

ARTICLE:

**QUICKER AND LESS EXPENSIVE  
ENFORCEMENT OF PATENTS:  
JAPANESE COURTS**

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**1. Increase in Litigation related to Intellectual Property Rights**

The number of intellectual property (IP) infringement-related cases in Japan is increasing every year, as shown in Exhibit A.

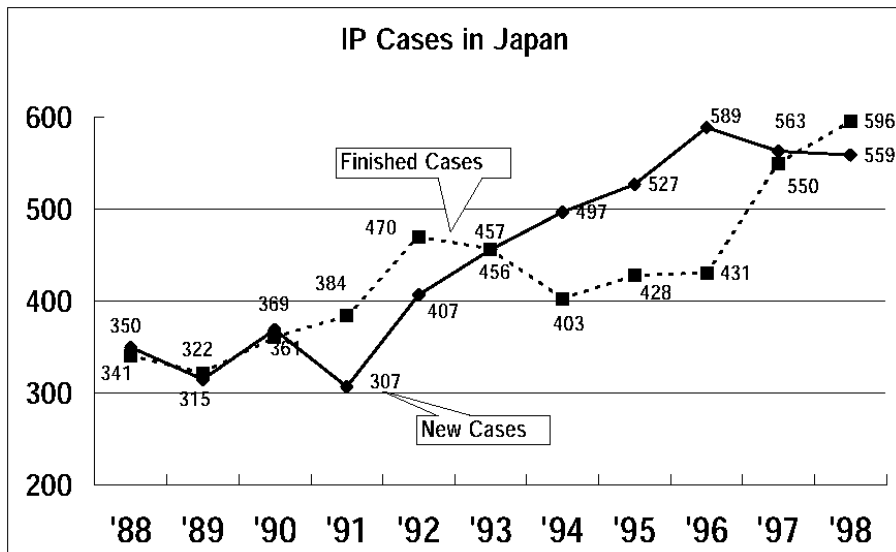


EXHIBIT A

In Japan as a whole, the filing of new IP-related civil cases (regular actions, not including provisional injunction cases, appeals from administrative agencies, and criminal cases) was 307 in 1991, 589 in 1996, and 563 in 1997. On the other hand, the number of the finalized cases are 384 in

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1991, 431 in 1996, 550 in 1997 and 596 in 1998. Therefore, the pending period for new cases seems to have shortened substantially during these years. Among the finalized cases, more than 50% are finished within 2 years (EXHIBIT B). Note that more than 38% were settled and that only 40% were judged on the merits (EXHIBIT C).

