

Date	July 11, 2012	Court	Tokyo District Court, 29th Civil Division
Case number	2010 (Wa) 44305		
– A case in which, with regard to distribution of a DVD product, the court found infringement of a copyright			

The plaintiff filed this case against the defendant, asserting that it has a copyright for the footage ("Footage") of a DVD product ("Product"). The plaintiff sought an injunction against the sale and distribution of the Product based on Article 112, paragraph (1) of the Copyright Act and also sought payment of 6,792,500 yen in total, specifically, damages of 6,175,000 yen and attorney's fees of 617,500 yen, with delay damages accrued thereon which are calculated at the rate of 5% per annum as prescribed in the Civil Code for the period from June 27, 2011, which is the day after the tort, to the date of payment.

Plaintiff X is a South Korean company. It concluded a contract regarding the production and sale of a DVD product which uses a TV program produced by South Korean production company A, and granted a license for exclusive distribution to Japanese company B. Then, B granted a sublicense for exclusive distribution to defendant Y.

The plaintiff produced the Product and sold it to B, and B sold the Product to the defendant and the defendant sold it to its customer, respectively. However, the plaintiff cancelled the sales contract and distribution license contract which it concluded with B ("Cancellation") because B failed to perform its obligation.

The major issues of this case are (1) whether the plaintiff's copyright exists, (2) whether the Cancellation is valid, (3) whether the plaintiff's right of distribution has exhausted, (4) whether the defendant is protected as a third party before a cancellation, (2) whether the defendant is intentional or negligent, and (6) damages.

The court made the following determinations.

Regarding (1) whether the plaintiff's copyright exists, the court first ruled that Japanese law serves as the governing law for the claim for an injunction based on the copyright pursuant to Article 5(2) of the Berne Convention, for the claim for damages pursuant to Article 17 of the Act on General Rules for Application of Laws, and for the validity of the

Cancellation as a matter of first consideration for these claims pursuant to Article 7 of said Act. Then, the court ruled as follows: The Footage is a derivative work of which the original work is a TV program produced by A and the plaintiff's copyright does not extend to the part that is in common with the original work; however, the plaintiff, which is the film producer of the Footage that is a cinematographic work, is recognized to independently have a copyright for the creative part which the plaintiff newly added; thus, the rate of contribution of A and the plaintiff to the Footage is 50:50.

Regarding (2) whether the Cancellation is valid, the court ruled that B failed to perform its obligation and that the cancellation without demand is also valid.

Regarding (3) whether the plaintiff's right of distribution has exhausted due to transfer of the Product to B before the Cancellation, the court ruled that there is no room for arguing about exhaustion in this case because it cannot be said that there was a legitimate first transfer because the sales contract between X and B was validly cancelled due to failure to perform its obligation.

Regarding (4) whether the defendant is protected as a third party before a cancellation, the court ruled as follows: The defendant cannot be regarded as a person who has obtained a new right for the subject of the cancelled contract because the license for distribution granted to B by the plaintiff and the license for distribution granted to the defendant by B are in separate claim-like legal relations; in addition, the defendant's right does not have countervailing power; therefore, there is no room for the defendant to be protected as a "third party" mentioned in the proviso to Article 545, paragraph (1) of the Civil Code at any rate.

Regarding (5) whether the defendant is intentional or negligent, the court ruled that the defendant is negligent at least with regard to the act of distribution after it received the referential delivery of a notice of cancellation, though the defendant is not recognized as intentional or negligent with regard to the act of distribution before the Cancellation.

Regarding (6) damages, the court found 220,495 yen, which is equivalent to 50%, the rate of the plaintiff's contribution to the Footage, of the profits which the defendant gained through distribution after the time when the defendant came to be recognized as negligent, as the amount of

damage under Article 114, paragraph (2) of the Copyright Act. The court partially upheld the plaintiff's claims with regard to 242,545 yen, which is the total of said amount and the amount equivalent to attorney's fees. The court also upheld the plaintiff's claim for an injunction against the sale and distribution of the Product by the defendant.