



Enforcement of Intellectual Property Rights in Japan

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Topic

- Infringement Case,
 - Ownership of IPR,
 - Alleged Infringing Product or Process,
 - Defendant's Act Infringes Plaintiff's IPR,
 - Defendant's Act Causes Damage to Plaintiff,
 - Defendant Infringes "Wilfully or Negligently",
 - Other Claims in Infringement Case,
- Counter-Attack by Defendant,
- Court Procedure Often Used in IP case,
- Injunction Case,
- Arbitration and Mediation.

Patent Civil Case as Example

- In Japan, as statistics show:
 - Number of civil case (654 in 2004) is more than number of criminal case (359 in 2004),
 - In civil cases, patent case is 30%, unfair competition case is 26%, copyright case is 18%, trademark case is 17%, *etc.* in 2003,
 - In criminal cases, nearly 70% of them are trademark cases, and rest are copyright cases.
- In this presentation, patent infringement dispute in civil procedure is mainly discussed,
- Border measures are discussed in following presentation.



Infringement Case

Infringement is Tort

- Article 709, Civil Code:
 - One who wilfully or negligently infringes upon the rights of others must compensate for damages occurring therefrom.
- Since intellectual property infringement is a kind of “tort”, so plaintiff should prove:
 - Ownership of IPR,
 - Alleged infringing product or process,
 - Defendant’s act infringes plaintiff’s IPR,
 - Defendant’s act causes damage to plaintiff,
 - Defendant infringes “wilfully or negligently”.



Ownership of IPR

Ownership of IPR

- Plaintiff should prove he has IPR.
 - In practice, in case IPR is patent, utility model, industrial design, trademark, layout design of integrated circuit, or plant breeder's right, plaintiff only needs to submit "registration record" to court,
 - Other IPRs need more substantive evidence.



*Alleged Infringing
Product or Process*

Alleged Infringing Product or Process

- To specify alleged infringing product or process seems to be easy, however, in fact, this is not easy, because:
 - Defendant sometimes counter-claims his product or process is not the product or the process claimed by plaintiff,
 - Especially in the case of a patent is for an invention of a process of manufacturing a product, defendant usually counter-claims his process is not the process claimed by plaintiff.

Presumption of Manufacture by Patented Process

- If patent right is “a process of manufacturing a product”, it is very difficult to prove the process used by defendant, therefore, Article 104 states:
 - In the case of a patent for an invention of a process of manufacturing a product, where such product was not publicly known in Japan prior to the filing of the patent application concerned, any identical product shall be presumed to have been manufactured by that process.



Defendant's Act
Infringes Plaintiff's
IPR

Definition of Direct Infringement

- Paragraph 3, Article 2 defines:
 3. "Working" of an invention in this Law means the following acts:
 - i. in the case of an invention of a product, acts of manufacturing, using, assigning, leasing, importing or offering for assignment or lease (including displaying for the purpose of assignment or lease – hereinafter the same) of, the product;
 - ii. in the case of an invention of a process, acts of using the process;
 - iii. in the case of an invention of a process of manufacturing a product, acts of using, assigning, leasing, importing or offering for assignment or lease of, the product manufactured by the process, in addition to the acts mentioned in the preceding subparagraph.

Definition of Indirect Infringement

- Also following acts are deemed under Article 101:
 - i. in the case of a patent for an invention of product, acts of manufacturing, assigning, leasing, importing or offering for assignment or lease of, in the course of trade, articles to be used exclusively for the manufacture of the product;
 - ii. in the case of a patent for an invention of a process, acts of manufacturing, assigning, leasing, importing or offering for assignment or lease of, in the course of trade, articles to be used exclusively for the working of such invention.

Technical Scope of Patented Inventions

- Article 70 states:
 1. The technical scope of a patented invention shall be determined on the basis of the statements of the patent claim(s) in the specification attached to the request.
 2. In the case of the preceding paragraph, the meaning of a term or terms of the patent claim(s) shall be interpreted in the light of the specification excluding the patent claim(s) and the drawings.
 3. In the case of paragraph 1 and 2, no statements of the abstract attached to the request shall be taken into account for such purpose.