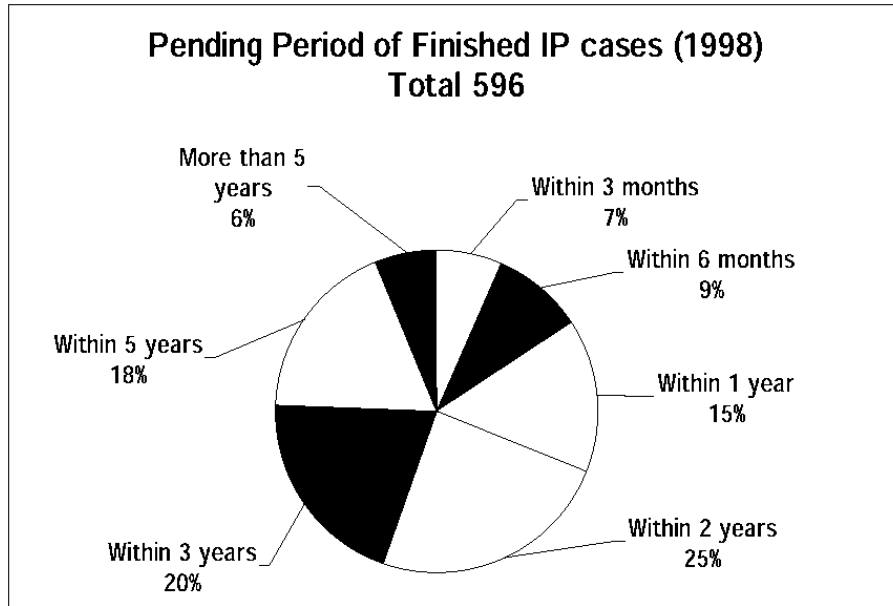


EXHIBIT B

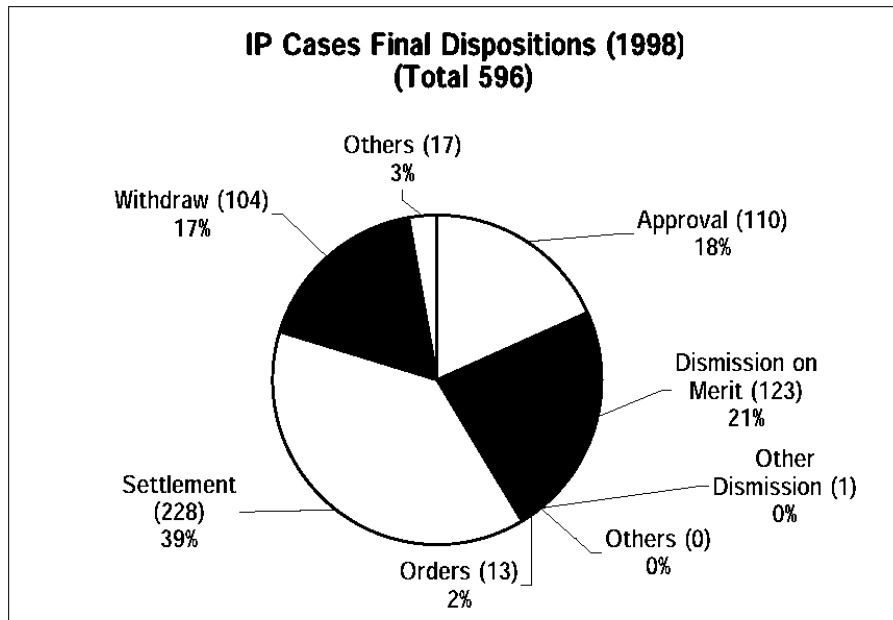


EXHIBIT C

Among the 559 new cases in 1998 in Japan which were IP regular actions, 28% were patent cases, 10% were utility model cases, 14% were trademark cases, 20% were copyright cases, and 23% were unfair competition cases (EXHIBIT D).

