Date	February 1, 2013	Court	Intellectual Property High Court, Special Division
Case number	2012 (Ne) 10015		
– A case in which the court held that it should be construed that the working of the patented invention by the patentee is not required for the application of Article 102, paragraph (2) of the Patent Act and that the application of said paragraph should be allowed where there are any circumstances suggesting that the patentee could have gained profits if no patent infringement had been made by the infringer			

References:
Article 102, paragraph (2) of the Patent Act

(Summary)

In this case, the appellant/appellee (the plaintiff in the principal action and the defendant in the counterclaim in the first instance; hereinafter referred to as the "plaintiff in the first instance"), who is the holder of a patent for an invention titled "Waste storage device" ((Patent No. 4402165); hereinafter such patent and invention shall be referred to as the "Patent Right" and "Patented Invention," respectively), filed an action against the appellee/appellant (the defendant in the principal action and the plaintiff in the counterclaim in the first instance, hereinafter referred to as the "defendant in the first instance") to seek injunction against the import and sale, etc., of the waste storage cassettes for nappies imported and sold by the defendant in the first instance (hereinafter referred to as the "Product of the Defendant in the First Instance"), disposal of the Product of the Defendant in the First Instance, and compensation for damages, by alleging that such Product of the Defendant in the First Instance infringed the Patent Right, etc., of the plaintiff in the first instance.

The main issues were: (i) whether the Product of the Defendant in the First Instance falls within the technical scope of the Patented Invention owned by the plaintiff in the first instance; and (ii) the method for calculating the amount of damages sustained by the plaintiff in the first instance due to the infringement of the Patent Right by the defendant in the first instance.

The court of prior instance (Tokyo District Court) held that, regarding issue (i) as mentioned above, while the waste storage cassette covered by the Patent Right is designed to be rotatably mounted on the fixed portion of the waste storage cassette rotator and to be suspended from the waste storage cassette rotator, such cassettes should not be recognized as being exclusively used for such purpose but should include waste storage cassettes designed to be used by being mounted on waste storage devices which do not have a waste storage cassette rotator. On these grounds, the court

of prior instance found that the Product of the Defendant in the First Instance falls within the technical scope of the Patented Invention and infringes the Patent Right. With respect to issue (ii) as mentioned above, taking the stance that the application of Article 102, paragraph (2) of the Patent Act requires the working of the patented invention by the patentee, the court of prior instance held that the amount of damage may not be presumed pursuant to said paragraph because the plaintiff in the first instance had not worked the Patented Invention and admitted an amount of damage equivalent to the amount of royalties under paragraph (3) of said Article.

In this judgment, the Intellectual Property High Court (hereinafter referred to as the "Court") upheld the judgment in prior instance, which held that the Product of the Defendant in the First Instance falls within the technical scope of the Patented Invention and infringes the Patent Right. The Court then held that it should be construed that the application of Article 102, paragraph (2) of the Patent Act does not require the patentee to work the patented invention and that the application of said paragraph should be allowed if there are any circumstances suggesting that the patentee could have gained profits if no patent infringement had been made by the infringer. Based on this holding, the Court calculated the amount of damages sustained by the plaintiff in the first instance pursuant to said paragraph and changed the amount of damages approved in the judgment in prior instance.

1. The requirement for application of Article 102, paragraph (2) of the Patent Act

Article 102, paragraph (2) of the Patent Act provides that "Where a patentee […] claims against an infringer compensation for damage sustained as a result of the intentional or negligent infringement of the patent right […] and the infringer earned profits from the act of infringement, the amount of profits earned by the infringer shall be presumed to be the amount of damage sustained by the patentee […]."

Under the principle of the Civil Code, any patentee who has sustained damage due to patent infringement may seek damages only if the patentee is able to allege and prove the occurrence and the amount of damage as well as the causation between such damage and the act of patent infringement. In light of the fact that such proof, etc., is accompanied with such a difficulty that it could prevent the payment of an appropriate amount of damages, Article 102, paragraph (2) of the Patent Act provides that, if the infringer earns profits from the act of infringement, the amount of profits earned by the infringer shall be presumed to be the amount of damage sustained by the patentee, and thereby seeks to reduce the difficulty in providing proof. Taking into account that Article 102, paragraph (2) of the Patent Act was provided for the purpose of reducing

the difficulty in proving the amount of damage as mentioned above and that the effect thereof is merely presumptive, there are no reasonable grounds for making the requirements for the application of said paragraph particularly strict.

