

Patent Disputes and Related Actions

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Patent Disputes and Related Actions

Contents

I. Outline 1

1.	Discovering patent infringement	
	– Considering the actions to take	1
2.	Warning letter	3
3.	Negotiation	4
4.	Litigation or ADR	5

II. Key Points of Patent Infringement 6

1.	Overview	7
2.	Key Points of Dispute on Infringement of Patent Right	
	[Literal Infringement]	7
3.	Doctrine of equivalents	8
4.	Indirect infringement	9
5.	Restrictive interpretation under the principle of faith and trust	10
6.	“Functional Claim” type	10
7.	“Product by Process Claim” type	11
8.	Argument of restriction on exercise of right	11

III. Civil Proceedings on Patent Infringement 13

1.	Proceedings in a patent infringement lawsuit	13
2.	Special Jurisdiction over Patent Infringement Cases	18
3.	IP High Courts	19
4.	Jurisdiction over appeal cases	20

IV. Alternative Dispute Resolution (ADR) 22

1.	Overview	22
2.	Types of ADR	22
3.	Related Laws: Arbitration Law, ADR Law	23
4.	Arbitration, and mediation	23
5.	Advantages of ADR	24
6.	From mediation to arbitration	25

V.	Border Enforcement	26
1.	Overview	26
2.	Outline of Application for Suspension System	27
3.	Overview of verification procedure	28
4.	Outline of the Advisory Board System	31
5.	Others	33
VI.	Criminal Procedures	34

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Patent Disputes and Related Actions

I. Outline

1. Discovering patent infringement – Considering the actions to take

(1) Where another person is working on the patented invention as a business, the Patente is entitled to civil remedy, criminal remedy, and border enforcement measures as discussed below (An Exclusive Licensee is entitled to remedy to the extent of the established scope, whereas no remedy is available for a Non-Exclusive Licensee).

The Patente may discover acts of patent infringement mainly through daily business activities, such as a customer's inquiry about similar goods, or national/international trade shows. Internet-based investigation is also effective.

When an infringement is discovered, it is necessary to have careful regard for the following points:

(2) Confirming one's own rights

It is necessary to confirm that the holder's own national and international patents remain in effect, that the name of the holder on the registry has not been changed, and if the term of the patent right has expired, by checking up with the Patent Register on the JPO website (Patent Act §67 The duration of a patent right shall expire after a period of 20 years from the filing date of the patent application). For a utility model rights holder to exercise their rights, it is very important to request a Report of Utility Model Technical Opinion. The utility model rights are rights granted without undergoing a substantive examination. In order to prevent the misuse of such rights and to avoid causing unexpected disadvantages to a third party, the utility model rights holder may not exercise their rights unless a warning has been given by presenting the Report of Utility Model Technical Opinion, objective reference material for judgment (Utility Model Act §29-2). A warning or institution of a lawsuit without presenting the Report of Utility Model Technical Opinion does not constitute a lawful exercise of the rights, so that the rights holder shall be liable for damages arising therefrom, if any.

Fig. 1

Outline of the Japanese IPR system

	Subject of protection	Term of protection
Patent right	Invention	20 years from filing an application
Utility model right	Invention of shape of an article, etc.	10 years from filing an application (6 years under the law before revision)
Design right	Design of an article	20 years from registration (15 years under the law before revision)

	Subject of protection	Term of protection
Trademark right	Trademark	10 years from registration (renewal of term acceptable)
Copyright	Mental work, such as literature, science, art, music, and program	50 years from the death of the author (50 years from release for a legal person) (70 years from release for a movie film)
Right of layout designs of integrated circuits	Use of a circuit layout of semiconductor integrated circuits	10 years from registration
Breeder's right	A new variety of a plant	25 years from registration (30 years for a variety under the Seeds and Seedlings Act Section 2)
Unfair Competition Prevention Law	Prohibiting well-known and famous indication of goods, and misidentification of information on the place of origin. A trade secret.	

(3) Grasping the other party's workings

Evidence such as infringing goods, etc. must be collected as much as possible for determining whether it constitutes an infringement, as well as for justifying the exercise of the rights. In the case of inventions or manufacturing processes, it is rather difficult to discover infringements but the product manufactured with the relevant process should definitely be obtained. Once the other party's product has been obtained, the details should be documented as evidence by analyzing and specifying the constituents and structures as far as possible.

In preparation for claiming damages, the marketing channel and sales volume of the infringing goods should be identified.

(4) The scope of the right compared to the other party's working details (Verification of infringement)

Based on the collected information, consider the validity and scope of one's right, examine whether there is any reason to invalidate one's right in terms of inventive steps, novelty, and other requirements, and investigate whether the alleged working falls within the scope of one's right.

In this context, "the scope of the right" means the "technical scope" of a patented invention (the scope of claims). Obtain the Patent Gazette and examine to what extent the technical scope of the patented invention is covered, with the focus on what is described in the scope of claims. It is useful to break down the scope of claim of the patent right into constituent features and create a chart of claims in comparison with the other party's product. For example, create a claim chart by breaking down the scope of claims of the patent right into

constituent features and create a comparison with the other party's product. As discussed below, the technical scope of a patent invention is determined in consideration of the scope of claims described in the specifications (Patent Act §70). To interpret the scope of claims accurately, it is important to grasp the state of the art as of the time of filing, to study publicly known literature prior to filing, and so forth. On the technical scope of a patented invention, it is useful to use the *Hantei* system under JPO and/or Japan Intellectual Property Arbitration Center (JIPAC), or the lawyer/patent attorney service for the provision of an expert opinion. Concerning the technical scope of a patented invention, a request may be made to the Patent Office for advisory opinion *Hantei* (Patent Act §71). Such JPO's advisory opinion is not binding on the party, yet is respected as one of authoritative interpretations by the competent right-granting office.

It is important to note that since the JPO *Hantei* system is limited to the interpretation of the technical scope and involves both parties, it is associated with the risk of the subject-matter becoming known to the other party, depending on the result of *Hantei*. On the other hand, the JIPAC *Hantei* system is helpful in that it provides not only an interpretation of the technical scope but also an advisory opinion on the validity of registration (invalidity *Hantei*), as well as one-party service is available. JIPAC provides an advisory service as to whether a respective technological content falls under the technical scope of the patented invention (technical scope *Hantei*), and as to whether there is ground for invalidation of the patent. To distinguish this from the JPO *Hantei* (Patent Act §71, Utility Model Act §26, Design Act §25, Trademark Act §28), it is called a "Center *Hantei*." The scope of a Center *Hantei* is: (1) whether a particular goods or process falls under the technical scope of the patented invention or the registered utility model; (2) whether a particular design falls under the scope of the registered design and designs similar thereto; (3) whether a particular mark falls under the scope of the effect of the right based on the registration of trademark right or defensive mark. "Invalidity *Hantei*" provides, concerning a particular patent, utility model registration, design registration, or trademark registration (including defensive mark: the same hereinafter), and an advisory opinion whether there is grounds for invalidation or not. For the applicant, there are two choices of Center *Hantei*: a one-party process based on the applicant's case and evidence material, and a two-party process based on the respective cases and evidence materials produced by the applicant and the respondent, respectively.

2. Warning letter

When there is positive proof that the other party's act infringes one's rights, a letter of warning is sent to the infringing party. Usually a letter of warning is sent by content-certified mail with return receipt requested (this postal service is available on the Internet) as proof of delivery. A letter of warning should indicate the existence of one's rights, the alleged infringement, claims for injunction and/or damages, the contact person, and a time limit for a response. The rights holder may apply for provisional disposition or file a lawsuit with or without issuing a letter of warning. At this stage, one may choose to inform the users of the other party's product of the other party's alleged infringement. It must be noted that such act of information may involve the risk of falling under acts of unfair competition by making or circulating a false allegation that is injurious to the business reputation of another person (Unfair Competition Prevention Act §2(1)(xiv)) with the consequence that the Court

determines for non-infringement (including the case where the Court finds grounds for invalidation of the patent).

The other party who has received a letter of warning conducts such investigations as described above in (1)-(3) from their own standpoint, and considers how to respond to the letter of warning. The other party, if it is found through consideration that the their working falls under the technical scope of the patented invention specified in the letter of warning, may choose to stop working immediately so as not to be held liable for infringement by intention, to negotiate for exclusive license, or to seeks a transfer of rights so as to work lawfully. Or, if grounds for invalidation of the subject patent right is found as a result of consideration, the other party may challenge the warning by requesting an appeal/trial for invalidation of the patent (Patent Act §123). Once the appeal/trial decision for invalidation becomes final and binding, the subject patent is deemed to have not existed at all, so that the warning itself loses its basis for reasoning. In addition, the other party will investigate whether they have the right to work by virtue of prior use, whether the working falls under the scope beyond the effect of the subject patent right, and so forth.

If it is concluded through consideration that the other party's working does not fall under the technical scope of the patented invention specified in the warning, the other party responds that there is no fact of infringement and at the same time, prepares supporting evidence to justify the response including written expert report for future lawsuit. For example, when the warning party has applied for provisional disposition with the Court, the other party files a letter of petition to the Court to the effect that opportunities are sought to present his case/opinion. The other party may initiate a lawsuit for ascertainment of non-existence of the right to seek an injunction/right to claim damages before the warning party files a lawsuit. When the warning party has informed the other party's customers about the other party's alleged patent infringement, the other party may bring an action for injunction/damages by virtue of acts of unfair completion provided in the Unfair Competition Prevention Act §2(1)(xiv) (Acts of making or circulating a false allegation that is injurious to the business reputation of another person).

3. Negotiation

If the other party respects the warning to cease the infringing act or changes the design, or is granted a license by paying a license fee, the parties negotiate for amicable settlement, and execute a Settlement Agreement to resolve the issue. In some cases, the other party may use the ground for invalidation of the subject pattern to obtain more favorable conditions for the amicable settlement, even if they have the intention to resolve the issue through amicable settlement. Since a Settlement Agreement is an instrument for the parties to undertake that there exist no claims/obligations except for what is mutually agreed upon, it is important to specify all the details of the agreement (specific way of changing the design, the scope and terms of licensing, etc.). Also in order to ensure the performance of what is agreed upon, a penalty in the event of breach of contract, a dispute resolution method must be laid down in such a Settlement Agreement.

