

Judgments of Osaka District Court, 26th Civil Division

Date of the Judgment: 2005.10.24

Case Number: 2005 (Wa) No.488

Title (Case):

A case wherein the court, by analogical application of Article 112, para.1 of the Copyright Act, upheld the claim for an injunction against an indirect act of infringement that did not directly infringe neighboring rights but would almost necessarily result in infringement

Summary of the Judgment:

In this case, the plaintiffs, five private television broadcasting organizations located in Osaka

City, allege that the hard disk video recorder system for television broadcast programs that the defendant is selling for apartment houses/condominiums (the product name:

“Yoridori-midori”) is used exclusively for infringing the copyrights held by the plaintiffs as authors of television programs (right of reproduction and right of public transmission) as well as neighboring rights held by the plaintiffs as broadcasting organizations (right of reproduction and right of making transmittable), and seek an injunction to stop the use and sale of the system and request the destruction of the system.

According to the facts found by the court, the system sold by the defendant is to be installed by the owner of an apartment house or (in the case of a condominium owned by unit owners) by the management association. It consists of a server, which comprises a tuner for receiving television broadcast signals and a hard disk for recording, and of viewers and controllers for use by individual users (up to about 50 viewers per server). The server is installed in the common area of the condominium, while the viewers and controllers are installed in individual units. By the command for timer recording sent by each viewer, the program is recorded on the hard disk of the server (even where two or more viewers send a command to record the same program, the program is recorded only on one section of the hard disk), and by the command for playing sent by each viewer, the recorded program is played via the viewer (viewers that have not sent the command to record a program are unable to send a command to play the program). Each viewer can send two modes of timer recording command, i.e.

“individual timer recording” to record only selected programs, and “blanket timer recording” to record all programs aired on five channels within a week, and each user can choose either mode for each viewer. The programs recorded by either mode are stored for a week, and they will automatically be deleted after this period.

There are various points at issue in this case, including the following: (i) whether

or not it is appropriate for the plaintiffs to claim an injunction based on copyrights; (ii) whether or not it can be regarded that broadcasts were made transmittable by the defendant's system; (iii) whether or not the defendant can be deemed to be the entity who reproduces sounds and images of broadcasts and makes them transmittable by using the defendant's product; (iv) whether or not, if the defendant cannot be deemed to be the entity who reproduces broadcasts and makes them transmittable, it is possible to claim an injunction to prohibit the defendant from selling the defendant's system; (v) whether or not reproduction of sounds and images of broadcasts through the use of the defendant's system can be legitimated as reproduction for private use.

Regarding (i), the court dismissed the plaintiffs' claim based on the copyright that they insist to have on some of their programs because of the lack of sufficient allegation or proof of existence of such copyright (therefore, the court focused on issues relating to neighboring rights).

Regarding (ii), the court assumed that in the system that the defendant was selling for condominiums, at least ten viewers would be connected to one server, which suggests that the system would be used by people in at least ten households (this means that the number of users would exceed ten). Then, the court concluded that this number of users was large enough to call them "public" as used in the definition of the term "public transmission," and, in light of the definitions of the terms "interactive transmission" and "making (works) transmittable," affirmed that broadcasts were made transmittable by the defendant's system. Regarding (iii), while recognizing that the defendant was engaged in selling the system rather than directly reproducing broadcasts or making them transmittable, the court explained an established principle that where the defendant manages and/or controls the actual process of reproducing broadcasts or making them transmittable and made a profit from such activities, the defendant can be regarded, from the perspective of regulation under the Copyright Act, as being equal to the person directly engaged in reproducing broadcasts or making them transmittable, and therefore can be deemed to be the entity who reproduces broadcasts or makes them transmittable. The court then determined that according to the facts found on the operation and maintenance of the system sold by the defendant, the defendant's maintenance services after sales remained within the bounds of ordinary maintenance services for electrical appliances, so the defendant cannot be deemed to take charge of the management and control of the system after sales. The court further pointed out that the defendant made a profit from the sale of the system but not from the operation of the system, and it was not clear whether the defendant was able to make a large profit under a maintenance contract.

