

Date	August 27, 2014	Court	Intellectual Property High Court, Second Division
Case number	2014 (Ne) 10016		
<p>– A case in which the appellant claimed compensation and damages in tort of infringement of a patent right; [i] with regard to the existence of an infringement, the court found that the products sold by the appellee fulfill the constituent features of the patented invention, contrary to the determination of the court of prior instance that rejected the fulfillment; [ii] with regard to the amount of damages, the court found a higher royalty rate than that found in the judgment in prior instance in calculating the amount of compensation; based on these findings, the court partially modified the judgment in prior instance.</p>			

Reference:

Article 65, paragraph (1), proviso to Article 102, paragraph (1), and Article 102, paragraph (2) of the Patent Act

Numbers of related right, etc.:

Patent No. 4589432; Patent No. 5164438

1. Background, etc.

In this case, the appellant alleged that the products (cosmetics) manufactured and sold by the appellee fall under the technical scope of the appellant's patented invention (title of the invention: "composition for preparing carbon dioxide preparation for external use"; hereinafter referred to as the "Patented Invention"), and claimed payment of [a] part of compensation for the period prior to the registration establishing the patent right under Article 65, paragraph (1) of the Patent Act (16,000,000 yen) and [b] part of compensation for damages in tort, etc. sustained as a result of the aforementioned manufacture and sale of the products by the appellee after the registration establishing the patent right (34,000,000 yen; of which 3,000,000 yen is the amount equivalent to the attorney's fees), as well as [c] delay damages (calculated at the rate of 5% per annum) accrued on 50,000,000 yen, which is the total of [a] and [b].

[i] With regard to the existence of an infringement, for some of the defendant's products, the court of prior instance did not find the fulfillment of the constituent features of the Patented Invention or the fact of sale. [ii] With regard to the amount of damages, the court of prior instance calculated the amount of compensation and damages by setting the royalty ratio for the appellant's Patented Invention at five percent and the profit rate for the sale of the defendant's products at 20 percent, and partially upheld the appellant's claims to the extent of claiming payment of 803,800

yen and delay damages accrued thereon.

The appellant filed this appeal against the judgment in prior instance.

2. Issues

[i] With regard to the existence of an infringement, the issues are [i-1] whether Defendant's Products (f), (g), (h), and (i) fall under the technical scope of the Patented Invention and [i-2] whether the products with the same name as that of Defendant's Products (b) or (e), which the appellee sold in and after 2011, (the parties do not dispute the point that Defendant's Products (b) and (e) fall under the technical scope of the Patented Invention) fall under the technical scope of the Patented Invention. [ii] With regard to the amount of damages, the issues are [ii-1] the amount of damages sustained as a result of manufacture and sale of the defendant's products (whether Defendant's Products (c) and (h) had been sold, calculation under Article 102, paragraph (2) of the Patent Act, and calculation under Article 102, paragraph (3) of said Act), [ii-2] the amount of compensation, and [ii-3] the amount of damages equivalent to the attorney's fees.

3. Summary of the court decision in this judgment

(1) In this judgment, [i] with regard to the existence of an infringement, the court ruled that Defendant's Products (f), (g), (h), and (i) do not fall under the technical scope of the Patented Invention. [ii] With regard to the amount of damages, the court ruled that there is no sufficient evidence to find the fact of sale of Defendant's Product (c) (it is not necessary to determine the fact of sale of Defendant's Product (h) because the product does not fulfill the constituent features of the Patented Invention). Based on these rulings, the court maintained the determinations in the judgment in prior instance regarding these points.

On the other hand, the court modified the judgment in prior instance with regard to the fulfillment of the constituent features of the Patented Invention by the aforementioned products with the same name as that of Defendant's Product (b) or (e), the amount of damages sustained as a result of the manufacture and sale of the defendant's products, the amount of compensation, and the amount of damages equivalent to the attorney's fees.

(2) The major points in the judgment in prior instance where the court made modifications are as follows.

A. Fulfillment of the constituent features of the Patented Invention by the products with the same name as that of Defendant's Product (b) or (e)

As the defendant's products are cosmetics, their components and ratios by weight have an important meaning as the main factors of customer attraction and can be

regarded as those factors that characterize each product and distinguish it from other products. Taking this into account, the products that have the same name as one of the defendant's products can be supposedly recognized as being the same as the relevant defendant's product in the components and ratios by weight and as falling under the technical scope of the Patented Invention. Therefore, the products with the same name as that of Defendant's Products (b) or (e) can be supposedly recognized as falling under the technical scope of the Patented Invention.

The appellee alleges that it changed components to avoid the infringement of the patent right for the Patented Invention. However, there is no sufficient evidence to find such fact.

B. Compensation

The appellant alleges that the royalty rate should be 10 percent. However, a reasonable royalty rate is seven percent.

(3) Moreover, the appellee pointed out that the products manufactured and sold by the appellant in which the Patented Invention is worked fall under products infringing a third party's patent right (title of the invention: "carbon dioxide percutaneous/transmucosal absorption composition"), and alleged that this fact falls under the circumstances prescribed in the proviso to Article 102, paragraph (1) of the Patent Act. On that basis, the appellee asserted the reduction of the amount of damages and the amount of compensation.

In this judgment, the court first ruled that the amount of damages is calculated under Article 102, paragraph (2) of the Patent Act and that it is not reasonable to consider that the proviso to Article 102, paragraph (1) is applicable or applicable *mutatis mutandis* to said calculation. The court then ruled as follows: The circumstance pointed out by the appellee may fall under the circumstance that completely annihilates a presumption set forth in Article 102, paragraph (2) of said Act; however, there is no sufficient evidence to find occurrence of a situation where the sale and manufacture of the products in which the Patented Invention is worked is hindered, such as the aforementioned third party's request for discontinuance of manufacture and sale of the products, though some of the products certainly fall under products infringing the patent right of said third party. Therefore, said circumstance cannot be regarded as one that completely annihilates said presumption.

(4) In conclusion, the court changed the judgment in prior instance by upholding the appellant's claims to the extent of claiming payment of the total of 1,454,200 yen, consisting of damages of 979,800 yen, compensation of 344,400 yen, and the amount of damages equivalent to the attorney's fees of 130,000 yen, as well as delay damages

accrued thereon.

In calculating the amount of damages equivalent to the attorney's fees, the court took into account the upheld amount of compensation according to the upheld amount of damages in tort.