Patent Right	Date	May 26, 2023	Court	Intellectual Property High Court, Special Division
	Case number	2022 (Ne) 10046		
- A case in which, concerning an invention of a system equipped with multiple terminal devices connected to a server via a network, the court held that the act of newly creating a system, which consists of a server existing outside Japan and user terminals existing in Japan, is an act of working the above invention and falls under "production" as prescribed in Article 2, paragraph (3), item (i) of the Patent Act.				

Case type: Injunction, etc.

Result: Partial modification of the prior instance judgment, Partial appeal dismissed

References: Article 2, paragraph (3), item (i) of the Patent Act

Related rights, etc.: Patent No. 6526304

Summary of the Judgment

1. Background

The present case is one in which Appellant, who has the patent right (Patent Right) for the patent registered as Patent No. 6526304 with the title for the invention, "Comment Delivery System" (Patent), argued that the systems (Defendant's Systems) for online video delivery services with commentary (Defendant's Services), which are operated by Appellee Y1, a US corporation, belong to the technical scope of the invention claimed in the Patent, and that the act by Appellee Y1 of distributing, from the servers (Defendant's Servers) existing in the US for use for Defendant's Services, the files (Defendant's Files) pertaining to Defendant's Services to the user terminals existing in Japan, falls under "production" (Article 2, paragraph (3), item (i) of the Patent Act) of Defendant's Systems and infringes on Patent Right, and also argued that Appellee Y2 substantively engages in the above act jointly with Appellee Y1, thereby demanding against Appellee, et al., pursuant to Article 100, paragraphs (1) and (2) of the Patent Act, for an injunction against the distribution of Defendant's Files to the user terminals existing in Japan, and for deletion of the programs for Defendant's Servers, and for removal of Defendant's Servers, as well as for joint payment of a sum of 10,000,000 yen along with delay charges as part of compensation on the ground of joint tort of patent infringement.

In the prior instance, the court dismissed Appellant's claims entirely by determining as follows: Defendant's Systems satisfy all constituent features of the invention claimed by the Patent, and belong to the technical scope thereof; however, from the perspective of territorial principle, the court's interpretation is that in order for the "production" according to Article 2, paragraph (3), item (i) of the Patent Act to

be applicable, a product which satisfies all constituent features of the patented invention must be newly created in Japan; meanwhile, Defendant's Servers, which are constituent features of Defendant's Systems, all exist in the United States, and it is impossible for only the user terminals existing in Japan to satisfy all constituent features of the invention claimed by the Patent; as such, it cannot be acknowledged that Appellee, et al. "produced" Defendant's Systems in Japan; in addition, it cannot be acknowledged that Appellee Y2 was engaging in work related to Defendant's Services; accordingly, the court cannot acknowledge that infringement of Patent Right by Appellee, et al. took place.

Appellant, who was dissatisfied with the judgment of the prior instance, filed the Appeal, in which Appellant enlarged its claims this time by changing the part that concerns compensation and seeking a sum of 1,000,000,000 yen along with delay charges.

The main point of dispute in the present case is whether or not it can be said that the act performed by Appellee Y1 when Defendant's Systems were newly created falls under "production" (Article 2, paragraph (3), item (i) of the Patent Act) as an act of working the inventions of Claims 1 and 2 (Inventions) in the scope of claims for the Patent and infringes on the Patent Right.

In the present case, in connection with the point of dispute above, opinions of third parties were solicited for the first time as a process that was newly adopted after the revision of the Patent Act in 2021 to gather evidence (Article 105-2-11 of the Patent Act) concerning the "production" as an act of working an invention of a system whose server exists outside Japan, and many opinions were submitted as evidence.

2. Outline of Judgment

(1) In the judgment of the present case (Judgment), [1] concerning the claim made against Appellee Y1, the court acknowledged that there was infringement of Patent Right by Appellee Y1, and ordered an injunction against the distribution, in Defendant's Service 1, from Appellee Y1's server to the user terminals existing in Japan (hereinafter referred to as "Domestic User Terminals"), of video files and commentary files in a way that enables the comments, which appear in a video on a display device of a user terminal to be displayed in a certain manner, and also partially approved the claim within the extent of ordering for payment of a sum of 11,015,517 yen along with delay charges in compensation on the ground of tort, and dismissed the rest of the claim, and [2] concerning the claim made against Appellee Y2, the court dismissed it entirely.

(2) In the Judgment, the court ruled that the act by Appellee Y1 in Defendant's

Services falls under "production" (Article 2, paragraph (3), item (i) of the Patent Act) as an act of working the Inventions and thus the above act infringes on the Patent Right.

Of the above, the determination as to whether or not the act by Appellee Y1 in the FLASH version of Defendant's Service 1 falls under "production" as an act of working the Invention 1 is summarized below.

In the Judgment, the court ruled likewise for the "production" of systems in other Defendant's Services pertaining to Invention 1, and also for the "production" of systems in Defendant's Services pertaining to Invention 2.

