

Patent Enforcement in Japan As Part of a Global Litigation Strategy

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The global economy provides an economic incentive for US companies to procure patent protection for their inventions in several countries in order to maximize the worth of their patent portfolios. In turn, the same economic incentive often requires US patent owners to enforce their patent rights in multiple countries, thus necessitating a coordinated, global litigation strategy. Due to several reforms to Japan's patent litigation system since 2002, patent enforcement in Japan, as part of a global enforcement strategy, has become an increasingly viable option for US companies.

As is the case with most litigation, however, regardless of the jurisdiction, victory often goes to the litigant who makes the best use of the process—understanding strategy and tactics—and not to the litigant with the strongest case. Thus, an important teaching of the world's oldest military treatise, Sun Tzu on *The Art of War*, bears repeating: "To assure victory, always carefully survey the field before battle." In other words, patent owners will encounter several obstacles in infringement suits in Japan as compared to suits in the US. They should therefore be aware of the obstacles and be prepared to establish different expectations and develop different approaches in their litigation strategy. This article will provide a basic understanding of those obstacles and how they differ from US patent law. The following gives an overview of important pre-filing considerations, the legal standards applied by Japanese courts in determining patent infringement, the defenses typically raised by accused infringers, and the available remedies for patent infringement.

Pre-Filing Considerations

For several reasons, it is important, and often critical to achieving a successful result, for patent owners to perform a thorough investigation before filing suit in Japan. First, a patent owner must have more than a good-faith belief that someone is infringing before filing suit in Japan. Unlike the liberal pleading standard in the US, a patent owner filing suit in Japan must describe the "specific conditions"¹ of infringement in its complaint. In other words, a patent owner must provide an analysis of the patent specification and a detailed comparison of the claims with the accused product, including an explanation of where each limitation of the claims is found in the accused product.

Second, unlike the US system, Japan does not have extensive procedures for pretrial discovery after the lawsuit is filed. Patent owners are therefore resigned to gathering the necessary evidence of infringement before filing suit. This typically entails obtaining and analyzing the accused product and related product manuals, instructions, and catalogs. In cases involving a patented process, this typically entails analyzing the products made from the accused process, obtaining and analyzing raw materials and equipment utilized by the process, or analyzing peripheral technology and art related to the process.

There are, however, limited procedures available in Japan to: (1) ease the patent owner's burden of describing the "specific conditions" of infringement in the complaint, and (2) facilitate discovery of additional evidence of infringement after a suit is filed. For example, after the patent owner takes reasonable efforts to describe the alleged infringing activities in its complaint, Article 104-2 of the Japanese Patent Law requires an accused infringer to identify the "specific conditions"

forming the basis for its non-infringement defense.² In other words, the accused infringer cannot merely deny the allegations of infringement. Rather, the accused infringer must specifically describe the facts supporting its non-infringement contentions in its answer to the complaint.

In short, if the product sold by the accused infringer is identical to the product manufactured by the patent process, it is presumed that the accused infringer infringes the patented process.

Also, when it is difficult for the patent owner to determine and describe the "specific conditions" of infringement of a patented process, Article 104 of the Japanese Patent Law allows a patent owner to rely on a presumption of infringement if: (1) the product manufactured by the patented process is new at the time of filing the patent application, and (2) if the product manufactured by the accused infringer is identical to the product manufactured by the patented process. In short, if the product sold by the accused infringer is identical to the product manufactured by the patent process, it is presumed that the accused infringer infringes the patented process. The burden then shifts to the accused infringer to produce evidence to rebut the presumption.

Furthermore, to facilitate the discovery of evidence of infringement after commencement of the suit, Article 105 of the Japanese Patent Law permits Japanese courts to order parties to produce documents substantiating their infringement/non-infringement contentions. Thus, in circumstances under which it is difficult to ascertain the exact nature of the accused infringer's activities, Article 105 serves as a useful mechanism for obtaining information supporting or refuting the accused infringer's non-infringement contentions

In addition to performing a thorough infringement investigation, it is becoming increasingly important for a patent owner to evaluate the validity of the asserted patent before filing suit in Japan. With the enactment of Article 104-3 of the Japanese Patent Law in 2005, accused infringers are now able to plead patent invalidity as a defense. The likelihood that an accused infringer will allege this defense, and that Japanese courts will adjudge the asserted patent invalid, is high. For example, a survey of Japanese court decisions published from January 1, 2005, to December 31, 2006, revealed the following:

- In 65 (about 80 percent) of the 84 district court cases filed, the defense of invalidity was alleged.
- In 38 of those 65 cases (nearly 60 percent), the district court determined that the asserted patent was invalid.³

In view of this trend, and when there are questions about the validity of the patent, it is becoming more common for patent owners to file a request to correct the patent with the Japanese Patent Office either before filing an infringement suit or during the suit once validity becomes an issue.

