

Date	June 18, 2004	Court	Tokyo District Court, 46th Civil Division
Case number	2002 (Wa) 15938		
– A case in which the court found copyrightability in a computer program that has been licensed on condition that it would be used only by a specified third party, and ruled that the licensee's act of renting out said program to a party other than such specified third party without the consent of the copyright holder for the program constitutes infringement of the right to rent out the program (Article 26-3 of the Copyright Act).			

References: Article 26-3 of the Copyright Act, Article 703 of the Civil Code

Number of related rights, etc.: None

Summary of the Judgment

1. In this case, the plaintiff alleged that the plaintiff owns copyrights for the computer programs it created (the "Programs") and that, although the plaintiff granted a license to Defendant 1 for these computer program works on the condition that Defendant 1 may grant a sublicense only to the association, which is not a party to the case (the "Non-party Association"), Defendant 1 granted a license to Defendant 2 without the plaintiff's consent and let Defendant 2 use the Programs. Based on these allegations, the plaintiff claimed, among others, damages against the defendants for their infringement of its copyrights (right to rent out the program). Defendant 2 succeeded to the Non-Party Association's status under the license agreements.

2. In this judgment, the court held that Defendant 1 infringed the plaintiff's right to rent out the program and that the defendants are liable for damages or return of unjust enrichment, making the findings and determinations as follows.

(1) The Programs cannot be regarded as mere imitation or common expressions but they are found to involve creativity, and hence they are copyrightable works.

(2) Under the license agreements concluded between the plaintiff and Defendant 1 (the "License Agreements"), the plaintiff granted a license to Defendant 1 on the condition that the Non-party Association would be the sole user, i.e., lessee, and that Defendant 1 shall not lease the Programs to any party other than the Non-party Association without the plaintiff's consent. Therefore, Defendant 1's act of changing the user from the Non-party Association to Defendant 2 without the plaintiff's consent goes beyond the scope of the licenses granted by the plaintiff under the License Agreements.

(3) [i] Defendant 2 acquired rights and obligations transferred from the Non-Party Association and started to use the copies of the Programs. [ii] As the Non-Party Association transferred its status under the lease agreement for part of the Programs to

companies which are not parties to the case (Non-Party Companies), these companies started to use the copies of the Programs. [iii] Defendant 1 approved the transfer of rights and obligations under the lease agreements mentioned in [i] and [ii] without obtaining consent of the plaintiff and collected lease fees from Defendant 2 and the Non-Party Companies. These facts show that Defendant 1 leased the Programs to Defendant 2 and the Non-Party Companies without the plaintiff's consent, and thereby infringed the plaintiff's right to rent out the Programs (Article 26-3 of the Copyright Act).

(4) Since the term "public" referred to in Article 26-3 of the Copyright Act is defined to include "exclusive groups made up of many persons" under Article 2, paragraph (5) of said Act, an act of renting out to exclusive groups of a small number of persons would not constitute infringement of the right to rent out. However, even if the number of persons is small, an act of renting out to a group of unspecified persons should be deemed to be the same as renting out to the "public" as specified in Article 26-3 of said Act, and should be considered to constitute infringement of the right to rent out.

A lease company's act of leasing computer program works in exchange for lease fees should be considered to constitute an act of providing works to unspecified people. While the term "exclusive" can be interpreted to suggest the existence of human connections between a lessor and a lessee, a lessee (i.e., user) for a lease company is solely a customer of its business and can never be recognized as an entity with which the lease company has personal connections in any sense.

Although the defendants and the Non-Party Companies are all NTT group companies, their relationship with Defendant 1, which is a lease company, is the same as the one between a lease company and a mere lessee (user). Therefore, Defendant 1's act of leasing the Programs to Defendant 2, etc. constitutes an act of renting out to the public and infringes the plaintiff's right to rent out the program.

(5) Although certain types of lease are specified as infringement of a copyright (right to rent out) under the Copyright Act, no provisions specify what act of the lessee would constitute copyright infringement, and Article 113, paragraph (2) of the Copyright Act specifies that an act of using an illegally made copy of a computer program work would constitute copyright infringement only if the infringer has acquired the authority to use the copy with the awareness that the copy was illegally reproduced. In light of these facts, even if the right to rent out a computer program work has been infringed, the lessee's act alone would not constitute copyright infringement. Only if the lessee acquires a leased object with the awareness that the lessor leased the object without due authorization, would the lessee be considered to

have assisted the lessor's act with the awareness of the nature of the lessor's act and would be held liable as a joint tortfeasor in some cases.

