

Dispute Resolution

Contributing editor
Sophie Lamb



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GETTING THE
DEAL THROUGH 

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DEAL THROUGH 

Dispute Resolution 2017

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CONTENTS

Introduction	7	Hungary	101
Sophie Lamb Latham & Watkins		Csaba Pigler and Viktor Jéger Nagy és Trócsányi Ügyvédi Iroda	
Australia	8	India	108
Colin Loveday and Alexandra Rose Clayton Utz		Vivek Vashi, Kanika Sharma and Hrushi Narvekar Bharucha & Partners	
Austria	14	Israel	120
Philipp Strasser and Dieter Heine Vavrovsky Heine Marth Rechtsanwälte GmbH		Jeremy Benjamin and Ido Pirkes Goldfarb Seligman & Co	
Belgium	19	Italy	126
Hakim Boularbah, Olivier van der Haegen and Charlotte Van Themsche Liedekerke Wolters Waelbroeck Kirkpatrick		Stefania De Michele Carnelutti Law Firm	
Brazil	30	Japan	132
Gilberto Giusti and Fernanda Marques Dal Mas Pinheiro Neto Advogados		Tetsuro Motoyoshi and Akira Tanaka Anderson Mōri & Tomotsune	
Canada - Ontario	37	Liechtenstein	138
Shaun Laubman and Ian Matthews Lax O'Sullivan Lissus Gottlieb LLP		Stefan Wenaweser and Christian Ritzberger Marxer & Partner Attorneys-at-Law	
Canada - Quebec	43	Luxembourg	145
James A Woods, Christopher L Richter, Marie-Louise Delisle and Léanie Cardinal Woods LLP		Joram Moyal and Claver Messan MMS Avocats	
Cayman Islands	48	Macedonia	150
Guy Manning, Mark Goodman and Kirsten Houghton Campbells		Tatjana Popovski Buloski and Aleksandar Dimic Polenak Law Firm	
Cyprus	54	Mexico	157
Andreas Erotocritou and Antreas Koualis A G Erotocritou LLC		Fernando Del Castillo, Carlos Olvera and Roberto Fernández del Valle Santamarina y Steta	
Denmark	60	Netherlands	162
Morten Schwartz Nielsen and Mikkel Orthmann Grønbech Lund Elmer Sandager		Jeroen Stal, Niek Peters and Maarten Drop Cleber NV	
Dominican Republic	66	Nigeria	168
Enmanuel Montás and Yanna Montás MS Consultores		Babajide O Ogundipe and Lateef O Akangbe Sofunde, Osakwe, Ogundipe & Belgore	
Egypt	71	Norway	173
Zaki Hashem & Partners		Terje Granvang Arntzen de Besche Advokatfirma AS	
England & Wales	76	Panama	178
Sophie Lamb, Kavan Bakhda and Aleksandra Chadzynski Latham & Watkins		Evans Gonzalez and Fernando Aued Patton, Moreno & Asvat	
Germany	87	Romania	183
Karl von Hase Luther Rechtsanwaltsgesellschaft mbH		Cosmin Vasile Zamfirescu Racoți & Partners Attorneys at Law	
Hong Kong	94	Russia	188
Simon Powell and Chi Ho Kwan Latham & Watkins		Sergey Chuprygin Ivanyan & Partners	

Singapore	201	United Arab Emirates	243
Edmund J Kronenburg and Tan Kok Peng Braddell Brothers LLP		Faridah Sarah Galadari Advocates & Legal Consultants	
Spain	209	United States - California	248
Javier Izquierdo and Marta Maciá Gómez-Acebo & Pombo Abogados, SLP		Peter S Selvin TroyGould PC	
Sweden	216	United States - Federal Law	255
Erik Wernberg and Fredrik Forssman Advokatfirman Cederquist		Robert M Abrahams, Robert J Ward and Caitlyn Slovacek Schulte Roth & Zabel LLP	
Switzerland	223	United States - New York	261
Roman Richers and Roman Baechler Homburger AG		Robert M Abrahams, Robert J Ward and Caitlyn Slovacek Schulte Roth & Zabel LLP	
Turkey	229	Venezuela	267
Sidika Baysal, Mustafa Basturk and Gizem Oner B+B Law Firm		Carlos Dominguez Hoet Peláez Castillo & Duque	
Ukraine	235		
Pavlo Byelousov and Oleksandr Mamunya Aequo Law Firm			

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Litigation

1 Court system

What is the structure of the civil court system?

