

## JAPAN

## How was Japanese patent litigation reformed?

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In the past, Japanese patent litigations were notorious for being slow, having narrow claim interpretation, low damages awards, poor evidence collection procedures, and having a low winning rate. *Cases and Materials on Patent Law, Second Edition* says, “No countries’ patent system has received more criticism than that of Japan. Among the chief complaints is that the courts award patent claims with an extremely narrow scope, and that the Doctrine of Equivalents does not exist at all.” *Global Patent Litigation: How and Where to Win, Third Edition*, edited by Finnegan says that the winning rate of patentees from 2006 to 2016 was 24% in Japan, ranked second from the bottom out of the 10 countries. However, Japanese patent litigation has been reformed and is now transformed in order to be more convenient for patentees than ever before.

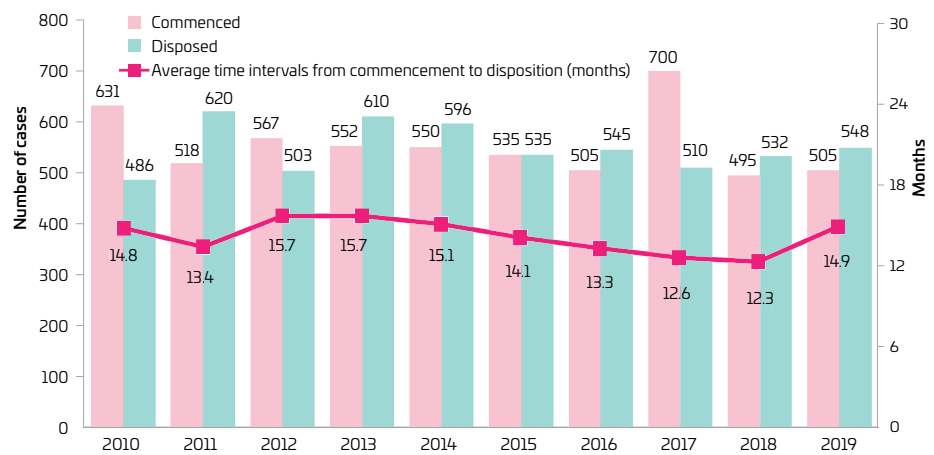
## Average time to disposition

The average time to disposition is as follows: IP litigations – 12 to 16 months for the first instance, and six to eight months for the second instance; suits to revoke JPO trial decisions – seven to nine months; JPO trials for invalidation – 10 to 12 months. Japanese patent litigations are as quick as in ITC proceedings, and are rocket dockets.

## Claim interpretation

Prior Japanese claim interpretation denied the doctrine of equivalents (DOE). This was criticised as narrow. The interpretation seemed to become broader because the Supreme Court approved the DOE in the judgment of the *Ball Spline* case in 1998. However, even since then, most of the lower court judgments have denied infringements

## Average time to disposition of the IP cases in the first instance



Source: Intellectual Property High Court

under the DOE.

The judgments of the Grand Panel of the IP High Court in 2016 and the Supreme Court in 2017 affirmed infringement under the DOE in the *Maxacalcitol* case. The judgment of the Grand Panel of the IP High Court adopted a technical idea theory about the “essential part” of the first requirement of the DOE. Regarding the fifth requirement of the DOE, the judgment of the Supreme Court abstractly affirmed the doctrine of dedication but denied the idea that prosecution history estoppel always applies to an alternative material that was easily conceived of at the time of filing. These judgments appeared to make infringement under the DOE more likely to be affirmed. In fact, since then, several lower court judgments have affirmed infringement under the DOE.

## Amount of damages

The low damages amount was explicitly revised by the amendment of the Patent Act and two judgments of the Grand Panel of the IP High Court.

First, the amendment of the Patent Act in 2019 introduced a provision that the court could determine damages for a portion that exceeded the patentee’s production/sales capacity in the infringer’s profits, and specified that, in calculation of the

damages amount by sum equivalent to licensing fee, the court could consider the amount that would be determined if negotiated on the premise of patent infringement.

In addition, in the judgment of June 7 2019, the Grand Panel of the IP High Court held that an infringer’s profit under Article 102(2) of the Patent Act was a total amount of the profit earned by the infringer, and was a marginal profit. In rebutting the presumption, the infringer bears the burden of proof, and the compensation in Article 102(3) was a compensation for value equivalent to the reasonable royalty determined post facto.

