



Session 2-1

Strategic Enforcement of Patent Rights in Japan and Its Merit

**- What US Patentees Should Know
When Enforcing Japanese Patents -**

**Naoki Okumura
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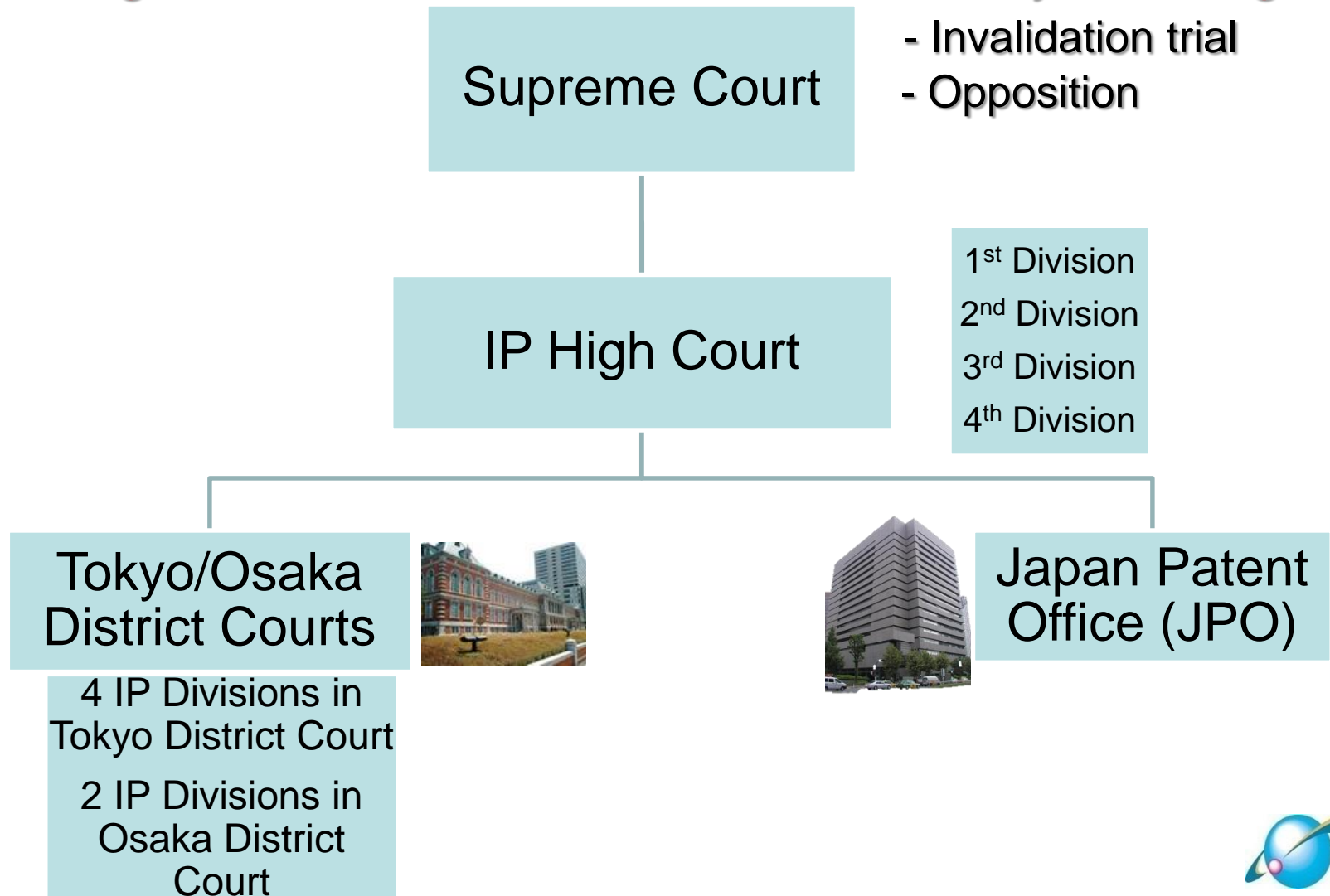
Japan Patent Attorneys Association
International Activities Center