In Japan, all judicial power is vested in the Supreme Court and the lower courts, such as the High Courts, district courts, family courts and summary courts. The courts are the final adjudicators of all legal disputes. There are about 3,800 judges in Japan. Summary courts have jurisdiction over proceedings where the contested amount is not more than ¥1.4 million. The district courts will hear appeals from the summary courts and on first instance for all matters with a value above ¥1.4 million and those dealing with real estate. The family courts have jurisdiction to hear non-monetary family law claims. Appeals from the district and family courts are heard by the High Courts. In addition to the existing eight High Courts, the Intellectual Property High Court was established as of 1 April 2005. Finally, the Supreme Court hears appeals on certain matters from the High Courts. There is no specialist commercial or financial court other than the Intellectual Property High Court. Although the Tokyo District Court and the Osaka District Court has divisions that specialise in commercial cases or intellectual property cases, such a division is merely one of the divisions of the Tokyo District Court or the Osaka District Court and not an independent district court that has been established or formed exclusively by a special law.

2 Judges and juries

What is the role of the judge and the jury in civil proceedings?

Japan has no jury system for civil proceedings. Judges analyse the facts, apply the law and issue judgments. In civil proceedings, judges have to rely on the factual information provided to the court by the parties and will not, as a rule, collect information themselves. They do not, therefore, have an inquisitorial role, but they are not passive either, as they will evaluate all arguments and all the evidence before them. A filed lawsuit is allocated to one of the divisions of the court at its sole discretion. It is practically impossible for the parties to request for a change of the judges in charge, unless such judges are prohibited from examining the case pursuant to the Code of Civil Procedure (eg, a judge who is the spouse of one of the parties).

3 Limitation issues

What are the time limits for bringing civil claims?

As a general rule, contract claims are time-limited to 10 years. However, contract claims arising from commercial transactions are limited to five years. Tort claims are limited to 20 years from the occurrence of the event giving rise to the claim. For tort claims, a separate limitation period of three years applies from the time of knowledge of the damage and of the identity of the party responsible for said damage. The shorter of these limits applies to tort claims. In addition, there are various shorter limitation periods under the Japanese Civil Code, such as two years in the case of accounts receivable related to moveable assets.

Time limits can be suspended by a court action, attachment and provisional attachment or provisional disposition as well as by acknowledgement. Following suspension, the above-mentioned limitation periods will start to run anew from the time when the cause of such interruption ceases to exist.

In cases of a private claim (eg, in order to obtain payment), the limitation period will only be suspended if court action is taken within six months from demand for payment.

An amendment bill to the Civil Code, which includes amendments to provisions concerning the statute of limitations, was presented before the Diet on 31 March 2015. An outline of the amendments is as follows:

- As a general rule, contract claims from commercial transactions and contract claims from all other transactions will be time-limited to the earlier of five years from the time when the creditor comes to know of the possibility to exercise the claim or 10 years from the time when the claim becomes exercisable.
- Time limit for tort claims concerning damage to life or body will be extended. Specifically, such tort claims will be time limited to the earlier of five years (currently three years) from the time when the victim or his or her statutory agent comes to know of the damage and the identity of the party responsible for said damage or 20 years from the time of tort.
- Various shorter limitation periods under the existing Civil Code, such as two years in the case of accounts receivable related to moveable assets, will be abolished.
- In addition, the amendments will newly allow for suspension of time limits by an agreement in writing between the relevant parties. In principle, a one-year suspension from the time when such agreement is made will be allowed. If such agreements are repeatedly made, suspension can be extended; however, such extension is limited to five years from the original time limit.

Please see 'Update and trends' for the current status of the amendment bill to the Civil Code.

4 Pre-action behaviour

Are there any pre-action considerations the parties should take into account?

