

## Arbitration on IP in Japan

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### Statistics

(1) At Japan Intellectual Property Arbitration Center (See AIK Publication Excerpt)

1998.4.1 – 2010.9.7

Arbitration Award 2

Settlement Agreement 3

(2) At ADR Centers run by local Bar Associations under Japan Federation of Bar Associations (See AIK Publication Excerpt)

Year (Apr.-Mar.)	total	Arbitration Award	Settlement ----> Arbitration Award	IP
1997	660			
1998	528			
1999	748			
2000	874			
2001	930			
2002	1050			
2003	1118			
2004	960			
2005	884			
2006	964			
2007	1039			
2008	1085	7/1085	5/1085	4/1085

(3) At the Japan Commercial Arbitration Association (See AIK Publication Excerpt)

For the period of 2008.4.1-2009.3.31

17 cases were filed.

27 cases were handled.

Filed by

Japan 19; USA 4; and Korea and others 1, respectively

Filed against

Japan 13; USA 10; China 5; India 2; and Korea and others 1, respectively

3 Arbitration Awards were rendered.

5 cases were terminated by withdrawal (2) or other causes (3)

IP might be or might not be included in others of 7 out of 27 handled in 2008.

## **Background**

### **I. Court Cases**

Main suit: Remedies available through the main suit are permanent injunction and damages.

1. The suit is examined by three levels of courts. Losing party can appeal and appeal can be made altogether twice. Levels are district court, high court and the Supreme Court.
2. Complaint with regard to IP disputes can be brought only to either Tokyo District Court or Osaka District Court. The reason is, according to the government, these two district courts have judges who are skilled and experienced in IP matters. As you may know, examining IP cases are not so easy as examining other general civil cases. However, in local district courts other than the above two district courts the judges cannot have enough IP cases to be experienced and skilled in IP cases. (It seems a little bit irrational because the judges change their position or move from either of the courts above to other court. Judges usually move every three years.) Anyway, the above is said to be the reason.
3. Even though the losing party is appealing, it is possible that the winning party can obtain a declaration of the provisional execution of the remedies rendered by the district court. Whether or not declaring the provisional execution is subject to the judge's discretion.

### **II. Petition for ordering preliminary injunction**

1. Remedy is preliminary injunction
2. The examination of the petition for preliminary injunction is almost the same as that of the main suit. This is because the examination of IP cases are not easy and takes substantial time unlikely to other usual civil cases.

## **There are arbitration cases even though the number of cases is small.**

Experiences of an attorney X who represented a party in two cases:

The situation in Case 1:

The attorney for the other party who filed arbitration petition was a member of JIPAC who wishes to promote using JIPAC.

The top management of the party whom the attorney X represented has some hesitation to go to the court. In Japan, being involved in a lawsuit is liable to cause a negative reputation.

The situation in Case 2:

The case involves trade secrets. The business section of the party does not want them disclosed to the competitors other than the parties by bringing the case to the court.

The business section as well as the top management does not want to get negative reputation.

The period needed to dispose the case was expected to be very short (only two hearings) because of conducting the examination as scheduled.

### **Analysis of the reasons why the number of ADR cases is small**

For large companies:

Arbitration

1. Allowing no appeal means risky.

Arbitration and Mediation

2. Fees are too low to expect high quality in judgment
3. Japanese companies like judgment by authority but not judgment by private organization, or anticipate that they would feel judgment by authority more acceptable if they lose the case.
4. People do not know about ADR.

For small company

1. They cannot afford even such low costs as the current fee schedule because in any event they need to pay for their attorneys' work.

### **In order to overcome the situation above:**

1. Fee Schedule

JIPAC is discussing flexible fee schedule, for those who wishes high quality such as large company high quality service is made at high costs.

- 2 Diversification

JIPAC diversified the services from only Arbitration and Mediation to those and *Hantei*

It started *Center Hantei* 6, 7 years ago.