It would not be reasonable to say that Defendant 2 has acquired from the Non-party Association its status under a lease agreement with the awareness that Defendant 1 had no authority to lease copies of the Programs. Therefore, Defendant 2 cannot be found to be liable as a joint tortfeasor with regard to the infringement of the right to rent out.

(6) Defendant 2 earned profits by using the Programs without legal title, and due to this, the plaintiff suffered a loss equivalent to the amount of royalties for the period during which Defendant 2 used the Programs under lease. Hence, Defendant 2 should be deemed to have obtained unjust benefits worth the amount equivalent to the amount of royalties (the fact that Defendant 2 paid lease fees to Defendant 1 does not give a reason to deny the existence of unjust enrichment).

Defendant 2's liability to return unjust enrichment and Defendant 1's liability to pay damages (or to return unjust enrichment) are quasi-joint and several liabilities.

Judgment rendered on June 18,2004

2002 (Wa) 15938 Case of Demanding Payment of Damages

(Date of conclusion of oral argument: February 6, 2004)

Judgment

Plaintiff: AVIX Inc.

Defendant: NTT Leasing Co., Ltd.

Defendant: NTT Comware Billing Solution Corporation

Main text

1. Defendant NTT Leasing Co., Ltd. and Defendant NTT Comware Billing Solution Corporation shall jointly pay the plaintiff 10,341,270 yen. Moreover, Defendant NTT Comware Billing Solution Corporation shall pay the plaintiff delay damages accrued thereon at a rate of 5% per annum from December 18, 2003 until the date of full payment. Defendant NTT Leasing Co., Ltd. shall also pay the plaintiff delay damages at a rate of 5% per annum for each of the three parts of the entire amount from the following dates until the date of full payment, i.e., delay damages for 5,092,386 yen of the entire amount starting from August 1, 2001, and delay damages for 5,092,386 yen of the entire amount starting from September 1, 2001, and delay damages for 156,498 yen of the entire amount starting from October 1, 2001.
2. Any other claims of the plaintiff shall be dismissed.
3. The court costs shall be divided into five portions, four of which shall be borne by the plaintiff, with the remaining one borne by the defendants.
4. The first paragraph of this judgment may be provisionally executed.

Facts and reasons

No. 1 Claims of the plaintiff

(Primary claim/secondary claim) The defendants shall jointly pay the plaintiff 128,912,305 yen and delay damages accrued thereon at a rate of 5% per annum from July 1, 2001 until the date of full payment.

(Tertiary claim)

1. Defendant NTT Leasing Co., Ltd. shall pay the plaintiff 120,534,275 yen and delay damages accrued thereon at a rate of 6% per annum from September 5, 2003 (the date of the statement of the plaintiff's written belief (3) concerning an additional claim

against the defendant) until the date of full payment.

2. Defendant NTT Comware Billing Solution Corporation shall pay the plaintiff 21,975,815 yen and delay damages accrued thereon at a rate of 6% per annum from December 18, 2003 (the date following the date of service of the plaintiff's written belief (11) concerning expansion of the plaintiff's claim to the defendant) until the date of full payment.

No. 2 Outlines of the case

The plaintiff was a stock company that prepared the programs specified in 1 to 6, 8, and 9 (7 is missing) of the attached List of Works. In this case, the plaintiff alleged that the plaintiff owns copyrights for the aforementioned programs and that, although the plaintiff granted a license to Defendant NTT Leasing Co., Ltd. ("Defendant NTT Leasing") for the aforementioned computer program works on the condition that Defendant NTT Leasing may grant a sublicense only to The Japan Telecommunications Welfare Association ("Non-party Association"), Defendant NTT Leasing granted a license to Defendant NTT Comware Billing Solution Corporation ("Defendant Billing Solution") without the plaintiff's consent and let Defendant Billing Solution use the programs. The plaintiff made the primary to tertiary claims as follows.

[i] Primary claim: the plaintiff demanded that the defendants shall jointly pay 128,912,305 yen as damages (and delay damages accrued thereon at a rate of 5% per annum) for their act of copyright infringement (right to rent out).

[ii] Secondary claim: the plaintiff demanded that Defendant NTT Leasing and Defendant Billing Solution jointly pay 128,912,305 yen as damages (and delay damages accrued thereon at a rate of 5% per annum) for nonperformance due to a violation of the license agreements, and for an act of tort, i.e., inadequate performance of the license agreements, respectively (since a claim for damages for nonperformance also satisfies the requirements for being regarded as a claim for damages for an act of tort, it can be regarded as a joint tort under Article 719, paragraph (1) of the Civil Code and should be subject to an unguine joint and several obligation).