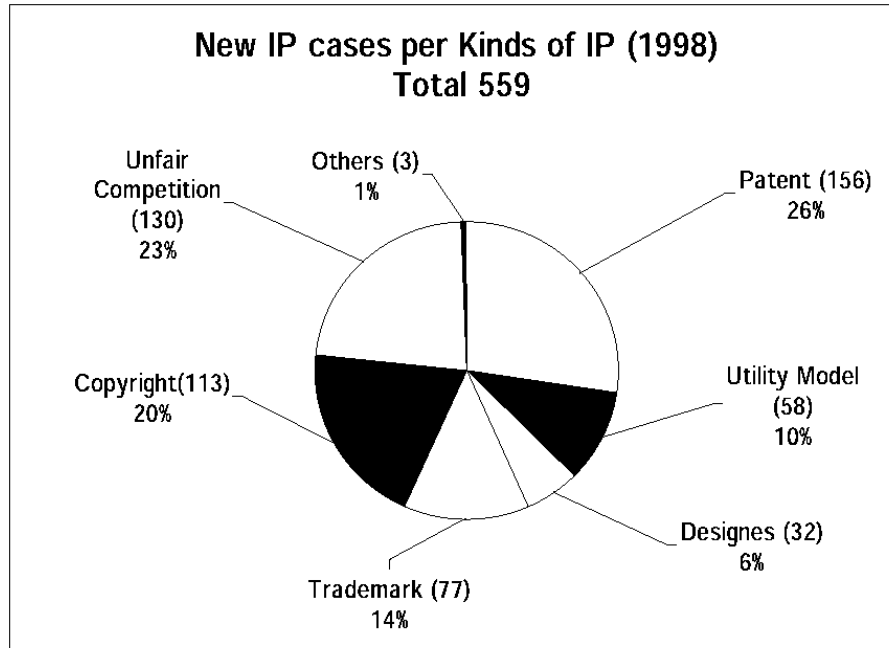


EXHIBIT D

The increase is especially distinctive in Tokyo District Court, where 152 cases were filed in 1993, and 299 in 1998 (EXHIBIT E). In 1999, Tokyo District Court received 298 new cases and finished 411 cases. That means that during the past five years, cases increased by almost 100%. Please note that the number of provisional injunction cases has not been published but was reported to be around two-thirds of regular actions. For example, Tokyo District Court received 166 provisional injunction cases in 1998.

In Osaka District Court, which also has a civil division which exclusively handles intellectual property infringement litigation, there were 75 new cases in 1994, and 117 in 1998. The increase over the past five years has been more than 50%.

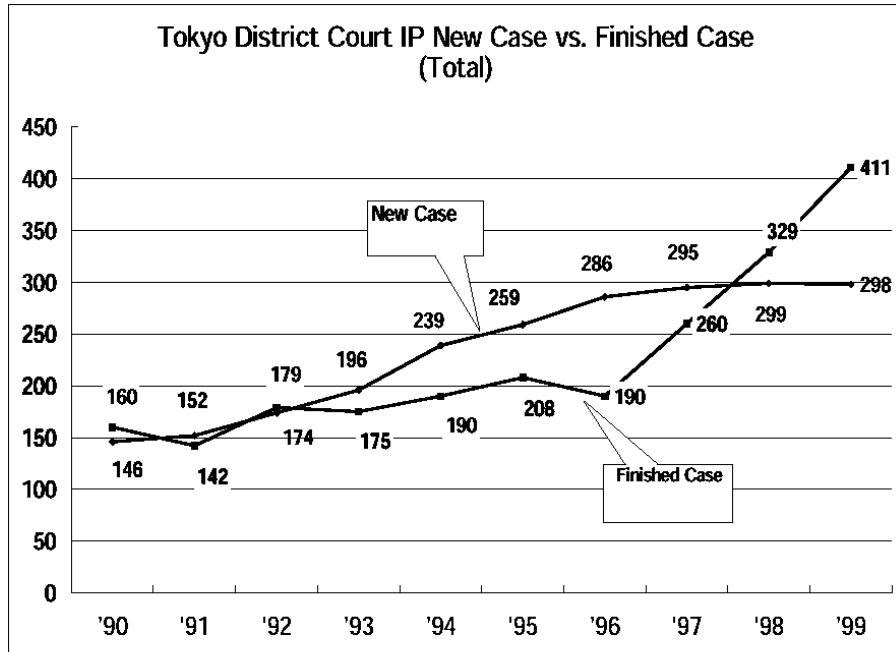


EXHIBIT E

In the Tokyo High Court, there were 78 infringement appeal cases in 1993, and 142 in 1998. Again, the cases increased by more than 50% (EXHIBIT F). Around 80% of cases are now decided within two years. (EXHIBIT G).