File-Wrapper Estoppel

- Because Article 70 states so, interpreting claim is most important,
- Therefore, “file-wrapper estoppel” is not generally accepted theory in Japan,
 - In case claim is vague even interpreted in the light of the specification, drawings, and common knowledge of person skilled in the art, some lower court cases use “file-wrapper estoppel”, but not Supreme Court.

Doctrine of Equivalent

- On the other hand “doctrine of equivalent” is accepted by Supreme Court decision on 24th Feb. 1998, however this decision requires following 5 strict conditions:
 - i. Replaced “feature” is not principle “feature” of invention,
 - ii. Even with replaced “feature”, the purpose and the effect of the invention are the same as original,
 - iii. Such replacement can be easily done by the person skilled in the art when the goods are produced,
 - iv. Technology used in the goods are not easily invented based on the prior-art at the application is filed, and
 - v. Technology used in the goods are not intentionally excluded from the invention by patentee during patent examination procedure.

In Case Claimed Invention Also Covers Prior-Art

- In case the technical scope of the claimed invention also covers the technology which:
 - is the same as prior-art, or
 - is easily made based on prior-art,
- Such technology is not considered to be within the technical scope of the claimed invention,
- Therefore, one of the counter-claim by defendant is his product is using such technology.

Interpretation of Claims

- In practice, the interpretation of the claim is most important part of infringement procedure,
- Several infringement cases are turned down because alleged infringing products or services are not within technical scope of patented inventions,
- Therefore, drafting of claim before filing and amendment of claim during examination procedure is quite vital preparation for infringement procedure.



Defendant's Act
Causes Damage to
Plaintiff

Calculation of Damage

- Because of nature of intellectual property, the calculation of damage is very difficult issue, especially under Article 709, Civil Code,
- Therefore, Article 102 provides 3 special provisions on calculation of damage,
- Similar provisions exist in other IP Laws.

Damage Calculation can be: (1)

Paragraph 1

$$\text{Sum of Damage} = \text{Number of Assignments by Infringer} \times \text{Per Unit Profit of Right Holder}$$

Calculated result is not to exceed the amount corresponding to the patentee's ability to exercise its patent right

In case "Number of Assignments by Infringer" exceeds the ability of right holder, amount exceeding is deducted from "Number of Assignments by Infringer" (It should be proved by the infringer)"

- For instance, assuming that the infringer has sold 10,000 counterfeits and that the patentee could show that it could have made a per product marginal profit of 1,000 yen, the sum of damages suffered by the patentee would amount to 10,000 products x 1,000 yen = 10,000,000 yen if the patentee could have manufactured 10,000 products, provided, however, that with the contributory rate issue being taken into account, deductions might be made from the said sum of damages in accordance with the amount calculated under such contributory rate.

Damage Calculation can be: (2)

Paragraph 2

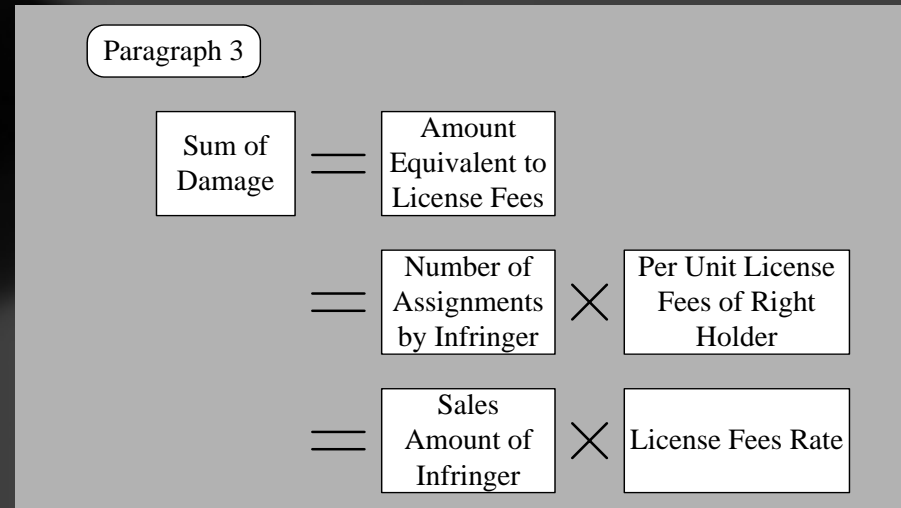
Sum of
Damage

=

Profits
Gained by
the Infringer

- For instance, if the patent infringer has made a profit of 10,000,000 yen from the sale of counterfeits, that 10,000,000 yen could be presumed to be the sum of damages suffered by the patentee, subject to the reduction corresponding to the relevant contributory rate.