Fig. 2 **Dispute on infringement of patent right (pre-suit dispute)**
– Key points of offence and defense –

- **Analyses by a Patentee** (Identification of infringer's acts, Infringement reasoning, Validity of patent (invalidation reasoning), Anticipated defense)
- **Warning Letter** (Patentee → Non-patentee)
- **Analyses by a Non-patentee** (Identification of acts, Infringement reasoning, Invalidation reasoning, defense, how to deal with the warning)
- **Written response** (Non-patentee → Patentee)
- Consideration and implementation of pre-suit negotiation

4. Litigation or ADR

If the parties fail to resolve the dispute through direct negotiations, the rights holder may bring it before a court (principal action, request for an interim measure), (claim for damages to be entered in relation to a principal action). Alternatively, a dispute may be referred to mediation under the Japan Intellectual Property Arbitration Center, etc., or for a JPO advisory opinion, etc. ADR (Alternative Dispute Resolution) are procedures for resolution of a civil dispute between parties who seek, through the involvement of an unbiased third party, resolution without resorting to litigation). ADR procedures include arbitration (the right to file a suit may not be exercised if both parties agree to submit to arbitration: an arbitration agreement), mediation (a process in which mediators suggest a solution to the parties in an attempt to settle the dispute through mutual compromise), as well as various arrangements, conciliation, and so forth. Compared to resolutions taken through litigation, ADR has particular advantages: procedures are held closed-door, a dispute is not necessarily resolved according to substantive law, lawyer fees or expert opinion fees are not generally incurred because this is an avenue for the parties to resolve the dispute without relying on legal experts (see IV. ADR, for details).

II. Key Points of Patent Infringement

1. Overview

(1) Remedies set forth in the event of the infringement of a patent right include the right to seek injunction (Patent Act §100), the right to claim damages (Civil Code §709, Patent Act §102), the right to seek measures to restore credibility (Patent Act §106), and the right to demand restitution of unjust enrichment (Civil Code §703, §704).

Based on the right to seek injunction (Patent Act §100), the Patentee or the Exclusive Licensee may demand a person who infringes or is likely to infringe the patent right or the exclusive license to stop or prevent such infringement. In making a demand under the preceding paragraph, the patentee or exclusive licensee may demand measures necessary for the prevention of such infringement, including the disposal of products constituting such act of infringement (including, in the case of a patented invention of a process of producing products, products produced by the act of infringement; the same shall apply in Article 102(1)) and the removal of facilities used for the act of infringement. In relation to an action to claim damages, the presumption of the amount of damages is provided under the Act (Patent Act §102).) Also, an infringer of a patent right or exclusive license of another person is presumed negligent in the commission of the said act of infringement (Patent Act §103). Where the invention of a process of producing a product has been patented and the product was not publicly known in Japan prior to the filing of the patent application, a product identical with such product shall be presumed to have been produced by the patented process (Patent Act §104). The court may, upon the request of a patentee or exclusive licensee, order the person(s) who harmed the business credibility of the patentee or exclusive licensee by intentionally or negligently infringing the patent right or exclusive license, to take all measures necessary to restore the business credibility of the patentee or exclusive licensee in lieu of or in addition to compensation for damages (Patent Act §106).

(2) Provisions to facilitate the proceedings of patent infringement litigation are laid down, such as the obligation to clarify the specific conditions of infringement (Patent Act §104-2), expert opinion for calculation of damages (Patent Act §105-2), and determination of reasonable damages (Patent Act §105-3). In addition, the Court may, “when the Court finds it necessary for determining whether or not there are reasonable grounds,” as provided in the proviso to §105(1), order a party possessing the documents to produce such documents in an *in-camera* procedure (closed-door hearing in the judge’s chamber) provided under 105§(2), and in such a case, may allow the party filing a motion for the judicial order of production of documents (§105(3)). In such a case, the Court may, upon a motion of the party, issue a protective order that the parties shall neither use the trade secrets of the other party disclosed to them for any purpose other than the litigation nor disclose the said trade secrets to a third party who is not subject to the protective order; it is also set forth that a person who fails to comply with a protective order shall be criminally punished (§105-4～§105-6, §200-2, §201).

Fig. 3

**Order to keep confidentiality
Protective Order**

- Enacted on April 1, 2005
- Ensures that litigation proceeds swiftly
- The Patent Act, the Design Law, the Trademark Law, the Unfair Competition Prevention Law and Copyright Law.
- If a defendant has sufficient reason to refuse disclosure of documents due to a trade secret, the court can order the parties and attorneys not to reveal any trade secrets to a third party and to use the information only for prosecution of the patent litigation, and can then order the defendant to submit the documents.

2. Key Points of Dispute on Infringement of Patent Right[Literal Infringement]

Fig. 4

Key Points of Dispute on Infringement of Patent Rights

① Infringement reasoning

- Whether or not the defendant's product falls under the technical scope of invention for the patent right
- Break down the claim into its elements to consider whether or not the constitution of the defendant's product falls under the scope of claims

② Defense based on restriction on exercising the rights of the patentee

(invalidation reasoning)

- Whether or not the patent concerned is to be invalidated through an invalidation trial of the patent right
- If it is to be invalidated, execution of the patent right is not allowed

(1)The scope of the effect of a patent right on a patented invention is called the “technical scope of the relevant patented invention” (“claim” - a term for the scope of claims under the US Patent Act. The technical scope of a patented invention shall be determined “based upon” the statements in the “scope of claims” attached to the Request (§70(1)). The meaning of each term used in the scope of claims shall be interpreted in consideration of the statements in the description and drawings attached to the Request (§70(2)).

(2)Since the scope of claims “shall state for each claim all matters necessary to specify the invention for which the applicant requests the grant of a patent (the first part of §36(5)),

unless all elements stated in the scope of claims (“constituent features”) are fully included, such a case does not fall under the technical scope of a patented invention (“All Elements Rule”; the doctrine of equivalents, and indirect infringement are exceptions to this rule, as discussed below.)

Patent infringement arises when another party is **working** an invention claimed in **the scope of claims as a business** (direct infringement). To determine whether or not the third party’s products in question constitute infringement of the patent right, break down the scope of claims into constituent features for comparison. **The modality of infringement that affects all of the constituent features of each claim stated in the scope of claims is called “literal infringement,” to distinguish it from the doctrine of equivalents.** Today, with the view of facilitating the hearing process where no agreement is reached to specify the alleged product between the parties, it has become a more practical way to create inventories by product name/type to compare the alleged product and the patented invention, before discussing infringement in the light of doctrine.

3. Doctrine of equivalents

The doctrine of equivalents is an approach to determine a substantial patent infringement by a measure of equivalence, even if no literal infringement is found by the all elements rule. Namely, the doctrine construes the alleged product as infringing a patent even if it does not constitute literal infringement when the following tests are met: (i) the subject part is not the essential part of the patented invention, (non-essentiality), (ii) the purpose of the patented invention can be achieved by replacing the said part with a part in the subject products and an identical function and effect and can be obtained (interchangeability), and (iii) a person skilled in the art could easily have the idea of such replacement (ease of interchangeability) (Ball Spline Bearing Case, Supreme Court Judgment, 2/24/1998, reporter: *Minshu* Vol. 52, No. 1, at 113; *Tokkyo Hyakusen* Case No. 73). The said Supreme Court Judgment holds that the doctrine of equivalents is allowed if the tests (i) through (iii) are satisfied, adding (iv) the subject products are not identical to technology in the public domain at the time of filing the patent application or could not have been easily conceived at that time by a person skilled in the art (exclusion of publicly known art), and (v) there were no special circumstances such as the fact that the subject products had been intentionally excluded from the scope of claim in the patent application process (absence of special circumstance). The purpose of the Supreme Court Judgment listing these five tests is as follows: it is extremely difficult to foresee all the modes of infringement that may occur in the future and state the scope of claim in a specification at the time of filing the patent application, and if another party is able to easily avoid injunction and other ways of exercise of right by replacing part of the constitution of the invention stated in the scope of claim with the substance or technology that came to be known after the filing of the patent application, it will discourage the incentive for invention in society in general. This would not only be against the purpose of the Patent Act (§1), i.e. to contribute to the development of industry through the protection and encouragement of inventions, but would be against the principle of justice and fairness.

It is important to note that post-“Ball Spline” Judgments of the Japanese Court affirming the doctrine account for less than 1%. Of the Judgments against the doctrine, over 70% disallows Test (i), and over 30% disallows Test (v). (Some Judgments disallow more than one Test.)

A way of determination over “not the essential part” abstractly worded in Test (i) has not been

established in precedents. The Judgment upon the “drier” appeal case (IP High Court, 3/27/2007, Case No. 2006(ne)10052) construes the said wording as “of the constitution of a patented invention stated in the scope of claims under Specification, the characteristic part that constitutes the core of the technical idea which underlies the technical means to solve the problem specific to the relevant invention.” What is the “characteristic part” has to be determined by studying what constitution embodies the substantial value of a patented invention in light of prior art, problem to be solved by the invention, means for solving problem, operation/working-effect and other statements in the detailed description of the respective invention in the Patent Gazette.

4. Indirect infringement

In principle, a patent infringement is constituted only when another party is working as a business with the goods or a process that satisfies all of the constituent features of claim(s), with the exception of the doctrine of equivalents (= direct infringement). The prevalence of this principle would preclude the effect of a patent right from extending to the acts of selling parts exclusively used in a patented product and the acts of selling equipment exclusively used in a patented process. To the end of providing full protection for a patent right, it is problematic if such acts preparatory for, or accessory to, acts of direct infringement are left overlooked. Also, in the case of selling parts as a business, there is little difference in terms of damage to the Patentee compared to the case of selling a patented product itself. From this viewpoint, the Patent Act §101 sets forth certain acts that do not fall under direct infringement of a patent right but are nevertheless deemed to constitute infringement.