There is no obligation to take any pre-action steps in Japan. While there is the advance notice system, which enables the exchange of allegations and evidence between prospective litigants in advance of the actual initiation of a lawsuit, it is rarely used. Although, under the advance notice system, the court may order a holder of documents to disclose relevant documents upon request from the claimant, such holder is not subject to penalties even if it refuses to do so without a justifiable reason. Another step available for a party to assist in institution of a suit is a petition for preservation of evidence. Upon such a petition, if the court finds circumstances where, unless the examination of evidence is conducted in advance, it will be difficult to use the evidence, the court may conduct an examination of the evidence. In situations where a party plans to file a certain type of lawsuit in which a certain kind of evidence that is easily falsified is typically submitted to the court (eg, a medical malpractice lawsuit in which medical records are typically submitted to the court as evidence), such party often files a petition and courts also often accept such petition and examine the evidence. Except for such cases, this procedure is not frequently used. In practice, the claimant usually sends a content-certified letter (notice where contents and delivery are certified by the post) through the post, which states the issue at cause and asks for some action to be taken.

Interlocutory measures, which are designed to secure the enforceability of the judgment, are available under Japanese law. There are two types of interlocutory measures: provisional attachment (used to preserve the property at issue that belongs to the debtor for securing a monetary claim); and provisional disposition (used to preserve disputed property and to establish an interim legal relationship between the parties).

5 Starting proceedings

How are civil proceedings commenced? How and when are the parties to the proceedings notified of their commencement? Do the courts have the capacity to handle their caseload?

Civil proceedings are initiated by filing a complaint with the court that has jurisdiction to hear the claim. Depending on the size of the claim, appropriate stamps need to be attached to the formal complaint. The defendant is notified of the commencement of civil proceedings by receiving a summons and the complaint from the court. The court generally serves a summons and the complaint on the defendant approximately 10 days after filing of the complaint. In general, Japanese courts, especially those located in big cities such as Tokyo and Osaka, deal with a lot of cases, and have some difficulty reading legal briefs and documentary evidence in detail. One of the proposals is that the courts substantially increase the number of judges, but the current court budget is not sufficient to realise such proposal, although the Act on the Expediting of Trials provides that the expediting of trials shall be achieved by enhancing the human resources of the courts and that the government must take financial measures required to promote the expediting of trials.

6 Timetable

What is the typical procedure and timetable for a civil claim?

After the filing of the complaint, the court clerk will examine whether the correct form for the complaint has been used and whether the appropriate amount of stamps have been affixed on the complaint (the amount of the stamps depends on the amount of the claim). The clerk will then contact the plaintiff or the plaintiff's attorney and, depending on his or her availability, will decide the date of the first oral hearing. The court will then serve a summons and the complaint on the defendant. The first oral hearing will typically be held 40 to 50 days after the filing date. Before the hearing, the defendant has to file a defence, which will deny or accept each claim and factual information relied upon in the complaint. At each key event in the proceedings (particularly after the witness examination), the judge may ask the parties whether they have an intention to settle the case.

Following the first hearing, there will be a court hearing of (on average) 10 to 15 minutes once a month or once every few months. In addition to an oral hearing, the judge may hold a preparatory court hearing, at which the judge and both parties will discuss the issues at hand for a relatively long time in chambers.

The examination and cross-examination of witnesses will follow. After this, each party will file its closing brief. The oral proceedings will close and the court will issue its judgment. On average, judgment is rendered one-and-a-half to two years following the filing of the complaint.

7 Case management

Can the parties control the procedure and the timetable?

The parties have no control over the procedure or timetable in a civil trial, but the judge will consider the parties' requests for changes to the procedure or timetable and may make changes to the procedure or timetable to the extent allowed by applicable laws.

8 Evidence – documents

Is there a duty to preserve documents and other evidence pending trial? Must parties share relevant documents (including those unhelpful to their case)?

There is no legal obligation to preserve documents for the purpose of pending or foreseeable litigation. However, a party's disposition of valuable documents for pending or foreseeable litigation may lead the judge to find the facts unfavourable to the disposing party.

9 Evidence – privilege

Are any documents privileged? Would advice from an in-house lawyer (whether local or foreign) also be privileged?

