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Outline of the Patent Litigation in Japan with recent development + preliminary injunction

cf. Pitz/Kawada/Schwab, *Patent Litigation in
Germany, Japan and the United States*,
C.H.Beck/Hart/Nomos, 2015 (hereinafter
referred as "Pitz et al.").

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O. Targets of today's presentation

To clear the following points:

- 1) A patent infringement litigation with the Japanese infringement courts can also be a **good choice**, if a foreign company has a Japanese Patent.
- 2) In other words, a Japanese patent is also **worthy of possession**.

There are, of course, merits and demerits in the Japanese system for patent conflicts. As a whole, however, the Japanese system is **reliable, fast and cheap**, even though there are some points to be improved.

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O V E R V I E W

- O. Targets of today's presentation
- I. Procedural flows for patent conflicts
- II. Statistics for patent infringement cases
- III. Characteristics of Japanese patent litigation system
 1. Double track system
 2. Concentration of the jurisdiction
 3. Separation of the proceeding for confirming an infringement from that for calculating the damages
- IV. Claims from patent infringement
- V. Arguments about patent infringement
- VI. Objection based on invalidation of patent
- VII. Counter-measures of the patent holder
- VIII. Problems relating proofs
- IX. Costs for patent infringement proceeding
- X. Preliminary injunction

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O. Targets of today's presentation

Problems of the Japanese system are:

- 1) The Japanese system is **not well-known**;
- 2) There are in any cases communication gaps because of **differences of languages or cultures**;
- 3) The Japanese market is **relatively small**, even though the GNP of Japan is in the third position in the world.

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I. Procedural flows for patent conflicts

These flows are shown in the following chart (s. Pitz et al., p. 8):

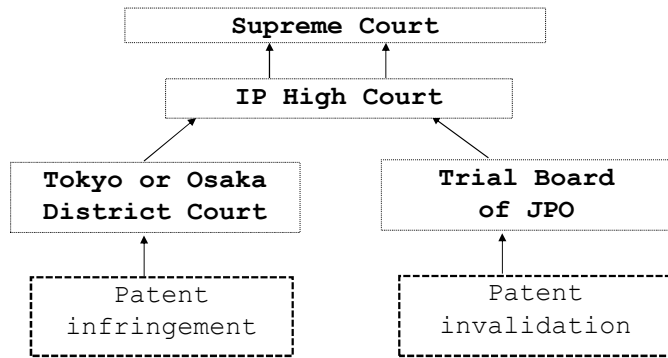


Fig. 1: The main procedural flows for patent conflicts

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I. Procedural flows for patent conflicts 2. Patent invalidation proceeding

In Japan, there is not a court which is equivalent to the German Federal Patent Court (BPatG).

A **trial board of the Japanese Patent Office** (hereinafter referred as "JPO", an administrative organ, **decides the validity of a patent**, upon a request of those who has a legal interest in the validity of the patent.

The **IP High Court** has the jurisdiction for lawsuits, **as the first instance for an action against the decision of the trial board of the JPO.**

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I. Procedural flows for patent conflicts

1. Patent infringement proceeding

In Japan, the **Tokyo or Osaka District Court** decides the patent infringement as **the first instance.**

An **appeal** against the decisions of the Tokyo or Osaka belongs to the jurisdiction of the **Intellectual Property High Court** (hereinafter referred as "IP High Court").

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I. Procedural flows for patent conflicts 3. Roles of Japanese Supreme Court

The Japanese Supreme Court could be equivalent to the German Federal Supreme Court (BGH).