[iii] Tertiary claim: the plaintiff demanded that Defendant NTT Leasing shall pay the plaintiff 120,534,275 yen (and delay damages accrued thereon at a rate of 5% per annum) as a return of unjust enrichment and that Defendant Billing Solution shall pay the plaintiff 21,975,815 yen (and delay damages accrued thereon at a rate of 6% per annum) as a return of unjust enrichment.

1. Facts on which the decision is premised (some of the following facts were found based on the evidence presented at the end of this document)

(1) Parties concerned

A. The plaintiff is a stock company engaged in designing, manufacturing, sale, etc. of electronic devices.

B. Defendant NTT Leasing is a stock company established for the purpose of acquiring, licensing (including leasing), sale, etc. of intellectual property rights such as copyrights and industrial property rights. Defendant NTT Leasing belongs to the so-called NTT Group ("NTT Group").

C. Defendant Billing Solution is a 100% subsidiary of NTT Comware Corporation ("Non-party Comware"). On April 1, 2001, Non-party Comware assigned to Defendant Billing Solution all of the telephone bill issuance operations that had been carried out by the Business Form Department of Non-party Comware.

Non-party Comware is a stock company established when its predecessor, NTT Communicationware Corporation ("Non-party NTT Communicationware") changed its trade name to "NTT Comware Corporation" in November 2000. Non-party Comware is 100% subsidiary of Nippon Telegraph and Telephone Corporation ("NTT"). On September 1, 1997, NTT assigned to Non-party Comware all of the operation that had been carried out by NTT Software Headquarters such as issuing telephone bills and developing, producing, and operating software for telecommunication business (the entire import of the oral argument).

D. Non-party Association is an incorporated foundation established for the purpose of increasing convenience for telecommunication service users and those engaged in the telecommunication business, supporting the lives of NTT's and other companies' retirees due to work-related injuries, retirees after longtime service, and their survivors and the survivors of the executives and regular employees who passed away before retirement, and also improving the welfare programs for NTT's and other companies' executives and regular employees, and thereby contributing to the healthy development of telecommunications business. Non-party Association has been commissioned by NTT (including NTT as well as Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation; hereinafter the same) to carry out the task of issuing telephone bills as profit-making business. Non-party Association is widely known as "Telewel" (the entire import of the oral argument).

(2) Agreements between the plaintiff and Defendant NTT Leasing

Defendant NTT Leasing concluded agreements (collectively referred to as the "License Agreements") with the plaintiff on the following dates concerning the licenses granted by the plaintiff for the programs specified in 1 to 6, 8, and 9 of the attached List of Works (the programs included in said List shall be hereinafter referred to as "Program 1," "Program 2," etc. according to the number assigned to each of the listed items and

collectively referred to as the "Programs") (Exhibits Ko 1 to 6, 8, and 9, Otsu 1 to 8, excluding branch numbers; hereinafter the same).

- [i] Program 1 October 28, 1996
- [ii] Program 2 June 1, 1998
- [iii] Program 3 July 1, 1999
- [iv] Program 4 July 1, 1999
- [v] Program 5 August 1, 1997
- [vi] Program 6 March 30, 1998
- [vii] Program 8 July 9, 1998
- [viii] Program 9 December 14, 1998

Each of the License Agreements was concluded when Defendant NTT Leasing sent an "order" to the plaintiff, who then returned a "confirmation of order" to Defendant NTT Leasing. The forms of the "order" and "confirmation of order" ("orders, etc.") contain a section of detailed information such as the product price and the place of delivery, which is followed by a section titled "Conditions" consisting of the following 12 paragraphs (Exhibits Otsu 1 to 8; the following conditions specified in 1 to 12 below shall be hereinafter referred to as "paragraph 1" to "paragraph 12").

"1. The parties acknowledge that any program product license granted under this agreement ("license") shall be subject to a lease agreement concluded between the licensee and a user based on an order placed by the user.

2. The licensor shall guarantee to the licensee and users that the quality, performance, standards, specifications, conditions for delivery, etc. of the program products will be adjusted in accordance with the purpose of use of each user.

3. If a user fails to conclude a lease agreement with the licensee for any reasons or fails to accept a lease agreement after concluding one (fails to issue a lease certificate), the licensee may cancel said agreement without any preconditions.

4. The licensor shall set a delivery date and directly deliver the program products to the licensee in the aforementioned place of delivery. The licensee shall be considered to have obtained a license as of the lease date specified in the lease certificate issued by a user to the licensee after the completion of examination. The licensor shall be held liable for any accident such as fire, theft, loss, and damage that takes place prior to the lease date.