No; the concept of 'privilege' in the context of document disclosure does not exist in Japanese law. In Japan, document disclosure is only intended for specific documents by means of a court's document production order.

Attorneys-at-law, patent attorneys, foreign attorneys licensed to practice in Japan, medical doctors, etc, are exempt from the obligation to submit documents containing confidential information disclosed by their clients. In addition, if the documents are related to matters concerning technical or professional secrets, a holder of such documents is exempt from the obligation to submit them.

10 Evidence – pretrial

Do parties exchange written evidence from witnesses and experts prior to trial?

No. However, a judge often instructs a party that is requesting examination of a live witness to submit an affidavit of the witness prior to oral testimony.

11 Evidence – trial

How is evidence presented at trial? Do witnesses and experts give oral evidence?

Witnesses and experts give oral evidence, although a judge has discretion whether to hear the evidence. Documentary evidence can be presented to judges at the hearing or preparatory hearing to be held once a month or once every few months.

12 Interim remedies

What interim remedies are available?

In addition to the interlocutory measures mentioned in question 4, it is also possible in some cases to obtain an interim judgment, which is binding on the court (ie, the court that renders an interim judgment will be bound by the interim judgment when rendering the final judgment) but is not enforceable. The purpose of such interim judgment is to focus on particular issues in the proceedings and to prepare for the final judgment by first resolving some issues between the parties. However, the court has sole discretion to decide whether to issue an interim judgment, and in practice, Japanese courts seldom render an interim judgment, except to admit international jurisdiction over the claims.

13 Remedies

What substantive remedies are available?

Actual but not punitive damages are the most common form of remedy under Japanese civil procedure. Various types of injunctions are also available.

Interest is payable on money judgments. In the event of a claim arising from a contractual obligation, the interest rate follows the contract rate. Otherwise, in general, the default interest rate will be 5 per cent, while for contract claims arising from commercial transactions, the default rate will be 6 per cent.

An amendment bill to the Civil Code, which includes amendments to provisions concerning the default interest rate, was presented before the Diet on 31 March 2015.

Under the amendments, the default interest rate for contract claims arising from commercial transactions and for claims arising from other transactions or torts will be 3 per cent. However, the default interest rate will be reviewed every three years and may be amended by taking into consideration the past five years average rate of interest on short-term loans. Unless otherwise agreed by the relevant parties, the default interest rate at the time when the first interest accrues to the claim will continue to apply to the claim, even after the default interest rate is amended.

Notwithstanding the above, in the same way as under the existing Civil Code, if relevant parties agree to an applicable interest rate, such interest rate will apply to the contract claim, unless such interest rate violates laws and regulations which restrict excessive interest rates (eg, the Interest Rate Restriction Act).

Please see 'Update and trends' for the current status of the amendment bill to the Civil Code.

14 Enforcement

What means of enforcement are available?

There are different enforcement procedures for monetary and non-monetary claims. Monetary claims are enforced by attachment of the assets of the defendant. This is achieved by acquiring possession of the property for moveable goods and in the case of immovable goods through a court declaration that the property in question is attached. The attached property will then be converted into money by way of auction. In the case of attachment of a claim against a third party, a garnisher may collect the claim by filing a lawsuit against the third party or may receive assignment of the claim with permission from a court.

For non-monetary judgments, enforcement can take various forms. The judgment ordering the party to transfer property can be realised by direct enforcement. The court or bailiff will seize the property in question and hand it to the plaintiff. A judgment that obliges someone to do something can be enforced by substitute performance at the expense of the defendant. An obligation not to do something can be enforced by indirect enforcement, that is, the imposition of fines until the defendant complies.

Japanese civil procedure does not provide for criminal sanctions for contempt of court in the event of non-compliance with the court's directions.

15 Public access

Are court hearings held in public? Are court documents available to the public?

Oral hearings are held in public, except for cases where trade secrets need to be protected in relation to patent and other IP cases. Preparatory hearings and hearings for family cases are also generally held in private. Court documents are available to the public. Anyone can inspect court documents regardless of their relationship to the parties to the case, and a person who proves to have an interest in the case can take copies of those documents. If either party to the case needs to restrict such inspection from a third party, a petition should be filed in court on the ground that the documents contain trade secrets or material secrets regarding the personal (namely, private) life of the party.

