

What You Need To Know About Patent Litigation In Japan

By Ryan Davis

Law360 (September 20, 2018, 9:00 PM EDT) -- The final stop on Law360's look at patent jurisdictions around the world is Japan, where attorneys say pro-patent trends including fewer invalidity findings and strong injunctions can make the country an appealing venue for patent owners.

There is relatively little patent litigation in Japan, which sees around 200 cases filed each year, but attorneys say some recent developments in the country could catch the eye of patentees considering where to file suit.

For instance, as recently as 2006, more than 70 percent of patents challenged at the Japan Patent Office were found invalid, but that has dropped to 20 or 30 percent in the past few years, according to statistics from the office.

Atsushi Sato of TMI Associates Silicon Valley LLP, a Japanese firm with an office in California, said that pro-patent trend appears to be tied to a decision by the country's Intellectual Property High Court about a decade ago that was critical of strict JPO standards that resulted in many invalidity rulings.

"It has become very difficult to invalidate patents at the Japan Patent Office," he said. Those favorable odds for patentees, coupled with relatively low litigation costs and near-automatic injunctions when infringement is found, make Japan a country to think about when putting together a global patent enforcement strategy, he said.

Here's an overview of what to expect in a patent case in Japan.

Bifurcated System, With a Twist

Many countries have a bifurcated system for patent cases, in which the courts rule on infringement and the national patent office reviews invalidity contentions from accused infringers. Japan has a variation on that system, with the twist that the courts are not completely precluded from making decisions on validity.

When a patent owner files suit in Japan, the accused infringer often begins a proceeding at the JPO seeking to invalidate the patent. However, they can also argue that the patent is invalid in court as part of the infringement case. Unlike in many countries, Japanese district court judges can make decisions on invalidity, but they are binding only on the parties in the case.

The judge can rule in favor of the accused infringer by holding they have shown the patent is invalid. However, only a decision by the JPO can actually render the patent invalid. District court decisions on invalidity therefore put patentees in an unusual type of limbo.

"If there appears to be grounds for invalidation, the court can decline to enforce the patent and not award damages, but the patent can still stand," said Scott Llewellyn of Morrison & Foerster LLP.

Theoretically, the patent owner could continue to file suits over a patent that has only been found invalid by a court, but in practice that rarely happens, since the patent has a cloud over it.

Filing a new suit in that situation "could be judged an abuse of patent rights, so it would be risky to do," Sato said.

Since most infringement suits have accompanying invalidity proceedings at the JPO, there is a possibility that the office could find a patent invalid while a court upholds its validity, or vice versa. But Japan's appellate system is designed to sort out those conflicting results, since decisions by the courts and the JPO are both appealed to the country's IP High Court.

"The Japan Patent Office normally listens to the court and tends to respect the court's decision, but sometimes cases reach different conclusions," said Chie Yakura of Morrison & Foerster's Tokyo office. "What happens then is that the parties appeal both decisions to the IP High Court, which will handle both cases and render a consistent decision."

Since invalidity contentions can be filed in court or the JPO, accused infringers have to decide the best approach, Yakura said. The low rate at which the JPO has recently found patents invalid may discourage some accused infringers from going there, particularly if they are relying on prior art the office already reviewed during prosecution.

But if the invalidity argument involves highly technical issues, accused infringers may feel they will find a more receptive audience at the JPO than they would from judges who don't have a science background, she said.

"It's a strategic decision for the alleged infringer about whether they want to argue invalidity in court, at the Japan Patent Office or both," Yakura said.

Unique Setup

Infringement cases in Japanese courts have a different arrangement from the one familiar to companies from the U.S., where one judge typically presides over several hearings over a period of years, leading up to a trial where a lay jury makes decisions on infringement, validity and damages.

Japan, in contrast, has no jury trials in patent cases, which are assigned to a panel of three judges. For litigators accustomed to making extensive arguments to the judge and jury in the courtroom, patent cases in Japan are almost the exact opposite, as most aspects of the case are argued solely on the briefs.

The judges schedule a few brief hearings over the course of the case, but to American eyes, they may barely appear to be hearings at all, lasting "10 minutes, or 30 minutes at the longest," Sato said.

"My impression is that the court doesn't want to discuss anything at the hearing," he said. "The judges will discuss the arguments amongst themselves at the office."

