

Date	May 16, 2001	Court	Tokyo District Court, 29th Civil Division
Case number	2000 (Wa) 7932		
<p>– A case in which the court found that it is appropriate to construe that the amount of damage suffered by the plaintiffs (copyright owners) due to the illegal reproduction of the programs is equivalent to the amount obtained by multiplying the number of programs illegally reproduced by the defendant (infringer) by the retail price for one genuine product (the amount of profits gained by the defendant).</p>			

Reference: Article 114, paragraphs (1) and (2) of the Copyright Act (equivalent to paragraphs (2) and (3) of said Article of the current Act)

Number of related rights, etc.:

### Summary of the Judgment

#### 1. Background, etc.

The plaintiffs are American corporations engaged in the development, sale, etc. of computer programs and systems, while the defendant is a stock company providing, in the course of trade, assistance, etc., to pass various certification examinations such as the national bar examination and has schools and offices around the nation.

The plaintiffs filed an action seeking injunction against the use of the programs in question ("Programs") for which the plaintiffs hold copyrights as well as compensation for damages, alleging that the defendant is installing and reproducing the Programs in many computers without authorization.

In this action, the defendant did not dispute the issue of whether or not it infringed the right of reproduction, but instead the necessity of injunction as well as the amount of damage were the main issues.

#### 2. Summary of the court decision

##### (1) Necessity of an injunction

The court denied the claim for an injunction based on the following grounds: The defendant investigated the manner of use of the programs at every office, deleted programs other than legitimately purchased programs from every internal memory device of the computers held by the offices and further replaced them with legally licensed programs. Thus the risk for the defendant to continuously conduct the act of infringement of the copyright in the future has been eliminated.

##### (2) Amount of damage

A. The plaintiffs alleged the following three methods as the method to calculate the amount of damage.

i. A method to take into consideration a fixed percentage of the annual sales gained

- by the defendant through the use of the Programs, in addition to the total amount of the retail prices of the genuine products of the Programs, as the amount of profits gained by the defendant.
- ii. A method to deem the "amount of money that the owner should normally receive in connection with the exercise of the copyright" (an amount equivalent to royalties) to be two times the retail prices of the genuine products.
  - iii. A method to calculate the amount of damage based on the premise that illegal reproduction was committed in a large quantity not only at the West School Building at which the act of infringement came to light but also at offices across the country.
- B. On the other hand, the defendant alleged that the plaintiffs have suffered no damage since the defendant replaced every illegal reproduction of the Programs with genuine products and paid royalties in full by purchasing genuine products.
- C. The decision of the court can be summarized as follows.
- It is reasonable to find that the amount of profits gained by the defendant from the act of infringement should be calculated by multiplying the retail price per genuine product by the number of programs reproduced without authorization. It should be presumed that the amount of damage suffered by the plaintiffs is the same as the aforementioned amount of profits gained by the defendant. Even if it is found that the amount of damage suffered by the plaintiffs should be calculated based on the amount equivalent to royalties, the amount equivalent to royalties should be interpreted to be the same as the aforementioned amount of profits gained by the defendant.
  - The plaintiffs' allegation i.  
In view of the facts that the profits gained by the defendant by reproducing the Programs without authorization can be sufficiently estimated based on the retail prices of genuine goods, it would be unreasonable to interpret that the amount of profits gained by the defendant is larger than that. In this case, it is not reasonable to take into consideration how many times and how long the defendant used the illegal reproductions.
  - The plaintiffs' allegation ii.  
According to all of the evidence submitted in this case, it cannot be found that the "amount equivalent to royalties is at least two times larger than the retail prices of genuine goods."
  - The plaintiffs' allegation iii.  
There is no sufficient evidence to prove that the Programs have been reproduced

without authorization in any office of the defendant other than the West School Building, the place at which the act of infringement came into light in the procedures for preservation of evidence. Furthermore, other offices are different from the West School Building in terms of the purpose of use and the manner of use. Thus, it is not reasonable to presume the occurrence and scale of the unauthorized reproduction at other offices based on the act of unauthorized reproduction committed in the West School Building.