16 Costs

Does the court have power to order costs?

The court can order costs to be paid by one party to the other, but that does not cover attorneys' fees. In tort cases, the plaintiff can add a certain portion (usually 10 per cent) of attorneys' fees as part of the damage that it has suffered.

The judge assesses the costs. These will cover the cost of the stamps that need to be attached to a complaint and other costs admitted by the rules of the court, but will not cover the actual costs borne by the parties. The costs are assessed after either party makes a petition to fix the amount of costs.

Security for costs is only available in special cases, such as in lawsuits between shareholders and directors where the defendant asks the plaintiff to place a bond as security. This procedure is also available where the plaintiff does not have an office address or a residence in Japan, unless otherwise stipulated by an applicable treaty.

There is no new rule governing how courts rule on costs.

17 Funding arrangements

Are 'no win, no fee' agreements, or other types of contingency or conditional fee arrangements between lawyers and their clients, available to parties? May parties bring proceedings using third-party funding? If so, may the third party take a share of any proceeds of the claim? May a party to litigation share its risk with a third party?

'No win, no fee' arrangements are not specifically prohibited under Japanese civil procedure law and the Law of Lawyers. However, lawyers' rules of ethics may be interpreted as being against such arrangements. In practice, 'no win, no fee' arrangements are rare in Japan.

Conditional fee arrangements are not rare in Japan, especially for boutique firms dealing with only domestic cases. Parties may bring proceedings using third-party funding, but it may cause a problem under the Law of Lawyers if the third party takes a share of any proceeds of the claim. A defendant may share its risk with a third party, although such arrangements may be subject to insurance regulation.

18 Insurance

Is insurance available to cover all or part of a party's legal costs?

There is no insurance available to cover all or part of a party's legal costs incurred in relation to all types of litigation. Insurance for product liability, directors and officers or professional malpractice, etc, may cover legal costs for relevant litigation.

19 Class action

May litigants with similar claims bring a form of collective redress? In what circumstances is this permitted?

Previously under Japanese law, a class action was not allowed, and therefore each person had to be a plaintiff, although there was no restriction on the number of the plaintiffs named in one complaint. In practice it sometimes happened, for example, that hundreds of plaintiffs would file a complaint against a national or municipal government or a certain industry allegedly causing environmental problems or pharmaceutical side effects. In 2007, an amendment to the Consumer Contract Act introduced 'consumer organisation proceedings', which allowed certain qualified consumer unions and non-profit organisations to seek injunctions, for the benefit of the relevant consumers, against business operators to prevent them from performing unfair acts, such as soliciting for the execution of a consumer contract that contains an unfair provision.

On 4 December 2013, the Diet passed a bill that will introduce a new class action system (New System). This new Act on Special Civil Procedure for Collective Recovery of Consumers' Damage Act came into effect on 1 October 2016. The New System is aimed at providing remedies in respect of damages suffered by a considerable number of mass-market consumers. The New System consists of two stages. The first stage is a procedure to determine the common issues of law and fact existing between a business operator and the relevant class of aggrieved consumers (namely, whether the business operator is obligated to make payment to consumers). This first-stage procedure can only be filed by a 'specified qualified consumer organisation' (SQCO), and can only be filed against business operators that have privity of contract with the consumers on behalf of whom the procedure is filed (nevertheless, in cases of tort claims, certain business operators, such as those who solicited consumers to enter into contracts with other business operators, can be a defendant even if they do not have privity of contract with the consumers). If the SQCO successfully obtains a declaratory judgment in its favour, the proceedings may continue to the second stage, which determines the existence and amount of the individual claims. The second stage is commenced by a petition filed by the SQCO, after which the SQCO will make an announcement encouraging consumers to join the second stage. After consumers join, the court determines the existence and amount of the individual claims through a prompt and simple procedure. It should be noted that the claims that can be brought under the New System are limited to certain types of monetary claims resulting from a consumer contract, and do not include claims for compensation for life or bodily damage or for damage to property other than that which is the subject of the contract.