Briefing in patent cases in Japan is also different from the voluminous filings common in U.S. litigation. The judge orders several rounds of briefs on specific aspects of the case, and "the briefs are very short and to the point about the issues the judge is asking about," said Kyle Pietari of Morrison & Foerster, who has written a paper comparing U.S. and Japanese patent litigation.

Litigating a patent case in Japan is relatively inexpensive, with fees around one-tenth of the \$3 million to \$5 million a case can cost in the U.S. Decisions are also reached in about 15 months, as opposed to several years for U.S. cases. Sato said the difference is the result of so much of the case being conducted through briefing, with limited opportunities for discovery.

"That's the reason why the proceeding is fairly quick and attorneys' fees are relatively low compared to the U.S.," he said.

The speedy time frame for resolving a patent case in Japan can make it appealing for patentees.

"From filing to completion of a case takes about one year. It's fairly fast, about the same speed as a 'rocket docket' in the U.S.," said Naoki Yoshida, managing partner of Finnegan Henderson Farabow Garrett & Dunner LLP's Tokyo office.

The major opportunity attorneys have to argue in cases in Japan comes in the technical tutorial, where each side can explain the technical aspects of the invention to the court. Since most judges in Japan do not have a scientific background, they often hire a technical assistant from the JPO to help them understand the patents at issue.

In addition to the assistant, the court can also appoint three special advisers, who are often professors, attorneys or other experts in the field, who attend the tutorial and provide advice to the judges. The tutorial can be a challenging environment for the attorneys, as they have to make their case to a courtroom filled with people with both decision-making authority who know the law and technical expertise who know the science.

"It's a lot of people, and we try to persuade all of them," Yakura said. After the two sides present their case, the judges and advisers hold a question and answer session, "which is a good opportunity for the parties to understand what the decision-makers are thinking," she added.

Settlement Considerations

As is common elsewhere in the world, many patent cases settle in Japan, but there's an added incentive for parties to reach a deal because Japanese judges overseeing the case participate in settlement talks.

Rather than an outside mediator helping the two sides negotiate, "the same judge who writes the judgment will sit in the conference room and speak with each party to discuss the settlement," Yakura said.

That can be a powerful motivator for the two sides to deal, particularly since judges often give indications of how they might rule before the case is over and tend to push the parties to resolve the case, Sato said.

"Japanese courts think that settlement is the most favorable method of dispute resolution," he noted.

When patent cases do reach a settlement in Japan, it often favors accused infringers, Sato noted, with statistics from the IP High Court indicating that about 80 percent of settlements in patent cases resulted in the patent owner securing monetary payment or some form of injunction.

However, when patent cases proceed to a judgment in Japan, the result is often unfavorable to patentees, with only about a quarter of cases resulting in a win for patentees. That low win rate has been cited as a cause for concern about filing a patent a suit in Japan, but Sato said those worries don't take into account the favorable settlement outcomes for patentees.

"I've seen a lot of articles saying that the plaintiffs' win rate in Japan is very low, but they don't consider settled cases," he said.

Yoshida said statistics about the win rates for patentees in Japan could be limiting the number of cases that are filed there.

"If the win rates went up, that will increase the number of cases being filed, but the numbers have been very steady," he said.

Strong Remedies

When patent owners do prevail in Japan, they are entitled to significant remedies, including powerful injunctions that are essentially automatic when infringement is found.

"Injunctions in Japan are probably the strongest in the world," Sato said.

Unlike in Germany, another country known for strong patent injunctions, patent owners don't have to post a bond to get a permanent injunction in Japan, he noted. In addition, Japanese courts address both infringement and validity in their decisions, while German courts deal only with infringement, leaving open the possibility that the injunction could be undone based on a later finding that the patent is invalid.

Injunctions are the primary motivation for filing a patent suit in Japan, since the amount of available damages is rather low, particularly compared with the U.S., with prevailing parties winning awards equivalent to tens of thousands of dollars, rather than the millions of dollars common in American cases.

If Japan is an important market for a foreign company that owns patents in the country, attorneys say the company shouldn't worry about being at a disadvantage filing a patent suit there.

"My impression is that the courts are very fair to foreign companies," Yoshida said. "I don't see any bias for Japanese companies compared to foreign companies."

--Editing by Pamela Wilkinson and Alanna Weissman.

This story is part of a series highlighting some of the world's most prominent patent venues. Previously, we looked at patent litigation in Germany, the United Kingdom, China, the Netherlands, South Korea and Canada.