Damages for Infringement

There have only been a few cases of patent trolls or non-practicing entities bringing an infringement lawsuit in Japan. Additionally, at present, entities widely regarded as patent trolls who brought infringement suits against companies in Japan have lost their cases and some have had their patent(s) revoked by the Tokyo or Osaka District Court (i.e., ADC Tech K.K. vs. NTT DoCoMo, Heisei 15 (Wa) 28554, October 1, 2004).

There are several reasons why patent trolls have been unable to establish a foothold in Japan. These include judicial stability, reasonable damages, and administrative proceedings in Japan.

(1) Judicial Stability

In Japan, the rate at which the higher courts overturn a lower court's decision in patent infringement cases is merely 18%. There are only two district courts in Japan which decide patent cases: the Tokyo District Court and the Osaka District Court. These factors increase the stability and consistency among the decisions rendered and makes it impossible for trolls to shop around for more lenient judicial settings.

(2) Reasonable Damages

In Japan, an entity found guilty of infringement must merely pay the actual cost of damages, which is calculated from the products in which the invention was used. In Japan, there is no tripling of damages nor other unpredictable factors (Japanese courts generally do not award punitive damages) which serve to create the astronomically high damages awarded in the United States and the EU.

(3) Administrative Proceedings

The range of grounds (prior public use, etc) which are examined by the Examiner is broader in Japan. The range of grounds by which a challenge can be made in Japan is far wider

than elsewhere. Thus, it is easier to eliminate defective patents, and patent trolls are left with fewer weapons to try to extort monies from companies.

Reanalysis of Damages for Infringement in Japan

In the spring of 2015, it was announced that the JPO, the Ministry of Economy, Trade and Industry (METI), and other government ministries would be investigating whether to substantially increase the financial penalties associated with intellectual property right infringement in Japan.

While major Japanese companies, such as Toshiba, Sony, and Fujitsu have been sued for infringement outside of Japan, the number of patent infringement lawsuits in Japan is only around 100 to 200* per year. Given the time and costs associated with prosecuting potential infringement cases in Japan, and the generally small monetary damages awarded in successfully-prosecuted cases, patent infringement lawsuits remain few. However, the Japanese government and the JPO have been under domestic and international pressure to enact legislation making Japan less hospitable to parties seeking to infringe on other's IP in general.

At the same time, there is the desire to not allow damages to increase to such an extreme that there is a risk of piquing the interest of the patent trolls. Hence, the various government agencies are most interested in determining what range of damages would deter both the infringers from infringing and the trolls from trolling.

As of March 2019, the JPO was considering two measures which would codify the manner in which damages for infringement are calculated. The calculation of monetary damages awarded based on the profits lost by the IP holder due to the infringement serves as the first measure under consideration, with the second measure basing the monetary damages on the licensing fee for the product/invention which has been infringed upon.

In the first case, the costs associated with the licensing

fees that would have been paid to the party whose product was infringed would be added to the damages from profits lost due to the infringing product. This licensing fee would be applied to the total amount of infringing product sold, even if the total amount sold was beyond the IP right holder's production and/or distribution capabilities.

In the second case, the licensing fee is increased as further restitution for infringing the IP right holder's protected product.

In addition, there is debate as to whether Japanese IP courts should be empowered with the ability to order the disclosure or attainment of evidence relating to the infringing party, in other words, whether the courts should establish a discovery phase in patent and infringement litigation. Discovery in IP infringement cases would permit the courts to order trained investigators into the infringing party's factory or offices in order to obtain evidence relating to the alleged infringement after both parties were consulted and the allegedly infringing party was permitted to appeal the decision to allow such access.

*Research Activities in Fiscal Year 2013 of Japanese Institute of Intellectual Property (IIP), Establishment and Operation of a Patent System Conducive to Patent Stability in Infringement Lawsuits.