20 Appeal

On what grounds and in what circumstances can the parties appeal? Is there a right of further appeal?

Judgments and decisions of the district court can be appealed to the High Court and then to the Supreme Court. The grounds for appeal from the district court to the High Court are that the first judge made an error in a factual finding or in the application of the law. The Supreme Court will hear appeals from the High Court on grounds of error in interpretation of the law and other violations of the Constitution. In addition, violations of the civil procedure rules, such as an error in

Update and trends

An amendment bill to the Civil Code

On 26 May 2017, an amendment bill to the Civil Code that was presented before the Diet on 31 March 2015 was finally passed by the Diet and enacted into law. It is expected that the new law will come into force in 2020. An outline of the amendments to some of the key provisions of the Civil Code (statute of limitations and default interest rates) is discussed in questions 3 and 13.

The revised Consumer Contract Act

The revised Consumer Contract Act came into force on 3 June 2017. The purpose of revisions to the Consumer Contract Act is to provide consumers with more protection, considering the changes to social and economic situations after 2001 in which the Consumer Contract Act came into effect. An outline of the revised Consumer Contract Act is as follows:

- expansion of the scope of revocable contracts (introducing a right to revoke contracts for the purchase of excessive quantities and expanding the scope of 'substantial matters' related to misrepresentation by business operators);
- extension of the period when the right to revoke may be exercised; and
- expansion of the scope of contractual terms and conditions treated as invalid (invalidating any provision that waives cancellation in the event that the business operator defaults).

In relation to injunctions under 'consumer organisation proceedings' noted in question 19, the scope of cases where qualified consumer unions and non-profit organisations may seek injunctions has also expanded, considering the expansion of the scope of revocable contracts as noted above.

A recent court precedent concerning illegally collected evidence

The issue of competency of illegally collected evidence (ie, whether the court is allowed to take into account illegally collected evidence when judging a case) has long been one of the important and controversial issues in Japanese civil proceedings. In this respect, the Tokyo High Court judgment dated 19 May 2016 denied the competency of illegally collected evidence in the case where conversations during a hearing conducted by a committee of prevention of sexual harassment in a university were recorded by an attendee without authorisation of other attendees and submitted as evidence. The court held that competency of evidence is not necessarily denied solely because such evidence was collected illegally and that competency of evidence may be denied taking into account various facts and circumstances such as (i) the measures taken to collect the evidence; (ii) the need for protection of rights from the illegal collection of evidence; and (iii) the importance of the evidence. This new judgment will likely be an important court precedent, since there have been few published court precedents (recently in particular) on this issue and this judgment clearly ruled that various facts and circumstances are taken into account in determining whether competency of illegally collected evidence is denied.

jurisdiction, lack of reasoning, etc, will also give rise to a right of appeal to the Supreme Court. Parties may also file petitions to the Supreme Court, which gives the Supreme Court discretion to accept cases if the judgment being appealed is contrary to Supreme Court precedents or contains significant matters concerning the interpretation of laws and ordinances.

21 Foreign judgments

What procedures exist for recognition and enforcement of foreign judgments?

Japanese courts recognise foreign final and conclusive civil judgments for claims obtained in a foreign court and will issue an enforcement order provided that:

- the jurisdiction of such court is recognised under Japanese law or applicable international conventions;
- the defendant received due notice of the foreign proceedings or voluntarily appeared before the foreign court;
- such judgment or the proceeding at such court is not contrary to public policy as applied in Japan; and
- reciprocity exists as to recognition by the foreign court of a final judgment obtained in a Japanese court.

If the enforcement order is rendered, it will be possible for the plaintiff to proceed with enforcement procedures against the defendant's assets just as they would be able to in the case of a Japanese domestic court judgment.

22 Foreign proceedings

Are there any procedures for obtaining oral or documentary evidence for use in civil proceedings in other jurisdictions?