Overview of Japanese Judicial System

- Bifurcation of two proceedings

Infringement Action

Validity Challenge

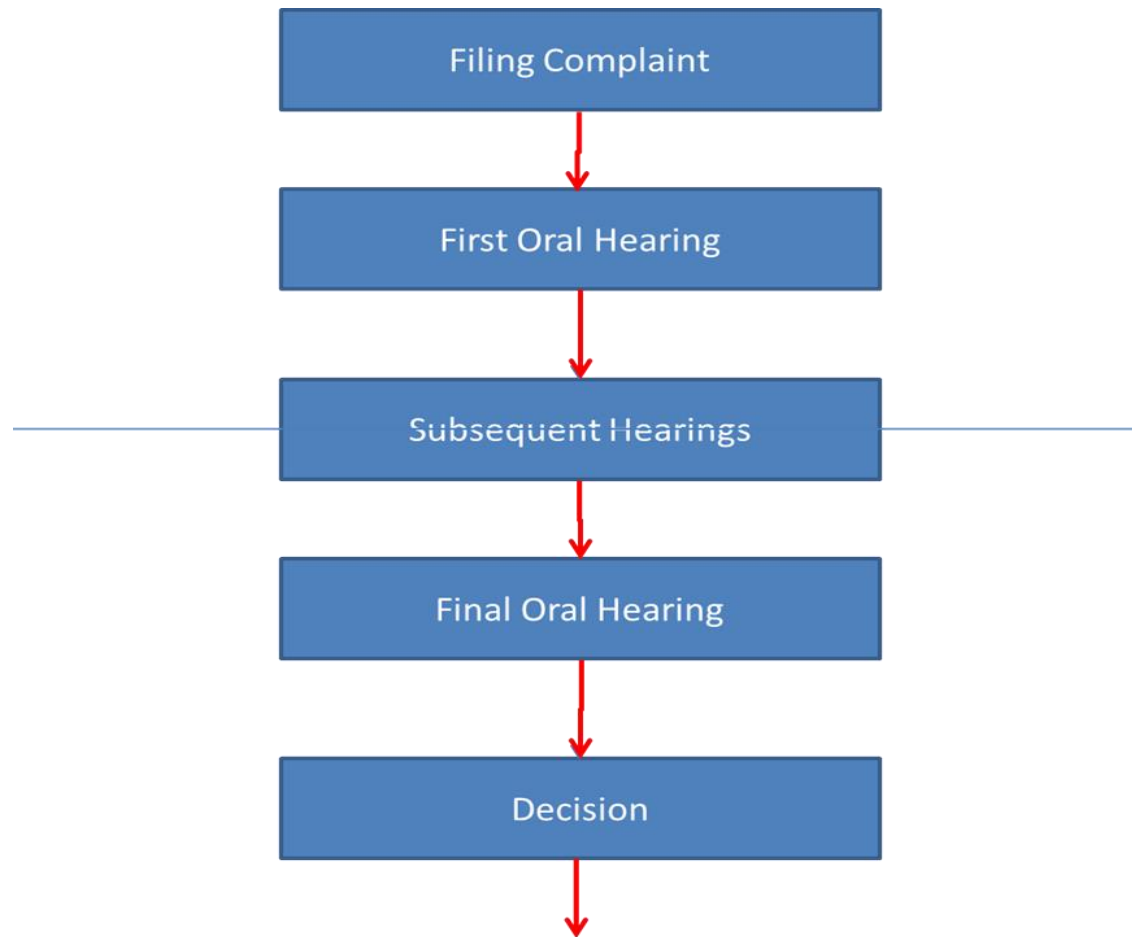


Overview of Japanese Judicial System - Infringement Action

- *First Instance* District Court
 - Tokyo/Osaka District Courts have exclusive jurisdiction on utility patent infringement cases
 - For design patent cases, all district courts have jurisdiction.
- *Second Instance* IP High Court
- *Final Instance* Supreme Court
 - Constitutional issues
 - Inconsistency with past SC case laws
 - Important legal issues

Overview of Japanese Judicial System

Sequence of First Instance at District Court



Overview of Japanese Judicial System

Closer Look at First Instance

- **First Stage**
 - Focus on *Infringement* and *Validity*
- **Second Stage**
 - Only after the court finds infringement of a valid patent
 - Focus on *Damage Calculation*
- **In both stages, arguments are mainly made by exchange of written briefs and evidence.**
 - Oral witness of an expert is seldom heard

