

II. Proceedings of Patent Infringement Action

1. Total Time for First Instance

In the past, court proceedings took extremely long time and that was always the target of criticism to the court system in Japan. However, about ten years ago the Japanese courts determined to change it. Particularly, the courts which handle IP cases became very conscious about shortening time spent for the court proceedings. Now a patent infringement case of an average size takes about a year in the first instance. The court requests parties to prepare their cases speedily. It should be noted that the party being a foreign corporation cannot be an excuse for delay. Actually longer time would be needed for communication between client and attorneys in such case but that is not much considered. The court thinks that a foreign company which does business in Japan should be prepared to act like a domestic company in the lawsuit as well.

2. Filing of Complaint

In the Japanese practice of patent infringement action, a complaint should specifically set forth an asserted claim of the patent, structure of accused product/process and comparison of those, and further an amount of damages sought to be recovered. Revenue stamp fee should be paid for filing of the complaint. The revenue stamp fee amounts about 0.2 – 0.3 % of value of litigation. The value of litigation equal to amount of damages sought to be recovered. If injunction order is requested, the value of litigation for the injunction is calculated by (plaintiff's reduced sale allegedly caused by infringement) X (plaintiff's profit rate) X (remaining time of the patent in suit before expiration) X (adjustment factor of 1/8).

The complaint is served upon the defendants by a special mail by the court clerk. At the time of service the court serves a summon setting a date of the first hearing, which is about 1 – 1.5 months after the filing date of complaint.

3. Filing of Answer and Series of Hearings

By the time of first hearing the defendant is requested to file an answer. The answer is basically constituted by responses to each of the plaintiff's allegations in the complaint by stating "admitted", "denied" or "not known". The answer includes particularly the defendant's response to the plaintiff's descriptions concerning the structure of accused

product/process. If the defendant admits the plaintiff's description of accused product/process, the plaintiff is no longer required to prove the structure of accused product/process. However, in most cases the defendant does not accept the plaintiff's description of the accused product/process and denies at least part of the plaintiff's description of the accused product/process. (About the procedure to prove the structure of accused product/process see III. Issues of Patent Infringement, 4. Proof of infringement.) The answer may further include the defendant's allegations of affirmative defenses such as invalidity of the patent. However, since the defendant may need time to uncover pertinent prior art to raise the defense of invalidity of the patent, the defendant is not necessarily required to assert the affirmative defenses at the time of filing answer. The defendant is requested to determine whether or not and on what basis the defendant allege invalidity of the patent in suit in about 3-4 months after the filing of answer. In other word, the defendant may take 4-5 months after receipt of the complaint to search prior art and raise the defense of patent invalidity.

After the first hearing, the court proceeding is conducted by having a series of hearings in an interval of about once a month or 1.5 months. At one hearing one of the parties submits written brief setting forth its arguments and supporting documentary evidences. At the next hearing the other party submits its brief and documentary evidences to present counter-argument. By exchanging arguments between the parties in this way the issues of the case become crystallized so that the court can make a decision. Sometimes an expert opinion is relied upon by the parties. Such expert opinion is submitted to the court as a written opinion. Live testimony of the expert witness is rarely conducted. The Japanese judges consider the contents of opinion provided by the experts but do not give weight to demeanor of the expert.

4. Infringement Issue Phase and Damage Issue Phase

The proceeding of patent infringement action before the court is largely divided into the infringement issue phase and the damage issue phase. In the first infringement issue phase all of the issues other than the damage issue are argued. In most cases, infringement and validity issues are argued. When the court reaches its conclusion with respect to the issue of infringement or non-infringement and the issue of whether the patent in suit is invalid or not, the court's opinion is often somehow disclosed to the parties. If the court comes to the conclusion that the patent in suit is not infringed or invalid, the court declares termination of the proceeding without entering into the

damage issue phase. In such case the court will render a judgment that the plaintiff's demands are dismissed. If the court reaches a conclusion that the patent in suit is not invalid and infringed, the court declares that the proceeding enters into the phase of damage issue. If the plaintiff seeks only injunctive relief, the parties would not know the court's opinion until they hear the final judgment.

5. Settlement Discussion

Oftentimes, the court suggests the parties to consider settlement. The court's suggestion is usually made after the court forms its opinion on the issues of infringement and validity of the patent. Usually such settlement suggestion is made after the infringement issue phase or after all of the issues including damage issues were heard. At the time of settlement discussion, the court talks with one of the parties without presence of the other party. The court talking with each party separately tries to find a way to resolve the case by settlement.