There are two procedures for obtaining oral or documentary evidence for use in civil proceedings in other jurisdictions. One is to request a Japanese court to provide judicial assistance and obtain evidence in accordance with the Convention Relating to Civil Procedure or bilateral international agreements. The Japanese court may examine a witness based on written questions annexed to letters rogatory received from a foreign court through the Minister of Foreign Affairs. The other is to take depositions at consular premises in accordance with the Consular Convention between Japan and the United States or the Consular Convention between Japan and the United Kingdom. Obtaining evidence for use in other jurisdictions in any manner that is not in compliance with international conventions is generally considered to constitute a violation of Japan's judicial sovereignty.

Arbitration

23 UNCITRAL Model Law

Is the arbitration law based on the UNCITRAL Model Law?

Yes. Japan enacted the new Arbitration Law on 1 March 2004 (the enactment date) based on the UNCITRAL Model Law (an English language version of the Arbitration Law is available at www.kantei.go.jp/foreign/policy/sihou/arbitrationlaw.pdf).

24 Arbitration agreements

What are the formal requirements for an enforceable arbitration agreement?

The Arbitration Law requires that an arbitration agreement be in writing (article 13). Electronic records of agreements are deemed to be in writing.

25 Choice of arbitrator

If the arbitration agreement and any relevant rules are silent on the matter, how many arbitrators will be appointed and how will they be appointed? Are there restrictions on the right to challenge the appointment of an arbitrator?

The Arbitration Law has adopted the same rules as stipulated in the UNCITRAL Model Law. Most of the commercial arbitration institutions in Japan appoint an arbitrator from among the candidates listed on their own panel of arbitrators. In addition, parties are permitted to appoint an arbitrator who is not listed on the panel subject to the rules of the individual commercial arbitration institutions.

26 Arbitrator options

What are the options when choosing an arbitrator or arbitrators?

Most of the commercial arbitration institutions in Japan have a candidate list which includes not only lawyers (such as attorneys-at-law, former judges and law professors) but also other experts such as business experts and technical experts, and accordingly, it is generally sufficient to meet the various qualifications and needs of complex arbitration matters.

27 Arbitral procedure**Does the domestic law contain substantive requirements for the procedure to be followed?**

The Arbitration Law contains almost the same procedural rules as those of the UNCITRAL Model Law. It stipulates that the 'equal treatment principle' be the basic substantial rule of procedure (article 25). Besides this principle, parties are free to agree on procedural rules, subject to ensuring that there is no violation of public policy principles contained in the Arbitration Law. If the parties' agreement on the procedure is silent, the arbitral tribunal may, subject to the provisions of the Arbitration Law, conduct the arbitration in a manner it considers appropriate.

28 Court intervention**On what grounds can the court intervene during an arbitration?**

In addition to the scope of intervention and jurisdiction stipulated by the UNCITRAL Model Law, the Arbitration Law has a set of concrete rules; that is, basic rules for hearing procedures, procedures to appeal arbitral awards, etc. According to these rules, district courts that exercise jurisdiction over a place of arbitration or to which parties have agreed shall have jurisdiction over the arbitration. Other than the appointment procedures of the arbitrator (including challenges and removal), the court does not have any power to intervene during an arbitration procedure. Its role is only to support the examination of evidence and witnesses upon the application of either party.

29 Interim relief**Do arbitrators have powers to grant interim relief?**

Yes. The Arbitration Law introduced the possibility for arbitrators to grant interim relief. However, owing to the legislation being relatively new, it is not yet clear how interim relief will be enforced. Concrete enforcement procedures of the interim measures may be determined by future legislation or amendments to the Arbitration Law.

30 Award**When and in what form must the award be delivered?**

As stipulated in the UNCITRAL Model Law, the arbitral tribunal has to render a reasoned award signed by the arbitrators. A copy signed by the arbitrators must be delivered to each party after the award date.

31 Appeal**On what grounds can an award be appealed to the court?**

No; there is no right of further appeal. The parties to the arbitration have a right to set aside the award only when certain specific events stipulated in the Arbitration Law occur (the events are identical to those in the UNCITRAL Model Law). In *Descente Ltd v Adidas-Salomon AG et*

al, 123 Hanrei Jiho 1847 (2004), the court decided, obiter, that parties could not find causes for the setting aside of an award other than those contained in the Arbitration Law.