- The defendant's allegation

The defendant's act of infringing the plaintiffs' copyrights (act of tort) was committed when the defendant installed and reproduced the Programs. The fact that the defendant newly expressed its desire to use the Programs and voluntarily purchased genuine goods of the Programs would not affect the right to demand payment of damages and the amount thereof already established.

Judgment rendered on May 16, 2001

2000 (Wa) 7932 Case of Seeking Payment of Damages

Date of conclusion of oral argument: March 13, 2001

#### Judgment

Plaintiff: Adobe Systems Incorporated

(Sometimes referred to as "Plaintiff Adobe")

Plaintiff: Microsoft Corporation

(Sometimes referred to as "Plaintiff Microsoft")

Plaintiff: Apple Computer Incorporated

(Sometimes referred to as "Plaintiff Apple")

Defendant: TOKYO LEGAL MIND K.K.

#### Main text

1. The defendant shall pay 55,975,600 yen to Plaintiff Adobe Systems Incorporated, 13,607,000 yen to Plaintiff Microsoft Corporation, and 15,137,800 yen to Plaintiff Apple Computer Incorporated as well as the money accrued thereon respectively at a rate of 5% per annum from April 26, 2000, until the date of full payment.
2. Any other claims of the plaintiffs shall be dismissed.
3. The court costs shall be divided into five portions, one of which shall be borne by the plaintiffs, while the remaining four shall be borne by the defendant.
4. This judgment may be provisionally executed as far as such part of the judgment that pertains to the plaintiffs' claim upheld by the court is concerned.

#### Facts and reasons

##### No. 1 Claims

1. The defendant shall not use the programs stated in the attached Infringing Goods Lists 1 to 3 installed in the internal memories (hard disks) of the computers placed in the defendant's office.
2. The defendant shall delete the programs stated in the attached Infringing Goods Lists 1 to 3 installed in the internal memories (hard disks) of the computers placed in the defendant's office.
3. The defendant shall pay 75,842,400 yen to Plaintiff Adobe, 18,436,320 yen to Plaintiff Microsoft, and 20,510,400 yen to Plaintiff Apple as well as the money accrued thereon respectively at a rate of 5% per annum from April 26, 2000, until the date of full

payment.

## No. 2 Outline of the case

The plaintiffs, who own copyrights for the computer programs, alleged that the defendant committed an act of reproduction and sought an injunction against the defendant's use of the programs and payment of damages.

1. Facts on which the decision is premised (The parties agree on the parts other than the parts for which evidence is cited.)

### (1) Parties concerned

The plaintiffs are American corporations engaged in the development, production, sale, etc. of computer programs and systems.

The defendant is a stock company providing, in the course of trade, assistance, etc., to pass various certification examinations such as the national bar examination, judicial scrivener examination, administrative scrivener examination, social insurance labor consultant examination, real-estate transaction specialist examination, etc.

### (2) Plaintiffs' works

Plaintiff Adobe developed the programs stated in the attached Program List 1. Plaintiff Microsoft developed the programs stated in the attached Program List 2. Plaintiff Apple developed the programs stated in the attached Program List 3. (These programs are collectively referred to as the "Programs.") The plaintiffs obtained copyrights for the Programs respectively (Exhibits Ko 13 to 17).

### (3) Defendant's act

The defendant installed and reproduced the Programs in many computers used in the building of the defendant's school "Takadanobaba Nishi Kou" (Takadanobaba West School Building) (the "West School Building") located in Shinjuku, Tokyo, without authorization and thereby infringed the plaintiffs' rights of reproduction.

