

## Client Alert

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### New System for Resolving IP Disputes: Mediation by the Intellectual Property Divisions of the Tokyo and Osaka District Courts

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The intellectual property divisions of the Tokyo and Osaka District Courts will introduce a new mediation system for disputes relating to intellectual property rights ("**IP Mediation**") on October 1, 2019. Existing IP dispute-specialized alternative dispute resolution systems ("**ADRs**") in Japan are operated by private organizations rather than the courts. The new IP Mediation system will be operated by IP division judges from the Tokyo and Osaka District Courts and certain other IP experts and will provide a new option for resolving IP-related disputes.

#### IP Mediation Outline

Court-based mediation in Japan generally begins before a Summary Court, and one of the mediators will be a Summary Court judge. In IP Mediation, a mediation committee will be formed under the IP division of the Tokyo or Osaka District Court to mediate an IP-related dispute. The committee will be composed of IP division judges from the relevant District Court as well as attorneys with experience in intellectual property cases.

To facilitate the swift resolution of a dispute through IP Mediation, the parties will need to submit evidence before the first mediation session. In principle, IP Mediation will be limited to three sessions.

#### Comparison with Litigation

Faster resolution and confidentiality are the main benefits of IP Mediation when compared with formal litigation. According to statistics published by the Intellectual Property High Court of Japan in 2018, litigation requires an average of 12.3 months for the procedures in the first instance alone. In contrast, IP Mediation procedures are expected to be substantially shorter at about six months in length. From a confidentiality standpoint, IP Mediation sessions are not open to the public, while litigation procedures generally are.

In practice, we do not believe that IP Mediation will be an entirely new process. In most cases, judges try to facilitate settlement discussions during IP litigation and many settlements are reached before courts in preliminary injunction proceedings and IP litigation. IP Mediation will place a greater emphasis on these court-based discussions by leveraging the experience of judges as mediators and settlement facilitators.

IP Mediation is not without its disadvantages, however. First, a party must obtain the counterparty's consent to the jurisdiction of the mediation (ie, Tokyo or Osaka District Court rather than a Summary Court) to file a petition for IP Mediation. Second, IP Mediation is not designed to resolve difficult or complicated cases. If a mediation committee considers a dispute to be unsuitable for IP Mediation due to its complexity, the committee can render an opinion stating that the case would be more suitable for resolution through litigation.

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## Comparison with Similar Existing Systems

### Mediation by Private Organizations

In Japan, parties have had access to mediation systems run by private organizations such as the Japan Intellectual Property Arbitration Center (JIPAC). In practice, however, these mediation systems have not been actively used. This is presumably because parties in IP disputes in Japan tend to consider courts more reliable and/or convincing than private organizations. The fact that mediation committees will include judges from District Court intellectual property divisions may encourage Japanese companies to use IP Mediation when faced with IP disputes.

Enforceability may be another reason why mediation through private organizations has not been actively used. In order to enforce a settlement reached through private mediation, a party needs to bring the case before a court unless the other party voluntarily fulfills its obligations or the parties engaged a notary public to formalize the settlement. Any settlement reached through IP Mediation will constitute a final and binding judgment and will be legally binding without the need for formalization by a notary public.

### Ordinary Mediation by Summary Courts

Japanese Summary Courts operate another civil mediation system. However, mediators in Summary Courts are usually not intellectual property experts, while mediation committees in IP Mediation will consist of judges from District Court intellectual property divisions and attorneys with intellectual property experience.

### Arbitration

A few arbitration organizations in Japan specialize in intellectual property law, such as the Japan Intellectual Property Arbitration Center (JIPAC) and the International Arbitration Center in Tokyo (IACT). These organizations are capable of rendering legally binding and enforceable arbitral awards.

Mediation is distinguished from arbitration by the fact that parties in mediation seek settlement by negotiation and discussion before mediators, while parties in arbitration seek a fair and commercially reasonable decision by an arbitrator. That said, IP Mediation is similar to arbitration in that both are ADRs. Also, neither can be used without the parties' mutual consent, although agreement to the relevant jurisdiction in IP Mediation is simpler as arbitration usually requires an arbitration agreement consistent with the requirements of the relevant arbitration body.

Language appears to be a disadvantage for IP Mediation when compared with arbitration as IP Mediation will very likely be conducted only in Japanese, while arbitration can be carried out in English.

## Possible Strategies and Key Consideration

Although ADRs have not been actively used in Japan in the past, developments in the use of ADRs for IP-related disputes after the introduction of IP Mediation will be worth watching. It may change IP dispute resolution trends in Japan.



Currently, many companies involved in IP disputes consider out-of-court settlement and litigation to be their only realistic options. ADRs have not been a viable third option as parties tend not to make use of them. IP Mediation offers a potentially effective way of resolving IP disputes, especially less complicated disputes, including those in which the relevant parties have identified the issues through negotiation. In deciding whether to use IP Mediation or other ADR systems, parties will need to consider various factors, including the complexity of the matter, the language to be used in the procedure and whether the counterparty is likely to agree to use IP Mediation.

The time and cost required for litigation have often prevented patentees and other right holders from enforcing their rights, but they will have a new option to consider once IP Mediation becomes available later this year.