The **Japanese Supreme Court** has the jurisdiction for **the final appeal against the decisions of the IP High Court**, not only for **patent litigation cases**, but also for **patent invalidation cases.**

It is **rare** that the Japanese Supreme Court takes up a patent case. If, however, the Supreme Court has once made a judgement, the influences from the judgement are **not ignorable.**

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I. Procedural flows for patent conflicts

3. Roles of Japanese Supreme Court

For example, recently, the Supreme Court has made a surprising and practically unignorable judgement* as to "**product-by-process claims**:"

- 1) the **protective scope** of a "product-by-process" claim is **not limited by process**;
- 2) "product-by-process" claims are **allowed only if it is impossible or unpractical** to describe an invention of product **with its structures or characteristics**;
- 3) Except the case No. 2) above, the "**process**" **in a claim for product violates** the **requirement of clearness of claim**, and should be amended or corrected.

* A judgement of the Supreme Court on 5th June 2015, Case No.: Heisei 24 (jyu) 1204.

II. Statistics for patent infringement cases

The reason why there are less patent infringement cases in Japan:

- 1) **Sociological or cultural** reason: Japanese companies **tend to avoid judicial conflicts**, and prefer the **solutions through negotiations**;
- 2) **Structural** reason: Patent holders have to **cope with two proceedings** - so called "double track" - in order to protect their patent right, and hesitate to exercise their right, especially when they have license contracts for the patents.

II. Statistics for patent infringement cases

The number of patent infringement cases in Japan is **quite low** compared with the number in Germany or USA*:

Japan: ca. 150 cases in a year;

Germany: more than 1,000 cases;

USA: around 3,000 - 5,000 cases;

China: almost 10,000 cases.

* Research Activities in Fiscal Year 2013 of Japanese Institute of Intellectual Property (IIP), Establishment and Operation of a Patent System Conducive to Patent Stability in Infringement Lawsuits.

III. Characteristics of Japanese patent litigation system

The characteristics of Japanese patent litigation system are:

- 1) **Double track** system;
- 2) **Concentration of the jurisdiction** for patent infringements cases as well as for patent invalidation cases;
- 3) **Separation** of the proceeding for **confirming an infringement** from the proceeding for **calculating the damages**.

III-1 Double track system

1. Meaning of double track system

"Double track system" means the **double chances** for an alleged infringer to **dispute the patentability** of the allegedly infringed patent:

- 1) An alleged infringer may **challenge the patentability in the patent infringement lawsuit** in the court, and
- 2) The infringer may also **file a request for a patent invalidation trial** in the JPO.

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III-1 Double track system

2. Difference from the German "dual system"

Japan has **once introduced** German-like "**dual system**" more than hundred years ago.

In **2000**, a decision of the Japanese Supreme Court* changed the course from the dual system to the double track system.

* Judgement of Japanese Supreme Court on 11th April 2000, Case No.: Heisei 10 (o) 364, published in the Collection of Judgements for Civil Cases of Japanese Supreme Court, Vol. 54, No. 4, pp. 1368 - semi-conductor device case or **Kirby's patent case**. An English translation are available under the web site of the Japanese Court.

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III-1 Double track system

2. Difference from the German "dual system"

Difference between the German "dual system" and the Japanese "double track system":

- Under the **German "dual system"**, in principle, an **infringement court** does **not decide the patentability** of the patent which is allegedly infringed. The patentability is examined **only by the German Federal Patent Court**.
- "Double track system" allows a **Japanese infringement court** to **examine the patentability** of the patent **as a reason for dismissal** of a judicial claim.

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III-1 Double track system

2. Difference from the German "dual system"

After the Supreme Court's decision, **Article 104-3, Paragraph 1 of the Japanese Patent Act** was added in 2004:

"Where, in litigation concerning the infringement of a patent right or an exclusive license, the said patent is recognized as one that **should be invalidated by a trial** for patent invalidation, the rights of the patentee or exclusive licensee may **not be exercised** against the adverse party."

(Translation in the governmental website.)

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III-2 Concentration of the jurisdiction

The jurisdiction for **patent infringement cases** is concentrated to **the Tokyo or Osaka District Court** as a first instance, and the IP High court as a second instance.

The jurisdiction for **patent invalidation cases** is concentrated to the **IP High Court**.

Such concentration of the jurisdiction contributes

- 1) to **unify** the judgements, and
- 2) to **accelerate** the proceedings.