(Acts deemed to constitute infringement)

Article 101 The following acts shall be deemed to constitute infringement of a patent right or an exclusive license:

- (i) where a patent has been granted for an invention of a product, acts of producing, assigning, etc., importing or offering for assignment, etc. any product to be used exclusively for the producing of the said product as a business;
- (ii) where a patent has been granted for an invention of a product, acts of producing, assigning, etc., importing or offering for assignment, etc. any product (excluding those widely distributed within Japan) to be used for the producing of the said product and indispensable for the resolution of the problem by the said invention as a business, knowing that the said invention is a patented invention and the said product is used for the working of the invention;
- (iii) where a patent has been granted for an invention of a product, acts of possessing the said product for the purpose of assigning, etc. or exporting it as a business;
- (iv) where a patent has been granted for an invention of a process, acts of producing, assigning, etc., importing or offering for assignment, etc. any product to be used exclusively for the use of the said process as a business;
- (v) where a patent has been granted for an invention of a process, acts of producing, assigning, etc., importing or offering for assignment, etc. any product (excluding those widely distributed within Japan) to be used for the use of the said process and indispensable for the resolution of the problem by the said invention, knowing that the

said invention is a patented invention and the said product is used for the working of the invention as a business;

- (vi) where a patent has been granted for an invention of a process of producing a product, acts of possessing the product produced by the said process for the purpose of assigning, etc. or exporting it as a business.

5. Restrictive interpretation under the principle of faith and trust

In some cases, the principle of faith and trust requires us to interpret the technical scope of a patented invention more narrowly than the scope of the claim.

(1) Restrictive interpretation in consideration of prosecution history (file wrapper estoppel): In the case that the applicant claims their right by interpreting the scope of right narrowly during prosecution, it is admissible to interpret the scope of the right more restrictively than the literal meaning of the scope of claims in consideration of the said claim. This approach is taken as a type of estoppel in order to prevent the applicant from interpreting the statement of the scope of claims so as to emphasize the difference from prior art during prosecution and insisting, after a grant of patent, to extend the scope of the right. If the applicant is found to have excluded a particular mode of working on purpose during prosecution, such intentional restriction is also subject to estoppel.

(2) Restrictive interpretation in consideration of publicly known inventions: Because patentability requires the claimed invention to be novel (§29(1)), the state of the art as of the time of filing (publicly known inventions) is an important resource in interpreting the scope of a claim. In the case that a certain publicly known invention is included in the scope of claims, it is admissible to interpret restrictively in consideration of the relevant publicly known invention, or to define the technical scope of the patented invention by excluding the publicly known part. Such interpretation was useful to support the relevance of a conclusion specifically prior to the Kilby Judgment (Supreme Court Judgment, 4/11/2000; reporter *Minshu* Vol. 54, No. 4, at 1368; *Tokkyo-Hyakusen* Case No. 81) because the Court was generally thought not to judge the validity of a patent. If the scope of claims is found to be publicly known inventions entirely, an argument against the exercise of the right (§104-3) can be entered.

6. “Functional Claim” type

Functional claim means the scope of claims that includes abstractly or functionally expressed constituent features (Tokyo District Court Judgment, 12/22/1998; reporter *Hanji* No. 1674, at 152, Magnetic Media Card Reader Case; *Tokkyo-Hyakusen* Case No. 68). In the case that constituent features considered essential to the relevant invention in comparison with prior art are abstractly or functionally expressed, if any constitution of the invention capable of the relevant function and operation/working-effect is considered to be included in that technical scope, it follows to include even constitutions belonging to technical ideas not specifically made public in a specification in the technical scope of the invention. According to this logic, it is likely to provide excessively wide protection to the patentee. In this case, it is recommended to return to the purport of the Patent Act that a patent right is granted for

making public an invention so as to identify the technical scope to be protected, in consideration of detailed descriptions of the invention in a specification, the prosecution history, the state of the art as of the time of filing, and so forth. This does not apply limitedly to working examples described in a specification, but constitutions workable by a person skilled in the art fall under the technical scope of the patented invention (Tokyo District Court Judgment, 12/4/1987; reporter *Hanrei Times* No. 662, at 218, Fumetight Partition Installation Structure Case).

7. “Product by Process Claim” type

Product by Process Claim means the case that for a product invention, the process of manufacturing the subject product is described in the scope of claims (Tokyo High Court Judgment, 6/11/2002; reporter *Hanji* No. 1805, at 124, Optical Disk Polycarbonate-forming Material Case; *Tokkyo-Hyakusen* Case No. 71). In this case, as far as a product invention is concerned, the Court holds “it is not a requirement for manufacturing the product in the described process but a requirement for the product to be identical with products manufactured in the described process at most.” The patentee needs to prove that the alleged material has the same constitution and property as the subject material once the details of the constitution and property specified by the relevant manufacturing process have been disclosed (Tokyo District Court Judgment, 9/11/1998; reporter *Hanji* No. 1671, at 137; Polyethylene-spun Filament Case). In some cases, however, where there are factors to be considered by interpreting the patented subject restrictively to a manufacturing process, for example, when the applicant indicated a manufacturing process restrictively during prosecution, the subject of a patent is restricted to the relevant manufacturing process.

8. Argument of restriction on exercise of right (Patent Act §104-3(1),

effective April 1, 2005)

Fig. 5

Invalidity defense Creation of Article 104-3 of the Patent Act

- With the amendment to the Patent Act and other laws enacted on **April 1, 2005**, a defendant is now able to raise the **invalidity defense** in patent and other IP litigation.
- The Japanese **Supreme Court** decided on **April 11, 2000**, in the **Kilby case** that if a patent is **apparently invalid**, a defendant can make a **defense of abuse of rights** in patent infringement litigation. This is called **an apparent invalidity defense**. Before this decision, it was difficult for us to adopt this defense.

The general opinion and practice in the past maintained that the validity of a patent should be verified by the JPO through examination and appeal/trial (appeal/trial for invalidation of a patent; §123(1), that the Court should deal with a patent right granted by the JPO, and that the infringing party may not argue against the validity of the subject patent right before the appeal/trial decision becomes final and conclusive. It is against the principle of equality and is not appropriate from the viewpoint of resolving a dispute through a single avenue to allow a

claim for damages based on the relevant patent even if the said patent is obviously to be invalidated (§29(1) novelty, §29(2) inventive step, §36(4)(6) incompliance with the description requirements, etc.). Consequently, in the “Kilby” Judgment (Supreme Court Judgment, 4/11/2000; reporter *Minshu* Vol. 54, No. 4, at 1368; *Tokkyo-Hyakusen* Case No. 81), the Supreme Court allowed the “argument of abuse of rights” in its holding that when there is an obvious ground for invalidating the subject patent, a claim for injunction and a claim for damages or the like based on the said patent right are not permissible as an abuse of right unless otherwise justified with good reason. Moreover, the 2004 revision newly laid down Patent Act §104-3 (also, *mutatis mutandis*, under the Utility Model Act §30; in the Design Act §41; and the Trademark Act §39) by excluding the “obvious” factor. Still, in order to invalidate the relevant patent with binding effect on a third party, an appeal for invalidation must be filed.

(Restriction on exercise of rights of patentee, etc.)

Article 104-3 (1) Where, in litigation concerning the infringement of a patent right or an exclusive license, the said patent is recognized as one that should be invalidated by a trial for patent invalidation, the rights of the patentee or exclusive licensee may not be exercised against the adverse party.

(2) Where the court considers that the materials used for an allegation or defense under the preceding paragraph are submitted for the purpose of unreasonably delaying the proceedings, the court may, upon a motion or *ex officio*, render a ruling to the effect that the allegation or the defense is to be dismissed.

(Production of documents, etc.)

III. Civil Proceedings on Patent Infringement

1. Proceedings in a patent infringement lawsuit

Fig. 6 **Patent infringement lawsuit (Outline of the first trial)**

- Bring an action (File a complaint with a court)
- Delivery of complaint to defendant
- Submit a written reply
- Date of oral proceeding (hearing)
- Date of preparatory ProceedingDate of settlement
- Final date of hearing (Conclusion of trial)
- Court decision

(1) Outline of Commencement of Judgment

Civil cases over intellectual property shall proceed in accordance with the Code of Civil Procedure in the same way as other categories of civil cases.

Source (illustration and photographs): Supreme Court HP

Please refer the website (http://www.courts.go.jp/saiban/syurui/minzi/minzi_01_01.html).

[Commencement – Bringing an action]

(i) Bringing an action

To initiate an action, the plaintiff or his attorney is required to file a Complaint with a court. The Complaint shall include the “Claim” and the “Cause of Action” and revenue stamps of the statutory value shall be affixed as the filing fee.

(ii) General civil jurisdiction

In accordance with the Court Organization Act and the Code of Civil Procedure, the court that has jurisdiction over the territory and the subject matter of the case shall be the competent court.

Under the Court Organization Act, the summary courts in the lowest level are competent to hear cases involving claims not exceeding 1.4 million yen. At the next level, the district courts are the first-instance courts with general jurisdiction.

The Code of Civil Procedure provides that the plaintiff may, as a rule, bring an action in the court with jurisdiction over the place of the defendant. However, additional jurisdiction is also provided. For example, an action for damages based on a tort may be brought to the court that has jurisdiction over the place where the tort was committed; and an action involving real estate may be brought to the court that has jurisdiction over the place where the estate is located.

[Oral Argument]

(i) Check the Complaint

A judge assigned to the case (the presiding judge in a case to be heard under a panel) checks the Complaint for formality and if fulfilled, designates the date of oral hearing and summon

the parties. If the Complaint appears defective, the judge (the presiding judge) orders the plaintiff to correct it.

(ii) Oral argument

An oral hearing is held in open court under a sole judge before a summary court as a rule, under a sole judge or a collegial panel of three judges before a district court, and by a collegial panel of three judges before a high court, as a rule. In district court proceedings, a case may be heard by a sole judge unless otherwise provided by law. However, any appeal case against a Summary Court Judgment must be heard by a collegial panel, and any case that is considered appropriate to be heard by a collegial panel for such reason such as the complexity of the subject matter of a case and so on must be heard by the collegial panel.

Oral proceedings are held in open court under the conduct of the presiding judge. The plaintiff, the defendant, and the attorneys thereof are required to appear before court, state their cases based on briefs entered beforehand, and produce evidence supporting their cases. In case the defendant is absent, there is a possibility that judgment against the defendant might be rendered unless the defendant has explicitly indicated to challenge the plaintiff's claim in an Answer, or other means.

When either party's claim or proof appears ambiguous or discrepant, the presiding judge may ask questions or order the clarification of such point at the next oral proceedings. This power is called the right of clarification.

