Date	November 19, 2015	Court	Intellectual Property High Court, Fourth Division
Case number	2013 (Ne) 10051		

– A case in which the court applied Article 102, paragraph (1) of the Patent Act to the defendant's act of newly creating plate cylinders that embody the patented invention related to surface roughness by processing the existing plate cylinder.

– The "circumstances under which the patentee or the exclusive licensee would have been unable to sell" as specified in the proviso to Article 102, paragraph (1) of the Patent Act means any circumstances that weaken the proximate causation between the act of infringement and the decrease in the sales of the products of the patentee, etc. Such circumstances include the existence of competing goods in the market, the marketing efforts by the infringer (brand power, advertisement activities), the qualities of the infringing goods (the characteristics such as functions and designs that do not exist in the patented invention), and the non-identity in terms of the targeted market (prices, sales method). The infringer shall shoulder the burden of proof with regard to the aforementioned matters.

References: Article 102 of the Patent Act

Number of related IP right, etc.: Patent No. 3790490, Patent No. 2137621

Summary of the Judgment

This is a case where [i] the appellant alleged that the appellee's act of manufacturing, selling, or otherwise handling Defendant Product 1 constitutes infringement of the appellant's Patent Right 1 for an invention titled "print quality management apparatus and printer" and sought an injunction against the appellee's act of manufacturing, selling, or otherwise handling Defendant Product 1 under Article 100, paragraph (1) of the Patent Act and simultaneously demanded that the appellee shall dispose of Defendant Product 1 under paragraph (2) of said Article, and also demanded payment of five million yen as partial damages under Article 709 of the Civil Code and Article 102, paragraph (3) of the Patent Act, and [ii] the appellant alleged that the appellee's act of having manufactured, sold, or otherwise handled Defendant Product 2 constitutes infringement of the appellant's Patent Right 2 for an invention titled "plate cylinder for an offset rotary press" and demanded against the appellee payment of 240 million yen as partial damages under Article 709 of the Civil Code and Article 102, paragraphs (1) to (3) of the Patent Act.

In the judgment in prior instance, the court dismissed all of the appellant's claims by holding that [i] on the grounds that Defendant Product 1 does not fall within the technical scope of the invention that is described in Claim 1 and protected by Patent Right 1, the appellee's act of manufacturing, selling, or otherwise handling Defendant

Product 1 does not constitute infringement of Patent Right 1, and that [ii] while Defendant Product 2 falls within the technical scope of the invention that is described in Claim 1 and protected by Patent Right 2 ("Invention 2"), Patent 2 should be invalidated in a trial for patent invalidation and therefore that the appellant shall not exercise its rights based on Patent 2 against the appellee.

Dissatisfied with the judgment in prior instance, the appellant filed this appeal. Subsequently, the JPO decision to permit corrections was finalized with regard to Claim 1 of Patent 2.

In this judgment, the court modified the judgment in prior instance by holding that [i] the court upholds the judgment in prior instance with regard to the claim made based on Patent Right 1, and that [ii] with regard to the claim made based on Patent Right 2, since Defendant Product 2 should be considered to fall within the technical scope of Corrected Invention 2, and Patent 2 shall not be invalidated in a trial for patent invalidation. Based on these holdings, the court determined the amount of damage as follows in summary.

"A. Issue of whether Article 102, paragraph (1) of the Patent Act is applicable to Defendant Products 2 (2) and (3)

(A) It would be reasonable to interpret that, even in the case of an act of processing a product or replacing a part thereof, said act would constitute infringement as long as it can be regarded as "production" of a patented product (Article 2, paragraph (3), item (i) of the Patent Act), i.e., newly creating a patented product, by taking various factors into consideration such as business practices, etc. as well as the type of the product, the details of the patented invention, and the manner of processing the product and replacing a part thereof.

Corrected Invention 2 is an invention of a plate cylinder for an offset rotary press designed to prevent the trouble of misregistration by adjusting the surface roughness of the plate cylinder within the range of 6.0 μm≦Rmax≦100 μm to increase the friction coefficient between the printing plate and the plate cylinder.