5. The licensor shall be directly liable to each user for the licensor's services and obligations related to the program products and licensing thereof such as warranty, quality guarantee, in-warranty repair, maintenance service, payment of damages for infringement of intangible property rights including copyrights and patent rights.

6. If a user requests another copy of any program product during the term of lease due to a fire, theft, loss, or damage thereof, the licensor shall immediately reproduce the program product after receiving a reproduction fee from the user and directly deliver it to the user in the delivery method agreed with the user. In the case of any program product that cannot be reproduced, the licensor, the licensee, and the user shall have a separate discussion.
7. If the licensor suffers any damage due to a user's exercise of a license, nonperformance, or act of tort, the licensee shall have no liability to the licensor.
8. The licensor shall be liable to make any payments necessary due to a change to tax laws and regulations after the conclusion of this agreement, an increase in taxes and other public charges, or an increase in any other costs such as transportation charges and shall not change the contract amount.
9. If the licensor violates any of the provisions in this agreement, the licensee may immediately cancel this agreement in whole or in part without any prior notice.
10. If the licensee finds it difficult to maintain a lease agreement with a user, the licensee may change the user of the program products after a discussion with the licensor.
11. The licensee shall not be held liable for nonperformance or a delay in performance of this agreement whether in whole or in part due to any event of Force Majeure such as an act of God, natural disaster, strike, or riot, or due to any event not attributable to the licensee or user.
12. Upon termination or cancellation of a lease agreement between the licensee and a user, the license shall be simultaneously extinguished."

(3) Lease agreement between Defendant NTT Leasing and Non-party Association

Defendant NTT Leasing concluded the license agreement specified in (2) above with the plaintiff and granted a license to Non-party Association for the Programs under lease agreements (these lease agreements shall be hereinafter collectively referred to as the "Lease Agreements"; A lease agreement for Program 1, for example, shall be hereinafter referred to as "Lease Agreement 1"; Exhibits Ko 1 to 6, 8, and 9, Otsu 1 to 8).

(4) Assignment of the rights and obligations from Non-party Association to Defendant Billing Solution

On June 30, 2001, Non-party Association, Defendant Billing Solution, and Defendant NTT Leasing concluded an agreement specifying that Non-party Association's contractual rights and obligations specified in the lease agreements including the Lease Agreements concluded between Defendant NTT Leasing and

Non-party Association shall be assigned to Defendant Billing Solution and that Defendant NTT Leasing approves said assignment (the "Agreement on the Assignment of Rights and Obligations") (Exhibit Otsu 9 and the entire import of the oral argument).

(omitted)

2. Issue (2) (Whether the use of the Programs by Defendant Billing Solution falls within the scope of the licenses granted by the plaintiff under the License Agreements)

(1) According to the aforementioned "Facts on which the decision is premised" (No. 2, 1), the evidence (Exhibits Ko 1 to 6, 8, and 9, 20, 21, 25, Otsu 1 to 8, 32, 37 to 42, 45 to 47, Hei 1 to 6), and the entire import of the oral argument, the following facts can be found.

A. The orders, etc. placed in connection with the License Agreements contain the statement at the top of the order form that "This order is placed under the following conditions so that the non-exclusive licenses for the following program products granted by the licensor to the user will be covered by lease agreements (the rest is omitted)." Only Non-party Association is stated as the user of the Programs. Paragraph 10 of "Conditions of transaction" specifies that "If the licensee finds it difficult to maintain lease agreements with a user, the licensee may change the user of the program products after discussion with the licensor," which requires Defendant NTT Leasing to have a discussion with the plaintiff before changing the user.

B. In around 1994, NTT Software Headquarters started discussions about future introduction of the Programs because the Programs were considered to be necessary for issuing NTT's telephone bills. Said Headquarters (or Non-party Comware after the business of NTT Software Headquarters was handed over to Non-party Comware on September 1, 1997) decided to have the plaintiff develop programs and had discussions with the plaintiff and other parties concerned about the specifications, etc. of the programs. Based on the results of these discussions, the plaintiff developed the Programs one by one. Since Non-party Association was commissioned by NTT (or Non-party Comware after its establishment) with the task of issuing NTT's telephone bills, a staff member of Non-party Association sometimes attended discussions concerning the specifications of the programs. The plaintiff presumed that Non-party Association would be the actual user of the Programs.

C. The Programs were installed in the computers located in the NTT billing center and used for the purpose of issuing NTT's telephone bills. However, Non-party Association was the only organization commissioned by NTT (or Non-party Comware after the

business assignment to Non-party Comware) with the task of issuing NTT's telephone bills. It was not actually expected that Non-party Comware or any party other than Non-party Association would be engaged in this task.