Panel (collegiate) Court for Civil Cases



1. Judge 2. Court clerk 3. Court shorthand clerk 4. Bailiff
5. Proxy for the plaintiff 6. Proxy for the defendant

Source (notes and photographs): Supreme Court HP http://www.courts.go.jp/saiban/syurui/minzi/minzi_01_01.html

(iii) Process to identify the points at issue and to arrange the evidence

In a case where the parties are in dispute over the substantial facts necessary for determination, when it is necessary to arrange the evidence, the Court may hold preparatory proceedings to identify the points at issue and arrange the evidence so that the hearing of evidence, including witnesses, can be conducted efficiently and rigorously, with a focus on the substantial matters. The preparatory process has three types: preliminary oral proceedings, preparatory proceedings, and preparatory proceedings by means of documents, and the court chooses the most appropriate one, depending on the nature and the substance of the case. Preliminary oral proceedings are held in open court, and are specifically aimed at the rigorous arrangement of issues and evidence. Preparatory proceedings do not need to be held in open court, but are instead conducted in a preparation room other than a courtroom for the preparation of future oral arguments. Preparatory proceedings have limitations in hearing witnesses in person so as to identify the point in dispute, but if one party lives in a distant location, teleconferencing is available. In preparatory proceedings by means of documents, issues are identified based on briefs without the appearance of both parties in cases where the parties live in distance places, and teleconferencing is also available, if necessary.

In closing these proceedings, the court and the parties shall confirm the facts to be proven through the subsequent examination of evidence.

(iv) Examination of evidence

Once the point in dispute is identified through oral arguments or procedures for arranging the evidence, the Court conducts an examination of documentary evidence, witnesses, and the parties so as to make a determination on the point in dispute. With respect to the order of questioning, the party who moved for the adoption of the witness questions first (direct examination), followed by the other party (cross examination). Then, the court may put questions to the witness, while the presiding judge may interpose questions at any time during the examination. The order of examination of witnesses, restrictions on leading questions, and other rules of examination are set forth under the Code of Civil Procedure and the Rules of Civil Proceedings. Generally speaking, however, the Japanese system does not have the extensive and strict rules of evidence found in Anglo-American Law. Admissibility ruling is left to the Court at its discretion, but the Court is not allowed to examine evidence *ex officio*, as a rule. As an exception, the Court has the power to conduct the examination of the parties *ex officio*.

In the process of fact-finding from the results of the examination of evidence, evaluation of the probative value and credibility of evidence is within the Court's authority and responsibility.

(v) Record of oral arguments

Oral arguments should be documented in the form of a record by the attending court clerk. The record must enter the statements of the witnesses, the expert witnesses, and the parties, as well as the parties' cases and evidence produced. These must then be signed and sealed by the said court clerk and must be affixed with the presiding judge's seal of approval. In some cases, a court shorthand clerk also attends the oral arguments with the court clerk. A shorthand transcript is quoted as part of the oral arguments record.

[Ending of proceedings]

Proceedings that commence upon the filing of the Complaint come to end due to various events. The most typical event is the rendering of a Judgment, needless to say. When the Court has been convinced of whether the plaintiff's claim should be granted or not in consideration of the evidence, the Court concludes the oral arguments and decides on the case. A Judgment is basically rendered by pronouncement of the main text of the Judgment. The original of the judgment sets out the main text, claims, and cause of action, and the grounds for the Judgment. The Judgment is served on both parties without delay following its pronouncement. However, in such case that the defendant does not challenge the plaintiff's allegations, a simplified rendition of Judgment, not based on the original of the Judgment, is allowed. In this case, the court clerk is responsible for documenting a record that enters the main text of the Judgment and so forth instead of the original of the Judgment.

The Judgment rendered may not be compulsorily enforced before it becomes final and binding, except when the Judgment provides for provisional enforcement.

Judicial proceedings also end with the withdrawal of the case, acknowledgement/waiver of claims, or judicial settlement. Withdrawal of the action does not give rise to the effect of *res judicata*, whereas a record documenting the rest has the same effect as a final and binding judgment.

[Appeal to the second-instance court/Final appeal]

A party dissatisfied with the first-instance Judgment may appeal against it to the court of second instance within two weeks from the date of service of the Judgment. A party dissatisfied with the second-instance (appeal) Judgment may appeal to the Supreme Court.

An appeal against the Judgment rendered by a district court of first instance may be filed with a competent high court, and an appeal against the Judgment of a second-instance high court may be filed with the Supreme Court.

An appeal against the Judgment of a first-instance summary court may be filed with the competent district court, and an appeal against the Judgment of a second-instance district court may be filed with the competent high court. An appeal against the Judgment of a third-instance high court may be filed with the Supreme Court exceptionally when it involves constitutionality (this is called a "special appeal" to the Supreme Court).

The party may file an appeal directly to the upper court with the consent of the other party if it argues against the first-instance Judgment only in terms of question of law (this is referred to as a "direct final appeal").

A case before the Supreme Court is usually heard by the Petty Bench composed of five Justices. A case involving a question of constitutionality (with certain exceptions) is heard by the Grand Bench comprising all fifteen Justices.

Appeals to the second-instance court and final appeal are characterized by the following:

An appeal to the court of second instance may be filed whenever a party is dissatisfied with the first-instance Judgment. The appeal court conducts fact-finding in the same way as in the court of first instance. The appeal court tries the fact-finding and the application of law once again to the extent that the party is dissatisfied with the original Judgment. Oral arguments are considered to be a continuation of the first-instance proceedings, and the procedures conducted by the first-instance court remain valid in the appeal proceedings. The appeal court decides on the case based on the evidence produced before the first-instance court as well as

evidence newly produced before the appeal court.

A final appellate court exercises its jurisdiction only over questions of law in a Judgment of prior instance. As a rule, the Court is bound by the facts found in the Judgment of prior instance. With respect to a final appeal to the Supreme Court, the party may file a final appeal on the grounds: (1) the Judgment of prior instance is unconstitutional, and (2) the Judgment of prior instance contains substantial illegalities set forth in the Code. With respect to a case involving a holding against a precedent, or a case involving important issues related to the interpretation of law, the Supreme Court may take the case as a final appellate court upon the party's petition for acceptance of final appeal.

If the Supreme Court allows the above-mentioned grounds (1) and (2), the Judgment of prior instance should be quashed. Also, if the Judgment of prior instance is found to have made an error in applying the law to the case, the said Judgment may be quashed.

With respect to a final appeal to a high court, the grounds of final appeal includes error in application of law that obviously affects the Judgment as well as (1) and (2), and if the final appeal is found well-grounded, the Judgment of prior instance should be quashed.

[Court costs]

(1) Responsibility for court costs

As a rule, the court costs as stipulated by law shall be borne by the losing party. Such court costs includes stamp revenues to be paid when filing a Complaint and other petitions, service postage, and witness's travel expenses and per diem allowance for appearance. The court costs in this context do not include all the costs necessary for going through the process of litigation, for example, lawyer's fees.

(2) Grace for payment

To ensure access to court for those who cannot afford to pay the court costs, a system of grace for payment has been in operation (called "*in forma pauperis*"). However, it may not be granted if it is found obvious that there is no chance of winning the case judging from the substance of an action.

Further, the [Japan Legal Support Center](#) provides a service of advancing fees for attorneys for people with financial difficulties, when found eligible after examining the applicant's financial standing and the prospects (in terms of winning the case, resolving the dispute).

Supreme Court



Supreme Court Grand Bench



Source (photographs): Supreme Court HP

2. Special Jurisdiction over Patent Infringement Cases

Special provisions are laid down concerning jurisdiction over IPR lawsuits and actions for civil provisional remedies orders.

(1) Exclusive jurisdiction over actions involving patent rights

For actions involving (i) patent rights, (ii) utility model rights, (iii) rights of layout/design of integrated circuits, or, (iv) program copyright, according to the provisions on the principle of jurisdiction under the Code of Civil Procedure (Code of Civil Procedure §4, §5), Tokyo District Court has exclusive jurisdiction over actions under the jurisdiction of district courts located in Eastern Japan (district courts located in the jurisdictional district of Tokyo, Nagoya, Sendai, or Sapporo High Court) (Code of Civil Procedure §6(i)). Osaka District Court has exclusive jurisdiction over actions under the jurisdiction of district courts in Western Japan.

* Example: Action involving patent rights

- [1] Patentee files a suit against the infringing party to demand injunction of the infringing act and destruction of goods constituting infringement.
- [2] Patentee files a claim for damages due to the act of infringement against the infringing party
- [3] The alleged infringing party seeks ascertainment of non-existence of right to seek injunction and right to claim damages based on the infringement of patent right against the Patentee
- [4] Employee/inventor demands a reward corresponding to the value of the employee's invention against the employer

(2) Concurrent jurisdiction over actions involving design rights, trademark rights, copyrights

(i) For actions involving (i) design rights, (ii) trademark rights, (iii) author's rights (excluding program copyrights), (iv) rights of publication, (v) neighboring rights, or (vi) actions involving breeder's rights, or, (vii) actions involving infringement of business interests due to unfair competition as provided in Unfair Competition Prevention Act §2(1), in cases where a district court located in Eastern Japan has jurisdiction, the action may be brought before the Tokyo District Court, as well as the said district court (Code of Civil Procedure §6-2).

(3) Civil provisional remedies

Since actions for civil provisional remedies order with IPR as the merit come under the jurisdiction of the Tokyo District Court or Osaka District Court having jurisdiction over the merit (Civil Provisional Remedies Act §12(2) text), an action for civil provisional remedies shall be brought before Tokyo District Court if the merit is under the jurisdiction of a district court located in Eastern Japan, according to the principle of jurisdiction under the Code of Civil Procedure).

(4) Transfer of patent right litigations from the Tokyo District Court to a different district court

A case may be transferred to a different district court that shall have jurisdiction pursuant to the provisions regarding the principle of jurisdiction, when it is deemed necessary in order to avoid substantial detriment or delay due to an absence of specialized and technical matters to be examined by the Tokyo District Court or other circumstances (Code of Civil Procedure

§20-2(1)). When it is deemed necessary in order to avoid substantial delay in the suit or ensure equity between the parties (Code of Civil Procedure §17), or upon the petition of a party and with the consent of the other party (Code of Civil Procedure §19(1)), a case may be transferred to the Osaka District Court (Code of Civil Procedure §20(2)).

3. IP High Courts

(1) On April 1, 2005, the IP High Court was established as a special branch of the Tokyo High Court, exclusively hearing IPR lawsuits. The IP High Court is located on the 17th floor of the court complex of the Tokyo High Court, Tokyo District Court and Summary Court in Kasumigaseki, Chiyoda-ku, Tokyo.