Damage Calculation can be: (3)



- For instance, if the patent infringer makes a monthly profit of 10,000,000 yen from the sale of counterfeits, assuming that the prevalent license fees rate of the patent at issue is 10% of the sales, the patentee can be presumed to have suffered monthly damages of 1,000,000 yen.

Other Provision on Calculation of Damage

- Under Article 105^{bis}, on request from parties, court can invite expert-witnesses to calculate damages, and parties are obliged to explain them facts relating to such calculation,
- Under Article 105^{ter}, in case it is quite difficult to prove amount of damage because of nature of case, court can award reasonable amount of damage, only based on the entire purport of the oral argument and the result of the taking of evidence.

Paragraph 1, Article 102

- Paragraph 1, Article 102 states:
 - Where a patentee or exclusive licensee claims, from a person who has intentionally or negligently infringed the patent right or exclusive license, compensation for damage caused to him by the infringement, and the person's act is the assignment of articles by which the act of the infringement was committed, the sum of money with the profit per unit of such articles multiplied by the number of articles (hereinafter referred to in this paragraph as the "number of assigned articles") which the patentee or exclusive licensee could have sold in the absence of the infringement may be estimated as the amount of damage suffered by the patentee or exclusive licensee within a limit not exceeding an amount attainable depending on working capability of the patentee or exclusive licensee. Where there is any circumstance that prevents the patentee or exclusive licensee from selling part or the whole of the number of assigned articles, a sum equivalent to the number of assigned articles subject to that circumstance shall be deducted.

Paragraph 2, Article 102

- Paragraph 2, Article 102 states:
 - Where a patentee or exclusive licensee claims, from a person who has intentionally or negligently infringed the patent right or exclusive license, compensation for damage caused to him by the infringement, the profits gained by the infringer through the infringement shall be presumed to be the amount of damage suffered by the patentee or exclusive licensee.

Paragraph 3, Article 102


- Paragraph 3, Article 102 states:
 - A patentee or exclusive licensee may claim, from a person who has intentionally or negligently infringed the patent right or exclusive license, an amount of money which he would be entitled to receive for the working of the patented invention, as the amount of damage suffered by him.

Paragraph 4, Article 102

- Paragraph 4, Article 102 states:
 - The preceding paragraph shall not preclude a claim to damages exceeding the amount referred to therein. In such a case, where there has been neither wilfulness nor gross negligence on the part of the person who has infringed the patent right or the exclusive license, the court may take this into consideration when awarding damages.

Article 105^{bis} and 105^{ter}

- Article 105^{bis} states:
 - In a litigation relating to the infringement of a patent right or exclusive license, where the court orders, upon the request from a party, the expert opinion to be given with respect to the matters necessary for the proof of the damages caused by the infringement, the other party shall explain to the expert the matters necessary for the expert opinion to be given.
- Article 105^{ter} states:
 - Where it is recognized that the damage was caused in a litigation relating to the infringement of a patent right or exclusive license, the court may award the reasonable amount of damages, based on the entire purport of the oral argument and the result of the taking of evidence when it is extremely difficult to prove facts necessary for the proof of damages from the nature of such relevant facts.



Defendant Infringes
“Wilfully or
Negligently”

Presumption of Negligence

- Article 103 states:
 - A person who has infringed a patent right or exclusive license of another person shall be presumed to have been negligent as far as the act of infringement is concerned,
- Therefore, in practice, there is no possible counter-claim by defendant,
- According to judicial precedence, this presumption works only after the patent is published, so damage calculation starts from that date otherwise proved,
- Same presumption works on industrial design, trademark, plant breeder's right, but not utility model, or layout design of integrated circuit,
- Because of nature of copyright and unfair competition, this presumption is not applied to these rights.



