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LITIGATION IN JAPAN

Each year, many American companies become involved in litigation in Japan and find the legal system to be very different from what they expected.

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This article explains some of the major differences between the U.S. and Japanese systems, with an emphasis on patent cases because they are one of the most common types of cases for U.S. companies to be involved in.

CIVIL LAW V. COMMON LAW

Japan's legal system is based on civil law, rather than common law. Judges rely primarily on the code, and to determine how to apply it in a particular case, they look to treatises, articles, and opinions by court-appointed experts and party experts. They will follow any Supreme Court decisions, but there are few such cases in the patent field. They will also consider decisions by the High Courts and District Courts, but those decisions tend to focus on the facts of a particular case, rather than on giving guidance for deciding future cases, so they are usually useful only as examples.

THREE-TIERED COURT SYSTEM, BUT NO JURY AND NO TRIAL

The three-tiered structure of the Japanese court system is similar to the U.S., but the cases are decided by judges, rather than juries.

The majority of cases begin in one of the 50 district courts. Patent cases are assigned to the specialized Intellectual Property Division of either the Tokyo District Court or the Osaka District Court and are assigned to three-judge panels. The judges are assisted by a technical advisor, who is usually a senior patent examiner on loan from the Japan Patent Office (JPO). The judges may also appoint special advisors (typically three), who are usually technical experts or patent lawyers, to review the briefs, attend a technical tutorial and provide their views to the judges.

Appeals are heard by eight regional High Courts. As a branch of the Tokyo High Court, the Intellectual Property High Court has exclusive jurisdiction over all patent appeals from the District Courts and the JPO. The High Court reviews all issues de novo and will accept new arguments and evidence. The parties appeal in 19% of civil cases and 40% of patent cases. The reversal rate is 22% in civil cases and 29% in patent cases.

The highest court in Japan is the Supreme Court. As in the U.S., it chooses which cases it will hear. It hears only cases involving interpretation of the Constitution, errors in interpreting or following its precedent, or significant legal issues. The cases are decided by panels of either five or fifteen judges.

INITIATING A CASE WITH A DETAILED COMPLAINT

Like in the U.S., a plaintiff initiates a case by filing a complaint, but in Japan it must be much more detailed. In a patent case, for example, the complaint must explain how the accused product or method meets each element of each asserted claim. Because the complaint must be detailed, and there is little discovery, it is important to develop the case as much as possible before filing the complaint.

Complaints must follow a specific format and style. And they should also have the right tone—judges generally do not like overly argumentative, emotional, or disrespectful comments.

The court handles serving the complaint. If the case is against a Japanese company or a Japanese subsidiary of a U.S. company, the court will simply mail the complaint. If the defendant is in the U.S., typically the Japanese Consulate will serve the complaint under the Consular Convention between Japan and the U.S., which usually takes three months.

ROUNDS OF BRIEFS

The litigation process is very different from the U.S. After a case is filed, the defendant files a simple, one-page answer. Then, about a month after the case is filed, the court holds the first hearing, at which it normally gives the defendant about a month to file a substantive brief explaining its defenses in detail. The court will then hold the next hearing about one week after the next brief is filed. At the second hearing, the court will ask the plaintiff to file a brief in response to the defendant's arguments. These cycles of briefing repeat until the court says that the parties have exhausted their arguments, at which point it will close the case and issue a written decision within about two to three months.

Unlike the U.S., there is no summary judgment, no jury and no actual trial. The closest that patent cases come to a trial is when the court decides to hold a technical tutorial, at which the parties make presentations on claim construction, infringement, and validity.

Cases are usually decided more quickly, and at less expense, than in the U.S. 56% of cases are decided within 6 months; civil cases are decided on average within 9 months; and patent cases are decided on average within 17 months.

NO DISCOVERY, BUT REQUESTS FOR CLARIFICATION

There is virtually no discovery in Japan. The primary tool for gaining information is a request for clarification, through which a party or the court can ask for particular documents or answers to particular questions. However, because the requests are answered by lawyers, they typically yield little useful information. An exception is that in a damages phase in a patent case, the court normally asks the defendant to provide detailed sales information to a court-appointed accounting expert who will assist the court with determining sales units, revenue, and profits, and the defendant complies.

KEY DIFFERENCES IN SUBSTANTIVE PATENT LAW

Japanese patent law was derived in part from German patent law. Although many of the rules are similar to U.S. patent law, there are some important differences.

First, claim limitations are interpreted differently for infringement and invalidity. Under a 1991 Supreme Court decision called Lipase, when deciding infringement, the court is required to construe terms narrowly if supported by the specification, and when deciding invalidity, the court is required to construe terms broadly, without any narrowing based on the specification unless the terms are unclear or contain typos.

Second, there is no presumption that the patent is valid, so the accused infringer need not establish invalidity by clear and convincing evidence.

Third, there is no shop right, so an employer can be sued by its employee inventor for reasonable remuneration for a business-related invention.

MAIN ACTIONS V. PRELIMINARY INJUNCTION ACTIONS

The remedies available in Japan are similar to those in the U.S., but in Japan, damages are usually lower and injunctions are more likely to be granted.

If the plaintiff seeks damages, it must file a main action for liability and damages. Patent cases are bifurcated, with infringement and validity decided first. This phase averages about 11 months, but may take closer to 18-24 months when a foreign party is involved. Before rendering its decision on infringement, the court normally gives the parties an opportunity to settle by informing them of its tentative decision. If the parties do not settle, and the court finds the patent infringed and not invalid, then the case proceeds to a damages phase. The damages phase takes less time and awards tend to be lower than in the U.S., although they are increasing. After deciding damages, the court enters judgment and grants a permanent injunction automatically.

Appeals to the IP High Court typically take 8 to 12 months; permanent injunctions can be stayed pending appeal.

If the plaintiff seeks a preliminary injunction, it must file a separate action, which runs in parallel with the main action. The court will not make a decision on the preliminary injunction until the end of the case, which typically takes 8 to 12 months. A preliminary injunction is powerful because it generally cannot be stayed pending appeal, whereas a permanent injunction is normally stayed pending appeal as long as the plaintiff posts a bond.

JAPAN PATENT OFFICE AND CUSTOMS

Anyone may file an invalidity petition in the JPO. The proceedings typically take 6 to 11 months, so, if successful, they can short-circuit an infringement case. The JPO's decision is appealable to the IP High Court, which will review the decision de novo.

Patent holders may petition the Japan Customs Office to suspend importation of infringing articles. The proceedings are much like ITC section 337 investigations in the United States, except that they are completed on average within 3 to 4 months.

ABOUT THE AUTHORS:

Morrison & Foerster teams Japanese lawyers and U.S. lawyers in Tokyo to develop more advanced strategies and advocacy techniques and to better involve international clients who may otherwise find it difficult to participate in the process.

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