(2) Grand-Panel hearing

The IP High Court conducts proceedings under a collegiate panel of three judges. A Grand Panel composed of five judges hears major cases that urgently require consistency of judicial decisions.

Grand Panel Division	<ul style="list-style-type: none">• April 2004• Unified opinions at the second instance level <ul style="list-style-type: none">• Applies to appeals of lawsuits against JPO Board decisions relating to patents and utility models and appeals from district courts regarding patent and other related rights.
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(3) Judicial Research Officials and Technical Advisors

Judicial research officials are assigned to the IP High Court conduct research on technical matters necessary for hearing and resolving cases involving patents, utility models, etc. by an order from the judge. Since April 2005, these officials may, by an order from the judge, administer affairs and put questions to the parties for clarification of matters related to the suit on the date of oral argument (Code of Civil Procedure §92-8).

Technical advisors may, by the court's decision, participate in court proceedings and provide explanations on the technical matters involved in the suit if it is deemed necessary for clarifying matters related to the suit or facilitating smooth proceedings (Code of Civil Procedure §92-2). Technical advisors are part-time officials appointed by the Supreme Court, including professors and researchers of public research institutes possessing the highest-level of expertise and knowledge in their respective fields.

4. Jurisdiction over appeal cases

(1) Tokyo High Court has jurisdiction over appeals against the first-instance judgments of Tokyo District Court (Court Organization Act §16, Act concerning the Establishment of Lower Courts and Jurisdiction §2 Appended Table No. 5). Appeals with respect to actions involving patent rights and actions involving design rights under the jurisdiction of Tokyo High Court are handled by the IP High Court Act (IP High Court Establishment Act §2 (i)). Therefore, the IP High Court has jurisdiction over appeals cases with respect to actions involving patent rights and design rights brought before Tokyo District Court.

(2) Cases handled by the IP High Court include lawsuits against an appeal/trial decision as administrative first-instance, and civil appeal cases.

1) Lawsuit against appeal/trial decision

The Tokyo High Court shall have exclusive jurisdiction over any action against JPO appeal/trial decision (Patent Act §178(1), etc.), which are handled by its special branch, IP High Court (IP High Court Establishment Act §2(ii)).

2) Civil appeal case

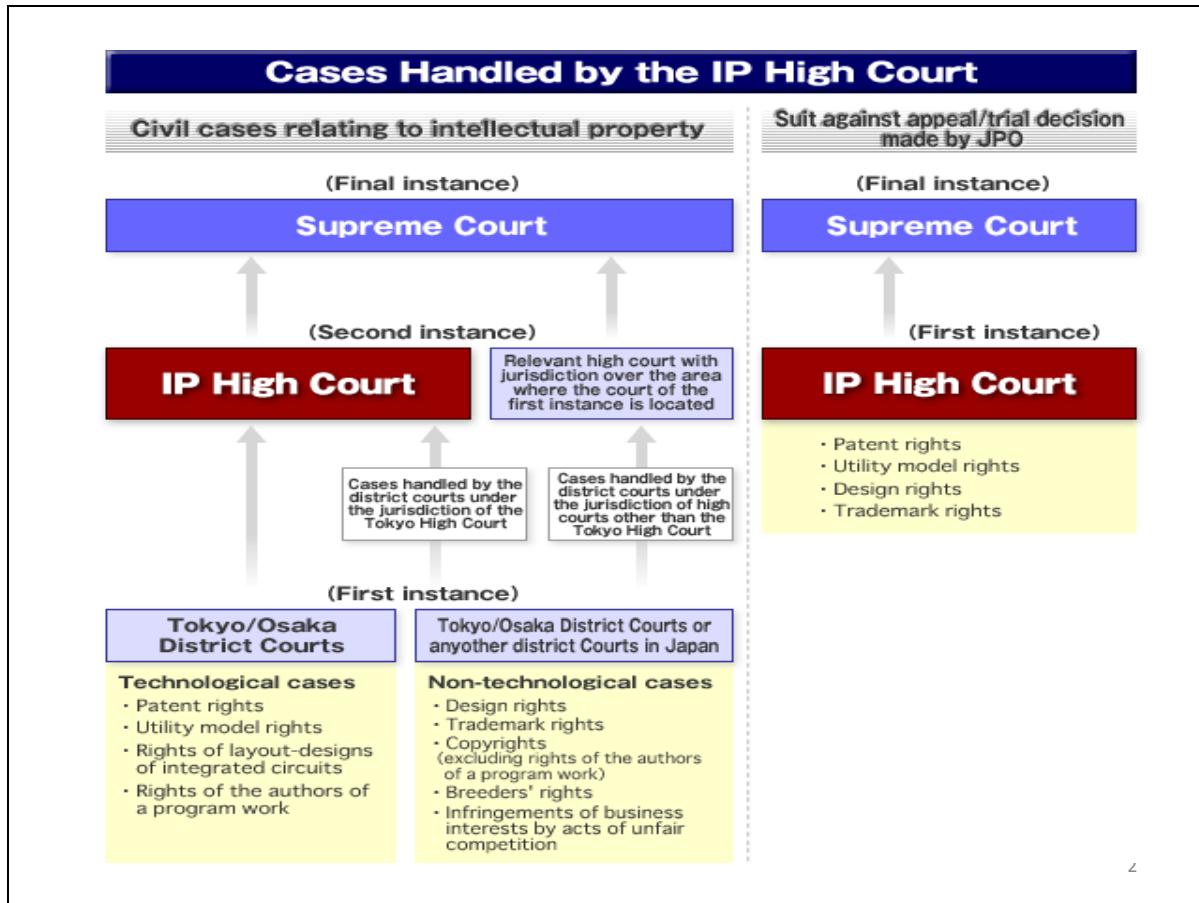
For civil appeal cases, the appeals, appeals involving patent rights, utility model rights, rights of layout-designs of integrated circuits, and author's rights over program works are under the exclusive jurisdiction of Tokyo High Court (Code of Civil Procedure §6(3)), which are handled by its special branch, the IP High Court (IP High Court Establishment Act §2(i)). As a result, the IP High Court has a concentration of cases from nationwide.

Next, civil appeals cases involving design rights, trademark rights, author's rights (excluding author's rights over computer works), rights of publication, neighboring rights, breeder's rights, and infringement of business interests due to unfair competition, come under the jurisdiction of the competent high court corresponding to the location of the court of first instance. Of these eight high court jurisdictions, the IP High Court handles cases under the jurisdiction of the Tokyo High Court (IP High Court Establishment Act §2(i)).

3) Other cases

In addition to 1), 2), above, the IP High Court handles administrative cases and civil cases that require IPR expertise for hearing the major issues under the jurisdiction of the Tokyo High Court (IP High Court Establishment Act §2(iii)).

Jurisdiction and instance with regard to 1) lawsuit against appeal/trial decisions, and 2) civil appeal cases, are illustrated below:



Source (illustration): Intellectual Property High Court HP

IV. Alternative Dispute Resolution (ADR)

1. Overview

“Resolving a dispute” is often associated with resorting to judicial proceedings. However, aside from judicial proceedings, another avenue of dispute resolution, known as “Alternative Dispute Resolution” (ADR), has been increasingly chosen in many countries. In practice, judicial proceedings are inevitably complicated and include diverse procedures, reflecting differences in national judicial systems, the need to ensure due process under procedural law, and so forth. Also, judicial proceedings can incur large amounts of cost and time before the dispute is resolved. It is important in the first place to prevent disputes through the execution of proper contractual clauses, but in the event of a dispute arising therefrom, to use ADR (e.g. arbitration, mediation) effectively.

2. Types of ADR

Permanent ADR organizations are categorized by their key players into judicial, administrative, and private-sector. In Japan, the following ADR organizations are active:

a) Private-sector: Japan Intellectual Property Arbitration Center (JIPAC), Japan Commercial Arbitration Association, Japan Shipping Exchange, Inc., Bar Association Arbitration/Mediation Center, Industrial PL Center, etc.

Japan Intellectual Property Arbitration Center (JIPAC) is the only private-sector ADR organization specialized in IPR in Japan, and has operated for more than 12 years since it was founded jointly by the Japan Federation of Bar Associations and Japan Patent Attorneys Association in March 1998. Attorneys-at-law, patent Attorneys, and scholars have been engaged in resolving a variety of disputes over IPR based on their expertise through arbitration, consultation, mediation, Center *Hantei* (advisory opinion), domain name dispute resolution, advisory opinions on essentiality, and other such services. Like high court territorial jurisdiction, JIPAC has eight locations—Tokyo Headquarters, Kansai Branch, Nagoya Branch, Hokkaido Branch, Tohoku Branch, Chugoku Branch, Shikoku Branch, and Kyushu Branch, providing arbitration/mediation in a local bar association office, a local patent attorneys association office or other places designated by the Center. It is JIPAC policy to complete the mediation process within six months from the first hearing through holding three hearings. Disputes are resolved through four hearings on the average. In civil proceedings, a revenue stamp of value of the subject-matter must be affixed every instance. Compared to most of private-sector arbitration organizations with a time-charge system for the arbitrator’s services, JIPAC uniformly applies a relatively lower charge to the user’s cost-benefit (application fee for mediation = 50,000 yen. If an application for mediation is dismissed, or if the respondent does not comply with the application for mediation, a sum of 30,000 yen after deducting a clerical cost of 20,000 yen from the paid application fee is refunded to the applicant. Other costs to be incurred are a hearing fee (50,000 yen per each party for one hearing), and a fee for execution of Settlement Agreement (150,000 yen per each party, as a rule).

b) Administrative type: Environmental Dispute Coordination Commission, Construction Work Dispute Examination Council, Housing Dispute Coordination Council, Labor Relations Commission, etc. These organizations have systems such as arbitration, conciliation, and

mediation arbitration in particular fields specified under special law.

c) Judicial type: Civil mediation, and family-affairs mediation. Civil mediation is held before an ordinary court but differently from lawsuits, it is conducted by a mediation panel consisting of judges and two or more mediators selected from among ordinary citizens. In cases that require expertise to resolve medical matters, construction issues, rent increases or decreases, noise/odor pollution etc., specialist mediators such as doctors, authorized architects, licensed real estate appraisers may be involved. Family-affairs mediation is held before a family court to handle divorce, inheritance, and other family-related issues. Such mediation under a court has the same effect as a final and binding adjudication once the agreement through mediation is entered in a mediation record. Failure to fulfill the obligations agreed upon and entered in the mediation record (payment of monies, or child support) may be subject to compulsory enforcement procedures based on the mediation record.