The unauthorized reproduction conducted in the West School Building is explained below. On May 20, 1999, an inspection was conducted in the West School Building for the purpose of preservation of evidence (the "Inspection"). Consequently, it was found that there are 16 computers in Classroom 41 on the fourth floor, 47 computers in Classroom 42 on the same floor, 45 computers in Classroom 43 and 46 computers in Classroom 44 on the same floor, one computer in the corridor on the fourth floor, and a total of 64 computers in some rooms on the first floor of the West School Building and that the West School Building thus has 219 computers in total. Among these 219 computers, the following computers were excluded from the Inspection due to time constraints, etc.: 11 computers in Classroom 44, a total of 65 computers in the corridor on the fourth floor and in some rooms on the first floor, and a total of seven computers

in Classrooms 41 to 43. Since these 83 were excluded from the 219 computers that existed in the West School Building, a total of 136 computers were examined in the Inspection.

It was found that the Programs were reproduced without authorization in such number as stated in the attached Inspection Result Table in the memory devices in the aforementioned 136 computers.

(omitted)

## 2. Issue (2) (Amount of damage)

(1) According to the results of the Inspection and the entire import of the oral argument, the following facts can be found.

Based on the result of the Inspection conducted in the West School Building on May 20, 1999, it was found that the West School Building has 219 computers in total consisting of 16 computers in Classroom 41, 47 computers in Classroom 42, 45 computers in Classroom 43, and 46 computers in Classroom 44 on the fourth floor and one computer in the corridor on the fourth floor and a total of 64 computers in some rooms on the first floor.

Among these 219 computers that existed in the West School Building, a total of 136 computers were examined in the Inspection, while 83 computers (11 computers in Classroom 44, a total of 65 computers in the corridor on the fourth floor and in some rooms on the first floor, and a total of seven computers in Classrooms 41 to 43) were excluded from the Inspection due to time constraints.

It was found that the Programs were reproduced without authorization in such number as stated in the attached Inspection Result Table in the memory devices in the aforementioned 136 computers.

(2) Regarding the 136 computers excluding 83 computers from a total of 219 computers in the West School Building, it is reasonable to find that the amount of profits gained by the defendant from the act of infringement in connection with these 136 computers should be calculated by multiplying the retail price per genuine product (the price is determined based on the entire import of the oral argument) by the number of programs reproduced without authorization as stated in the attached Infringing Goods Lists 1 to 3. Thus, the amount of profits gained by the defendant can be calculated as 31,601,000 yen in connection with Plaintiff Adobe, 7,681,800 yen in connection with Plaintiff Microsoft, and 8,546,000 yen in connection with Plaintiff Apple. It is reasonable to interpret that the 136 computers examined in the Inspection and the uninspected 83 computers in the

West School Building have been used in the same manner. Therefore, the amount of profits gained by the defendant from the act of infringement in connection with all of the 219 computers in the West School Building can be reasonably estimated by multiplying the amount of profits for the aforementioned 136 computers by 219/136. Consequently, the amount of profits can be calculated as 50,886,900 yen in connection with the Plaintiff Adobe, 12,370,000 yen in connection with the Plaintiff Microsoft, and 13,761,600 yen in connection with the Plaintiff Apple (in each case, the calculation result was rounded to the nearest hundred).

It should be presumed that the amount of damage suffered by the plaintiffs is the same as the aforementioned amount of profits gained by the defendant. Even if it is found that the amount of damage suffered by the plaintiffs should be calculated based on the amount equivalent to royalties, the amount equivalent to royalties should be interpreted to be the same as the aforementioned amount of profits gained by the defendant.

(3) In consideration of various factors such as the details, nature, and judicial proceedings of this case, the attorneys' costs proximately caused by the defendant's act of copyright infringement can be interpreted to be equivalent to 10% of the amount of damage mentioned in (2) above. Thus, the attorneys' costs can be calculated as 5,088,700 yen in connection with Plaintiff Adobe, 1,237,000 yen in connection with Plaintiff Microsoft, and 1,376,200 yen in connection with Apple (in each case, the calculation result was rounded to the nearest hundred).