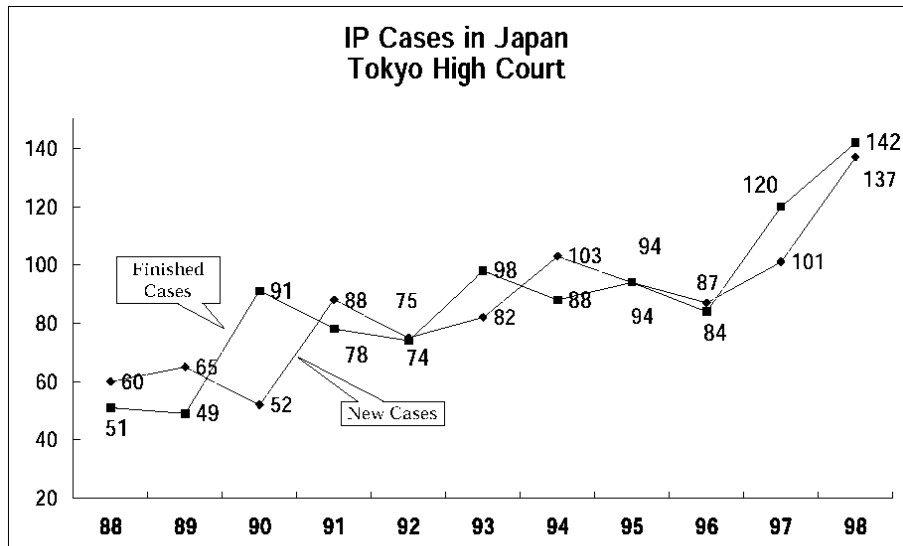


EXHIBIT F

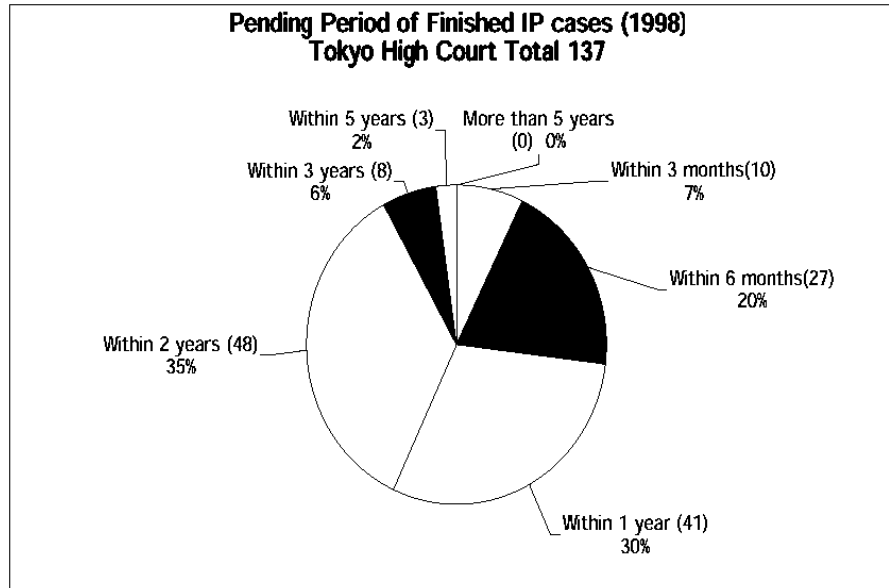


EXHIBIT G

## 2. Reasons for the Increase in Cases

Various aspects are pointed out as to the reason IP-related cases are increasing so much. Judge Iimura, Chief Judge of the 29th Civil Division of the Tokyo District Court, analyzed<sup>1</sup> the situation as follows:

- (1) Japanese people are increasingly recognizing the importance of intellectual property. In the past, Japanese companies have mainly used the patent system as a defense from possible attacks from competitors, especially from other countries. Through the “Pro-Patent” campaign sponsored by the Japanese Government, Japanese patent owners have been encouraged to reap the benefit of enforcing or licensing patents.
- (2) Business pressure to the licensors-patentees from existing licensees. In cases that there already exist several licensees, patent owners are urged to file litigation under the contractual obligations and to keep their competitiveness in the patent.

<sup>1</sup> Anthology IP Articles Dedicated for Judge Makino Retirement of March 1999.

- (3) General circumstances to welcome transparent resolutions of disputes through neutral institutions and avoid the liability claims against management from shareholders, etc.
- (4) The industry associations as well as administrative agencies no longer function to adjust the conflicts among industries and to mediate the disputes among members.
- (5) Increase in the number of attorneys (trial lawyers and patent attorneys) who are involved in intellectual property disputes.
- (6) Lack of the precedents and interpretative authorities by which the parties and lawyers could rely on. This is true especially for disputes involving new types of technology as well as for computer software related patent cases, software copyright cases and unfair competition cases through internets.