Meanwhile, the appellee performed the hairline processing of the surface of the plate cylinder for Defendant Products 2 (2) and (3) to make repetitive hair-thin scratch marks by polishing the metal surface (plate cylinder) in one direction. This processing was performed to increase the surface roughness from Rmax 6.0 μm or lower to 10 μm or so. Therefore, the aforementioned processing can be considered to be an act of newly producing a plate cylinder embodying Corrected Invention 2, which adjusted its surface roughness within the range of 6.0 μm≦Rmax≦100 μm.

Therefore, the appellee's act of processing Defendant Products 2 (2) and (3) should

be considered to constitute "production" specified in Article 2, paragraph (3), item (i) of the Patent Act.

(B) The appellee received from customers an order for the fee-based service of hairline processing of the defendant's products, newly produced plate cylinders embodying Corrected Invention 2, and delivered them to customers. Therefore, since the appellee's act can be considered to have deprived the appellant of sales opportunities, Article 102, paragraph (1) of the Patent Act should be considered to be applicable to Defendant Products 2 (2) and (3) as well.

(C) The appellee alleged that, in light of the burden imposed on customers as a result of additional processing of plate cylinders and the burden imposed on customers as a result of replacement of their plate cylinders with the appellant's products, it is not realistic to consider that the customers of the rotary presses manufactured by the appellee disposed of the existing plate cylinders and purchased the appellant's products solely for the purpose of obtaining plate cylinders embodying Corrected Invention 2.

However, (omitted) it is impossible to deny the possibility that some users of the rotary presses manufactured by the appellee who faced the trouble of misregistration purchased products manufactured by the appellants in order to avoid the trouble. The aforementioned circumstances alleged by the appellee should be taken into consideration under the proviso to Article 102, paragraph (1) of the Patent Act.

B. Amount of damage calculated under Article 102, paragraph (1) of the Patent Act

(A) Article 102, paragraph (1) of the Patent Act specifies the method to calculate the amount of damage when demanding payment of damages for the lost earnings due to the decreased sales volume under Article 709 of the Civil Code. The main text of said paragraph specifies that the amount of damage may be presumed to be the amount of profit per unit of the articles which would have been sold by the patentee, etc. if there had been no such act of infringement, multiplied by the quantity of articles assigned by the infringer, the maximum of which shall be the amount attainable by the patentee, etc. in light of the capability of the patentee, etc. to work the invention. The proviso to said paragraph specifies that, if the infringer proves the existence of any circumstances under which the patentee, etc. would have been unable to sell the assigned quantity in whole or in part, the amount calculated in consideration of the number of articles left unsold due to such circumstances shall be deducted. The purpose of this provision is to transfer the burden of proof for the loss of sales volume proximately caused by an act of infringement. In other words, to improve the previous situation where the damage was fully recognized or completely denied, this provision was established so that the loss of sales volume can be recognized in a more flexible manner.

In light of the wording and the aforementioned objective of Article 102, paragraph (1) of the Patent Act, the 'articles which would have been sold by the patentee, etc. if there had been no such act of infringement' mean any products of the patentee, etc. that would be affected by the act of infringement in terms of sales volume. In other words, it should be interpreted that said articles merely mean any products of the patentee, etc. that are competing with the infringing goods in the market. Furthermore, the 'amount of profit per unit' means the amount calculated by subtracting from the sales price of the products of the patentee, etc. the manufacturing costs and the variable costs that will increase in accordance with the sales volume of the products (marginal profits). It should be interpreted that the patentee shall bear the burden of allegation and proof with regard to the aforementioned amount as well as the capability of the patentee, etc. to work the invention.