(4) As mentioned above, the amount of damage suffered by the plaintiffs can be calculated as 55,975,600 yen for Plaintiff Adobe, 13,607,000 yen for Plaintiff Microsoft, and 15,137,800 yen for Plaintiff Apple.

(5) Court determination concerning the plaintiffs' allegation

A. The plaintiffs alleged that, based on the fact that an act of unauthorized reproduction was committed in the West School Building, it should be presumed that the same act has been committed in other offices of the defendant as well.

However, there is no sufficient evidence to prove that the Programs have been reproduced without authorization in any office of the defendant other than the West School Building. Furthermore, other offices are different from the West School Building in terms of the purpose of use and the manner of use. Thus, it is not reasonable to presume the occurrence and scale of the unauthorized reproduction based on the act of unauthorized reproduction committed in the West School Building. Therefore, the aforementioned allegation of the plaintiffs is groundless.

B. The plaintiffs alleged that the amount equivalent to royalties is at least two times

larger than the retail prices of genuine goods.

However, according to all of the evidence submitted to this case, such fact cannot be found. Therefore, the aforementioned allegation of the plaintiffs is groundless.

C. The plaintiffs alleged that the defendant gained profits of 15.3 billion yen per year by using the Programs in its business and generated profits of more than 50 million yen separately from the profits calculated based on the retail prices of the genuine goods. Thus, the aforementioned total amount should be presumed to be equivalent to the amount of damage suffered by the plaintiffs.

However, in view of the facts that the profits gained by the defendant by reproducing the Programs without authorization can be sufficiently estimated based on the retail prices of genuine goods, it would be unreasonable to interpret that the amount of profits gained by the defendant is larger than that. In this case, it is not reasonable to take into consideration how many times and how long the defendant used the illegal reproductions. Therefore, the amount of damage suffered by the plaintiffs cannot be estimated to be larger than the amount calculated based on the retail prices of genuine goods. Thus, the aforementioned allegation of the plaintiffs is groundless.

#### (6) Court determination on the defendant's allegation

The defendant alleged that no damage has been caused to the plaintiffs because the defendant replaced illegal reproductions of the Programs used in the West School Building with genuine goods and that the amount equivalent to royalties was paid to the plaintiffs when the defendant purchased the genuine goods.

However, the aforementioned allegation of the defendant is unreasonable as explained below.

The defendant's act of infringing the plaintiffs' copyrights (act of tort) was committed when the defendant installed and reproduced the Programs. As a result, the defendant has to fulfill the obligation of inaction to suspend the use of the reproductions of the Programs. Also, for the aforementioned act of copyright infringement, the defendant had to fulfill the obligation to compensate the damage suffered by the plaintiffs. This is one of those cases where a contract permits any customer who purchased genuine goods by paying the price for genuine goods to install, reproduce, and use the genuine goods (computer programs). Under such circumstances, as mentioned above, it is most reasonable to interpret that the amount of damage suffered by the plaintiffs is equivalent to the amount calculated based on the retail prices of the genuine goods as specified in Article 114, paragraph (1) or (2) of the Copyright Act. In this sense, it is reasonable to find that the amount of damage suffered by the plaintiffs in this case was already fixed when the defendant made illegal reproductions of the



Programs.

It can be found that, after the plaintiffs requested suspension of the use of illegal reproductions, the defendant newly expressed its desire to use the Programs and voluntarily purchased genuine goods of the Programs and that the aforementioned genuine goods are identical to or the same as the illegal reproductions (different in terms of version for some of them). However, since the aforementioned act of the defendant is merely a user's voluntary act that should be evaluated independently from the act of tort, it cannot be interpreted that, as a result of such voluntary act, the plaintiffs' right to demand payment of damages from the defendant, which had already determinately arisen, was extinguished (such voluntary act cannot be considered to be an act of repayment in the first place). Needless to say, a customer who pays the amount equivalent to the price (amount equivalent to royalties) would be given the right to permanently use genuine goods (a reproduction of a certain program with a serial number attached thereto). However, such act (accepting an application for a license to use the genuine goods under certain conditions) would not affect the rights and obligations (the right to demand payment of damages and the amount thereof) already established between the customer and the copyright owner.