Overview of Japanese Judicial System

Court		Division	Judge	Judicial Research Official
Second Instance	IP High Court	4	18	11
First Instance	Tokyo District Court	4	16	7
	Osaka District Court	2	6	3

Panel member
3 or 5 judges

Panel member
3 judges

Remarkable Differences from U.S. Procedure

I. Civil code country

II. No discovery system

III. No jury system in civil procedures

- I. Both fact finding and application of law done by professional judges

IV. Judges supported by IP & Tech professionals

V. Settlements on litigations led by the court

Remarkable Differences from U.S. Procedure

I. Civil code country

- *Interpretation of written statutes is more important*
- *Case laws (even decisions rendered by high courts) are not always binding, except decisions rendered by Supreme Court*

Remarkable Differences from U.S. Procedure

II. No discovery system

- *Prepare evidence by yourself*
- *Document Production Order available in some circumstances*

Remarkable Differences from U.S. Procedure

III. No jury system in civil procedure

A panel consisting of professional judges are responsible for all procedures including fact finding and applications of law. A high reliability of a judgment can be expected.

Documentary evidence is important in litigation in Japan. Examination of a witness is not common in patent infringement litigation in Japan.

Remarkable Differences from U.S. Procedure

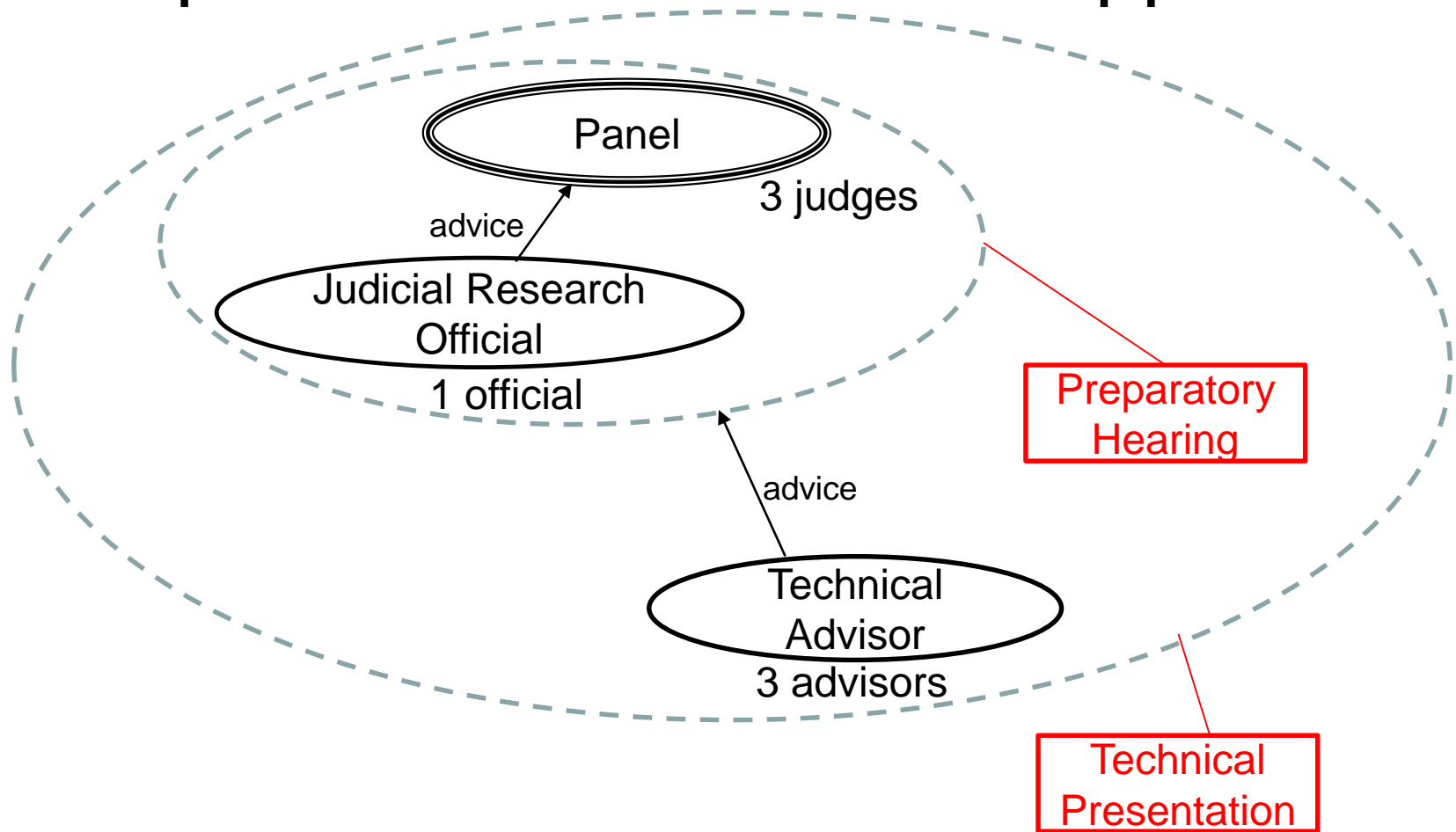
IV. Judges supported by IP and Tech. professionals