Judge Iimura's analysis seems to be correct. However, I wish to add the following factors from the view of a practitioner:

- (a) The relatively small cost of Japanese litigation. As many Japanese companies have experienced litigation in the United States (including ITC actions etc.), they now feel that the cost of litigation in Japan is not substantial in comparison with the outcome and effect. The barriers to court procedures seem to be low now.
- (b) Desire to have experience in intellectual property litigation. Lawyers having no experience in intellectual property litigation seem to consider that this is a promising field of law and are looking for chances to litigate cases. In the past, lawyers hesitated from handling these cases but they are now looking for such experience.
- (c) Companies are not ashamed of being involved in intellectual property litigation, either as plaintiffs or as defendants. They even sometimes use IP litigation as one of their promotional activities.
- (d) Management policy. Many companies have changed the name of their "Patent Department" to "Intellectual Property Department," under which they have their own budget and are requested to earn income utilizing intellectual property as their resource. Although this is a way to encourage cost

management policy, this policy actually has had the effect of justifying the filing of litigation.

### **3. What Japanese courts are doing to expedite the procedures in light of the increase in litigation**

#### **(1) Increase in Number of Judges**

In order to efficiently handle the increased number of cases, the Tokyo District Court has also increased the number of civil divisions and judges exclusively handling intellectual property infringement cases. For many years, the Tokyo District Court allocated the 29th Civil Division (six judges) for intellectual property infringement cases. In April 1997 and April 1998, the 46th and 47th Divisions were established, respectively, to exclusively handle such cases. Thus, at present, twelve judges in total of the aforementioned three special divisions are hearing only intellectual property cases.

As for clerical staff, seven technical researchers (*Chosa-kan*), nine court clerks, three stenographers, and four secretaries in total belong to the three divisions.

The Tokyo High Court also has three specialized divisions (The 8th, 13<sup>th</sup>, and 33<sup>rd</sup> Civil Divisions) composed of 10 judges in total (3 for each division).

It should be noted that in the Japanese court system, this may be one of the most distinctive increases in judges allocated to one specific field, namely, IP disputes.

#### **(2) Changes in Court Procedures (Please see Appendix A)**

##### **(A) *Conventional Patent Infringement Procedure in Japanese Courts***

In order to understand the effort which the Tokyo District Court and other courts are taking, it is useful to have an overview of the Japanese trial system, as well as some of its unique procedures in patent litigation.

(i) In the United States, civil procedure is divided into two separated parts, namely, the discovery phase where the judge's involvement is minimal, and the trial phase (bench or jury) which is carried out continuously for a certain number of days. Trials in the U.S. may also be bifurcated into two stages: the infringement stage and the damage stage.

The Japanese court system uses neither discovery nor jury trials. Therefore, after the complaint is filed by the plaintiff, a panel of three judges is assigned to each intellectual property case (however, a single judge is used in IP provisional injunction cases). Thus from the very beginning, the court starts its direct control on procedure matters and involvement in developing their thoughts on the merits.

(ii) The complaint for patent infringement must describe the defendant's product and compare it with the patented invention on an element-by-element basis. The description of the defendant's product in the complaint must be objective and detailed enough so that the court may decide the infringement by said element-by-element comparison. Furthermore, when the court issues the injunction order, the bailiff may execute the order in the judgment without referring to other documents or evidence. If the plaintiff claims damages, the complaint must specify the amount of claim of damage and the basis for its calculation.

(iii) The court will assign the first hearing to a date within 30 days from the filing of the complaint and the defendant shall file a written reply to the complaint (admission/denial, defense) before the first hearing date. Thereafter, hearings will be held once a month or once every two months, and each party must submit its arguments and evidence (documents, sample or product for inspection, written expert opinion, affidavit in place of testimony, etc.) until the court declares that the hearing procedure is closed, as the court determines that all arguments have been exhausted and the examination of the evidence has been completed, on both issues of infringement and damages and that the court is ready to decide the case. Note that testimony is rarely heard in infringement cases.

