

Judgment rendered on December 26, 2011; the original was received on the same day; court clerk

2009 (Wa) 44391, Case of Principal Action Seeking an Injunction against Infringement of a Patent Right, etc.

2011 (Wa) 19340, Case of Counterclaim of the Same

Date of conclusion of oral argument: July 12, 2011

Judgment

United Kingdom <hereinafter omitted>

Plaintiff in the principal action/defendant in the counterclaim: Sangenic International Ltd.

Counsel attorney: SAMEJIMA Masahiro

Same as above: KURE Mikiko

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Same as above: ITO Masahiro

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Chuo-ku, Osaka-shi <hereinafter omitted>

Defendant in the principal action/plaintiff in the counterclaim:

Aprica Children's Products Inc.

Counsel attorney: KUNIYA Shiro

Same as above: SHIGETOMI Takamitsu

Same as above: WAKABAYASHI Motonobu

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Same as above: HIROSE Takashi

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Same as above: TAKEUCHI Naoki

Main Text

1. The defendant in the principal action (plaintiff in the counterclaim) shall not import, sell, or offer to sell the product stated in the attached List of Product 1.
2. The defendant in the principal action (plaintiff in the counterclaim) shall dispose of the product stated in the attached List of Product 1.
3. The defendant in the principal action (plaintiff in the counterclaim) shall pay to the plaintiff in

the principal action (defendant in the counterclaim) 21,139,152 yen with delay damages calculated by the rate of 5% per annum on 211,298 yen for the period from December 1, 2009 until the date of completion of the payment, on 1,143,691 yen for the period from January 1, 2010 until the date of completion of the payment, on 642,923 yen for the period from February 1, 2010 until the date of completion of the payment, on 1,437,410 yen for the period from March 1, 2010 until the date of completion of the payment, on 1,110,230 yen for the period from April 1, 2010 until the date of completion of the payment, on 1,573,294 yen for the period from May 1, 2010 until the date of completion of the payment, on 537,567 yen for the period from June 1, 2010 until the date of completion of the payment, on 863,014 yen for the period from July 1, 2010 until the date of completion of the payment, on 943,649 yen for the period from August 1, 2010 until the date of completion of the payment, on 1,255,610 yen for the period from September 1, 2010 until the date of completion of the payment, on 878,324 yen for the period from October 1, 2010 until the date of completion of the payment, on 935,830 yen for the period from November 1, 2010 until the date of completion of the payment, on 1,286,010 yen for the period from December 1, 2010 until the date of completion of the payment, on 62,341 yen for the period from January 1, 2011 until the date of completion of the payment, on 279,713 yen for the period from February 1, 2011 until the date of completion of the payment, on 713,871 yen for the period from March 1, 2011 until the date of completion of the payment, on 2,012,677 yen for the period from April 1, 2011 until the date of completion of the payment, on 673,516 yen for the period from May 1, 2011 until the date of completion of the payment, on 542,938 yen for the period from June 1, 2011 until the date of completion of the payment, on 844,543 yen for the period from July 1, 2011 until the date of completion of the payment, and on 3,190,703 yen for the period from July 12, 2011 until the date of completion of the payment.

4. The court dismisses all the other claims made in the principal action by the plaintiff in the principal action (defendant in the counterclaim).

5. The court dismisses the claims made in the counterclaim by the plaintiff in the counterclaim (defendant in the principal action).

6. The court costs for the principal action and the counterclaim shall be divided into four, one of which shall be borne by the plaintiff in the principal action (defendant in the counterclaim), while the remaining three-fourths shall be borne by the defendant in the principal action (plaintiff in the counterclaim).

7. This judgment may be provisionally executed as far as paragraphs 1 to 3 are concerned.

Facts and Reasons

No. 1 Claims

1. Principal action

(1) The same as paragraphs 1 and 2 of the Main Text.