Consequently, the court concluded that the defendant cannot be deemed to be the entity who reproduces broadcasts and makes them transmittable.

Regarding (iv), holding that the term "person who infringes or is likely to

infringe” neighboring rights as provided for in Article 112, para.1 of the Copyright Act refers to the entity who commits an act of infringement of neighboring rights, the court stated that an indirect act could not be regarded as an act of infringement, even if the act was actually and specifically as likely to infringe the rights as a direct act of infringement.

However, the court also found the following facts. Comparing “individual timer recording” and “blanket timer recording,” there is no benefit in choosing the former, and therefore users are reasonably expected to choose the latter. In light of the circumstances until this lawsuit was filed and the plaintiffs’ arguments and activities in court, the plaintiffs had no intention to give authorization to reproduce broadcasts or make them transmittable by the system sold by the defendant, and in the plaintiffs’ service areas (according to the facts found by the court, four out of the five plaintiffs cover six prefectures in the Kansai region, and the remaining one only covers Osaka Prefecture), there seems to be no practical usage of the defendant’s system that will not infringe the plaintiffs’ neighboring rights. Based on the facts thus found, the court held as follows.

(i) If the defendant sells the system within the plaintiffs’ service areas, the use of the system will almost necessarily result in infringement of the plaintiffs’ neighboring rights.

(ii) Judging from the generally accepted idea, it is impossible to avoid such infringement unless it is stopped by an injunction issued by the court to the person who has installed the defendant’s system, and since the plaintiffs’ service areas cover a significantly wide range in which a large number of condominiums are located, it is practically impossible to stop infringement by such injunction order. (iii) On the other hand, it is easy for the defendant to stop selling the system. (iv) In such a case, the defendant would lose profit from sales, but the defendant’s interest in its sales profit is less worthy of protection because the use of the system sold by the defendant would cause infringement of the plaintiffs’ neighboring rights.

Based on the above reasoning, the court determined that in the context of the claim for an injunction against infringement, the defendant’s selling of the system can be regarded as being equal to a direct act of infringement, and the defendant who committed the selling can be regarded as being equal to the “person who infringes or is likely to infringe” neighboring rights.

Consequently, by analogically applying Article 112, para.1 of the Copyright Act by analogy, the court concluded that an injunction may be claimed against the defendant’s selling of the system.

Regarding (v), the court held that the entity who reproduced sounds and images of broadcasts by the system sold by the defendant was the person who installed the system, whereas the users of the reproduced sounds and images of broadcasts were the people who lived in individual units where viewers were installed, and therefore, because of

such separation between the entity who reproduced broadcasts and the users of reproduced broadcasts, reproduction in this case cannot be deemed to be reproduction for private use. The court also held that since the system sold by the defendant was an automatic reproducing machine as provided for in Article 30, para.1, item 1 of the Copyright Act, and each server in the system was used by so large a number of people as to be called “public” as prescribed in the said item, reproduction conducted through the use of the system sold by the defendant, anyway, could not be legitimated as reproduction for private use.

Consequently, while limiting the geographical scope where the plaintiffs may claim an injunction against the defendant’s selling of the system based on their neighboring rights to their respective service areas, the court upheld the plaintiffs’ claim for an injunction to the extent of stopping the sale of the system within such scope (six prefectures in the Kansai region for four out of the five plaintiffs, and Osaka Prefecture for the remaining one plaintiff), and dismissed their claim for an injunction to stop the use of the system and destroy the system as well as an injunction to stop the sale of the system in areas other than the plaintiffs’ service areas.

In this case, while stating that an indirect infringement of neighboring rights could not constitute an act of infringement, the court upheld a claim for an injunction against such an indirect act, by analogically applying Article 112, para.1 of the Copyright Act, on the grounds that the act would almost necessarily result in infringement, it was practically impossible to stop direct infringement whereas it was easy to stop indirect infringement, and the interest that might be harmed by an injunction against the indirect infringement was less worthy of protection. For these reasons, this judgment will have a certain impact on the ongoing discussions on how to regulate indirect infringement under the Copyright Act.

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