D. Defendant Billing Solution is a 100% subsidiary company of Non-party Comware. Since Non-party Comware assigned a part of its business to Defendant Billing Solution on April 1, 2001, Defendant Billing Solution has been engaged in the business of issuing telephone bills. Non-party Comware had not been conducting the actual task of issuing telephone bills because Non-party Comware used to commission to Non-party Association the task of issuing telephone bills conducted in the NTT billing center in its entirety. Since the conclusion of the Agreement on the Assignment of Rights and Obligations, those who have been engaged in the actual task in the NTT billing center are people who were transferred from Non-party Association to Defendant Billing Solution and a subcontracting company that has been assisting Non-party Association since the time when Non-party Association was in charge of the task.

E. The amounts of compensation for the licenses that were effective during the lease periods of the Programs specified in the License Agreements were as follows: 21,562,500 yen for Program 1 (excluding consumption tax); 31,920,000 yen for Program 2; 92,354,400 yen for Program 3; 7,560,000 yen for Program 4; 63,520,000 yen for Program 5; 10,180,600 yen for Program 6; 29,400,000 yen for Program 8; and 28,600,000 yen for Program 9.

(2) Based on a comprehensive evaluation of the facts found above, the following can be found: the plaintiff granted a license to Defendant NTT Leasing under the License Agreements on the condition that Non-party Association would be the sole user, i.e., the lessee; Defendant NTT Leasing shall not lease the Programs to any party other than Non-party Association without the prior consent of the plaintiff; and Defendant NTT Leasing's act of changing the user from Non-party Association to Defendant Billing Solution without the prior consent of the plaintiff goes beyond the scope of the aforementioned licenses granted to Defendant NTT Leasing under the agreements.

(3) Regarding the facts found by the court as above, the defendants alleged that, in light of the actual use of the Programs as well as the background behind the conclusion of the License Agreements and the introduction of the Programs, the change of the user from Non-party Association to Defendant Billing Solution cannot be considered to be "change of users," which is specified in the License Agreements as a matter that should be discussed with the plaintiff in advance. The defendant also alleged that, even if it can be considered as "change of users," which requires prior discussion with the plaintiff, it is obvious that the plaintiff implicitly approved the change. These allegations of the

defendants are examined below.

A. First, the defendants' allegation that the change of the user from Non-party Association to Defendant Billing Solution cannot be considered to be "change of users" specified in the License Agreements is examined below. As mentioned in the section titled "Facts on which the decision is premised" above, the contract (the "order" and "confirmation of order") clearly specifies Non-party Association as the "user" and does not contain any statement that implies that the change of the user to Defendant Billing Solution would be an exception. According to all of the evidence submitted to this case, it cannot be found that there was an agreement between the plaintiff and Defendant NTT Leasing, separately from the License Agreements, to the effect that no prior consent would be necessary for change of the user to Defendant Billing Solution.

It is true that the Programs were developed for the purpose of handling the task of issuing NTT's telephone bills and that the user of the Programs provided by the plaintiff to Defendant NTT Leasing was changed due to the designation of a new party to commission the task of issuing NTT's telephone bills. However, at the time when the License Agreements were concluded, it was completely unexpected that any party other than Non-party Association would conduct said task. Furthermore, Non-party Association is a public interest corporation, while Defendant Billing Solution is a corporation completely separate from Non-party Association. In consideration of these facts, it cannot be said that the change of the user of the Programs cannot be considered to be "change of users" specified in the License Agreements.

On these grounds, the allegation of the defendants regarding this point is unacceptable.

B. The defendants' allegation that the plaintiff implicitly approved the change of the user from Non-party Association to Defendant Billing Solution is examined below.

According to the facts found in (1) above and evidence (Exhibits Otsu 37 to 42, 45 to 47), the following can be found: in the course of the development of the Programs, the plaintiff had discussions with the parties concerned including NTT Software Headquarters and Non-party Comware and issued estimates, etc. to these parties; the Programs were installed in the system established in The NTT billing center where not only the employees of Non-party Association but also the employees of a subcontracting company that had been assisting Non-party Association had been conducting the task; since the conclusion of the Agreement on the Assignment of Rights and Obligations, those who were transferred from Non-party Association to Defendant Billing Solution and employees of the subcontracting company have been conducting the task; the plaintiff had opportunities to visit the NTT billing center for the purpose of

maintaining the Programs; and the plaintiff made a proposal to Non-party Comware regarding improvement of the performance of the Programs. Based on a comprehensive evaluation of these facts proven by the evidence, it cannot be found that the plaintiff implicitly approved Defendant Billing Solution (and its predecessor, Non-party Comware) as a user. On the contrary, the court found the fact (Exhibits Ko 11 and 12) that, around October 2001, which is after the conclusion of the Agreement on the Assignment of Rights and Obligations, Defendant NTT Leasing notified the plaintiff to the effect that the task was transferred to Defendant Billing Solution. If this fact is taken into consideration as well, the plaintiff cannot be considered to have given implicit approval.