(2) The defendant in the principal action (plaintiff in the counterclaim) shall pay to the plaintiff in the principal action (defendant in the counterclaim) 206,729,983 yen with delay damages calculated by the rate of 5% per annum on 15,623,538 yen for the period from November 6, 2009 until the date of completion of the payment, on 2,104,200 yen for the period from December 1, 2009 until the date of completion of the payment, on 11,589,132 yen for the period from January 1, 2010 until the date of completion of the payment, on 4,893,768 yen for the period from February 1, 2010 until the date of completion of the payment, on 10,430,820 yen for the period from March 1, 2010 until the date of completion of the payment, on 8,915,796 yen for the period from April 1, 2010 until the date of completion of the payment, on 12,546,042 yen for the period from May 1, 2010 until the date of completion of the payment, on 4,450,884 yen for the period from June 1, 2010 until the date of completion of the payment, on 7,161,294 yen for the period from July 1, 2010 until the date of completion of the payment, on 7,815,600 yen for the period from August 1, 2010 until the date of completion of the payment, on 9,674,310 yen for the period from September 1, 2010 until the date of completion of the payment, on 6,626,226 yen for the period from October 1, 2010 until the date of completion of the payment, on 6,909,792 yen for the period from November 1, 2010 until the date of completion of the payment, on 9,744,450 yen for the period from December 1, 2010 until the date of completion of the payment, on 746,490 yen for the period from January 1, 2011 until the date of completion of the payment, on 2,578,146 yen for the period from February 1, 2011 until the date of completion of the payment, on 5,490,960 yen for the period from March 1, 2011 until the date of completion of the payment, on 14,815,572 yen for the period from April 1, 2011 until the date of completion of the payment, on 5,155,290 yen for the period from May 1, 2011 until the date of completion of the payment, on 4,156,296 yen for the period from June 1, 2011 until the date of completion of the payment, and on 70,924,915 yen for the period from July 12, 2011 until the date of completion of the payment.

(3) Declaration of provisional execution

2. Counterclaim

(1) The defendant in the counterclaim (plaintiff in the principal action) shall pay to the plaintiff in the counterclaim (defendant in the principal action) 75,274,696 yen with delay damages calculated by the rate of 5% per annum on said amount for the period from June 15, 2011 until the date of completion of the payment.

(2) Declaration of provisional execution

No. 2 Background

1. (1) The plaintiff in the principal action/defendant in the counterclaim (hereinafter referred to as "Plaintiff") holds a patent right relating to a waste-storage device and a design right relating to a waste-disposal cassette and has concluded a distributorship agreement with the former

company of the defendant in the principal action/plaintiff in the counterclaim (hereinafter referred to as "Defendant") in the past. The Plaintiff alleged that the product (hereinafter referred to as "Product 1") stated in the attached List of Product 1, which the Defendant imports, sells or otherwise handles under the aforementioned patent right, design right, and distributorship agreement, infringes the aforementioned patent right and design right or that, in the aforementioned agreement, the Defendant promised to discontinue use of the Plaintiff's intellectual property rights upon termination of said agreement. Based on this allegation, the Plaintiff filed this principal action against the Defendant to seek an injunction against the import, sale, or otherwise handling of Product 1 (Article 100, paragraph (1) of the Patent Act, Article 37, paragraph (1) of the Design Act, and the aforementioned agreement) and disposal thereof (Article 100, paragraph (2) of the Patent Act and Article 37, paragraph (2) of the Design Act), as well as a payment of 206,729,983 yen in total as damages (Article 102, paragraphs (2) and (3) of the Patent Act, Article 39, paragraphs (2) and (3) of the Design Act, and Article 709 of the Civil Code), with delay damages calculated by the rate of 5% per annum as prescribed in the Civil Code on each amount broken down for the damages for the period from the first day of the month in which relevant damages occurred to the date of completion of the payment. (However, regarding damages and active damages that occurred during the period from July 1 to 7, 2011, the period shall be from the 12th of the same month, which is the day following the date of service of a petition for amendment of the claim dated the 7th of the same month, to the date of completion of the payment.)

(2) The Defendant alleged that the Plaintiff notified the Defendant's customers of the fact that Product 1 sold by the Defendant infringes the Plaintiff's intellectual property rights around July 2009 and that said act of notifying falls under the act of making a false allegation that is injurious to the business reputation of the Defendant (Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act). Based on this allegation, the Defendant filed this counterclaim against the Plaintiff to seek a payment of 75,274,696 yen as compensation for damages (Article 4 of the Unfair Competition Prevention Act, Articles 709 and 710 of the Civil Code), with delay damages accrued thereon calculated by the rate of 5% per annum, as prescribed in the Civil Code for the period from June 15, 2011 (the day following the date of service of the written counterclaim) to the date of completion of the payment.