In addition to such “institutional arbitration,” there is “non-institutional arbitration (or ad-hoc arbitration). The latter is not administered by an institution and requires the parties to make their own arrangements for the designation of rules and other necessary matters for conducting the arbitration. It is often employed in large-scale, complex international arbitrations.

3. Related Laws: Arbitration Law, ADR Law

(1) Although the CITRAL Model Law on International Commercial Arbitration (UNCITRAL Model Law; as adopted by the United Nations Commission on International Law (UNCITRAL) in 1985, is not the type of law that will come into effect as a national law upon ratification by a signatory State, such as the New York Convention, it has been universally employed as an international standard. Accordingly, it was introduced into the current Arbitration Act of Japan (effective March 1, 2004) when the old Act dating back to the Meiji Era was revised. The current Arbitration Act applies to the arbitral proceedings under Japanese courts over international/national, commercial/noncommercial cases with Japan as the locale of the arbitration (Arbitration Act §13(6)) (see Independence of arbitration agreements) and the same Act §14(1) (see Petition for dismissal of action/affirmative defense).

(2) In addition, the Act on Promotion of Use of Alternative Dispute Resolution (ADR Act) is a law providing for the effect of nullification of prescriptions to settlements arranged by an ADR organization certified by the Ministry of Justice, which came into effect on April 1, 2007.

4. Arbitration, and mediation

Arbitration is markedly different from mediation as well as from settlement arrangements.

In the case of arranged settlement/mediation, the arrangement-provider/mediator may suggest a proposed settlement or “award,” which is not binding on the parties. By contrast, initiating recourse to arbitration requires the existence of an agreement by the parties to submit to arbitration all or certain disputes that have arisen or that may arise between them in future and agree to be bound by a third party (arbitrator) award in the form of an arbitration agreement (or an arbitral agreement) or an arbitration clause in a contract (or an arbitral contract)

(Arbitration Act §2(1)). An arbitration agreement has the following effects:

- (i) Under an arbitration agreement, if one party brings an action on the dispute before a court, the other party may seek “dismissal of the action” (Arbitration Act §14) as a rule. In this sense, the arbitration agreement is said to include the agreement to waive the right to bring an action before a court. However, the execution of an arbitration agreement does not preclude the parties from resolving the dispute through other types of ADR, such as arranged settlement, mediation, and even if the parties agree to arranged settlement/mediation procedures, this does not mean the arbitration agreement has become null and void, as a rule.
- (ii) Under an arbitration agreement, regarding a dispute arising between the parties that falls under the scope of the arbitration agreement, if one party submits the dispute to the arbitrator/arbitral institution specified in the arbitration agreement, the other party is obliged to comply with it and participate in the arbitral procedure. Even if the other party fails to comply with the arbitral procedure, the arbitration shall be awarded (equivalent to a judgment in a lawsuit).
- (iii) Since an arbitration agreement is an agreement of the parties to be bound by the arbitrator’s award on any dispute that falls under the scope of the arbitration agreement, the arbitral award, once made, has the same effect between the parties as if the court decided on the case with a judgment, so that it can be enforceable through the court decision on enforcement (Arbitration §45, §46).
- (iv) A dissatisfied party may not appeal against the arbitral award, as a rule. Such party may not bring an action before a court nor lodge a petition to a different arbitrator/arbitral institution for re-hearing. An exception to this rule is limited to certain cases where the arbitration agreement is invalid or the like (Arbitration §44). Arbitration is comparable to a single instance process, compared to three-instance judicial proceedings.

On the other hand, mediation is the same as arbitration in that the parties request a third party to help resolve the dispute. However, even if the mediator suggests a proposed mediation, unless accepted by the parties, the procedure has to terminate at that point of time, so that the parties may not get a ruling on the judgment from a court.

As described above, initiating recourse to arbitration requires a prior arbitration agreement between the parties, which is not required for mediation. The parties cannot withdraw from the arbitration procedure once it is initiated, whereas it is possible to withdraw from the mediation procedure at any time.

5. Advantages of ADR

The advantages of ADR for patent disputes are that the process is (i) closed-door, (ii) flexible, (iii) specialized, (iv) speedy, and (v) international.

(i) Closed-door: Unlike judicial proceedings which should be in open court under the Constitution, ADR procedures are closed-door. The substance of a patent litigation often involves trade secrets, and it requires complicated procedures to maintain secrecy in judicial proceedings. By contrast, because it is closed-door, ADR is suitable for cases involving trade secrets and confidential in-house information.

(ii) Flexible: ADR can be conducted in a relatively flexible procedure by mutual agreement between the parties, or at the discretion of the arbitrator/mediator. Mediation is even more flexible than arbitration.

(iii) Specialized: The parties are free to agree on a procedure of appointing the arbitrator(s)/mediator(s), in consideration of expertise, skill, and other factors. In this respect, JIPAC has the benefit of its expertise specializing in IPR.

(iv) Speedy: A dispute can be resolved in a quicker manner than judicial proceedings. Recently, IPR litigation is completed within one year from bringing an action before a first-instance court to the closing of oral arguments, on average, making greater progress compared to other countries. Still there is a possibility of prolonged appeal proceedings from a high court to the Supreme Court that my last years. JIPAC provides a speedier dispute resolution service, taking 4 months for mediation, and 6 months for arbitration.

(v) International: Arbitration offers great advantages for international civil disputes. Along with the global flow of people, goods, and information, more and more IPR disputes pass across national borders. Still IP rights have been registered with each country, and there has been no worldwide harmonization achieved in terms of jurisdiction over IPR disputes and governing law. When negotiating for an agreement, the jurisdiction clause and the governing law clause in a contract are often brought into discussion. In this respect, the parties often choose to agree on institutional arbitration. Furthermore, a party winning a costly multinational dispute still has to follow the procedures for acknowledgement of a foreign judgment and any ruling on the judgment. In comparison, the New York Convention (Convention on the Recognition and Enforcement of Foreign Arbitral Awards; Japan became a signatory in 1961) ensures the international enforceability of arbitral awards between member States.

6. From mediation to arbitration

Arbitration agreements also have disadvantageous aspects. Namely, the parties, once entering into an arbitration agreement, may not bring an action before a court; may not appeal against the arbitral award (like a single-instance without an appeal court); the process might be more delayed longer than judicial proceedings, and, depending upon the arbitral institution or arbitrator, can be very costly if the arbitral institution applies a time-charge system. (JIPAC does not apply a time-charge system but offers services at reasonable fees.) Moreover, arbitration is less predictable and can be highly risky, because arbitral awards have not been publicized, unlike court precedents. International arbitration procedures are more close to judicial proceedings, lacking in flexibility, and incurring attorney's fees that can be as costly as litigation.

In light of such disadvantages to arbitration, mediation, inherently with more freedom, is often deemed more attractive as a choice of ADR. The United States has a unique system combining arbitration and mediation into a process where the same individual functions as the arbitrator and the mediator (med-arb). In Japan, with the view of making use of the advantages of both arbitration and mediation, it is the practice recommended by JIPAC to start with a mediation procedure, during which the parties agree on arbitration, and then shift to the arbitration procedure.

A sample arbitration clause in a contract is shown below:

[Sample arbitration clause]

Article (Dispute Resolution)

Any dispute arising from or related to, this Agreement shall be referred to and finally determined by arbitration, in accordance with the Arbitration Rules of the Japan Intellectual Property Arbitration Centre. The place of arbitration shall be____, Japan.

V. Border Enforcement

1. Overview

Against acts of IPR infringement, border enforcement, which aims to stop the infringing goods at the border, is also effective. In Japan, border enforcement over goods infringing patents is established under the Customs Act. Since “articles prohibited from export” and “articles prohibited from import” provided under the Customs Act (§69-2, and §69-11) are articles whose export/import is regulated under the Customs Act and other related Acts and Regulations, there are no particular infringing goods that are specifically stipulated in the Customs Act. Therefore, verification as to whether the goods are IPR infringing goods or not is premised on a determination on infringement pursuant to the respective IP Law.

When it comes to empowering Customs to make a determination on IPR infringement in connection with border enforcement or not, approach varies from State to State. Indeed, it is internationally recognized that in light of the actual state of infringement and the actual state of distribution, boarder enforcement against IPR infringing goods is most efficiently carried out through Customs procedures that require the steps of declaration and permission. However, border enforcement has two aspects: the need to stop goods obviously infringing IPR, and the need to make a deliberate determination on goods over which there is a dispute as to the existence/nonexistence of infringement, and the validity of IPR. In Europe, Customs is a receiving/enforcing body, whereas the Court has the power of determination. In the U.S. and Korea, determination on infringement in Customs procedures is limited to trademark right infringement/copyright infringement, whereas patent infringement cases where it is difficult to make a determination on infringement by appearance and where determination requires expertise, come under an authority other than Customs (International Trade Commission/ITC of U.S., Korean Trade Commission/KTC). Japan Customs has the power to make a determination on patent infringement.

(1) Goods prohibited from import

The chapeau (introductory text) of paragraph (1) of the **Customs Act §69-11 (§21 of the Customs Tariff Act before revision in 2006)** provides that the following goods may not be imported, listing item (ix) “**goods infringing patent rights, utility model rights, design rights, trademark rights, copyrights, neighboring rights, rights of layout-designs of integrated circuits or breeder’s rights,**” and item (x) “**goods composing the acts listed in §2(1)(i) through (iii) (definitions) of the Unfair Competition Prevention Act**” (except for the provisions set forth in §19(1)(i) through (v) (exclusions) of the said Act corresponding to the categories of unfair competition listed for these items.” Moreover, paragraph (2) of the same Article provides that the Director-General of Customs may **confiscate and destroy** goods listed in (i) through (iv), (ix), or (x) of the preceding paragraph to be imported, or order a party intending to import the relevant goods to **reship** such goods. “Confiscation” under this Article is an administrative disposition by Customs, which is different from an additive penalty of forfeiture.