(4) Moreover, the defendants alleged that the Lease Agreements concluded between Defendant NTT Leasing and Non-party Association are so-called finance lease agreements and that, in the case of a finance lease agreement, it is considered to be reasonable to change users if necessary without obtaining the consent of the supplier every time before changing users in order to ensure the recovery of the investments made by the lease company for acquisition of the leased object. The defendants further alleged that, since the plaintiff granted a license with the awareness that the Programs would be subject to finance lease agreements, the license was granted based on the presumption that Defendant NTT Leasing may change users without obtaining the plaintiff's consent every time before changing users.

However, the argument as to whether the agreements concluded between Defendant NTT Leasing and Non-party Association are finance lease agreements or not is not necessarily related to the argument as to under what conditions the plaintiff granted a license to Defendant NTT Leasing for the Programs. Therefore, the aforementioned allegation of the defendants is unacceptable in this respect. Furthermore, there are no sufficient grounds to find that the plaintiff and Defendant NTT Leasing concluded the License Agreements based on the premise that a lease company can change users without the consent of the supplier. Thus, in conclusion, the aforementioned allegation of the defendants is unacceptable.

As mentioned above, the defendants emphasized that the Lease Agreements can be regarded as finance lease agreements. While it is true that the Lease Agreements have such characteristics, in consideration of the facts that the user of the leased object, i.e., the Programs in this case, is an organization responsible for carrying out the task of issuing NTT's telephone bills with the awareness of the need for protection of personal information and communication privacy and that the actual user was a public interest corporation, namely Non-party Association, it cannot be found that the Lease

Agreements were devised based on the premise that the lease company, Defendant NTT Leasing, would change users at its discretion if Defendant NTT Leasing finds such change necessary to recover its investments. According to the evidence (Exhibits Otsu 34 to 36), in the case of computer program lease agreements, other finance lease companies (Mitsui Leasing & Development, Ltd., Dai-ichi Leasing Co., Ltd., etc.) are also required to obtain consent from the licensor (copyright owner) before changing users (lessees). Therefore, it cannot be said that, in the case of a finance lease agreements, it was common to change users (lessees) without consent from the licensor (copyright owner).

(5) On these grounds, all of the aforementioned allegations of the defendants are unacceptable. In conclusion, in the License Agreements, the plaintiff granted a license to Defendant NTT Leasing on the condition that Non-party Association is the sole user, i.e., lessee, and that Defendant NTT Leasing shall not lease the Programs to any party other than Non-party Association without the plaintiff's consent. Therefore, Defendant NTT Leasing's act of changing the user from Non-party Association to Defendant Billing Solution without the plaintiff's consent goes beyond the scope of the licenses granted by the plaintiff under the License Agreements.

3. Issue (3) (whether the defendants' act constitutes copyright infringement (infringement of the right to rent out, the right of reproduction, and the right of transfer)

(1) Infringement of the right to rent out

A. Based on a comprehensive evaluation of information stated in the section titled "Facts on which the decision is premised" above (No. 2, 1), the facts found in 2 above, the evidence (Exhibits Ko 1 to 6, 8 to 12, Otsu 1 to 17), and the entire import of the oral argument, it can be found that [i] in the License Agreements, the plaintiff granted a license to Defendant NTT Leasing on the condition that Defendant NTT Leasing may lease copies of the Programs only to Non-party Association and that Defendant NTT Leasing shall not lease them to any party other than Non-party Association without the prior consent of the plaintiff; [ii] Non-party Association, Defendant Billing Solution, and Defendant NTT Leasing concluded the Agreement on the Assignment of Rights and Obligations on June 30, 2001 and let Defendant Billing Solution use copies of the Programs from July 2001; [iii] Non-party Association excluded some of the rights and obligations specified in the lease agreement concerning Program 2 from the Agreement on the Assignment of Rights and Obligations and assigned said rights and obligations to Tohoku Tsushin Co., Ltd. and Telwel West Nippon Corporation, both of which started using copies of the Programs from July 2001; and [iv] Defendant NTT Leasing approved the assignment of rights and obligations under the lease agreements specified

in [ii] and [iii] above without obtaining consent of the plaintiff and started collecting lease fees from Tohoku Tsushin Co., Ltd. and Telwel West Nippon Corporation from July 2001.