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After the pre-filing investigation is complete, a patent owner's options as to where it can file suit in Japan are

similar to those in the US. A patent owner can file suit in either: (1) the patent owner's principal place of business or residence, (2) the accused infringer's principal place of business or residence, or (3) the location where the infringing activities allegedly took place. Unlike the US system, however, only two district courts in Japan (the Tokyo District Court and the Osaka District Court) are vested with jurisdiction over patent infringement cases. The Tokyo District Court has jurisdiction for suits filed in eastern Japan. The Osaka District Court has jurisdiction for suits filed in western Japan. After a suit is filed, the average time interval from commencement to disposition of a civil case related to intellectual property rights is approximately 12-and-a-half months.⁴

Suits filed in the Tokyo and Osaka district courts are assigned to a panel of judges specializing in intellectual property matters. The judges are supported by technical advisors with various technical backgrounds. The technical advisors are full-time employees of the court and are selected from patent examiners from the Japanese Patent Office and patent attorneys. Currently, the Tokyo District Court has four panels with 17 judges and seven technical advisers, whereas the Osaka District Court has only two panels with six judges and three technical advisers⁵

In cases involving highly technical issues, judges can seek the assistance of expert commissioners who have advanced expertise in each technical field, such as university professors and researchers of an official body. Expert commissioners are appointed by the Japanese Supreme Court and are neutral advisors who assist judges in understanding complex technical issues raised by the evidence and the parties' arguments. Since the introduction of the expert commissioner system in 2004, more than 180 expert commissioners have been appointed for intellectual property cases.

Proving Infringement

The determination of infringement in both the US and Japan is a two-step process. First, the terms in the claims must be interpreted. Second, the claims, as construed, are compared to the allegedly infringing product. With respect to claim interpretation, both Japanese and US courts adhere to the rule that the scope of the "exclusive right of a patent is measured according to the language of the claims."⁶ Article 70(1) of the Japanese Patent Law provides that the "scope of a patented invention shall be determined on the basis of the statements of the patent claim(s)." Article 70(2) also provides that the meaning of claim terms shall be interpreted in the light of the specification and the drawings. Similar to the approach of US judges, Japanese judges also will look at the ordinary meaning of the claims, the prosecution history, and the state of the art at the time of filing the application for a patent to aid in their interpretation of claim terms.⁷

With respect to the second step, the claims, as construed by the court, are compared to the accused product or process. Similar to US law, Japanese law recognizes both literal infringement and infringement under the doctrine of equivalents. Literal infringement under Japanese law-mirroring US law-requires that the accused device or process contain each and every limitation of the asserted claim⁸

While the doctrine of equivalents has a long history in US patent law, the Japanese Supreme Court endorsed the doctrine of equivalents for the first time in 1997. In *Tsubakimoto Seiko Co. Ltd. v. THK K.K.*, the Japanese Supreme Court set forth five factors that must be

considered for an accused product or process to infringe under the doctrine of equivalents:

1. The “equivalent” element cannot be an essential part of the claimed invention.
2. The accused product or process must have the same object and effect as the claimed invention (*i.e.*, must provide the same function and result as the patented product or process).
3. Someone skilled in the art of the invention could have readily substituted the claimed element with the “equivalent” element in the accused device in view of the state of the art at the time of infringement.
4. The accused product must not be anticipated or obvious in view of the prior art.
5. There is no prosecution history estoppel.⁹

In practice, patent owners have the burden of showing the first three factors. The fourth and fifth factors are limitations on the doctrine of equivalents. If the

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patent owner is successful in proving the first three factors, then the burden shifts to the accused infringer to show the existence of at least one of the last two factors to avoid a finding of infringement.

The first factor is referred to as the “essential element test.” This factor focuses on whether the difference between the claimed invention and the accused product or process relates to an “essential” element of the invention. Under this test, there are no equivalent claim elements that are essential parts of the claimed invention. In other words, this test mandates that only elements that are not essential can be replaced with equivalents. The Tokyo District Court in *Shinwa Seisakusho v. Futaba Electric Machinery* determined that an element is “essential” if its substitution would result in a technical idea different from the idea underlying the patented invention.¹⁰ The essential element test is similar to the “all elements” rule emphasized by the US Supreme Court in *Warner-Jenkinson*, because it requires finding equivalents on an element-by-element basis.¹¹