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III-3 Separation of the proceeding for confirming an infringement from that for calculating the damages

A patent holder may file requests for **injunction** and **compensation of damages** at the **same time**.

Even if, however, the patent holder chooses requests for both claims, the court, first of all, **concentrates in the proceeding for confirming a patent infringement**.

Only **after the confirmation of a patent infringement**, the court begins the proceeding for **calculation of damages**.

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III-2 Concentration of the jurisdiction

Empirically, a patent infringement case comes to end in the **first instance in one or two year**, even though the duration could be various case to case.

A proceeding in the IP High Court as the **first instance for a patent invalidation case** and as the **second instance for a patent infringement case**, also empirically, continue around **one year**.

If one or both parties are **foreign companies**, these proceedings could **continue longer**, as a matter of fact, or because of legal reasons, for example, additional period for an appeal by a foreigner.

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III-3 Separation of the proceeding for confirming an infringement from that for calculating the damages

1. Similarity to the German proceeding

A patent holder in Germany ordinarily files **the first law suit** to make requests for injunction, submission for documents necessary for calculating the damages, and confirmation of the obligation for compensation of damages.

After the first law suit, the patent holder files **the second law suits** for compensation of damages.

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III-3 Separation of the proceeding for confirming an infringement from that for calculating the damages

1. Similarity to the German proceeding

In Japanese patent litigation cases, there are, as a matter of fact, two stages:

- 1) the **first** stage for **confirming an infringement**, and
- 2) the **second** stage for **calculating the damages**.

Such two stages are **functionally similar** to the German patent litigation, even though the German system adopts two separate law suits.

III-3 Separation of the proceeding for confirming an infringement from that for calculating the damages

2. Amicable settlement at an earlier stage

Table 1. Number of judgements and settlements in the Tokyo District Court between 2004 and 2013*

Year		04	05	06	07	08	09	10	11	12	13
Judgements	Total number	70	63	40	50	37	37	36	38	40	56
	Claims are admitted totally or partially.	12	11	5	15	9	9	7	9	6	14
	Claims are denied.	58	52	35	35	28	28	29	29	34	42
Settlements		60	76	67	45	44	32	24	29	34	40
Total		130	139	107	95	81	69	60	67	74	96

* JPO, *Text for practitioners about intellectual property system 2014* (in Japanese).

III-3 Separation of the proceeding for confirming an infringement from that for calculating the damages

2. Amicable settlement at an earlier stage

At the end of the first stage for confirming an infringement, the court **reveals an opinion for the alleged infringement**.

If the court **denies an infringement**, the court closes the first instance, and **dismisses** the action of the patent holder.

If the court **admits an infringement**, the court asks the infringer to **submit the data spontaneously** which are necessary for calculating the amount of damages.

Based upon the data, insofar as the data seem to be credible, the court **tries to propose an amicable settlement**.

III-3 Separation of the proceeding for confirming an infringement from that for calculating the damages

2. Amicable settlement at an earlier stage

According to this statistic, **49 per cent of the cases** are **settled by amicable agreements** in the Tokyo District Court. Empirically, most amicable settlement are favourable for patent holders.

If both parties reach a settlement agreement, the patent holder can realise his claim in one or two years after filing a legal action. There is no fear that the once acknowledged patent infringement could be reversed in the second instance.

IV Claims from patent infringement

1. Claim for injunction

If the court acknowledges an infringement, there is generally **no reason to refrain from the injunctive order** based upon a request of the patent holder.

However, recently, the IP High court regarded such a request as an **abuse of right** in the case of the so-called **FRAND***.

* A judgement of the IP High t Court on 16th, May 2014, Case No.: Heisei 25 (ne) 10043, Hanrei-Jiho No. 10043, pp. 150 = Hanrei-Times No. 1402, pp. 166, - packet data so-jyushin hoho oyobi sochi jiken (method and apparatus for transmitting/receiving packet data case).