32 Enforcement**What procedures exist for enforcement of foreign and domestic awards?**

As stipulated in the UNCITRAL Model Law, an arbitral award can be enforced when the relevant court recognises an award (article 45). Substantial requirements for recognition are almost the same as stipulated in the UNCITRAL Model Law. When the court recognises the award, the court renders an enforcement decision. With respect to procedure, the Arbitration Law uses a decision procedure in which the court can discretionally hold an oral argument. In Japan, enforcement procedures have not generally been affected by changes in the political landscape.

33 Costs**Can a successful party recover its costs?**

The parties can decide to split costs by mutual agreement. The Arbitration Law states that the arbitral tribunal shall determine allocation of actual costs based on the agreement of the parties. The scope of allocable and recoverable costs is determined by a mutual agreement between the parties or an applicable arbitration institution's rule, and may broadly include various types of costs as long as such costs are actually paid in relation to the arbitration procedure (article 49). When an agreement is silent on the subject, each party shall bear its respective costs with respect to the arbitration procedure. It should be noted that, unless otherwise agreed to by the parties, the arbitral tribunal may order the parties to deposit an estimated cost amount with the arbitral tribunal prior to the arbitration proceedings (article 48).

Alternative dispute resolution**34 Types of ADR****What types of ADR process are commonly used? Is a particular ADR process popular?**

In the context of an international commercial transaction, arbitration would be the most popular type of ADR, although many Japanese parties still prefer to go to state court (eg, Tokyo District Court). For domestic disputes, the preference of mediation and conciliation is very strong; furthermore, even Japanese arbitrators, unless experienced parties or counsel remind them otherwise, recommend the parties to settle without rendering an award.

Recently, new types of ADR have been introduced in Japan. For example, turnaround ADR has been created for the rehabilitation of companies suffering financial difficulties. This proceeding assists with the coordination between the financial creditors and debtors and is carried out under independent specialists; the participation of trade

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creditors is not required. It should be noted that in spite of the name, this proceeding does not necessarily involve the resolution of disputes.

In addition, financial ADR has also been introduced to assist in the resolution of disputes between financial institutions and customers. The characteristics of this ADR are that:

- a financial institution cannot refuse to participate in dispute resolution proceedings without a justifiable reason if a customer files a petition with a designated dispute resolution institution;
- a financial institution cannot refuse to give an explanation or to submit related documents without a justifiable reason if requested by a designated dispute resolution institution; and
- a designated dispute resolution institution may, at its discretion, make a special conciliation proposal, which the financial institution must accept unless it chooses to file a lawsuit.

35 Requirements for ADR

**Is there a requirement for the parties to litigation or arbitration to consider ADR before or during proceedings?
Can the court or tribunal compel the parties to participate in an ADR process?**

No, parties do not have to consider ADR before litigation except in family cases and certain cases such as rent review. However, for particular types of cases like construction disputes and medical malpractice, if the courts find the case suitable for mediation and conciliation, they may suggest the transfer of the case to the court's special division for mediation and conciliation, where the courts have a list of experts in such technical fields.

Miscellaneous

36 Are there any particularly interesting features of the dispute resolution system not addressed in any of the previous questions?

The revised Code of Civil Procedure came into force on 1 April 2012. It has introduced a new set of provisions stipulating the international jurisdiction of Japanese courts in civil and commercial matters. Considering the disparity in bargaining power, the revised Code of Civil Procedure provides special rules on jurisdiction over lawsuits relating to consumer contracts and employment relationships. With respect to lawsuits relating to consumer contracts, where a consumer files a lawsuit relating to a consumer contract against a company, Japanese courts will have jurisdiction if the domicile of the consumer at the time of the conclusion of the contract or at the time of filing the suit is Japan. On the other hand, a company can only file a lawsuit relating to a consumer contract against a consumer if the consumer is domiciled in Japan.

With respect to lawsuits relating to employment relationships, where an employee files a lawsuit relating to an employment relationship against his or her employer, Japanese courts will have jurisdiction if the place where the labour was supplied under the employment contract (or, if no such place is specified, the office that hired the employee) is located in Japan. On the other hand, an employer can only file a lawsuit relating to an employment relationship against an employee if the employee is domiciled in Japan.

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