A. Meaning of "production" in network-type system

Invention 1 is an invention of a comment delivery system which is equipped with multiple terminal devices connected to a server via network, and the invention type is a product invention. The court's interpretation is that "production" of a product as an act of working the invention (Article 2, paragraph (3), item (i) of the Patent Act) refers to an act of newly creating a product which belongs to the technical scope of an invention.

The court's interpretation is that "production" in an invention of a system (network-type system) which connects a server and terminals via the Internet or some other network, as in the case of Invention 1, and which performs a unified function as a whole, refers to an act wherein multiple elements, which singularly do not satisfy all of the constituent features of the invention, are organically related to one another via network connection to possess a function that satisfies all of the constituent features of said invention as a whole, thereby newly creating said system.

B. "Act of newly creating" the system (Defendant's System 1) pertaining to Defendant's Service 1

In the FLASH version of Defendant's Service 1, when a user specifies a webpage in Defendant's Service 1 in order to display a desired video on the browser of a user terminal in Japan, the web server of Appellee Y1 sends the HTML file and SWF file of the above webpage to the user terminal, and the files received by the user terminal are stored in the cache of the browser, and later, when the user presses a play button in said video on a webpage displayed on the browser on the user terminal, the browser sends a request to the video delivery server and comment delivery server of Appellee Y1 pursuant to the order stored in the above SWF file, and each of the above servers, by following said request, respectively sends a video file and comment file to the user terminal, and the user terminal which receives the above files will be able to overlay comments on the video on the browser. In this manner, at the point in time when a

user terminal receives the above files, Appellee Y1's above servers and the user terminal are connected via network using the Internet, so that it becomes possible to overlay comments on the video on the browser of the user terminal. As such, it can be said that Defendant's System 1, which is equipped with a function which satisfies all of constituent features of Invention 1, is newly created as of the point in time when the user terminal receives the above files (the above act of newly creating Defendant's System 1 is hereinafter referred to as "Production 1-1").

C. Applicability of "act of newly creating" Defendant's System 1 (Production 1-1) to "production" as prescribed in Article 2, paragraph (3), item (i) of the Patent Act

(A) The territorial principle in relation to patent rights means that the patent right of each country is prescribed by the law of such country in regard to the establishment, transfer, and effect, etc. of the patent right, and that the patent right is protected only in the territory of the country concerned. The court's interpretation is that the above principle also applies to the Patent Act of Japan.

In regard to Production 1-1, the files are sent from a server existing in the United States to user terminals in Japan, so that the receipt of the files by user terminals takes place across the United States and Japan. Also, Defendant's System 1, which is newly created, exists across the United States and Japan. As such, whether or not Production 1-1 falls under "production" according to Article 2, paragraph (3), item (i) of the Patent Act of Japan from the perspective of territorial principle is at issue.

(B) Today, in a network-type system, it is often commonly performed that the server is installed in a location overseas (outside Japan). The location of the server does not cause obstruction to the use of a network-type system. As such, even if a server constituting a network-type system, which is the allegedly infringing property, exists outside Japan, if the terminals constituting said system exist domestically (in Japan), it is possible to use the terminal to work the invention in Japan, and such use would affect the economic interests which can be obtained by a patent holder from working the invention in Japan.

In that case, the interpretation concerning an invention of a network-type system to the effect that the invention of a network-type system uniformly does not fall under "working" according to Article 2, paragraph (3) of the Patent Act in Japan, in strict compliance with the territorial principle and based on the reason that the server, which is a part of the elements constituting said system, exists outside Japan, allows for a situation wherein patent workaround becomes easily possible merely by installing a server outside Japan, thereby causing the protection to be given over the patent right pertaining to the invention of said system to be insufficient.

Accordingly, such interpretation is not justified.

On the other hand, the interpretation that the "working" according to Article 2, paragraph (3) of the Patent Act is uniformly applicable based on the reason that the terminal, which is a part of the elements constituting said system, exists in Japan, is to provide excessive protection over the patent right and may create a situation which obstructs economic activities, so that such interpretation is not justified, either.

When the above circumstances are taken into consideration, it is reasonable to interpret, concerning whether or not the act of newly creating a network-type system falls under "production" as prescribed in Article 2, paragraph (3), item (i) of the Patent Act from the perspective of appropriately protecting the patent right pertaining to the invention of a network-type system, that even in the case wherein the server, which is a part of the elements constituting said system, exists outside Japan, if said act can be considered as having been performed in the territory of Japan, then said act falls under "production" as prescribed in Article 2, paragraph (3), item (i) of the Patent Act, by comprehensively taking into consideration factors such as the specific manner of said act, the function and role played by the elements, which exist in Japan, from among the elements constituting said system, and the place where the effect of said invention can be obtained from the use of said system, and the effect of such use to the economic interests of the patent holder of the invention.

When the above is considered with regard to Production 1-1, the specific manner in which Production 1-1 takes place is such that the files are sent by a server existing in the United States to the user terminals in Japan, and the user terminals in Japan receive said files. As such, the transmission and receipt are performed as a package, and considering that Defendant's System 1 is completed when the user terminals in Japan receive the files, it can lead to the conception that the above transmission and receipt are performed in Japan.