The details will be explained by Mr. Imai in today's afternoon.

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IV Claims from patent infringement

2. Claim for compensation of damages

There are **four methods** legally to recognise the amount of damage (s. Pitz et al., pp. 57.):

- 1) To prove the amount of **actual damage**;
- 2) To **multiple** the **number of products** sold by an **infringer** with the **benefit per product** sold by the **patent holder**;
- 3) To **regard the benefit of an infringer** as damages for the patent holder;
- 4) To **regard an adequate license fee** for the patent as damages for the patent holder.

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IV Claims from patent infringement

2. Claim for compensation of damages

A patent holder can demand the payment for compensation of damages.

The amount should be calculated by the **difference** between the **actual** economical situations and the **hypothetical** economical situations **without infringement**.

Punitive damages are **not acknowledged** in Japan, because of the principle for separation of the criminal punishment from the civil compensation.

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IV Claims from patent infringement

2. Claim for compensation of damages

A patent holder can **assert these four methods at the same time**, and obtains the **highest amount** among damages calculated by these methods.

The amount calculated by the **method No. 2 or No. 3** is **often reduced** because of some factors, for example, the existence of third party competitors, the contribution rate of patent for the benefit of the infringer etc.

In the extreme case*, 99 per cent of calculated amount was reduced.

* A judgement of the IP High Court on 25th September, 2006, Case No.: Heisei 17 (ne) 10047 - air-massage-ki jiken (air massaging device case).

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V. Arguments about patent infringement

1. Materials for interpreting patent claims

The interpret of the words of patent claims are often similar between countries, a little different country to country.

The **materials** which used to be taken into consideration to **interpret the words of patent claims in Japan** are as follows(s. Pitz et al., pp.

26.):

- 1) **Description;**
- 2) **Figures;**
- 3) **Prior arts**, which do not have to be mentioned in the description;
- 4) **Prosecution history.**

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V. Actual arguments about patent infringement

3. Attitudes of Japanese courts for interpreting the patent claims

- 1) Japanese infringement courts often and **unlimitedly considers the prior arts**, so that the **protective scope** of a Japanese patent often becomes **narrower**.
- 2) **Prosecution histories** are also often considered in **two aspects**:

- (i) materials for **interpreting** the words;
- (ii) reasons for **file wrapper estoppel**.

As a result, the protective scope of Japanese patent claims could be **narrower** than that of German patent claims.

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V. Actual arguments about patent infringement

2. Difference from the German methods

The German infringement courts also consider the description and the figures to interpret the words of patent claims.

Differences from materials in Japan:

- 1) The **prior arts** are, however, not taken into consideration, unless there are **indications in the description**.
- 2) **Prosecution histories** are **not also relevant** for the interpret of the words of patent claims, with some exceptions.

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VI. Objection based on invalidation of patent

Japanese infringement courts can **examine the patentability** of the allegedly infringed patent. Defendants often assert **objections based on the invalid reasons**.

Statistically*, **around 50 per cent** of defendants in judgements assert one or more objections of invalidation of allegedly infringed patent.

70 per cent of defendants in judgements also make a **request for patent invalidation trial** with the JPO.

* JPO, *Text for practitioners about intellectual property system 2015* (in Japanese).

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VI. Objection based on invalidation of patent

From the results in judgements, invalidation objections are **not ignorable**. These figures do not reflect the case which ends in settlements. The rate of invalidation in Table 2 could be higher than the actual rate in all cases. In any case the rate becomes lower recently.

Table 2. Results of invalidation objections in the judgement in the first instance between 2004 and 2013*

year	2004-2008	2009-2013
invalid	102	71
valid	28	40
not decided	82	97
total	212	208

* JPO, Text for practitioners about intellectual property system 2014 (in Japanese).

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VI. Objection based on invalidation of patent

The **tendency of IP High Court** about the patentability has **changed around 2009**. Symbolic is a **judgement in 2009*** which suggested the more deliberate method to decide if an invention had an inventive step.