(iv) Under civil procedure rules, there is no distinction between the step to decide the description of the defendant's product (STEP A), the step to make arguments and submit evidence of infringement (STEP B), and the step to make the arguments and submit evidence on the merits of damages (STEP C). However, in past practice, these three steps have been, as a matter of fact, trifurcated.

Step A is used because it is easier for both the courts and the parties to discuss the infringement using the same definition of the description of the defendant's product when comparing it with the claim wording. However, when the parties cannot agree on the wording, Step A becomes a frustrated step, especially for the plaintiff, because it causes a substantial delay of procedures.

Separation between Step B from C is often useful for parties to save the time for proving damages if the court gives some indication on non-infringement (sometimes by closing the hearing without entering into argument and examination of damages). In such a situation, the parties often settle the case at this stage. However, when the court has reached a decision on infringement, the separated step for damage becomes a reason for delay.

(v) The separation of jurisdiction on the infringement and validity of the patent in issue is another aspect. The first instance of infringement is of course subject to district court. But invalidity has been considered to be first examined at the Trial Board of the Patent Office, and an appeal from a decision of the Trial Board is subject to the exclusive jurisdiction of the Tokyo High Court.

The recent courts' efforts shall be evaluated under said practice established and maintained for many years.

#### **(B) *Recent Views on Expedited Trials***

##### 1) Procedure in general

###### (i) Prior to filing of complaint in general

The Tokyo District Court emphasizes that a plaintiff shall make careful and thorough preparation prior to filing a complaint and that the plaintiff should submit his best arguments and supporting evidence, including those supporting his claim for damages, at an early stage in the litigation. If a court determines that the plaintiff did not use reasonable efforts to prepare his arguments or collect evidence, the court may refuse to give the plaintiff extra time to later supplement his arguments and evidence.

On the other hand, if the court finds that the plaintiff used such efforts but the defendant denies the plaintiff's identification or description in the complaint, the court may, as a matter, persuade the defendant to disclose the information voluntarily, even if the burden of proof is still on the plaintiff.

###### (ii) Prior Art Search

Since the Japanese Patent Act changed from the pre-grant opposition system to the post-grant opposition system, the period for patent examination has been considerably shortened. The general trend in recent opposition practice is that it is difficult to get the cancellation of a patent on the basis of lack of inventive steps. Furthermore, the lack of an information disclosure system may often result in the situation where the plaintiff's attorneys are surprised by important prior arts which were not explained by

their clients (defendants) prior to filing. Recently, therefore, experienced attorneys feel it necessary to perform a prior art search even if the patent is granted or if the opposition is clarified, in order to avoid groundless actions as well as to avoid an embarrassing outcome.

(iii) Court's request of clarification on issue prior to the first filing date

In general civil cases, Civil Procedure Rule 61 authorizes the court to request the defendant to clarify the claims, issues, evidence, and his plan. This rule is not so much used in intellectual property cases because of the complexity of cases. However, I have experienced several cases where I was the defendant's attorney and the court asked the plaintiff's attorneys to clarify their legal grounds for complaint where it was difficult to understand from the complaint exactly what was the subject matter. Therefore, I expect that Rule 61 is used in such cases where inexperienced attorneys represent the plaintiffs.

(iv) Flexible hearing methods adopted under the Civil Procedure Code revised in 1996 and effective January 1, 1998

Under the revised law and rules, courts may conduct (in addition to conventional oral hearings and preparatory hearings) the procedures for preparation and the preparation by documents (Civil Procedure Code 168, 175). Neither procedure is open to the public; they may be carried out by telephone conference (Civil Procedure Code 170, Rule 88 and 91)—which I have found to be efficient especially when one party is in Osaka and another party is in Tokyo. In such a case, it is always difficult to set the next hearing to a date convenient to courts and both parties' attorneys.