Judicial research officials and technical advisors support a panel to provide advice from a technical standpoint of disputable issues regarding an invention in litigation.

A judicial research official is a full-time court official who is an Ex-JPO examiner or Ex-patent attorney.

Technical advisors are part-time court officials who provide technical explanations of disputable issues to the board and are professors of engineering or patent attorneys.

Remarkable Differences from U.S. procedure – technical support



Remarkable Differences from U.S. Procedure

V. Settlements on litigations led by the court

Most cases end by settlements in litigation. The board leads a settlement based on the judges' opinions disclosed at the first stage of litigation .

Thank you for your attention

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Session 2-2

Strategic Enforcement of Patent Rights in Japan and Its Merit

- Questions and Answers -

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Question 1

Injunction Always Granted?



Q 1: Injunction Always Granted?

- Automatic injunction if a court finds infringement of valid patent right
 - No *Ebay* defense (No Equity)
- Core value of JP patent
- Powerful tool during licensing negotiation phase
 - Risk of (complete) expulsion from JP market
 - Design change needed for a global product



Question 2

Difficult to Enforce Patent Rights?

- Narrow Claim Construction?
- How to gather evidence without discovery?

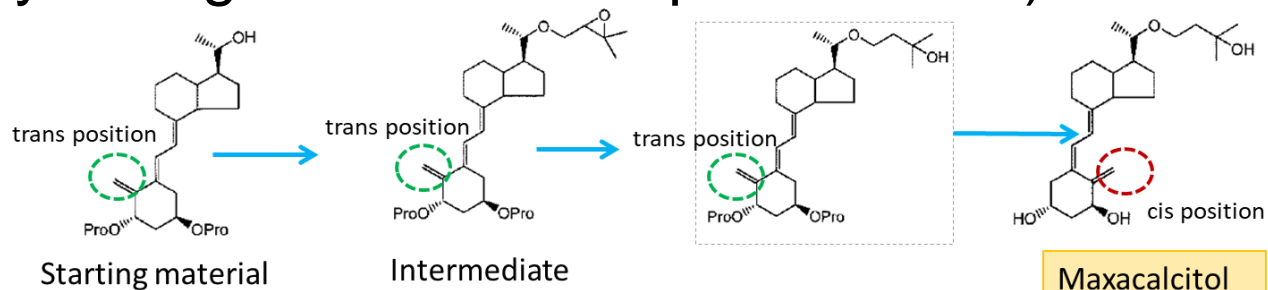
Q 2: Difficulty of Enforcement ?