This judgement stressed that the **existence of an inventive step** in an invention should be assessed from the **task of the invention**, and should be affirmed if there was **neither indication nor suggestion in prior arts** for the **solution of the task of the invention**.

* A judgement of the IP High Court on 28th January 2009, Case No.: Heisei 20 (gyo-ke) 10096, Hanrei-Jiho No. 2043, pp. 117 = Hanrei-Times No. 1299, pp. 270 - kairo-yo setuzoku buzai jiken (circuit connecting member case).

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VI. Objection based on invalidation of patent

The **change** of the tendency of IP High Court about the patentability can be seen in **Fig. 2**:

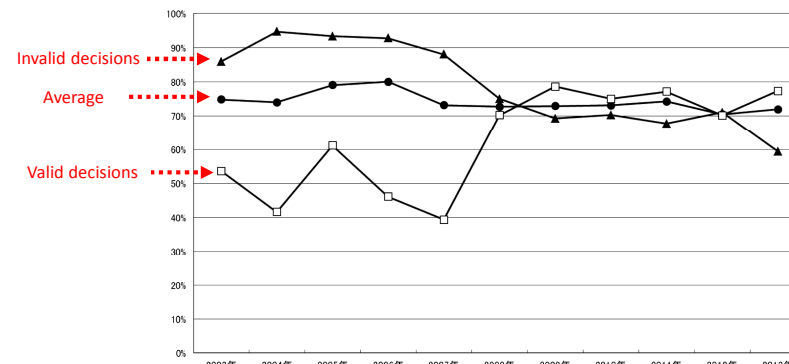


Fig. 2. Rates of supporting the decisions of the invalidation trials between 2004 and 2013*: ▲ for invalid decisions, □ for valid decisions, and ● for all decisions.

* JPO, Text for practitioners about intellectual property system 2014 (in Japanese).

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VI. Objection based on invalidation of patent

Judgements of IP High Court had **influenced** the **decisions of the trial board** in the JPO*:

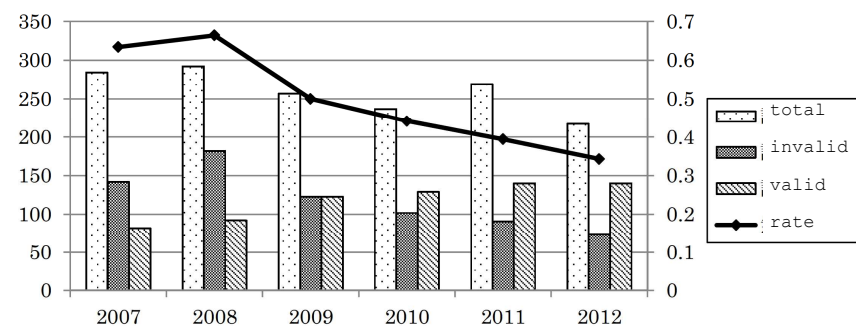


Fig. 3. Rates of invalid or valid among trial decisions.

* Activities in Fiscal Year 2013 of Japanese Institute of Intellectual Property (IIP), Establishment and Operation of a Patent System Conducive to Patent Stability in Infringement Lawsuits.

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VII. Counter-measures of the patent holder

1. Correction as proceeding in the JPO

The **best counter-measure** against an objection based on an invalid reason of patent is "**correction**" (s. Pitz et al., pp. 77 f.).

"Correction" is a **change of claims** etc. The effect of correction is **retroactive** to the time point of patent grant.

The proceeding for "correction" itself is a proceeding **in the JPO**:

- If an **invalidation trial** is **pending**, a request for the correction has to be made **inside the trial**.
- If **no invalidation trial** is pending, the patent holder can make a **request of correction trial**.

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VII. Counter-measures of the patent holder

2. Correction as counter-measure in court proceeding

Under "double track system" an **invalidation trial** and an **infringement suit** are still **independent** proceedings each other.