Thus, it should be construed that the application of Article 102, paragraph (2) of the Patent Act should be allowed when there are any circumstances suggesting that the patentee could gain profits if no patent infringement had been made by the infringer. Moreover, it would be reasonable to construe that various circumstances such as the difference between the patentee and the infringer in terms of the manner of business shall be taken into consideration as the circumstances to reduce the presumed amount of damage. Furthermore, as mentioned below, it would be reasonable to consider that the application of the Article 102, paragraph (2) of the Patent Act does not require the patentee to work the patented invention.

2. Judgment concerning this case

With respect to the plaintiff in the first instance, the Court found that the plaintiff in the first instance and Company A concluded a distributorship agreement, based on which the plaintiff in the first instance designated Company A as a distributor of the product of the plaintiff in the first instance (hereinafter referred to as the "Product of the Plaintiff in the First Instance") in Japan and sold (exported) to Company A the cassettes that the plaintiff in the first instance manufactured in the U.K. by use of the Patented Invention, and that Company A sold the cassettes manufactured by the plaintiff in the first instance to general consumers in Japan, and thereby that the plaintiff in the first instance may be considered to have sold in Japan through Company A the cassettes it manufactured. On the other hand, with respect to the defendant in the first instance, the Court found that the defendant in the first instance, which had been importing the Product of the Defendant in the First Instance into Japan and selling it in Japan, was in competition with not only Company A but also with the plaintiff in the first instance in the Japanese market for waste storage cassettes, and that the sales of the cassettes manufactured by the plaintiff in the first instance have been decreasing in Japan due to the act of infringement by the defendant in the first instance (the act of selling the Product of the Defendant in the First Instance).

In view of these facts mentioned above, it may be found that there were circumstances suggesting that the plaintiff in the first instance could have gained more profits if no infringement had been made by the defendant in the first instance. Therefore, it is reasonable to conclude that there are no reasons to preclude the application of Article 102, paragraph (2) of the Patent Act in calculating the amount of

damage sustained by the plaintiff in the first instance.

In regard to this, the defendant in the first instance alleged that, in consideration of the principle of territoriality as well as the fact that Article 102, paragraph (2) of the Patent Act is not a provision for the presumption of occurrence of damage per se, the application of said paragraph requires the act of "working" as prescribed in Article 2, paragraph (3) of said Act by the patentee in regard to the patented invention in Japan. The defendant in the first instance further alleged that, in Japan, the plaintiff in the first instance has not conducted the sale, etc., of the cassettes manufactured by the plaintiff in the first instance by use of the Patented Invention, and therefore Article 102, paragraph (2) of said Act shall not be applied for the calculation of the damage sustained by the plaintiff in the first instance.

However, taking into consideration the facts that Article 102, paragraph (2) of the Patent Act does not contain any wording requiring the working of the patented invention by the patentee, and that said paragraph was provided for the purpose of reducing the difficulty in proving the amount of damage, and further that, since said paragraph is merely a presumptive provision, it would be unreasonable to impose especially strict requirements for the application of said paragraph, the act of working patented invention by the patentee may not be regarded as a requirement for the application of said paragraph.

As described above, it should be construed that the application of Article 102, paragraph (2) of the Patent Act should be allowed where there are any circumstances suggesting the patentee could have gained profits if no patent infringement had been made by the infringer.

Therefore, in this case, regardless of whether the abovementioned act of the plaintiff in the first instance may be regarded as the "working" as provided for in Article 2, paragraph (3) of the Patent Act, Article 102, paragraph (2) of the Patent Act may be applied. This construction would not make the Patent Right effective outside Japan and therefore would not violate the principle, which is generally called the principle of territoriality.

Based on these findings, the allegation of the defendant in the first instance may not be accepted and Article 102, paragraph (2) of the Patent Act may be applied to the calculation of the amount of damage sustained by the plaintiff in the first instance, and therefore, the amount of damage may be presumed under said paragraph.