Meanwhile, the infringer shall bear the burden of allegation and proof with regard to the 'circumstances under which the patentee, etc. would have been unable to sell' the assigned quantity in whole or in part. If the existence of such circumstances is proved, the amount calculated in consideration of the number of articles left unsold due to such circumstances shall be deducted. The 'circumstances under which the patentee, etc. would have been unable to sell' mean any circumstances that weaken the proximate causation between the act of infringement and the decrease in the sales of the products of the patentee, etc. Such circumstances include the existence of competing goods in the market, the marketing efforts by the infringer (brand power, advertisement activities), the qualities of the infringing goods (the characteristics such as functions and designs that do not exist in the patented invention), and the non-identity in terms of the targeted market (prices, sales method).

(B) Interpretation of the 'amount of profit per unit of articles which would have been sold by the patentee, etc. if there had been no such act of infringement'

Since the appellant's products mentioned in Transaction Examples 1 to 3 compete with the defendant's products in the market, these products of the appellant can be regarded as 'articles which would have been sold by the patentee, etc. if there had been no such act of infringement' as specified in Article 102, paragraph (1) of the Patent Act.

(C) Capability of the patentee, etc. to work the invention

a. Article 102, paragraph (1) of the Patent Act specifies that the amount of damage sustained by the patentee, etc. may be presumed to be the amount of profit per unit of articles which would have been sold by the patentee, etc. if there had been no such act of infringement, multiplied by the quantity of articles assigned by the infringer in light of the capability of the patentee, etc. to work the invention. Even if the capability of the

patentee, etc. to work the invention does not actually exist during the period when the act of infringement is committed, it should be interpreted that the capability of the patentee, etc. to work the invention can be deemed to exist if the patentee, etc. has a latent capability to supply their products in response to the additional demand for the products that would have arisen if there had been no infringement during the period in which the act of infringement was being committed or during the period immediately before or after such period.

b. Appellant's latent capability to work the invention

(omitted) As of the time of the act of infringement, the appellant may be considered to have a capability to supply the appellant's products in response to the additional demand for the products that could have been generated if there had been no such act of infringement.

(D) Amount calculated by multiplying the amount of profit per unit of articles by the assigned quantity

The amount calculated by multiplying the amount of profit per unit of articles by the assigned quantity is XXX in total as shown by the following calculation formula. (omitted)

(E) Existence or non-existence of circumstances under which 'the patentee, etc. would have been unable to sell the assigned quantity'

(omitted) In addition to some cases where the appellant conducted a plate cylinder-related transaction that does not involve any sale of a rotary press (Transaction Examples 1 to 3), there were other cases where another company made a request through a website for a transaction involving only a plate cylinder. Moreover, the appellee performed expansion work on Defendant Rotary Presses 2 (2) and (3) and conducted a plate cylinder-related transaction that does not involve any sale of a rotary press. In light of these facts, it cannot be found that it is impossible to even imagine a transaction involving only a plate cylinder without any sale of a rotary press.

However, the following facts can be found. [i] Apart from Corrected Invention 2, there was another sufficiently effective means of solving the trouble of misregistration (adjusting the surface roughness (Rmax) of the plate cylinder within the range of 1.0 μm ≦Rmax≦6.0 μm). [ii] The appellee is a manufacturer of rotary presses whose market share is only second to the appellant as of the time of the processing of the defendant's products and was enjoying a good reputation from customers for its technical and marketing capabilities. [iii] The plate cylinder is one of the many parts comprising the press unit of a rotary press. It would take time and money to risk introducing the appellant's products to Defendant Rotary Press 2. In consideration of the fact that the

appellee received an order for expansion work on Defendant Product 2 (2) in around September 2010 and received such order for Defendant Product 2 (3) in around October 2010, although Patent 2 was going to expire on March 26, 2011, if the appellant decided to manufacture and sell the appellant's products to be introduced to Defendant Rotary Presses 2 (2) and (3), it would take a long time to actually manufacture plate cylinders and deliver them to customers. [iv] In comparison with the costs to be shouldered by customers who performed hairline processing of Defendant Products 2 (2) and (3), it would cost more to introduce the appellant's products to Defendant Rotary Presses 2 (2) and (3).

Based on a comprehensive evaluation of these facts, it should be found that there were circumstances under which the appellant was unable to sell three-fourths of the assigned quantity of Defendant Products 2 (2) and (3)."