B. Based on a comprehensive evaluation of the facts mentioned above, it can be found that, while Defendant NTT Leasing was prohibited from leasing the Programs to any party other than Non-party Association without the plaintiff's consent, Defendant NTT Leasing leased the Programs to Defendant Billing Solution, Tohoku Tsushin Co., Ltd., and Telwel West Nippon Corporation (the three companies shall be hereinafter collectively referred to as "Defendant Billing Solution, etc.") without the plaintiff's consent and thereby infringed the right to rent out (Article 26-3 of the Copyright Act) for the Programs.

Therefore, the plaintiff's allegation that Defendant NTT Leasing's act of letting Defendant Billing Solution use the Programs constitutes infringement of the plaintiff's right to rent out is well grounded.

C. Regarding this point, the defendants alleged that the right to rent out specified in Article 26-3 of the Copyright Act is applicable only to an act of renting out that involves the "public" and that, since the change of the user from Non-party Association to Defendant Billing Solution, etc. does not satisfy this requirement of the involvement of the "public," infringement of the right to rent out cannot be considered to have occurred.

Since the term "public" specified in Article 26-3 of the Copyright Act is defined as "exclusive groups made up of many persons" as specified in Article 2, paragraph (5) of said Act, an act of renting out to exclusive groups of a small number of persons would not constitute infringement of the right to rent out. However, even if the number of persons is small, an act of renting out to a group of unspecified persons should be deemed to be the same as renting out to the "public" as specified in Article 26-3 of said Act, constituting infringement of the right to rent out.

Regarding this point, it should be interpreted in this case that a lease company's act of leasing computer program works in exchange for lease fees constitutes an act of providing works to unspecified people. While the term "exclusive" can be interpreted to suggest the existence of human connections between a lessor and a lessee, a lease company considers a lessee (i.e., user) not as an entity to have human connections with, but solely as a customer of its business (the defendants themselves admitted that the finance lease agreements concerning program products can be interpreted to be financial agreements for users from an economic perspective and that, in some cases, a lease company replaces the leased object or designates another party as a successor to the lease agreement. Please refer to the defendants' allegation presented in No. 2, 2 (2)

above).

In this case, although Defendant Billing Solution, Tohoku Tsushin Co., Ltd., and Telwel West Nippon Corporation are all NTT group companies, their relationship with Defendant NTT Leasing is the same as the one between a lease company and a mere lessee (user). Therefore, Defendant NTT Leasing's act of leasing the Programs to Defendant Billing Solution, etc. constitutes an act of renting out to the public, which should be considered to be infringement of the plaintiff's right to rent out.

Even if, as alleged by the defendants, the relationship between Non-party Association and Defendant Billing Solution is so close that the two parties can be considered to be identical, such close relationship cannot provide grounds to deny the allegation that the lessees (users) of the Programs should be regarded as the "public" in relation to the lease company, even supposing that such close relationship may be presented as a part of the allegation that there were special circumstances under which the act of changing lessees without the plaintiff's consent would not constitute a violation of the License Agreements (although such special circumstances did not exist in this case).

On these grounds, the allegation that Defendant Billing Solution, etc. cannot be regarded as the "public" specified in Article 26-3 of the Copyright Act is unacceptable.

(2) Act of joint tort

The plaintiff alleged that, while Defendant NTT Leasing's act of allowing Defendant Billing Solution to use the Programs constitutes the aforementioned infringement of the right to rent out, said act could also constitute an act of joint tort committed by Defendant Billing Solution.

However, in the Copyright Act, in light of the facts that, although certain types of lease are specified as infringement of a copyright (right to rent out), no provisions specify what act of the lessee would constitute copyright infringement and that Article 113, paragraph (2) of the Copyright Act specifies that an act of using an illegally made copy of a computer program work would constitute copyright infringement only if the infringer has acquired the authority to use the copy with the awareness that the copy was illegally reproduced, and even if the right to rent out a computer program work has been infringed, the lessee's act alone would not constitute copyright infringement. Only if the lessee acquires a leased object with the awareness that the lessor leased the object without due authorization, would the lessee be considered to have assisted the lessor's act with the awareness of the nature of the lessor's act and would be held liable as a joint tortfeasor in some cases.

