likely to raise invalidity defense

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10 Remedies

- **Injunctions (automatic)**
- **Damages**

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11 Damages Calculation

- **Civil Code ··· Article 709**

- Plaintiff's lost profit
- "But for" test
- Needs a causal relationship between defendant's infringing act and plaintiff's damages

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Legislative Backgrounds of Special Provisions under Patent Act

- **General Law- Civil Code Article 709**

- Plaintiff must prove to the extent that losses have a causal relationship with defendant's infringing acts
- Too difficult to establish such a causal relationship of patent infringement
- Because plaintiff must prove a fictitious situation that did not actually occur

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Statutory Provisions

Under the Patent Act

- Article 102(2)
 - presumption of damages based on the defendant's profit
- Article 102(3)
 - amount equivalent to royalty
- Article 102(1) ← newly added in 1998 revision
 - patentee's profit

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Article 102(2)

- Presumption of damages based on the defendant's profit
- Does not alter the general principle of Civil Code

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Article 102(3)

- Amount equivalent to royalty
- Minimum amount of damages
- Does not alter the general principle of Civil Code

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Article 102(1)

- **Plaintiff's lost profit =**
the number of infringing goods
*** the amount of profits per unit of**
patentee's goods
Newly Introduced by the 1998 Revision

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Article 102(1) continued

- Calculated by way of multiplying **the number of articles assigned etc. by the infringer** by the **amount of profit per unit of articles which would have been sold by the patentee in the absence of the infringement**
- To the extent of **patentee's working capability**

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Article 102(1) continued

- However, in a case where patentee was **unable to sell the articles for reasons other than the infringement, the sum attributable to the number of articles that could not be sold for reasons other than the infringement shall be deducted from the amount of compensation**

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Plaintiff must establish

1. Amount calculated by multiplying **the number of infringing articles assigned by the infringer** with **the amount of profit per unit of the articles that could have been sold by the patentee but for the infringement**;
2. Plaintiff's sufficient working capacity in excess of the amount of articles he has sold

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Defendant's Counterargument

- Defendant may have the amount of damages reduced in its entirety or in part, by **substantiating the presence of special circumstances where plaintiff could not sell the articles in an amount equivalent to the entirety or part of the number of assigned articles**

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Article 102(1) analysis

- Seems very advantageous for plaintiff

controversial

- Let's examine whether Article 102(1) is advantageous for a patentee

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Legislative backgrounds of Article 102(1)

- To provide a new statutory basis to confer a patentee an appropriate amount of damages

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Sub-conclusion re: Article 102 (1)

- But must consider factors such as the infringer's marketing efforts etc.
- TOTALITY OF THE CIRCUMSTANCES need to be taken into account when reducing damages to the reasonable extent

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Sub-conclusion re: Article 102 (2)

- By introducing Article 102 (1) in the Patent Law
- The method of calculating damages has been changed, offering a greater level of protection against patent infringement in Japan

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12 Legal Costs

- **Litigation fee in Japan is far less expensive than those in many other countries**
 - **Filing fee paid to the court: low (approximately 0.3% of the amount claiming)**
 - **Attorney's fee: comparatively low since we do not have discovery system**
 - **Investigation fee: depends on the nature of a case**
 - **Expert's fee: depending on the nature of a case**

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13 International Jurisdiction

- **Japanese court hears a case that involves exercising a Japanese patent in Japan (manufacturing and/or sales)**

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13 International Jurisdiction

- In a patent litigation between multinational corporations, plaintiff would select a country that is likely to obtain the most favorable judgment
- It is often seen that a case is litigated in multiple countries, but a settlement reached in a certain country covers all disputes pending all over the world
- It is not a few that a settlement was reached in Japan that covers disputes beyond the border of Japan

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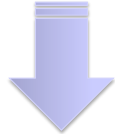
14 Invalidation Actions

- When plaintiff files an infringement suit based on a patent right, etc. against defendant (claiming for injunction and/or damages), the defendant may claim invalidity of a patent at issue under Patent Act Article 104(3). In addition, the defendant may move to a trial for invalidation at JPO on the same grounds

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15 Active involvement of judges in settlement discussions (1)

1. Negotiation b/w corporate IP staffs



this stage takes very long

2. Negotiation b/w outside lawyers
3. Finally, bringing to the court

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15 Active involvement of judges in settlement discussions (2)

- Judge may suggest a settlement like resolution during the course of court proceedings

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16 Settlement mechanism (1)

- **If infringement is likely-**
 - Defendant's risk: will be enjoined from manufacturing and selling automatically and possibly with additional payment of damages
 - Thus, an incentive works for defendant to settle the case as facilitated by a judge

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16 Settlement mechanism (2)

- **If non-infringement is likely-**
 - When a judge indicates his/her view that the patent itself seems invalid, the case is likely to be dismissed, plaintiff bears a comparable risk of losing the case
 - Such a risk incentivizes plaintiff to direct toward a settlement

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16 Settlement mechanism (3)


- Court decisions are limited to cases that failed to resolve by settlement
- Therefore, the win rate by plaintiff in statistics is necessarily lower than the actual win rate by plaintiff who is satisfied with the outcome of a patent dispute

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16 Settlement mechanism (4)

- Outcome of patent infringement cases terminated by
 - Court decision 45%
 - Settlement at the court 48%


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17 Settlement at Preliminary Injunctions (1)

- **Product has a short lifespan**
- **Settlement at preliminary injunction is frequently happened**

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17 Settlement at Preliminary Injunctions (2)

- **Settlement procedure at preliminary injunction is almost same as that of regular court proceeding**

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18 ADR (1)

- **Arbitration Center handles ADRs related to IP rights**

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18 ADR (2)

- **Mediation**
- **Mediation works to complement**
- **But an ultimate dispute resolution by the court**

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18 ADR (3)

- **Advantages of Mediation**

- Low Cost
- Can avoid from disclosure of confidential information (Confidentiality)

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18 ADR (4)

- **Disadvantages of Mediation**

- Lack of skills of a mediator
- Mediator for an IP dispute is required to have a skill to understand technology, sound balancing, and coordination skill
- Mediator can not proceed smoothly
- the lack of timely cut-off results in a longer dispute

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18 ADR (5)

- **Mediator needs to**
 - have an organized planning
 - timely cut-off when it is not expected to solve a dispute in this course

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18 ADR (6)

- **Arbitration**
 - A small number of arbitration for IP disputes in Japan

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18 ADR (7)

- **How to avoid an endless litigation**
 - To seek an advice from a professional to investigate any potential risk of a dispute
 - To carefully sign an agreement after a detailed scrutiny
 - To promote an awareness-building of dispute-resolution principles
 - To properly understand the pros and cons of a dispute resolution system, whether court system or ADR

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Thank you for your attention!



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