Regarding this interpretation, the defendant alleged that it is unreasonable because it is unfair in comparison with the case where genuine goods are purchased from the beginning or the case where genuine goods are never purchased. However, if genuine goods are purchased from the beginning, an illegal act of reproduction would not be committed. Thus, it is natural and not unfair that the purchaser has no obligation to pay damages. If genuine goods are never purchased, the use of reproductions of the Programs would not be permitted. Since the premise of such case is different from that of this case where the defendant voluntarily purchased genuine goods to secure the right to permanently use them, the alleged unfairness cannot be found either (the defendant may choose not to purchase genuine goods of the Programs and may decide to purchase programs of other companies, instead). Furthermore, according to all of the evidence submitted to this case, the defendant's purchase of genuine goods cannot be interpreted as the plaintiffs' indication of their intention to exempt the defendant from the obligation to pay damages. Therefore, the aforementioned allegation of the defendant is groundless.

### 3. Conclusion

On these grounds, this court accepts the above-discussed claim of the plaintiffs, which can be considered to be well grounded to the extent specified in paragraph 1 of the Main Text, and dismisses any other claims.

Tokyo District Court, 29th Civil Division

Presiding judge: IIMURA Toshiaki

Judge: ISHIMURA Tomo

Judge OKINAKA Yasuhito cannot sign and seal this document due to a transfer of position

Presiding judge: IIMURA Toshiaki

Infringing Goods List 1

Software produced by Adobe Systems Incorporated  
 Inspected for the purpose of preservation of evidence

Product Name	Version	Number	Genuine goods purchased	Illegal copies (subject to an injunction and order for deletion)	Retail price of genuine goods	Retail price of genuine goods multiplied by the number of illegal copies
PageMaker	4.01	1	0	1	148,000	148,000
PageMaker	4.0	1	0	1	148,000	148,000
PageMaker	5.0	45	0	45	148,000	6,660,000
PageMaker	6.0	44	1	43	148,000	6,364,000
PageMaker	6.5	24	2	22	148,000	3,256,000
PageMaker	4.5	26	0	26	148,000	148,000
PageMaker	6.52	2	0	2	148,000	148,000
PageMaker	6.53	1	0	1	148,000	148,000
PageMaker		1	0	1	148,000	148,000
Photoshop	3.05	3	0	3	155,000	155,000
Photoshop	3.0	5	0	5	155,000	155,000
Photoshop	4.0	1	0	1	155,000	155,000
Photoshop	5.0	1	0	1	155,000	155,000
Photoshop	2.5LE	2	1	1	N.A.	N.A.
Photoshop		1	0	1	155,000	155,000
Illustrator	3.2	1	0	1	120,000	120,000
Illustrator	5.0	12	1	11	120,000	1,320,000
Illustrator	5.5	38	1	37	120,000	4,440,000
Illustrator	7.0.1	25	1	24	120,000	2,880,000
Illustrator		1	0	1	120,000	120,000
Total		235	7	228		31,601,000

Infringing Goods List 2

Software produced by Microsoft Corporation

Inspected for the purpose of preservation of evidence

Product Name	Version	Number	Genuine goods purchased	Illegal copies (subject to an injunction and order for deletion)	Retail price of genuine goods	Retail price of genuine goods multiplied by the number of illegal copies
Excel (Macintosh)	4.0	2	1	1	58,000	58,000
Excel (Macintosh)	5.0	51	0	51	58,000	2,958,000
Office (Macintosh)	98	4	1	3	68,800	206,400
Excel (Windows)	5.0	22	0	22	58,000	1,276,000
Excel (Windows)	97	1	0	1	27,800	27,800
Office (Windows)	7.0 Pro	29	0	29	82,000	2,378,000
Office (Windows)	97 Pro	13	1	12	64,800	777,600
Total		122	3	119		7,681,800