It started *Hissu Hantei* for determining indispensable patents for technical standard. ARIB is a standard for digital TV system.

3. Advertisement

(1) JIPAC should much more intensively advertise the merits of confidential process.

Especially, inventorship problems or reasonable compensation to an inventor, it must be much beneficial to have resolution in confidence.

(2) JIPAC should advertise that we can provide services not only in Tokyo and Osaka but other area such as Nagoya, Kyushu, Hokkaido, Tohoku, Chugoku and Shikoku where High Court is present, respectively. We are planning to open other local areas.

# Arbitration on Intellectual Property Disputes in Japan

## 100 General

### 110 Advantages of ADR

Alternative dispute resolution, such as mediation and arbitration, is a dispute resolution procedure that can be used instead of a formal legal action. There are some advantages for choosing an alternative resolution process rather than a legal action. For example:

- All proceedings are confidential.
- Generally, a dispute is resolved faster;
- Because of the timeliness, the processes are less costly;
- The schedule of the proceedings and actual resolution are flexible; and
- Specialists familiar with intellectual properties take an active role in resolving the disputes.

### 120 Law and Organizations

In the last decade, Japan has streamlined the alternative resolution system by enacting necessary legislation and establishing organizations. The Arbitration Law (*Chusai Ho*)<sup>1</sup> was established in July, 2003 and became effective in March, 2004. Among the ADR organizations, the following provide ADR services for patent disputes:<sup>2</sup>

- Japan Intellectual Property Arbitration Center (JIPAC), established and managed by the Japan Federation of Bar Associations (JFBA) (*Nichibenren*) and Japan Patent Attorneys Association (JPAA),
- The Japan Commercial Arbitration Association (JCAA), and
- ADR centers run by local Bar Associations such as Tokyo Bar Association, Aichi-ken Bar Association, or the like.

The JIPAC was established in 1998 as an organization that specializes in resolution of intellectual property disputes<sup>3</sup>. Because of such specialty, it has some unique functions, which will be explained later in this Chapter.

The JCAA is an organization which has a long history in providing services for solving disputes including

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<sup>1</sup> Arbitration Law, [Law No. 138 of 2003 \(Japan\)](#)

<sup>2</sup> Although there are no statistics for JCAA or the other ADR centers that show the number of intellectual property related cases, intellectual property related disputes are handled solely by these organizations according to informal information.

<sup>3</sup> JIPAC was established as the sole ADR organization that specializes in intellectual property disputes, jointly by the JFBA (*Nichibenren*) and the Japan Patent Attorneys Association (JPAA) on April 1, 1998 and is managed by the managing committee composed of members of these two organizations. The Center has the headquarters in Tokyo and branch offices in several major cities in Japan. The services of the JIPAC are carried out under confidentiality.

those relating to international trade involving non-Japanese companies. The JCAA conducts arbitration and mediation which cover cases relating to intellectual properties but are not limited thereto<sup>4</sup>.

The ADR centers run by local Bar Associations cover various kinds of disputes and, like the JCAA, it does not specialize in intellectual property dispute resolutions.

Since the general structures of arbitration and mediation processes are mostly the same regardless of which organization is chosen as the forum, and because the JIPAC is the only organization specializing in intellectual property dispute resolution, arbitration and mediation processes are explained below mainly based on the proceedings at the JIPAC.

## **200 Arbitration**

Arbitration is a dispute resolution process in which neutral arbitrator(s) hear the arguments and evidence presented by the parties and makes a decision. Prior to commencement of the process, parties have to agree to leave the resolution decision to arbitrator(s) (**arbitration agreement**).

The JIPAC provides the Rules for Arbitral Proceedings for how to run the process based on the Arbitration Law.<sup>5</sup> Therefore, one should refer to the Rules, if the Arbitration Law is silent. The proceedings of arbitration are as follows:

### **How to Start Arbitration**

Either party can submit an application for arbitration with one of the offices of the JIPAC. At the submission of the application, the arbitration agreement must be attached to the application.

