

TOKYO - JAPAN

# NAKAMURA & PARTNERS

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## OUTLINE OF IP INFRINGEMENT ACTION IN JAPAN

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## **1. Regular Action and Provisional Injunction Procedure**

In Japan, an Intellectual Property (IP) infringement action may be brought by way of a regular action and/or a provisional injunction procedure, which are independent procedures and may be initiated separately or at the same time. The main differences between them are as follows:

- (i) In a provisional injunction procedure, hearings tend to be held at shorter intervals, and a decision may be rendered more quickly, than in a regular action.
- (ii) To obtain a provisional injunction, a plaintiff has to prove an urgent necessity, which is not the case in a regular action.
- (iii) In a provisional injunction procedure, a plaintiff may not demand any damages, which is not the case in a regular action.
- (iv) A provisional injunction procedure is handled either by a single judge or a panel of three judges, while a regular action is handled by a panel of three judges.
- (v) To obtain a provisional injunction, a plaintiff has to deposit an amount of money as a deposit set by the judge, which is not necessary in a regular action.
- (vi) In a provisional injunction procedure, execution/enforcement of a ruling favorable to a plaintiff may not be suspended in most cases, while in a regular action, provisional execution of a judgment at the first instance of damages and/or injunction may be suspended if the losing defendant makes a pleading to suspend such provisional execution together with deposition of a bond.

If a case is very clear and/or if the plaintiff's priority is to apply strong pressure on an alleged infringer, the plaintiff may choose a provisional injunction procedure.

## **2. Filing Complaint for Regular Action**

Before initiating litigation, in most cases, an IP right holder sends a warning letter to an alleged infringer in an ordinary situation. If the IP right holder does not receive a satisfactory answer from the alleged infringer, the IP right holder will initiate litigation.

A plaintiff commences an IP infringement action against a defendant by filing a complaint before a court. The plaintiff should carefully prepare the complaint prior to filing it.

The complaint must set forth:

- (i) demands such as injunction and/or damages; and
- (ii) cause of action for an IP infringement case, which includes:
  - (a) ownership and scope of the plaintiff's IP right;
  - (b) the defendant's infringing act;
  - (c) comparison of scope of the plaintiff's IP right with the defendant's infringing act; and
  - (d) the specific amount of damages and grounds for calculation if damages are sought.

Since in general under the IP laws and practices in Japan, a court has almost automatically granted an injunction as a remedy against an IP infringement, the

demand for injunction may be IP right holder's strong tool for negotiation for a settlement favorable thereto. In this sense, it is generally advisable for an IP right holder to enforce his or her IP right before the right expires, although the IP right holder may still claim past damages even after the right expires.

In practice, the plaintiff attaches to the complaint, a schedule showing the accused product, process, or trademark, etc. Further in practice in a patent infringement action, in the schedule, the structure/steps of the accused product/process, which must be specific enough to distinguish the accused product/process from other products/processes and also be comparable with the claim, should be described.

To file a complaint for a regular action, the plaintiff must pay the official fee that is calculated according to a specific formula based on a value of litigation which is determined based on an amount of damages and an amount for an injunction. For example, if a value of litigation is 100,000,000 JPY, the official fee is 320,000 JPY. On the other hand, to file a petition for a provisional injunction, the official fee is fix-amount 2,000 JPY.

The plaintiff must bring an action before a district court having a jurisdiction. With respect to a case relating to a patent, utility model, circuit layout right or author's right on a computer program, only the Tokyo District Court and the Osaka District Court have a jurisdiction. With respect to other IP rights, (1) district courts covering the defendant's address, the plaintiff's address if there is a damage claim, or place of infringement, and (2) the Tokyo District Court for a case in the East Japan jurisdiction or the Osaka District Court for a case in the West Japan jurisdiction, have a jurisdiction in an infringement case. The courts are impartial for cases involving foreign parties, and thus there is no need for forum shopping in this regard.

### **3. Procedure before Court after Filing Complaint**

The complaint for an infringement action filed with the Tokyo District Court or the Osaka District Court is assigned to one of civil divisions specializing in IP cases. Since the Japanese court system uses neither discovery nor jury trials, the case is assigned to a panel of three judges in such a civil division, or one judge in most provisional injunction procedure cases, and thus from the beginning, the Court starts its direct control of procedural matters and its involvement in a trial on its merits.

After a presiding judge investigates the complaint, a court clerk will serve the complaint on the defendant by mail in most cases. Upon the serving of the complaint, the presiding judge usually designates the first hearing to be on a date within 30 to 45 days after the filing of the complaint in cases where the defendant is a domestic company. The defendant must file an answer to the complaint (admission/denial, defense) before the first hearing date. In the answer, the defendant should give a summary of at least a probable argument as to the issue of invalidity and other possible defenses as well as non-infringement.

## 4. Hearing

At the first hearing, the presiding judge confirms the plaintiff's submission of the complaint and evidence and the defendant's submission of the answer and evidence, and schedules the second hearing date.

After the first hearing, hearings will be held once a month or once every two months, or more often in the case of a provisional injunction procedure, and each party must submit its arguments and evidence (documents, sample of product for inspection, written expert opinion, affidavit in place of testimony, etc.) at an appropriate hearing according to the progress of the litigation. For example, according to the Hearing Model for Patent Infringement Case set by the Tokyo District Court, around 5 more preparatory hearings are planned for the infringement and invalidity issues. At these hearings, basically, there is no oral argument, and judges may ask questions for clarification and direct each party what he or she should do next.

