

Date	July 20, 2010	Court	Intellectual Property High Court, First Division
Case number	2007 (Ne) 10032		
<p>– This judgment relates to the case wherein the appellee (the plaintiff in the first instance) filed an action against the appellant (the defendant in the first instance), alleging that a pressure-type ladle for transferring molten aluminum alloy used by the appellant infringes the appellee's patent right and copyright. The court of the appeal instance held that the appellant's product falls within the technical scope of the appellee's patented invention; the appellee's patent does not contain any ground for invalidation; the appellant's product is similar to the appellee's design; the design right in question does not contain any ground for invalidation; and that there was negligence by the appellant in infringing the patent right, etc. With regard to the amount of damage suffered by the appellee as a result of the infringement of the patent right, etc., the court of appeal instance reduced the amount determined by the court of prior instance as such amount was excessively high, while referencing the sales price of the molten aluminum delivered by the use of the above-mentioned ladle, and also taking into consideration the purchase price and repair costs of said ladle.</p>			

References:

Article 29, paragraphs (1) and (2), Article 79, Article 102, paragraph (3) and Article 103 of the Patent Act, and Article 3, Article 24 and Article 39, paragraph (3) of the Design Act

(Summary)

In this court case, the appellee (the plaintiff in the first instance; hereinafter referred to as the "Plaintiff"), who is the holder of the patent right and design right for a container for supply of molten metals, filed the action against the appellant (the defendant in the first instance; hereinafter referred to as the "Defendant"), seeking an injunction of use of the pressure-type ladle for transferring molten aluminum alloy used by the Defendant and compensation of damage under Article 102, paragraph (3) of the Patent Act, on the alleged grounds of infringement of the patent right and design right. The Plaintiff alleges that the above-mentioned pressure-type ladle falls within the technical scope of the Plaintiff's patented invention, and that it also is similar to the design pertaining to the Plaintiff's design right.

The court of prior instance upheld all claims of the Plaintiff, including the claim for an injunction, finding the infringement of a part of the patent rights in question and the infringement of the design right by the Defendant. The court of prior instance

upheld the Plaintiff's claim for damages to the extent of 72,937,600 yen plus the delay damages accrued thereon. The Defendant filed the appeal against said judgment.

Associated with this appeal, the Plaintiff made an incidental appeal, claiming the damages based on the infringement which occurred after the period alleged in the first instance, and also claiming, as a secondary claim, return of an unjust enrichment for a part of said claim for damages, in case the period of the three-year extinctive prescription for such claim for damages would elapse.

Although this case covers a large number of issues in dispute, the major issues are as follows: whether the Defendant's product falls within the technical scope of each of the Plaintiff's patents; whether each of the Plaintiff's patents is valid; whether the Defendant has a right of prior use; whether the Defendant's product is similar to the design pertaining to the Plaintiff's design right; whether the design right in question is valid; whether there was negligence from the Defendant in infringing the patent right, etc.; and the method of calculation of the amount of damage.

In this instance, the court basically followed the framework as adopted by the court of prior instance. With regard to the calculation of the amount of damage, the court modified the amount to 49,688,617 yen (the amount of damage in tort) and 965,609 yen (the amount of loss based on an unjust enrichment), plus the delay damages accrued thereon, holding that the amount calculated by the court of prior instance was excessively high as explained below.

"The court compared the estimated amounts calculated by the two methods. The method of calculation referencing the sales turnover of molten aluminum, as alleged by the Plaintiff, is not normally used for calculation of an amount of royalty contemplated under Article 102, paragraph (3) of the Patent Act and other provisions. Therefore, the amount of royalty itself was calculated based on the minimum threshold normally applied. Even so, the amount calculated by this method is found to be extremely high compared to the actual amount. Meanwhile, the amount derived by the method referencing the purchase price and repair costs of the ladle, as alleged by the Defendant, is also found to be far from the actual amount.

There is a significant difference between these estimated amounts, and such difference is out of the range of errors. This difference is a natural consequence of complete different approaches and postulates for the calculation. Therefore, it is not appropriate to use the simple average of these estimated amounts.

In addition, both parties allege their respective calculation methods to be appropriate, and there is no reason which justifies the court to independently propose an alternative method.

Accordingly, the court determines, from the standpoint of fairness, that the base of royalty amount should be the estimated amount derived by the method referencing the sales turnover of molten aluminum as alleged by the Plaintiff multiplied by 0.5, while taking into consideration the purpose of Article 248 of the Code of Civil Procedure, the totality of the entire gist of the hearings, and the results of the examination of evidence."