### **Who Proceeds with Arbitration**

A panel of three arbitrators<sup>6</sup> (“Arbitral Tribunal”) proceeds with arbitration. At the JIPAC, at least one attorney-at-law and one patent attorney are appointed as arbitrators.

The JIPAC has a pool of candidates for arbitrators and mediators who are experienced in the intellectual property area, such as attorneys-at-law recommended by the JFBA, patent attorneys recommended by the JPAA, professors who specialize in intellectual property dispute resolution, and ex-judges. The JIPAC provides a list of those candidates and appoints arbitrators from the candidate list. Alternatively, each of the parties can appoint one arbitrator. In such case, the JIPAC appoints the third arbitrator. In addition, parties are free to appoint a person outside the JIPAC’s candidate list.

### **How the Proceedings Continue**

The party other than the one who submitted the application for arbitration (the respondent) can file an answer.

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<sup>4</sup> URL for the JCAA’s website is <http://www.jcaa.or.jp/>

<sup>5</sup> Arbitration Law, Law No. 138 of 2003 (Japan)

<sup>6</sup> At other organizations, one arbitrator rather than three may proceed with arbitration.

The arguments and evidence which both parties can file are the same as those in the ordinary court cases<sup>7</sup>. The Arbitral Tribunal sets a series of hearing dates and examines briefs filed and exhibits produced. The Arbitral Tribunal can examine not only infringement issues but also the validity of the patent in dispute. More specifically, the Arbitration Law provides for what can be a subject matter in an arbitration, i.e., all or certain civil disputes which have arisen or which may arise in respect to a defined legal relationship (whether contractual or not)<sup>8</sup>. Under the Patent Law, patent validity can be argued in an infringement case<sup>9</sup>. Thus, the issue of the patent validity may be interpreted as a civil dispute and fall under the subject matter of the Arbitration Law.

After closing the arbitration proceedings, the Arbitral Tribunal renders an arbitration award. The award must be signed by the arbitrators. It is allowable for only a majority of the arbitrators to sign the award provided that the reason for the absence of the other arbitrator's signature is described.

The parties can settle the case and request the Arbitral Tribunal to render a decision as both parties agreed. This decision has the same effect as that of the arbitration award.

### **Effects of Arbitration**

An arbitration award has the same effect as a final and conclusive court decision. A party can enforce the award by obtaining an execution order from a court. On the other hand, neither party can appeal from the arbitration award either to the court, or to any organization including the JIPAC.

### **Time and Costs**

The time necessary for an arbitration process at the JIPAC varies, but it is usually approximately 10 to 11 months from filing to arbitration award.

Necessary fees are:

- Filing fee 100,000 Yen;
- Hearing fees (each party) 100,000 Yen/hearing;
- Arbitration award fees (each party) 200,000 Yen at the conclusion of examination;
- Settlement fees (each party) 150,000 Yen when the case settled.

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<sup>7</sup> One party can give notice to the other party that he/she performed a particular experiment for the purpose of proving its allegations. The other party and/or the Arbitral Tribunal can instruct the former party to conduct double check experiments before the other party and/or the Arbitral Tribunal. The Arbitral Tribunal can inspect, as necessary, machine, plant, manufacturing process, model, film, material, product, process or the like.

<sup>8</sup> Arbitration Law, [Law No. 138 of 2003, art. 2, ¶ 1 \(Japan\)](#): For the purpose of this Law, "arbitration agreement" shall mean an agreement by the parties to submit to one or more arbitrators the resolution of all or certain civil disputes which have arisen or which may arise in respect of a defined legal relationship (whether contractual or not) and to abide by their award (herein after referred to as "arbitral award").

<sup>9</sup> Patent Law, [Law No. 121 of 1959, art. 104<sup>ter</sup> \(Japan\)](#)..