-Substantial Point

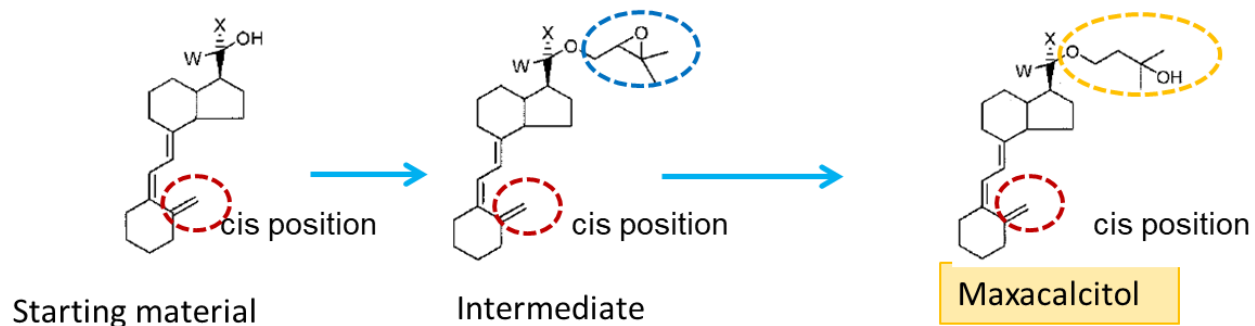
● Narrow Claim Construction ?

- Not the case any longer...
- Revival of Doctrine of Equivalent (Decisions by IP High Court and Supreme Court)

Accused Method



Patented Method



Q 2: Difficulty of Enforcement?

- Procedural Point

- Collecting evidence without discovery?
 - Document production order available in certain circumstances
 - Practically, the court requests parties to voluntarily produce documents necessary to determine the case
 - Discussion for legislative change is ongoing