At these hearings, the parties should argue the issue of infringement and invalidity instead of calculating damages. In general, the parties should submit their best arguments and supporting evidence at an early stage in the litigation not only for the infringement issue but also for the invalidity issue. Otherwise later submitted untimely arguments could be rejected by a Court. A Court may examine and decide the invalidity issue regardless of whether the defendant initiates an invalidation procedure before the Japanese Patent Office.

In most cases, the Court decides the infringement issue and invalidity issue based on the parties' arguments in the briefs and documentary evidence without taking witness testimonies. An expert opinion can be submitted as documentary evidence. The Japanese court system does not use discovery such as those under the U.S. civil procedure. A party may, however, request the other party to produce a document to prove infringement and/or the amount of damages through application for a document production order. In terms of evidence collection, newly introduced system called "Inspection", whereby a court appointed expert may enter premises of alleged infringer to conduct an inspection(e.g. asking questions, asking to show documents, operating equipment and conducting experiments.) and produce a report, is expected to become one of the powerful tools for evidence collection. Also, practically, the Court usually requests each party to submit evidence which the Court considers necessary to advance the proceeding. Further, the Japanese court system has protective orders similar to those under the U.S. civil procedure, although they are not frequently used.

Recently, in many patent infringement cases, at the final stage of these hearings, a technical presentation session is held in the presence of three or fewer technical advisors as well as judges. At the technical presentation session, each of the parties makes his or her presentation for the infringement and invalidity issues, and the technical advisors as well as the judges may ask questions thereto.

When both parties' arguments on the infringement and invalidity issues are exhausted, the Court considers the case. If the Court reaches a conclusion that there is an infringement and the calculation of the amount of damages is very complicated,

it may render an interlocutory judgment, although few interlocutory judgments are actually rendered in IP infringement cases.

The damage amount is argued and examined after the issues of infringement and invalidity have been argued and examined. At this stage, both parties are aware of whether the Court has formed an opinion favorable to their cases and thus financial information or documents are often voluntarily submitted according to the Court's recommendation without issuance of document production order. Also, it should be noted that statistics by the Japan Patent Office shows that winning rate for patentees in an invalidation trial has increased dramatically during recent years, which means that it has become more difficult for an alleged infringer to make patents invalid through invalidation trial before the JPO. The Article 102 of Japanese Patent Act provides special methods for calculation of damages in cases of patent infringement to ease the difficulty of proving the amount of damages caused by patent infringement, namely, a patentee may calculate the amount of damages according to (i) the profit per unit quantity of the product on the right holder's side multiplied by the quantity of infringing products transferred, (ii) the profit obtained by the infringer by infringing act, or (iii) royalty basis. Furthermore, the latest revision to the Patent Act made it possible for a patentee to calculate the amount of damages by combining these methods under certain conditions, which would increase the expected damages to be awarded by the court to a patentee.

## **5. Judgment**

When the Court determines that all arguments have been exhausted and the examination of evidence has been completed on the issues of infringement, invalidity, and/or damages and that the Court is ready to decide the case, the Court declares that the hearing is closed.

The judgment is usually rendered from several weeks to two months after the date on which the proceeding is concluded.

## **6. Settlement**

Many IP infringement cases are settled before the Court renders a judgment. It is usual for the Court to attempt to make parties settle a case after the Court has become familiar with the case.

The Court plays a key role in reaching a settlement. The Court usually has a good understanding of the merits of a case and implicitly or explicitly conveys its understanding or determination about the case to the parties in a settlement hearing. The court often meets with each party separately to try to convince each party to accept a settlement by pointing out each party's strengths and weaknesses and indicating that the settlement terms are reasonable.

## **7. Statistics**

According to the Supreme Court's latest statistics, an average trial period of IP related civil cases before district courts is about 13 months (for the year 2017).

Further, about 66% of IP related civil cases ended between 2014 and 2016 before district courts ended with decisions being rendered, about 34% ended with settlements. In about 27% of said rendered decisions, IP rights holders won the suits at least partially. Further, in said settlement cases, about three-fourth of IP rights holders are considered to have substantially won the suits. Thus, one may say that in more than half of the recent IP cases, IP right holders have substantially won the suits.

## **8. Period for Filing Appeal**

The losing party in the first instance may file an appeal. The appeal in a regular action must be filed with the court of first instance within two weeks (additional 30 days may be awarded for foreign entities.) from the day of service of the judgment on the appellant. The grounds for the appeal do not need to be submitted at the time of filing the appeal but the appellant must file a brief containing the grounds for the appeal within 50 days of filing the appeal. The Intellectual Property High Court, a special court in the Tokyo High Court, will hear all appeal cases, relating to a patent, utility model, circuit layout right and author's right on computer program, from the district courts. The IP High Court reviews appeal cases de novo and is not bound by a lower court in any manner, and thus even the findings of facts by a lower court may be overturned. However, in practice, in general, the decisions by the Tokyo District Court and the Osaka District Court in most infringement cases tend to be affirmed by the IP High Court.

The losing party at the second instance may file an appeal to the Supreme Court only based on the limited legal grounds.

## **9. Attorney's Fee**

Our fee arrangement for IP infringement cases before a Court will usually be on an hourly time charge basis. The rate is usually ¥45,000-¥60,000 per hour for a senior partner, ¥38,000-¥45,000 per hour for a partner, ¥30,000-¥38,000 per hour for a senior associate, and ¥25,000-¥30,000 per hour for a junior associate.

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