Next, Defendant's System 1 consists of Appellee Y1's server existing in the United States and the user terminals existing in Japan, and the above user terminals existing in Japan perform the main functions of Invention 1, which are Constituent Feature 1F, or the function of a judgment part required for displaying the comments in a manner that does not overlap with each other, and Constituent Feature 1G, or the function of a display position control part.

Furthermore, Defendant's System 1 can be accessed from Japan via the above user terminal, so that the effect of Invention 1, which is to use commentary in communication to make the invention more entertaining, is manifested in Japan, and the use in Japan may affect the economic interests which can be obtained by

Appellant by using the system, which pertains to Invention 1, in Japan.

When the above circumstances are comprehensively taken into consideration, Production 1-1 can be regarded as taking place in the territory of Japan, so that it is acknowledged that, in relation to Invention 1, Production 1-1 falls under "production" as prescribed in Article 2, paragraph (3), item (i) of the Patent Act.

(C) In response, Appellee, et al. state as follows: [1] Given that a "patent shall be protected only in the territory of the country concerned" according to the territorial principal, it is a natural consequence that an act of creation outside Japan does not fall under "production" according to Article 2, paragraph (3), item (i) of the Patent Act, and given that, according to the all-elements rule, working of a patented invention means working all of the elements constituting the patented invention; if even a part of the patented invention is created outside Japan, then it should be said that such act does not fall under "production" as stipulated in Article 2, paragraph (3), item (i) of the Patent Act; [2] There is a leap of logic in thinking that, in light of the risk of patent workaround, "production" should be applicable if even a part of a product which satisfies constituent features is created in Japan, and rather, what is more problematic is the interpretation that if a part of a product which satisfies constituent features is created in Japan, then such product shall immediately be protected by the Patent Act of Japan; [3] In Japan, precedents such as a Supreme Court judgment on "Card Reader Case" (Supreme Court Judgment 2000 (Ju) No. 580 rendered by First Petty Bench on September 26, 2002 / Minshu Vol. 56, No. 7, page 1551) have strictly conformed to the territorial principle, and making an exception would clearly cause adverse effect, and even if a case of exception to the territorial principle were to be made, such exception should be made by a legislative process.

However, in regard to the argument of [1], concerning the invention of a network-type system, whether or not the act of newly creating a system, which is an allegedly infringing property, falls under "production" according to Article 2, paragraph (3), item (i) of the Patent Act should be interpreted as falling under "production" according to the same provision if said act can be regarded as having been performed in the territory of Japan, by comprehensively taking into consideration the circumstances explained above (B), even if the server, which is a part of the elements constituting said system, exists outside Japan. As such, the argument of [1] cannot be accepted.

In regard to the argument of [2], the aforementioned determination as to the applicability of "production" according to Article 2, paragraph (3), item (i) of the Patent Act does not mean that if a part of a product which satisfies the constituent

features is created in Japan, then such product shall immediately be protected by the Patent Act of Japan. As such, the argument of [2] is lacking in its premise.

In regard to the argument of [3], the territorial principle for a patent right means that the patent right of each country is prescribed by the law of such country concerning the establishment, transfer, and effect, etc. of the patent right, and that the patent right is protected only in the territory of the country concerned. In light of the foregoing, the interpretation to the effect that said act falls under "production" according to Article 2, paragraph (3), item (i) of the Patent Act when the act is regarded as having been done only in the territory of Japan as described above is not against the territorial principle. In addition, the court's interpretation of the Supreme Court judgment on the Card Reader Case, as mentioned by Appellee, et al., is that, in order to fall under "production" as a natural consequence of the territorial rule, the Supreme Court's ruling does not require the act of newly creating a product which satisfies all constituent features of the patented invention to have been completed in the territory of Japan. Furthermore, according to the treaties concluded by Japan, and the Patent Act and other laws and regulations, the territorial principle does not require that the act of newly creating a product which satisfies all constituent features of a patented invention be completed in the territory of Japan in order to fall under "production". In light of the foregoing, the argument of [3] cannot be accepted.

Accordingly, the above claims by Appellee, et al. have no grounds.

D. Agent of "production" of Defendant's System 1

Defendant's System 1 was newly created after going through the process of the above B. Appellee Y1 installs and manages the web server, video delivery server, and comment delivery server pertaining to Defendant's System 1, and these servers send HTML files, SWF files, video files, and comment files to user terminals, and the receipt of these files by user terminals requires no separate operation by the user side but is performed automatically pursuant to the description of the program uploaded by Appellee Y1 on the server. In light of these circumstances, it should be said that the agent of "production" of Defendant's System 1 is Appellee Y1.

E. Conclusion

Based on the above, the court acknowledges that Appellee Y1, by Production 1-1, infringed on Patent Right by "producing" (Article 2, paragraph (3), item (i) of the Patent Act) Defendant's System 1.