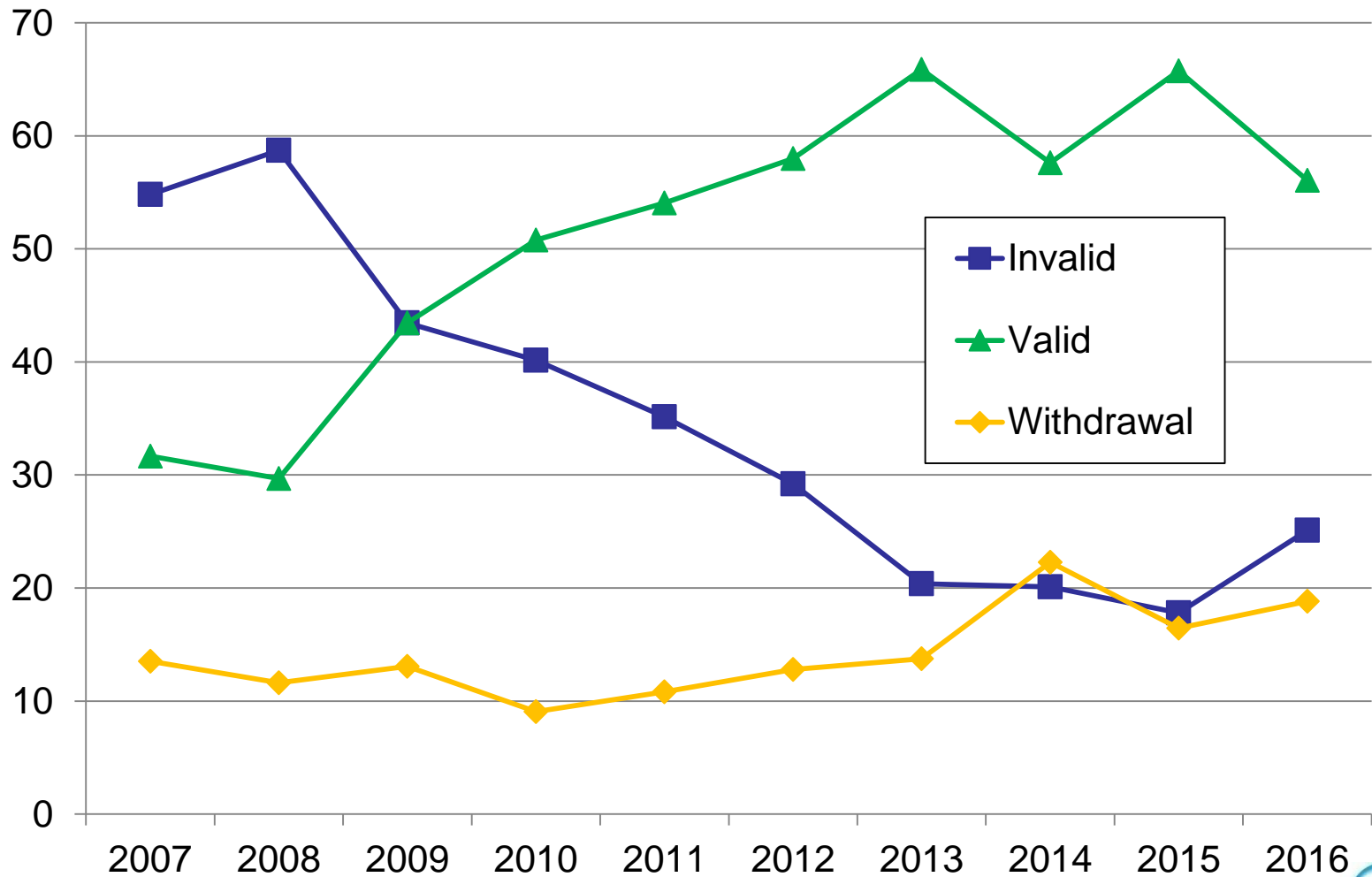
Question 3

High Risk of Losing Patent?