Based on a comprehensive evaluation of all of the evidence submitted to this case,

Defendant Billing Solution cannot be considered to have acquired from Non-party Association the transfer of the status under a lease agreement with the awareness that Defendant NTT Leasing had no authority to lease copies of the Programs. Therefore, the plaintiff's allegation that Defendant Billing Solution shall be held liable as a joint tortfeasor with regard to the infringement of the right to rent out is unacceptable.

(3) Infringement of the right of transfer and the right of reproduction

The plaintiff further alleged that the defendants infringed the plaintiff's right of transfer and right of reproduction for the Programs. However, based on all of the evidence submitted to this case, no transfer or reproduction of the original or a copy of the Programs can be found to have been conducted.

Therefore, the plaintiff's claim made based on infringement of the right of transfer and the right of reproduction is groundless.

4. Issue (4) (whether the defendants' act constitutes nonperformance or a general act of tort)

(1) As found in 2 above, in the License Agreements, the plaintiff permitted Defendant NTT Leasing to lease the Programs only to Non-party Association as a user and prohibited Defendant NTT Leasing from leasing them to any party other than Non-party Association without the plaintiff's consent. It can be said that Defendant NTT Leasing's act of changing the user from Non-party Association to Defendant Billing Solution without the plaintiff's consent goes beyond the aforementioned scope of the licenses granted to Defendant NTT Leasing under said agreements. Thus, it is clear that Defendant NTT Leasing's act of approving the Agreement on the Assignment of Rights and Obligations and leasing the Programs constitutes nonperformance as well.

The plaintiff alleged that the aforementioned nonperformance was committed jointly with Defendant Billing Solution and that Defendant Billing Solution should be held liable for an act of tort committed by infringing a third party's credit. However, an act of preventing a creditor from fully recovering its credit would not be regarded as an act of tort unless it is considered to have been intentional, except for the case where the ownership of the credit itself is infringed or where the contractual obligation is extinguished. Based on all of the evidence submitted to this case, when Defendant Billing Solution received a lease of the Programs from Defendant NTT Leasing, it cannot be said that Defendant Billing Solution was aware that the Programs were leased in violation of the License Agreements. Therefore, the plaintiff's allegation that Defendant Billing Solution committed an act of tort committed by infringing a third party's credit is groundless.

(2) Furthermore, the plaintiff alleged that Non-party Association's suspension of the use

of the Programs would naturally result in the termination of the License Agreements because said Agreements can no longer achieve their purposes and that the subsequent lease of the Programs from Defendant NTT Leasing to Defendant Billing Solution can be considered to be a completely unauthorized act constituting an act of tort. However, as stated in the section titled "Facts on which the decision is premised" above (No. 2, 1), paragraph 10 of the License Agreements specifies that the licensee may change the user of the program products after a discussion with the licensor. This means that the License Agreements are designed to be also applicable to the case where another party replaces Non-party Association as a user. Thus, it cannot be interpreted that Non-party Association's suspension of use of the Programs would naturally result in the termination of the License Agreements. Therefore, the aforementioned allegation of the plaintiff is unacceptable.

(omitted)

7. Conclusion

On these grounds, there are grounds for the plaintiff's claim to the extent that the defendants shall jointly pay 10,341,270 yen to the plaintiff and that Defendant Billing Solution shall pay the plaintiff delay damages accrued thereon at a rate of 5% per annum from December 18, 2003 (the date following the date of service of the plaintiff's written belief (11) concerning expansion of the plaintiff's claim to the defendant) until the date of full payment, while Defendant NTT Leasing shall also pay the plaintiff delay damages at a rate of 5% per annum for each of the three parts of the entire amount from the following dates until the date of full payment, i.e., delay damages for 5,092,386 yen of the entire amount starting from August 1, 2001, and delay damages for 5,092,386 yen of the entire amount starting from September 1, 2001, and delay damages for 156,498 yen of the entire amount starting from October 1, 2001.

Thus, the judgment shall be rendered in the form of the main text.

Tokyo District Court, 46th Civil Division

Presiding judge: MIMURA Ryoichi

Judge: MATSUOKA Chiho

Judge OSUGA Hiroyuki is not eligible to sign and seal this judgment due to transfer.

Presiding judge: MIMURA Ryoichi

(omitted)

(Attachment)

List of Works

1. FD/MT Conversion Device Software
2. FD/MT Conversion Device (R9-2)
3. R11-1PRIME Medium Conversion Software Development
4. PRIME Medium Conversion Software Development
5. Business MT-FD Conversion Device Software
6. Business SUNLINK
7. Missing
8. Business Corporate General R9-2 Software
9. Business R10-2PRIME