The second factor is referred to as the “capability of replacement test.” This factor requires that the accused product containing the “equivalent” element

have the same function and result as the patented invention. In application, this test is similar to the function/way/result test applied by US courts in determining infringement under the doctrine of equivalents. Under US patent law, an element is an equivalent if it “performs the substantially same function, in the substantially same way, to achieve the substantially same result.”¹²

The third factor is often called the “readiness of replacement test.” This test requires that a person of skill in the art recognize the interchangeability of the claimed element and the “equivalent” element at the time the infringement began. In application, this test resembles the known interchangeability test under US patent law, which focuses on whether persons reasonably skilled in the art would have known, at the time of alleged infringement, of the interchangeability of an element not contained in the patent with one that was.¹³

The fourth factor is a limitation to the application of the doctrine of equivalents and is known as “the defense of the free state of art doctrine.” This factor focuses on whether the accused item is an anticipated or obvious modification of the prior art. In other words, this factor prevents a patent owner from extending the doctrine of equivalents to subject matter that is part of the prior art or that was in the public domain as of the filing date of the patent application. This factor is quite similar to the “prior art/hypothetical claim analysis” doctrine under US law, which precludes a finding of infringement when a hypothetical claim encompassing the accused device would be rendered non-patentable over prior art.¹⁴

The final factor, which is another limitation to the application of the doctrine of equivalents, parallels the US doctrine of prosecution history estoppel. This factor prevents patent owners from claiming infringement under the doctrine of equivalents to subject matter “intentionally” removed from the scope of the claim during prosecution. In other words, under this factor, the doctrine of equivalents does not extend to subject matter expressly surrendered by an amendment by the patent owner during prosecution of the patent application.

Defenses Available to Accused Infringers

Assuming the patent owner successfully demonstrates infringement, the burden shifts to the accused infringer to present evidence to support its defenses. Parties accused of infringement in Japan can assert several defenses to the claim of infringement. The most common defenses include non-infringement and invalidity.

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One significant difference between the US patent system and the Japanese system is that the Japan Patent Office, not the courts, has the sole authority to invalidate or revoke a patent. In litigation, if the court determines that the patent is invalid, the decision will be binding only on the parties, as the power to revoke the patent will remain solely with the Japan Patent Office

Other notable defenses commonly pled in defense to a charge of patent infringement in Japan include the defense of prior user's right, the defense of completion of prescription, and the defense of exhaustion. With respect to the defense of prior user's right, Article 79 of the Japanese Patent Law provides a non-exclusive license to an accused infringer who has commercially made, sold, or offered for sale the invention in Japan or has been making preparations to do so at the time of filing the patent application. With respect to the defense of completion of prescription, which is similar to the statute of limitations defense under US law, Article 709 of the Japanese Civil Law precludes a patent owner from recovering damages if the suit for infringement was not filed within three years after the patent owner became aware of the accused infringer's activities.

Finally, the defense of patent exhaustion is similar to that under US law, in that the unrestricted sale of a patented

product, by or with the patent owner's permission, exhausts the patent owner's right to control further sale of that product. A

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significant difference between US and Japanese law, however, is that Japanese law recognizes the doctrine of international patent exhaustion¹⁵ In other words, an unrestricted sale of a patented product *anywhere* results in patent exhaustion for that product. In contrast, the Federal Circuit in *Jazz Photo Corp. v. International Trade Commission* determined that the sale by the patent owner of a patented product outside the US does not exhaust the owner's US patent rights.¹⁶

Remedies

Assuming the patent owner is able to prove infringement and defeat the accused infringer's defenses (if any), the remedies available in patent infringement suits in Japan include injunctions and/or damages. When quick injunctive relief is required, a patent owner can request a preliminary injunction. To obtain a preliminary injunction, a patent owner must establish the following factors: (1) it is the rightful owner or exclusive licensee of the patent; (2) the infringer is commercially manufacturing, using, selling, or offering to sell the

infringing product; (3) the infringing activities are covered by the scope of the patent claims; and (4) an injunction is necessary to avoid irreparable damages.¹⁷ In addition, Japanese district courts often will require the plaintiff to deposit security before injunctive relief is entered.