In Japanese litigation, although arguing by submitting documents has had an important role in practice, theoretically, the physical appearance by both parties before an open court has been necessary—even if for only five minutes per hearing—in order to keep the court procedure open to public, such as in criminal cases. Under the new rules, however, the Tokyo District Court encourages the expedition of the procedures by telephone conference as well as by making requests for clarification outside of hearing dates.

2) Description of Defendant's Product

- (i) The three-step approach (as mentioned above as STEP A to identify defendant's product, STEP B to argue infringement and STEP C for damage argument) has been reviewed, and the policy of the Tokyo District Court is changing to examine these issues in parallel.

(a) In the past, even when the sample of actual product itself was brought before court, Courts recommended that the parties reach agreement on wordings of the description, which often resulted in delay of procedure. Plaintiffs often wish to use a wording close to the ones of the patent claim, and defendants wish to use different wordings. (This already includes their argument on interpretation of patent claims.) Thus, courts may instruct the parties to submit arguments on infringement, without waiting for the parties' agreement on the wording of the description of defendant's product (or process).

(b) The latest revision of the Patent Law (adopted in May, 1999 and effective January 1, 2000) introduced the obligation of a defendant to disclose his product or process unless, for example, it would result in disclosure of a trade secret. Article 104-2 as amended reads:

“104-2 Obligation to disclose specific modes.

In the event that the other party denies the specific modes of the product or process on which the patent owner or his registered exclusive licensee submitted the argument of infringement, such other party shall clarify the specific modes of his acts. Provided, that this does not apply when such other party has a reasonable ground for being unable to make such clarification.”

However, the said provision is not detailed enough to give the criteria as to the extent which a plaintiff is required to first exhaust his responsibility to identify or prove the specific modes of defendant's product or process, nor what conditions may constitute a defendant's reasonable ground to refuse such disclosure. Apparently, this provision does not anticipate allowing a plaintiff to start speculative litigation.

### 3) Infringement issues

As the court is involved in the arguments on the interpretation of the patent claim and infringement matters from the very beginning of the litigation, and the court may request parties to clarify or supplement their arguments from time to time, it seems that this step has not caused trial procedures to be delayed. Recently, courts have tended to request all infringement arguments to be submitted by parties at an early stage and have prohibited parties from filing arguments late or making seemingly groundless arguments.

Article 105(1), as amended in the aforementioned latest revision, provides the court the power to issue, upon request, a document submission order in relation to proof of infringement in the same manner as the documents relating to calculation of damages.

105(2) as amended provides an in-camera procedure for the defendant to argue that there is a good reason to refuse such submission. The Legislature expects these new provisions to be treated under Civil Procedure Code 223 (Document submission order and in-camera procedure) and under parties' agreement, in a manner similar to that of protective orders under the U.S. civil procedure.

#### 4) Damage issues

Courts have not spent much time on damage issues in the past. One reason may be that the damage issue has been argued and examined after the infringement issue is argued and examined. At such stage, both parties are aware of whether court has formed an opinion favorable to their cases, and often the financial information or documents are voluntarily submitted under recommendation by the court, but without court orders. The revised Patent Law provides:

- a) Art. 105(1) and (2) Document submission order and in-camera procedure therefor;
- b) Art. 105-2 Appointment of experts for damage calculation and party's obligation to reply the questions by such experts;
- c) Art. 105-3 Court's power to decide the amount of damages not relying on specific evidence.

Art. 105-3 applies to when, although the court finds by evidence the occurrence of "some" damage, it is difficult to find the exact amount of damage based upon the evidence because of the character or nature of the specific facts. Thus, the court may decide the amount of damage after considering the entire argument and evidence, not merely relying on specific evidence. This exception from the rule of evidence has long been adopted in normal tort litigation, especially when the court decides the amount of consolation money or damages for mental distress, etc. It is not clear in what situations this provision will apply to intellectual property infringement cases.