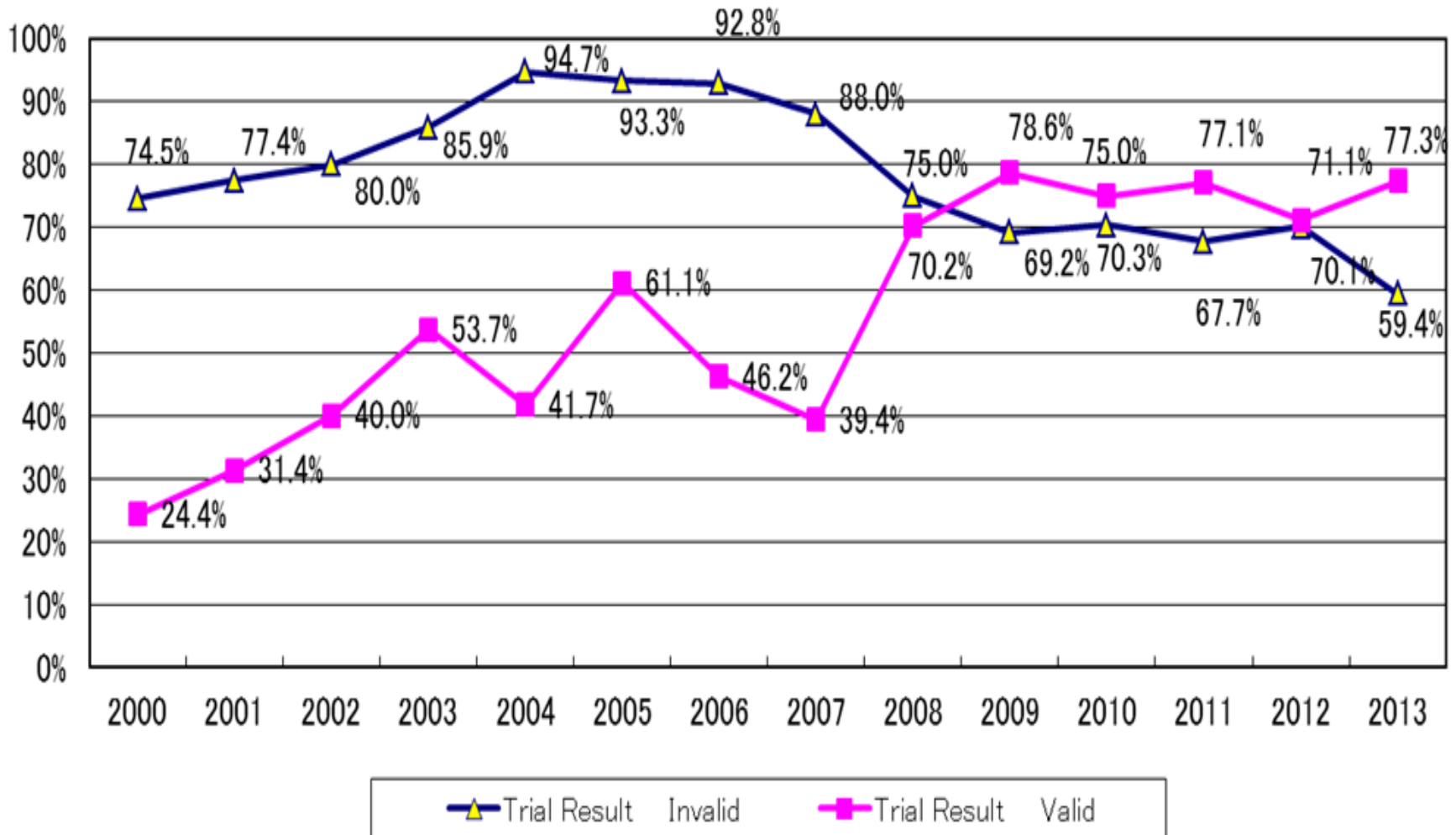


Q3: Risk of Losing Patent ?

- Invalidation Trial: **25%** (Japan Patent Office, 2016)*



Upholding rate by the IP High Court regarding Invalidation Trial Decisions by JPO



23 **If JPO's decision is "valid", then the IP High court is very likely to uphold such decision !!**



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Question 4

Low Winning Rate for Patentee?



Q4:Low Winning Rate?

- Unofficial Analysis by one of the IP High Court judges says actual winning rate for the plaintiff is around 50% (or, even more!) of all the cases (next slide).
- Unofficial Analysis on settlements by Chief Justice of the IP High Court (slide 9)
- If the Court finds infringement of a valid patent right, the court will try to settle the case, without going to decision.
 - This is why the apparent winning rate for patentee seems low.

Actual Success Rate

- Actual success rate of patentees (Cases handled by 29th division of the Tokyo District Court)

Year	Judgement		Settlement		Patentee's success rate (b)+(d)/(a)+(c)
	Total (a)	In favor of patentee (b)	Total (c)	In favor of patentee (d)	
2006	27	5	50	27	42%
2007	33	13	39	23	50%
2008	25	13	49	29	57%
2009	20	8	50	37	64%

Source: Misao Shimizu "Current Status of IP Divisions of the Tokyo District Court Based on Statistics" Hanrei Times No. 1301-84p

Actual Success Rate

- Survey on settlements before the Tokyo and Osaka District Court from 2011 to 2013

Number of Settlements Surveyed	Under Seal	Injunction Order	Payment of money w/o injunction	Other
94	10	41	29	14

Source: Ryuichi SHITARA (Chief Justice of the IP High Court) “Ten Years of IP High Court and its future prospect”

Question 5

How Much Cost?



Q5: How Much Cost ?

- Reasonable cost
- Average cost for 1st instance proceeding (by supposition)
 - Around \$ 100,000 to \$300,000...cost effective
- Contingency fee is not common

Question 6

How Much Amount of Damage?



Q6: How Much Damage ?

- No punitive damages, but a special provision to calculate damages (easy to prove)

Patent Act	Calculation Method for Damages
Article 102(1)	(Plaintiff's profits) x (no. of Defendant's products assigned)
Article 102(2)	Defendant's profits basis
Article 102(3)	Reasonable royalty basis

- Remarkable cases
 - Nikon v. Sigma (in 2015): 15 million US dollars
 - Many other multi million dollar cases

Question 7

Laches Defense Available?



Q7: Laches Defense Available ?

- No Laches in Japan
- For damages, civil code provides a Statute of Limitations
 - 3 years
 - For a reasonable royalty claim, 10 years after damages caused
- For injunction, a patent right is enforceable as long as it remains in force

Take Home Tips

- Injunction is a core value of JP patents.
- Injunction order is almost automatic as long as infringement (and validity) is found. Even if an infringement is found only in a feature of a product, the injunction order applies to the whole product.
- The more patents you have in Japan, the less design options competitors in the market have.

Take Home Tips

- Stats clearly show **pro** patent trends
 - At present, it is difficult for challengers of a patent right to succeed especially in an invalidation trial
- Many cases are settled in favor of plaintiff. The plaintiff can use the leverage power of injunction to reach profitable settlement terms.



Thank you for your attention

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