Due to a Japanese law passed in 2003, patent owners also have a mechanism to obtain quick relief by blocking the import of allegedly infringing products. Specifically, patent owners can file a petition under the Japanese Customs Law to stop the importation of the allegedly infringing products. If the petition is accepted, the goods at issue are retained by the Japanese Customs Office while an examination proceeding is conducted by the inspector for intellectual property assigned to the Customs Office. During the examination proceeding, the patent owner must submit evidence of infringement, and the alleged infringer is given an opportunity to submit evidence of non-infringement. The inspector also may request opinions from appointed expert advisors or the Patent Office Commissioner, if necessary. Within a short period of time after acceptance of the original petition, the Customs Office renders a decision on whether to continue blocking the importation of the allegedly infringing products. Many companies have used this procedure to successfully stop the importation of the allegedly infringing products within a few weeks of filing the petition. Recent data released by the Japanese Department of the Treasury indicates that Japanese Customs granted 19,591 petitions in 2006 (an increase of about 50 percent from 2005) and 22,661 petitions in 2007 to block the importation of goods alleged to infringe Japanese intellectual property rights.

In addition to injunctive relief, if a suit is filed in a timely manner, patent owners can seek lost profits or a reasonable royalty.

Three articles of the Japanese Patent Law provide a basis for calculating damages in Japan:

- Article 102(1)—Lost profits based on the number of the infringer's products sold multiplied by the patent owner's profit per unit
- Article 102(2)—Lost profits based on the assumption that the infringer's profit shall be the amount of damages awarded
- Article 102(3)—A reasonable royalty

To facilitate the determination of damages, Article 105(1) of the Japanese Patent Law allows a patent owner to file a motion with the district court to compel the infringing party to produce documents necessary to establish the amount of damages.

When damages are established, the infringer could be liable for damages equivalent to a royalty as far back as the date of the first publication of the patent application in Japan. For this to occur, Article 65 of the Japanese Patent Act requires a patent owner to prove either: (1) that it provided actual notice to the infringer of the pending patent application, or (2) that the infringer knew of the published patent application, yet continued to infringe the patent anyway.

Conclusion

Developing a robust international patent enforcement strategy is critical in today's global economy. Inclusion of Japan in that strategy is important, given (1) the large volume of patent applications filed in Japan by US companies annually,¹⁸ and (2) the several positive

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changes made to Japan's patent enforcement system. To maximize the likelihood of successfully enforcing its patent

rights in Japan, however, a US company should become familiar with the similarities and differences between the Japanese and US systems as it develops an effective approach to its international strategy.

Notes

1. "Research on Acceleration of Patent Right Infringement Litigation Processes," Legal Research and Training Institute, May 15, 2003, Hosokai Foundation.
2. The Japanese Patent Law in English is found at www.cas.go.jp/jp/seisaku/hourei/data/PA.pdf.
3. "Recent Tendencies and Handlings of Patent Right Infringement Litigation," *Journal of JIPA*, vol. 57, No. 9, 2007, pages 1463-1474, Japan Intellectual Property Association (JIPA).
4. Maki Yamada, Judge, Tokyo District Court, Enforcement of Foreign Patents in Japanese Courts (July 22, 2006).
5. "Introduction to Patent Right Infringement Litigation," Masato Tanaka, *Law and Technology*, No. 34, January 2007, pages 27-31, Minjihokenkyukai Co., Ltd.
6. Ueda Takuya, Judge, Intellectual Property High Court of Japan, "A Japanese View on Questions raised by *Phillips v. AWH Corp.*" (July 23, 2005)
7. *Id.*
8. "Various Issues on Handling Civil Cases Related with Intellectual Property Rights," Legal Research and Training Institute, March 1, 1998, Hosokai Foundation
9. *Tsubakimoto Seiko Co., Ltd. v. THK K.K.*, 1994 (o) 1083 (Feb. 24, 1998)
10. *Shinwa Seisakusho Co. Ltd., v. Furuta Electric Machinery Co., Ltd.*, 1998 (wa) 11453 (March 23, 2000)
11. *Warner Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 29 (1997).
12. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 608 (1950).
13. *See Warner Jenkinson*, 520 U.S. at 29.
14. *Wilson Sporting Goods v. David Goeffrey & Assocs.*, 904 F.2d 677, 683 (Fed. Cir. 1990) ("there can be no infringement if the asserted scope of equivalency of what is literally claimed would encompass the prior art").
15. *Canon Inc. v. Recycle Assist Co. Ltd.*, 2005 (ne) 10021 (Intellectual Property High Court, January 31, 2006) and 2006 (ju) 826 (Supreme Court, November 8, 2007).
16. *Jazz Photo Corp. v. ITC*, 264 F.3d 1094 (Fed. Cir. 2001).
17. Various Issues on Handling Civil Cases Related with Intellectual Property Rights, Legal Research and Training Institute, March 1, 1998, Hosokai Foundation.
18. US applicants filed nearly 24,000 patent applications in the Japan Patent Office in 2005. Trilateral Statistical Report 2006, www.trilateral.net/tsr/

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