The Legislature (MITI) does provide some explanatory examples:

- (a) a case where damages are calculated by the following formula [number of units of infringing products sold by defendant multiplied by profit per unit of plaintiff's patented products], the unit price went down because of the infringement; and
- (b) the cost to prove the actual amount seems to be much larger than the possible damage amount if it is required to collect evidence on a nation-wide basis.

It is doubtful, however, whether such examples fall under the cases where it is extremely difficult to prove the amount of damages.

Thus, Japanese courts, especially the Tokyo District Court, are searching among various approaches in an attempt to attain cost effective and quick enforcement of intellectual property rights. I myself feel that this efforts by the courts has already started to result in shorter hearings. Attorneys in the IP field should be aware of the necessity to cooperate in such new approaches.

### **(3) Sub-Conclusion**

In summary, to attain quicker and less expensive enforcement in Japan, the following approaches should be considered:

- (A) Take the steps to get patent quickly:
  - (i) File the request for examination early;
  - (ii) Request the early laying open of the application (Revised Patent Act Art. 64-2);
  - (iii) Send the warning letter under the request of early laid open (Art. 64);
  - (iv) Use the expedited examination system (This is easy for an application based on a foreign application and an application by a small corporation).
- (B) Study prior arts before filing litigation even if few prior arts were cited by the Examiner.
- (C) Prepare the defendant's process and products as much as possible so to give the court the impression that reasonable efforts have been exhausted and to transfer the *de facto* burden of proof to the defendant.
- (D) Prepare and submit the infringement argument, together with evidence (including equivalency doctrine), at an early stage of litigation.

- (E) Prepare and submit the argument and evidence concerning damages, including the request for submission of documents.

#### **(4) Alternative Dispute Settlement**

##### ***(A) Settlement before courts***

Around 50% of intellectual property cases are settled during litigation before courts. Many are settled after substantial arguments and evidence have been submitted. A Tokyo District Court judge has written that, in order to expedite settlement, his court sometimes discloses to the parties the court's impression of the case. Some other courts may be reluctant to disclose their impression to parties at early stages.

##### ***(B) Mediation pursuant to Civil Procedure Code***

Until recently, mediation has rarely been used for intellectual property cases. The Tokyo district Court occasionally recommends to parties that they transfer their case to the mediation procedure, in which one former Judge together with another mediator will control the procedure, and another Judge will join the procedure at the last stage. Whether the case is transferred to mediation or whether they agree to settle the conditions proposed through the procedure shall be agreed upon by the parties. Mediation has not yet proved to be effective in this field. The important issue seems to be whether or not neutral, knowledgeable, and persuasive mediators can be found.

##### ***(C) Hantei (Infringement Opinion by the Patent Office)***

*Hantei* is a procedure provided in Art. 71 of the Patent Law, where either a patent owner or possible parties to infringement disputes may request an opinion of a panel of three trial examiners of the Patent Office. One of the reasons that this procedure is unpopular is that the requesting party must only identify and describe the alleged product or process and there is no procedure to examine witnesses or other evidence in relation to the accused product or process.

The latest revision of the Patent Law introduced the evidence rule providing for invalidation trials into *Hantei* procedure (Art. 71(1)). Art. 71(3) also provides that, upon request of court, the Patent Office may appoint three trial examiners to write an expert opinion on the technical scope of the patent in suit.

***(D) Waterfront Procedure under the Tariff Act***

Under the TRIPS Agreement, Japan also revised the waterfront procedure, from a discretionary procedure of the Customs House to the legal right of IP holders to stop the infringing products. The Customs House has been active especially on trademark counterfeits. In cases of patents, utility models and designs, however, the Customs House is not so active, as they have been sued by importers for damages incurred by the refusal of customs clearance for the reason that the goods concerned did not infringe patents, etc.

Therefore, in order to efficiently stop the import of goods infringing Japanese patents, it is advisable to first get a provisional injunction order from a district court, or at least to obtain a *Hantei* opinion from the Patent Office.