

Date	January 24, 2012	Court	Intellectual Property High Court, First Division
Case number	2010 (Ne) 10032 and 2010 (Ne) 10041		

– A case in which the court determined that the judgment in prior instance is reasonable in that it ruled that it is not allowed to additionally claim the amount equivalent to a royalty under Article 102, paragraph (3) of the Patent Act, in relation to the amount deducted based on the "circumstances under which" the plaintiff in the first instance (the "Plaintiff") "would have been unable to sell," as prescribed in the proviso to paragraph (1) of said Article, and found that the ratio after the deduction under the proviso to paragraph (1) of said Article is 20% in consideration of the degree of the contribution of the patent in question (the "Patent") and on the premise that the ratio should be 40% of the ratio, as found in the judgment in prior instance. Based on this finding, the court modified the judgment in prior instance.

References: Article 70 and Article 102, paragraphs (1) and (3) of the Patent Act

The Plaintiff, who has a patent for an invention titled, "solid golf ball," asserted that the goods imported and sold by the defendant in the first instance (the "Defendant") constitute infringement of the aforementioned patent. Based on this assertion, the Plaintiff filed this action to seek payment of 5,677,862,000 yen in total, as damages, and the refund of unjust enrichment with delay damages accrued thereon.

Incidentally, the Plaintiff initially also claimed an injunction. However, the Plaintiff withdrew the claim for an injunction because the duration of the aforementioned patent expired while the first instance was pending.

In the judgment in prior instance, the court determined that [i] the import and sale of the products by the Defendant constitutes infringement of the Plaintiff's aforementioned patent, that [ii] the aforementioned patent has no reasons for invalidation, such as lack of inventive step, and that [iii] the amount of damages, etc. incurred by the Plaintiff would be 1,786,204,028 yen in total with delay damages accrued thereon.

The Defendant appealed against the judgment, and the Plaintiff also filed an incidental appeal, asserting that the judgment in prior instance is unreasonable as it denied overlapping application of Article 102, paragraphs (1) and (3) of the Patent Act.

Incidentally, while the appeal instance was pending, the Intellectual Property High Court rendered a judgment dismissing the claim on the action that the Defendant had instituted to seek rescission of the JPO decision on the grounds that the Patent has reasons for invalidation, and the judgment became final and binding thereafter. Consequently, the Defendant withdrew its assertions concerning invalidity in the

principal action.

In this judgment, the court upholds the finding in the judgment in prior instance in relation to fulfillment of the requirements. In relation to damages, the court first found, as shown below, that the ratio after the deduction, based on the provisions of the proviso to Article 102, paragraph (1) of the Patent Act, "circumstances under which" the Plaintiff "would have been unable to sell," is 20% in consideration of the degree of contribution of the Patent and based on the premise that the ratio should be 40% of the ratio as found in the judgment in prior instance.

"The Patent which is characterized by using a specific chemical substance for the core ball part of a golf ball is not necessarily considered as being directly linked to the benefits of the product (golf ball) as a whole. Therefore, the contribution ratio of the Patent is taken into consideration when applying the proviso to Article 102, paragraph (1) of the Patent Act.

Then, ... in the golf ball market in Japan, the Plaintiff and the Defendant had the biggest and the third biggest share, respectively, from 2003 to 2007. Assuming the market excluding the Defendant, the Plaintiff's share is over about 40%. On the other hand, in the United States, Acushnet Company had the biggest share in the golf ball market around 2005, and it also has a very big profile in Japan, owing to advertising, etc.

Moreover, as mentioned above, a golf ball is called a bundle of patents, and many patents are used for the Plaintiff's golf ball, in addition to the Patent. The Patent is characterized by forming the core ball part of a golf ball with a rubber composition that contains a specific chemical substance and is intended to further improve flying performance.

In addition, for a golf ball, not only the core (core ball) but also the cover and the dimples are important. In terms of the performance of a golf ball, not only flying performance, but also performance relating to spin, hitting angle, and dimples, etc. is important.

Comprehensively taking into account the conditions mentioned above, the contribution ratio of the Patent is found to be 50%. In this action, it is reasonable to find that the ratio after the deduction according to the number of articles not able to be sold due to "circumstances under which" the Plaintiff "would have been unable to sell" is 20% in consideration of the contribution ratio of the Patent, 50%, and on the premise that the ratio should be 40% of the ratio as found in the judgment in prior instance."

Furthermore, in this judgment, the court determined, as shown below, that it is not allowed to additionally claim the amount equivalent to a royalty under Article 102,

paragraph (3) of the Patent Act in relation to the amount deducted pursuant to the proviso to paragraph (1) of said Article. "Damages for a patent infringement are basically to cover the right holder's profits lost due to the act of infringement. Paragraphs (1) to (3) of said Article provide for a calculation method specified by the Patent Act for that purpose. Therefore, damages for an act of infringement during a specific period should be in principle decided by one formula. The amount of damages found under paragraph (1) of said Article is the ceiling on lost profits, and there is no reason for finding the amount equivalent to a royalty as damages in relation to the number of articles which the patentee, etc. would have been unable to sell, by further applying paragraph (3) of said Article.

In addition, the amount equivalent to a royalty set forth in paragraph (3) of said Article should be consistently understood as being intended to deem lost profits to be a compensation for working in cases where it is impossible to assert profits lost due to relevant transactions.

As a result, where any reduction in the number of articles sold for which a cause-and-effect relationship can be found with the act of infringement is recognized in calculating the amount of damages under paragraph (1) of said Article, that number of articles represents the assessment of the patentee's product in the market. The number of articles sold for which no cause-and-effect relationship can be found has not been assessed in the market, and it should be considered that all lost profits of the right holder have been completely assessed in the calculation."

Furthermore, in this judgment, the court ruled that the ratio of a royalty prescribed in Article 102, paragraph (3) of the Patent Act (not the part after the deduction under the proviso to paragraph (1), but the part for which the extinctive prescription had been originally completed) as found in the judgment in prior instance, 5%, is excessively high, and found that the ratio is 3%.

On the premise of these, the court ruled that the amount of damages, etc. incurred by the Plaintiff is 921,524,055 yen in total with delay damages accrued thereon.