Infringing Goods List 3

Software produced by Apple Computer Incorporated

Inspected for the purpose of preservation of evidence

Product Name	Version	Number	Genuine goods purchased	Illegal copies (subject to an injunction and order for deletion)	Retail price of genuine goods	Retail price of genuine goods multiplied by the number of illegal copies
Mac OS		32		32	19,000	608,000
ClarisDraw	1.0V2	40	1	39	59,000	2,301,000
ClarisWorks	4.0V1	44	3	41	29,000	1,189,000
MacDraw	1.1	3	1	2	52,000	104,000
MacDraw Pro	1.5V1	37	1	36	70,000	2,520,000
MacLight	1.5V2	50	2	48	38,000	1,824,000
Total		206	8	198		8,546,000

Program List 1

PageMaker

Photoshop

Illustrator

Program List 2

Excel

Office

Program List 3

MacDraw

Mac OS

MacLight

ClarisDraw

ClarisWorks

MacDraw Pro

Inspection Result Table

		Classroom 41	Classroom 42	Classroom 43	Classroom 44	Corridor on the fourth floor	Professors' office on the first floor	Clerks' office on the first floor	Seminar room on the first floor	Academic promotion room on the first floor	Total	Number of genuine goods	Number of illegal copies	Ratio of illegal copies
Total number of computers		16	47	45	46	1	10	24	26	4	219			
Number of inspected computers		15	43	43	35	0	0	0	0	0	136			
Adobe products														
PageMaker	4.01	0	0	0	1						1	0	1	100%
PageMaker	4.0	0	1	0	0						1	0	1	100%
PageMaker	5.0	0	20	6	19						45	0	45	100%
PageMaker	6.0	0	19	2	23						44	1	43	98%
PageMaker	6.5	0	14	3	7						24	2	22	92%
PageMaker	4.5	0	9	0	17						26	0	26	100%
PageMaker	6.52	0	1	1	0						2	0	2	100%
PageMaker	6.53	0	1	0	0						1	0	1	100%
PageMaker		0	1	0	0						1	0	1	100%
Photoshop	3.05	0	2	0	1						3	0	3	100%
Photoshop	3.0	0	4	0	1						5	0	5	100%
Photoshop	4.0	0	1	0	0						1	0	1	100%
Photoshop	5.0	0	1	0	0						1	0	1	100%
Photoshop	2.5LE	0	1	0	1						2	1	1	50%
Photoshop		0	1	0	0						1	0	1	100%
Illustrator	3.2	0	1	0	0						1	0	1	100%
Illustrator	5.0	0	4	1	7						12	1	11	92%
Illustrator	5.5	0	17	2	19						38	1	37	97%
Illustrator	7.0.1	0	14	2	9						25	1	24	96%
Illustrator		0	1	0	0						1	0	1	100%
Microsoft products														
Excel	4.0(Mac)	0	1	1	0						2	1	1	50%
Excel	5.0(Mac)	0	18	10	23						51	0	51	100%
Office	98(Mac)	0	4	0	0						4	1	3	75%
Excel	5.0(Win)	3	8	11	0						22	0	22	100%
Excel	97(Win)	0	0	1	0						1	0	1	100%
Office	7.0 Pro(Win)	6	9	4	10						29	0	29	100%
Office	97 Pro (Win)	6	1	6	0						13	1	12	92%
Apple products														
Mac OS		0	14	1	17						32	0	32	100%
Claris Draw		0	16	7	17						40	1	39	98%
Claris Works		0	18	10	16						44	3	41	93%
Mac Draw		0	2	1	0						3	1	2	67%
Mac Draw Pro		0	10	11	16						37	1	36	97%
Mac Write		0	18	9	23						50	2	48	96%
Total		15	232	89	227						563	18	545	97%
Number of copies per computer in each room		1	5.4	2.1	6.5	Average number of copies on each of the 136 computers					4.1	0.1	4.0	