In the judgment of February 28 2020, the Grand Panel of the IP High Court held that even if the feature portion of the patent invention was only a part of the patentee’s product, it was actually presumed that the total amount of the marginal profit obtained by the sales of the product of the patentee was the lost profit of the patentee, and afterwards the actual presumption could be overturned.

Based on these revisions, the amount of damages is expected to be higher than before. In fact, in the judgment of February 28 2020, the Grand Panel of the IP High Court granted about 440 million yen (around \$4.2 million), about four

times as much as the Osaka District Court's amount of about 110 million yen. In addition, in the judgment of January 20 2020, the Osaka District Court, granted damages of about 1.38 billion yen in the case of machinery, and in the judgment of July 27 2017, the Tokyo District Court, granted damages of about 1.07 billion yen in the case of pharmaceuticals. Currently, the introduction of a punitive damage system and a disgorgement of profits is under consideration.

**Invalidation rate**

The invalidation rate has significantly dropped in the past 10 years. The invalidation rate in the JPO tri-

als for invalidation was about 40% in 2010 and about 35% in 2011, but gradually fell to about 15% in 2018 and about 16% in 2019. The invalidation rate in suits to revoke JPO trial decisions was about 27% in 2018. These statistics indicate that invalidating patents is not easy both at the JPO and the court, which tend to protect patentees.

**Injunction**

Japan does not have the *eBay* judgment of the US, and an injunction is granted almost automatically if infringement is affirmed, as in Germany. In fact, injunctions have been granted in many cases.

**Evidence collection procedures**

The inspection system was introduced in the Patent Act in the 2019 amendment, following the German system. Regarding the submission of documents, in the judgment of March 28 2016, the IP High Court lowered the threshold of the necessity requirement. In the 2018 Patent Act amendment, in camera inspection became available in circumstances where the presence of the necessity needs to be judged in addition to legitimate reason.

**Foreign companies winning cases**

Japanese courts do not show any bias against foreign companies. In plenty of patent infringement cases, foreign companies have won as a plaintiff. The examples are as follows: *Amgen v Sanofi*, *Deb IP v Saraya*, *BASF v Bayer Crop Science*, *Valeo v Mitsubishi Electric*, *Merial v Fujita pharmaceutical*, *Jensen v Totofolder*, *Sangenic v Aprica*, *Synova v Sugino Machine*, *Smiths Group v Covidien Japan*, *Samsung Electronics v Sharp*, *Illinois Tool Works v Misuzu* etc.

**Invalidation rate at JPO**

	Patent				Invalidation rate
	Number of requests	Number of final disposals in Board of Appeal			
		Patent invalid (inc. partially invalid)	Patent valid (inc. dismissal)	Withdrawn, waived	
2010	237	102	129	23	40%
2011	269	91	140	28	35%
2012	217	73	145	32	29%
2013	247	43	139	29	20%
2014	215	37	106	41	20%
2015	231	39	144	36	18%
2016	140	56	125	42	25%
2017	161	35	108	24	21%
2018	159	19	84	22	15%
2019	113	26	102	34	16%

Source: JPO

**Summary of suit against trial decision in 2017 (inter partes)**

Division	Number of cases	Trial decision, patent invalid		Trial decision, patent valid		Advantage, disadvantage for patentee		
		Rescinded	Maintained	Rescinded	Maintained	Advantage	Disadvantage	Rate of advantage
1st Division	17 <sup>(2)</sup> (15)	0 (0)	4 <sup>(3)</sup> (3)	1 (1)	12 (11)	12 (11)	5 (4)	71% (73%)
2nd Division	18 <sup>(4)</sup> (14)	0 (0)	3 <sup>(5)</sup> (1)	4 (4)	12 (10)	12 (10)	7 (5)	63% (67%)
3rd Division	24 <sup>(6)</sup> (21)	2 (1)	5 (4)	2 (2)	17 (16)	19 (17)	7 (6)	73% (74%)
4th Division	20 <sup>(7)</sup> (18)	2 (2)	2 (2)	2 (2)	17 (15)	19 (17)	4 (4)	83% (81%)
Special Division	1 (1)	0 (0)	0 (0)	0 (0)	1 (1)	1 (1)	0 (0)	100% (100%)
Total	80 <sup>(1)</sup> (69)	4 (3)	14 (10)	9 (9)	59 (53)	63 (56)	23 (19)	73% (75%)

Source: Patent Vol. 72, No. 9