However, patent holders can **hypothetically** assert **counter-measures based upon correction of claims** under the condition:

a **request** for a **correction trial** or a **request for correction** inside the invalidation trial has **already been made** or is **still possible** in the near future.

Because **chances for correction** in a JPO's trial are **limited**, **chances for the counter-measure** are also **limited** correspondingly.

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VII. Counter-measures of the patent holder

1. Correction as proceeding in the JPO

"Correction" in JPO's trial proceeding is **limited** from some aspects:

- 1) **Chances** are limited to **some occasions**, i.g.:
 - (i) with a **first reply** of the patent holder;
 - (ii) after the **notice for new invalid reasons** ex officio;
 - (iii) after the **advance notice for temporal trial decision** ex officio.
- 2) **Contents** are limited:
 - (i) to the **restriction of claims**;
 - (ii) in the **scope of the former disclosures**.
- 3) **Ways** are limited to **just one proposal**: i.e. some reserved proposals are not allowed.

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VII. Counter-measures of the patent holder

2. Correction as counter-measure in court proceeding

A counter-measure based upon a hypothetical correction of a claim is **acknowledged** in the infringement proceedings under the following conditions:

- 1) **All requirements for correction** are fulfilled;
- 2) The **invalid reasons** has to be **avoided** as a result of the hypothetical correction;
- 3) The **products or processes** infringing the patent allegedly are **still included in the protective scope** of the corrected claims.

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VII. Counter-measures of the patent holder

3. Chances for patent holders

Objections based upon invalid reasons are **often asserted** by alleged infringers, and are **often acknowledged** by infringement courts.

A **counter-measure based upon correction** of claims sometimes **rescues the patent**.

However, the correction are **limited** in some aspects. Especially, because of the amendment 2011 of the Patent Act, a correction is **not permitted after a decision of trial board** for invalidation.

There are **complicated interrelations** between the proceedings in the **JPO's trial board** and in the **infringement court**. To find a way for rescue is **not always easy for patent holders**. It is a demerit for patent holders from "double track system".

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VIII. Problems relating proofs

2. Responsibility of an alleged infringer to explain the concrete difference from the patent

If an alleged **infringer denies** the assertion of the patent holder describing and proving the concrete manners of the product or process of the infringer with prima-facie evidences, the infringer has to **explain how different** the product or the process is from the assertion of the patent holder (s. Pitz et al., p. 140).

However, there is **no direct sanction** for the denial to explain the details of the products or the process.

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VIII. Problems relating proofs

1. Responsibility of parties to present proofs

Each party is responsible to collect and to present proofs by **own efforts** (s. Pitz et al., pp. 172 as to principle of party disposition for details) .

There is **no "discovery"**-like proceeding in Japan.

There are nevertheless some measures.

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VIII. Problems relating proofs

3. Order for submission of documents

An infringement court may, upon a request of the patent holder, make an **order** against the alleged infringer to **submit documents** being related to the **infringement** or the **calculation of damages** (s. Pitz et al., pp. 181).

The court, however, often takes **negative attitude** to make such an order for submission of relevant documents to **prove an infringement**, if these documents are related to **trade secrets** of the alleged infringer.

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VIII. Problems relating proofs

4. Protective order

There is also a kind of **protective order** (s. Pitz et al., pp. 177). In some cases such orders were issued.

The proceeding for issuing a protective order could make the proceeding as a whole **delayed**. Courts, therefore, **hesitates** to utilise this order, because courts has a discretion for it which proofs methods should be chosen.

Because the **violation** of a protective order could be sanctioned criminally, the patent holder does **not want to incorporate** for issuing such a protective order.

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VIII. Problems relating proofs

6. Pre-procedural measures

There are also **pre-procedural measures** in the Japanese Code of Civil Procedure or in the Japanese Patent Act.

These methods are **not utilised**, because an alleged infringer may reject to submit proofs, if the proofs are related to trade secrets (s. Pity et al., pp. 44).

The details of these measures will be explained by Mr. Imai tomorrow.