Other Claims in Infringement Case

Recover of Unjust Enrichment

- Article 703 to 708, Civil Code states regarding “unjust enrichment”,
- Usually infringer gets “unjust enrichment” during infringement, and under Article 703, infringer is obliged to return “unjust enrichment” to patentee,
- This provision is actually quite often used, because:
 - Calculation of amount of damage is difficult, but calculation of amount of unjust enrichment is a little bit easier (usually the same as license fee),
 - Extinctive prescription of “unjust enrichment” is 10 years, but recover of damage is only 3 years.

Recovery of Reputation

- Article 106 states:
 - Upon the request of a patentee or exclusive licensee, the court may, in lieu of damages or in addition thereto, order a person who has injured the business reputation of the patentee or exclusive licensee by infringing the patent right or exclusive license, whether intentionally or negligently, to take the measures necessary for the recovery of the business reputation.

Right to Demand Compensation after Publication

- In case patentee warned infringer after publication under Article 64, after patent is granted, patentee can claim compensation,
- This compensation should be the sum of money equivalent to what patentee would be entitled to receive for the working of the invention.



Counter-Attack by Defendant

Counter-claim during Infringement Case (1)

- Denying product or process which plaintiff specifies is defendant's,
- Claiming defendant's product or process is not within the technical scope of patented invention,
- Claiming defendant's product or process is the same as prior-art, or is easily made based on prior-art.

Counter-claim during Infringement Case (2)

- Claiming patent has reasons for invalidation,
 - Claiming it in Appeal for Invalidation before JPO,
 - If the reasons for invalidation are not technically complicated one, claiming those before the court under Article 104^{ter},
- Claiming defendant has prior user's right under Article 79, or non-voluntary license due to use prior to request for appeal for invalidation under Article 80.

Other Counter-Attack

- Alleged infringer can file a court case against patentee to confirm “alleged infringer does not infringe the patent”,
- If patentee’s action falls under category of Sub-paragraph 14, Paragraph 1, Article 2, Unfair Competition Prevention Law, alleged infringer can file a court case against patentee.



Court Procedure
Often Used in IP
case

Preparatory Procedure for Trial

- Trial for civil procedure should be done in oral procedure and in public trial (Article 82, Constitution),
- However, IP cases (esp. patent) are often done by “Preparatory Procedure for Trial” before public trial (Article 168 to 174, Civil Procedure Code),
- Parties can and, in fact, are requested to submit preliminary pleadings in writing (under Article 161 to 163, Civil Procedure Code),
- In practice, unless eye-witness is needed, oral procedure is only formality, so “Preparatory Procedure for Trial” is quite important.

Protection on Trade Secrets during Court Procedure

- Under Article 105^{quater} to 105^{septies} court can order parties, agents, *etc.*, not to disclose trade secret, submitted by parties to court,
- Under Article 202^{bis}, violation of this court order is fined not exceeding 5 million yen, imprisonment with labour not exceeding 5 year, **or both**.



Injunction Case

Injunction (1)

- Article 100 states:
 1. A patentee or exclusive licensee may require a person who is infringing or is likely to infringe the patent right or exclusive license to discontinue or refrain from such infringement.
 2. A patentee or an exclusive licensee who is acting under the preceding subsection may demand the destruction of articles by which an act of infringement was committed (including articles manufactured by an act of infringement in the case of a patented invention of a process of manufacture; the same in Article 102(1)), the removal of the facilities used for the act of infringement, or other measures necessary to prevent the infringement., court can order parties, agents, *etc.*, not to disclose trade secret, submitted by parties to court.

Injunction (2)

- Also, injunction can be filed under utility model, industrial design, trademark, copyright, layout design of integrated circuit, plant breeder's right, and unfair competition,
- Injunction case in IP used to take long time, so it was not so effective procedure before,
- However, in “iMac vs e-One” case, Tokyo District Court decided around within 1 month from the case was filed,
- Quick decision is quite favour to plaintiff, but very difficult for defendant, therefore intensive preparation by defendant before 1st hearing is important.



Arbitration and Mediation

Arbitration and Mediation

- “Japan Intellectual Property Arbitration Center”, jointly set up by Japan Federation of Bar Associations (JFBA) and Japan Patent Attorney Association (JPAA), offers consultation, arbitration, mediation, expert opinion on technical scope of patented inventions, and dispute resolution on domain name,
- Number of arbitration and mediation cases is 2 in 1999, 23 in 2003,
- See detail in its website:
<http://www.ip-adr.gr.jp/>



Thank you

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