(2) Goods prohibited from export

Of “goods prohibited from import,” only goods infringing rights of layout/design of integrated circuits are not designated as “**goods prohibited from export**” (**Customs Act**

§69-2 (1)(iii) • (iv)). This is because exporting is not considered an act of infringement under the Act concerning the Circuit Layout of Semiconductor Integrated Circuits. Also Customs' administrative dispositions against goods prohibited from export under paragraph (2) of the same Article are limited to confiscation and destruction. Unlike the case of import, "reship separately" requires the approval of the Minister of Economy, Trade and Industry, in accordance with the provisions of the Export Control Order §1(1)(i) and the Appended Table 2 (45) of the said Order.

Based on the 2009 statistics of suspensions, 21,893 imports were suspended, and 18,893 IPR infringing goods shipped from China were suspended, showing a year-to-year decrease in percentage terms, although China accounts for 86.3% of the total by source country, a 5% increase from the previous year. These numbers indicate a concentration of sources of infringements. By type of commodities: suspended pharmaceuticals at 8.1% remain higher from the previous fiscal year. By mode of import: 21,162 postal items (96.7%), and 731 general cargoes (3.3%). Applications for export suspension were first received in 2009, one for goods suspected of infringing patent rights, and one for goods suspected of infringing trademark rights.

2. Outline of Application for Suspension System

(1) Application for suspension

In ordinary import procedures, when a party wishing to import goods declares them to Customs, Customs follows the clearance procedures in accordance with the Customs Act §67. The clearance procedures refer to the processes of examination/inspection, payment of Customs duty and excise tax, and issuance of an import permit. The importer may have the goods released upon completion of the clearance procedures. This examination includes an examination for IPR.

For IPR, rights holders may lodge an "**application for export suspension**" (**Customs Act §69-4**), or an "**application for import suspension**" (**Customs Act §69-13**) with Customs beforehand. The scope of rights started with **trademark rights, copyrights and neighboring rights** when the application for import suspension system was introduced in 1999, the revision of 2003 included **patent rights, utility model rights, design rights, and breeder's rights**, and the revision of 2005 added **goods violating the Unfair Competition Prevention Act** such as goods that imitate the configuration to a list of goods under enforcement. The revision of 2006 introduced the **application for export suspension system** (**Customs Act §69-4**) for these rights.¹ Of the above-mentioned "goods prohibited from import," goods infringing rights of layout/designs of integrated circuits are alone beyond the scope of application for import suspension system. Because such goods are not obligatory under TRIPS and also because no information has been provided by rights holders and no suspension has been operated since January 1995, this does not suggest the effectiveness of the tightened controls.

Effective from April 2008, the procedures for applying for suspension were simplified. Now it is sufficient to file a copy of the application for suspension with the necessary evidence

¹ TRIPS Article 51 provides that Members shall adopt procedures for import suspension for trademarks, copyrights and neighboring rights, but leaves procedures for other rights and export suspension to the discretion of each Member.

(attached material) with one of the Customs offices, indicating that there is a *prima facie* infringement, so that the application once received by that Customs office is valid for the entire Customs organization.

(2) Receipt of an application for suspension

As to the acceptance of an application for suspension, the National IPR Center of Customs is involved in advance consultation and substantial examination. Once an application for suspension is filed by a rights holder, Customs conducts a formality check, and if the formality requirements are satisfied, publicizes “receipt” of an application for suspension on the Customs website. When the application identifies potential importers, Customs communicates with such potential importers and affords them opportunities to express their opinions, except when there is obviously no dispute between the parties. Interested parties may submit their opinions within 10 working days from after the publication of the received application for suspension on the Customs website.

Unless opinions are submitted, Customs conducts an examination based on the application for suspension and attached documents produced by the rights holder. If Customs finds the applicant has provided adequate evidence that there is a *prima facie* infringement of his right, the application is accepted.

In cases where interested parties express their opinions (e.g. their import goods do not constitute an infringement, or the applicant’s right is invalid in the first place), or where it is difficult to determine over the provision of adequate evidence that there is a *prima facie* infringement, Customs refers the case to the Advisory Board for their opinion before making an acceptance/non-acceptance decision (see below).

(3) Acceptance of an application for suspension

When an application for suspension has been accepted, a written notice of acceptance in the name of the Director-General of Customs with a time limit on the duration of suspension is given to the applicant. In the case of non-acceptance, a written notice of non-acceptance with reasons for non-acceptance is given (see TRIPS §52). In the case of appealing against the non-acceptance decision, an appeal addressed to the Director-General of Customs may be filed within two months from the day following the date when the notification of non-acceptance becomes known. When Customs has accepted an application for suspension, the acceptance is publicized on the Customs website. The effect of an acceptance is as long as two years, and can be extended.

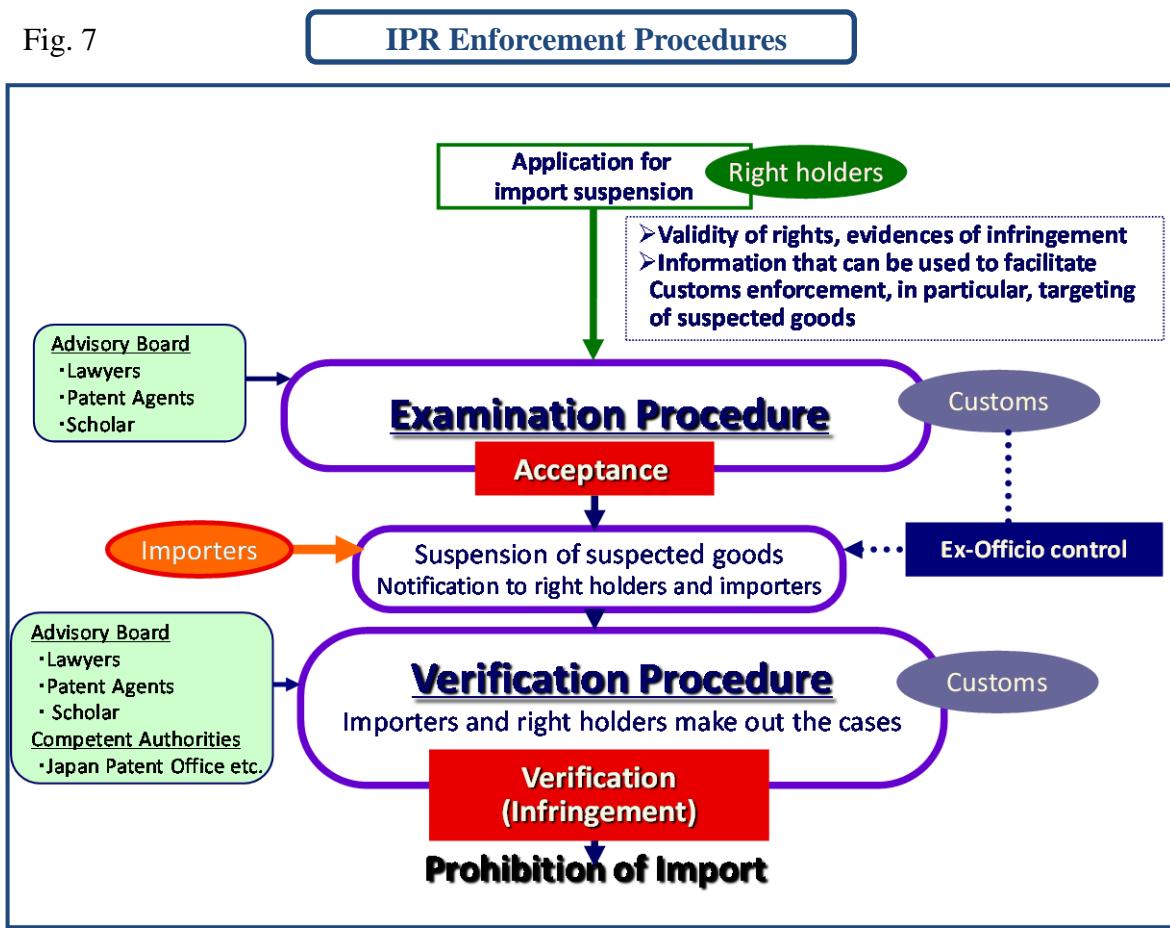
When an application for suspension has been accepted, the details of the rights and a means of identifying the infringing goods are made clear to Customs, which enables effective border enforcement. Since Customs receives more than 17,000,000 import declarations annually, information from rights holders (e.g. key points for identification) is crucially important for Customs to suspend IPR infringing goods properly.

3. Overview of verification procedure

The **Customs Act §69-3 (exportation) and §69-12 (importation)** provides a **verification procedure** to be followed by Customs when it discovers suspect goods. In the verification procedure, Customs has the power to determine whether the suspected goods infringes an IP right after it allows the opportunities for the exporter/importer and the rights holder to enter

evidence and opinions regarding the constitution of an infringement. In usual cases, the rights holder produces evidence that there is a *prima facie* infringement of their rights along with an application for suspension, and when the goods pertaining to the application accepted by Customs are discovered, Customs commences the verification procedure. For such goods that are deemed IPR infringing goods at high probability, even if any application for (export/import) suspension of these goods has not been lodged, Customs may initiate *ex officio* the determination procedure, but this is very limited in practice (see Commentary on the Customs Act (1), Kazuhisa Saito, CIPIC Journal vol. 194 ('10.02), p. 11).

Fig. 7



(1) Notice of commencement of verification procedure

Customs serves a notice on the commencement of the verification procedure to both the rights holder and the exporter (importer). The notice indicates the name of the commodity, quantity, details of the affected rights (indication of goods, or the configuration of goods in the case of goods suspected under the Unfair Competition Prevention Act, grounds for following the verification procedure, whether or not the suspected goods have been identified upon an application for import suspension, and so forth. The revision of 2004 introduced a notification system under which the other party's name or business name and address is given to both the rights holder and the importer, respectively, and the name or business name and address of the manufacturer to the extent known from the documents submitted to Customs to the rights

holder (so as to ensure the provisions of TRIP 54 “The importer and the applicant shall be promptly notified of the suspension of the release of goods,” and 58(b) provisions to the same effect.

(2) Simplified procedure

In the verification procedure, Customs is required as a rule to verify the constitution of infringement based on evidence and opinions produced by the rights holder and the exporter (importer) so as to ensure the TRIPS requirements. In enforcement practice, however, it is only 0.3% of the postal item cases, and 9.2% of general cargo cases (in a one-year period from June 2006) that the importers addressed in the notice on commencement of the verification procedure have produced evidence and opinions. On the other hand, the burden of proof has been more on the rights holder, because they have to travel to a remote Customs office and to produce evidence lest the importation of the suspected goods be permitted. Also, it would give Customs a huge clerical workload to proceed with the verification procedure even in a case where the importer has no intention of challenging it.