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VIII. Problems relating proofs

5. Order for submission of documents for calculating the damages

An infringement court takes **positive attitude** to make such an **order** for submission of relevant documents to **calculate the damages** caused by an infringement, even though these documents could be related to trade secrets of the alleged infringer. In this case, the court has a confidence in the infringement. This is why the court does not hesitate to make an order.

However, a patent holder, first of all, has to prove the infringement and the validity of the patent in order to reach the second stage, namely the calculation of the damages.

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IX. Costs for patent infringement proceeding

1. Judicial costs

Ca. **0.3 - 0.1 per cent of economical value** of claims.

The plaintiff has to pay the costs, when the plaintiff files an action.

If the plaintiff realises the claims, the plaintiff **demands the payment for the judicial costs**. It is, however, **seldom** that the plaintiff demands the payment for the judicial costs, because the amount could be **ignorable** (s. Pitz et al., pp. 184).

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IX. Costs for patent infringement proceeding

2. Costs for attorneys

The **costs for attorneys** are **not included in the judicial costs**. Each party has to bear the **own costs**.

If the claim for compensation of damages is admitted, **10 per cent of the amount of damages** are recognised additionally **as the costs for attorneys** which are necessary to realise the claims (s. Pitz et al., pp. 184).

The **actual costs for attorneys** are normally more than the 10 per cent. The actual costs fluctuate case to case, between ca. 10 Mio. Yen to ca. 100 Mio. Yen.

For a foreign company, the **costs for translation** of documents, for example, pleadings, publications of patent applications, are **not ignorable**.

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X. Preliminary injunction

1. Merits of injunction

Judicial costs are **2,000 Yen** (= ca. **15 Euro**), namely quite cheap (s. Pitz et al., p. 106).

The patent holder, however, has to **deposit** some amount of money as a **guarantee** for compensation of damages, if a preliminary injunction is admitted.

In any case, costs for attorneys are necessary and unignorable.

There is **no time limit** to make a request for preliminary injunction (s. Pitz et al., p. 106).

There is sometimes a risk that the court does not recognise the necessity for an immediate remedy.

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That's all for today.

Interim measures are explained tomorrow morning

by me for preliminary injunction,
and

by Mr. Imai for collecting information or proofs.

Thank you for your attention.

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X. Preliminary injunction

1. Merits of injunction

If once a preliminary injunction is admitted, the patent holder can **realise the claim** for injunction, **as a matter of fact**.

For an alleged infringer, there are almost **no chance to be released** from the order by payment some amount of money. The infringer has to get a judgement on the merits in order to release him from the order.

It could be a good chance for the patent holder to make a **favourable settlement** agreement with the infringer.

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X. Preliminary injunction

2. Demerits of injunction

Before make an order for preliminary injunction, the court **has to hold a hearing date** (s. Pitz et al., p. 107). An alleged infringer can have time to prepare for an assertion of non-infringement or objections based on invalidation of the patent.

Therefore, an alleged infringer does **not have to submit** so called German-like "protective letter" beforehand, even if the infringer receive a warning from a patent holder.

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X. Preliminary injunction

3. Conclusion

We **cannot expect an immediate issue** of an order for preliminary injunction. It could not function as an interim measure against a patent infringement.

However, it could be **a pressure** for an alleged infringer, if once an infringement court shows the opinion favourable for a patent holder in the first state.

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X. Preliminary injunction

2. Demerits of injunction

If once an order for preliminary injunction is issued, the disadvantage for an alleged infringer are ignorable.

Therefore, Japanese infringement courts are **quite deliberate** for issuing an order. It is **not seldom** that the proceeding for preliminary injunction and the proceeding on the merits are going **parallel**. Costs for attorneys could be doubled.

If once an infringement are recognised by the court in the first stage of the proceeding on the merits, a request for preliminary injunction could be a **pressure** for an alleged infringer.

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Thank you for your attention.

Vielen Dank für Ihre Aufmerksamkeit.

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