In light of these import control situations, a simplified verification procedure has been implemented since June 2007. In this simplified procedure, concerning the suspected goods related to an application for import suspension (except for those related to patent rights, utility model rights, and design rights), Customs inquires **of the importer whether they have the intention to challenge and advises the importer to indicate such intention, if any, in writing within 10 working days (not including the holidays of administrative agencies) from the day on which the importer receives the notice on commencement of the verification procedure. Unless the importer indicates their intention to challenge within the said time limit, Customs has the power to verify the constitution of infringement immediately** (Order for Enforcement of the Customs Ac§62-16(1)•(4)(v)). The simplified procedure reduces the burden on the rights holder because the holder does not have to produce evidence and opinions. Currently, the simplified procedure applies to almost 90% of verification procedures.

Since the simplified procedure was adopted to cope with the actual conditions of import control, it has not been introduced in export control. In import control, the simplified procedure limitedly applies to trademark rights, copyrights, and neighboring rights for which applications for import suspension were accepted in advance.²

(3) Standard procedure

1) Import control

When the importer indicates their intention to challenge the notice on commencement of verification procedure, Customs newly asks the rights holder/importer to produce evidence or opinions, and provides the parties with the opportunity to produce opinions regarding

² The simplified procedure is applicable limitedly to the verification procedure based on an application for import suspension, because up to the stage of acceptance of an application, Customs has already examined the contents of the application based on *prima facie* proof, and, usually, it is considered possible to verify the constitution of infringement based on the evidence, etc. produced by the rights holder without the evidence produced by the importer. Whereas, in the case of an ex-officio verification procedure, it is not known whether the rights holder has the intention to challenge and no *prima facie* proof on infringement has been produced by the rights holder. Applications for import suspension involving patent rights are excluded because within the timeframe of the verification procedure which is subject to the “clearance/release” system (time limit of 20 days), it takes 10 working days for the importer to indicate their intention to challenge through the simplified procedure, another 10 working days for the challenging importer to produce evidence/opinion, thus leaving insufficient time for Customs to examine the evidence/opinion presented by the importer before the time limit expires.

evidence to be relied upon as the basis of verification, before verifying the constitution of the infringement (see IV. 3 for details). This provision reflects the obligation to ensure the availability of enforcement procedures as set forth in TRIPS §41(3): Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard (see Order for Enforcement of Customs Act §62-16). In the standard procedure, the importer may choose the so-called “voluntary disposal” (such as destroying, disposing of, waiving, or reshipping the relevant suspected goods, obtaining written consent for import, removal, or making modifications without contending with the rights holder). When written consent for import is obtained, or when removal and other modifications are made, non-infringement is certified, and the import is permitted, whereas the verification procedure should be canceled in the other cases.

2) Export control

Since the simplified procedure is not applicable to export control, Customs provides the exporter and the rights holder with the opportunity to produce evidence/opinions without inquiring whether the exporter has the intention to challenge. Unlike the import control, if the verification procedure is canceled upon voluntary disposal (such as destroying, disposing of, withdrawal of goods, waiving the relevant suspect goods) (all goods are domestic freight until an export permit is granted, and there is no corresponding procedure under the laws related to Customs), “canceled exportation” must be notified to Customs in writing so that Customs can ascertain the fact under the law (§69-3(6)).

(4) Verification Notice

A written notice on the result of verification is served to both the rights holder and the importer. Provided that Customs verifies the constitution of infringement through the above-mentioned simplified procedure, a “Verification (Forfeiture) Notice” is served informing the parties of the forfeiture at the same time. When Customs certifies non-infringement, importation is permitted, and when infringement is certified, if the importer does not carry out voluntary disposal after a lapse of two months, during which the importer may appeal against the verification, Customs forfeits and disposes of the relevant goods under the law. If no appeal is made against the verification, the relevant goods shall be destroyed, disposed of, reshipped (provided that export approval has been granted, and the goods verified as goods infringing trademark rights, copyrights or neighboring rights shall not be approved) or waived, or rights holder’s consent of import obtained or removal or other modifications made. A party that is dissatisfied with the verification result may appeal to argue whether the disposition is proper in accordance with the Administrative Appeal Act, and the Administrative Case Litigation Act (see Footnote (iv)).

4. Outline of the Advisory Board System

(1) In the case of applications for suspension (Customs Act §69-5 (export), §69-14 (import))

1) Upon publication of the received application, if the interested parties express their opinions, Customs refers the case to the Advisory Board for its opinion, unless otherwise justified, e.g. an expressed opinion is groundless, before making its acceptance/non-acceptance decision (see below). Even if no opinion is produced, in cases where the applicant and the interested

party are currently or potentially in dispute in a lawsuit, etc. or where it is difficult to determine whether the alleged goods fall under the scope of the applicant's rights, Customs may ask the Advisory Board for its opinion regarding "whether adequate evidence has been produced to satisfy the competent authorities that there is a *prima facie* infringement of the applicant's rights." For example, in the case of an application for import suspension involving a patent right, the topic includes factors negating the constitution of infringement, such as whether the alleged goods fall under the technical scope, parallel import, invalidity of rights, exhaustion of rights, prior use, experimental/research use, abuse of rights, and so forth. It is controversial whether under the Patent Act §104-3(1), which provides "in litigation concerning the infringement of a patent," such rights are applicable *mutatis mutandis* to Customs' verification (infringement) at the border, yet it is understood to be Customs' practice that Customs concludes adequate *prima facie* proof has not been produced if the Advisory Board of IPR experts opines there are reasons for invalidating the right (see Commentary on the Customs Act (1), Kazuhisa Saito, CIPIC Journal vol. 194 ('10.02), p. 31).

2) The Advisory Board procedure is as follows:

(i) One party's opinion is disclosed to the other party. Additional opinions can be entered for up to 7 working days. (ii) A hearing is held. Usually, the Advisory Board, the rights holder, the exporter or importer convene in a conference room of the Tokyo Customs Headquarters. The parties may state their cases before the Advisory Board, and the Advisory Board may put questions to them. Regarding such matters that are considered disadvantages to one's interests if disclosed to the other party (e.g. trade secrets), the parties may be heard separately. (iii) The parties may produce supplementary opinions in writing. (iv) The Advisory Board presents a written opinion to the Director-General of Customs. (v) The parties may produce opinions regarding the Advisory Board's written opinion if justified due to special circumstances, such as errors in fact. (vi) Customs respects the majority opinion of the Advisory Board and decides on the case with an acceptance/non-acceptance/pending, unless otherwise justified due to special circumstances, such as errors in fact.

(2) In the case of the verification procedure (Customs Act §69-9 (export), §69-19 (import))

1) In the verification procedure, Customs may seek the Advisory Board's opinion only "when it is deemed necessary for verification" as to whether the alleged goods are infringing goods. As mentioned above, since border enforcement by Customs is carried out primarily in cases where the rights holder has filed an application for suspension of export (import), the constitution of infringement is discussed during the course of seeking the Advisory Board's opinion regarding the filed application for suspension of export (import). Accordingly, Customs is able to verify whether the alleged goods constitute an infringement based on the Board's discussions. Thus, in the verification procedure, the Advisory Board's opinion is sought when the point in dispute, which was unclear in the application for suspension of export (import), is identified in the verification procedure and makes it difficult to determine the constitution of infringement. In this case, the matter(s) to be referred to the Advisory Board for opinion is "what should be referred to for verification." It should be noted that regarding the technical scope of patent rights, utility model rights, or design rights, it is necessary to seek the JPO Commissioner's opinion—not the Advisory Board's opinion.

Likewise, cases of infringement involving breeder's rights are referred to the Minister of Agriculture, Forestry and Fisheries, and cases of violation of Unfair Competition Prevention Act to the Minister of Economy, Trade and Industry for referential opinion, rather than the Advisory Board's opinion. Such single route of reference is explained as an attempt to avoid procedural redundancy because the ministerial reference system was implemented even before the Advisory Board system was introduced in April 2006 (see Commentary on Customs Act (1), Kazuhisa Saito, CIPIC Journal vol. 195 ('10.04), pp. 59-60).

2) The procedure is outlined below:

Customs sends the commissioned members of the Advisory Board a "Form of Reference for the Advisory Board's Opinion in a Verification Procedure" and seeks their opinion. In this case, Customs identifies the point in dispute to be referred to the Advisory Board, handles the evidence/opinions produced by the parties, clarifies Customs' stance on these matters, and hears the Advisory Board's opinion separately, except when holding a hearing. (ii) Customs notifies the parties of the names of the Advisory Board members, the point in dispute to be referred to the Advisory Board and Customs' stance on the said point by serving a Notice on Implementation of Reference to Advisory Board's Opinion in a Verification Procedure," with the date/place of the hearing, if any. (iii) The procedure for the hearing is the same as the one for the application for suspension. (iv) The Advisory Board expresses its opinion (conclusion and grounds) verbally concerning the relevance of Customs' stance regarding whether the suspect goods are infringing goods or not. (v) Customs respects the majority opinion of the Advisory Board and verifies whether the suspect goods are infringing goods or not, unless otherwise justified due to special circumstances, such as errors in fact.

5. Others

There is also a security or equivalent assurance system in respect of an application for import suspension (Customs Act §69-15, a system to ensure TRIPS §53(1)); and a clearance/release system (Customs Act §69-20; a system to ensure TRIPS §53(2)). With a view to strengthening border enforcement, the period of imprisonment was raised to a term not exceeding ten years, effective from June 1, 2010 (Customs Act §108-4, and §109; enacted on March 26, 2010).

VI. Criminal Procedures

An infringer of a patent right or an exclusive license (excluding one who has committed an act that shall be deemed to constitute infringement of a patent right or an exclusive license under Article 101) shall be punished by imprisonment with labor for a term not exceeding ten years or a fine not exceeding 10 million yen, or a combination thereof (Patent Act §196). The said Article is applicable *mutatis mutandis* under the Trademark Act, Design Act, Utility Model Act, and Copyright Act

(see “IPR and Criminal Punishment” on this website for further information.)

Criminal Procedures

- **10 years imprisonment and/or a fine of 10 million Yen,**
- **Trademark Law, Patent Act, Design Law, Utility Model Law and Copyright Law (on and after July 1, 2007)**

(END)