2. Assumed facts (Evidence is stated at the end of each item in relation to those other than undisputed facts. Documentary evidence includes branch numbers.)

(1) Parties

A. The Plaintiff is a company based on the United Kingdom that engages in the business of manufacturing or otherwise handling infant products in Japan and abroad.

B. The Defendant is a stock company engaging in the business of manufacturing, selling, or

otherwise handling nursery items, children's vehicles, toys, etc.

C. The Plaintiff and the Defendant share common consumers in the market of waste-storage devices and waste-storage device cassettes and are in a competitive relationship.

(2) Plaintiff's patent right (Exhibits Ko No. 2 and No. 17)

The Plaintiff holds the following patent right (hereinafter referred to as "Patent Right"; the patent pertaining to the Patent Right is referred to as "Patent," and the invention pertaining to the Patent is referred to as "Invention").

Patent number: Patent No. 4402165

Title of the invention: Waste-storage device

Application date: June 5, 2009

Indication of division: Division of Patent Application No. 2006-536164

Original application date: October 21, 2004

Priority date: October 23, 2003

Priority country: United Kingdom

Registration date: November 6, 2009

Scope of claims

Claim 14 (The invention claimed in Claim 14 is referred to as "Invention 1.")

A waste-storage cassette that is engaged with a waste-storage cassette rotator provided in a small chamber on the top of a waste-storage device and is to be installed in a rotatable manner; that is a waste-storage cassette comprising an inner wall that defines the nearly column-shaped core, an outer wall, a storage part that sits between said inner wall and said outer wall in which folded waste-storage bags are set, an extension part that extends from the top of said inner wall toward said outer wall wherein said folded waste-storage bags are pulled out to the inside of said core beyond said extension part when used, and a structure that projects from said outer wall so that it engages with said waste-storage cassette rotator for supporting and rotating said waste-storage cassette; and that is a waste-storage cassette structured so as to be suspended from said waste-storage cassette rotator.

Claim 11 (the invention claimed in Claim 11 is referred to as "Invention 2")

A waste-storage device that comprises a small chamber on the top of the waste-storage device that accepts a waste-storage cassette and a waste-storage cassette rotator, which is installed in said small chamber so that it could rotate said waste-storage cassette in said small chamber and is formed to engage with said waste-storage cassette; that is a waste-storage device wherein [a] said waste-storage cassette rotator comprises an upper ring, a cylindrical wall that extends from said upper ring downward, and a flange designed to support said waste-storage cassette for the rotation of said waste-storage cassette, which projects from the bottom of said cylindrical wall inward, [b] said waste-storage device further comprises a waste-storage cassette that is engaged

with and supported by said waste-storage cassette rotator, [c] said waste-storage cassette comprises an inner wall that defines the core of the nearly column-shaped core, an outer wall, a storage part that sits between said inner wall and said outer wall in which folded waste-storage bags are set, [d] said waste-storage cassette has a structure that is provided on said outer wall, projects from said outer wall, and is set to engage with a waste-storage cassette rotator that sits in said small chamber, and [e] said waste-storage cassette is structured so as to be suspended from a flange that projects into said inside of the waste-storage cassette rotator due to said structure.

(3) Segmenting of constituent features

A. Invention 1 is segmented into the following constituent features (segment signs in parentheses are those assigned by the Defendant; hereinafter, regarding signs for segmenting Inventions 1 and 2 into constituent features, signs assigned by the Plaintiff are indicated first and corresponding signs assigned by the Defendant are indicated in the parentheses, as shown below).

[A] ([A]) A waste-storage cassette that is engaged with a waste-storage cassette rotator provided in a small chamber on the top of a waste-storage device and is to be installed in a rotatable manner,

[B] ([B]) that is a waste-storage cassette comprising

([B-1]) an inner wall that defines the nearly column-shaped core,

[C] ([B-2]) an outer wall,

[D] ([B-3]) a storage part that sits between said inner wall and said outer wall in which folded waste-storage bags are set,

[E] ([B-4]) an extension part that extends from the top of said inner wall toward said outer wall wherein said folded waste-storage bags are pulled out to the inside of said core beyond said extension part when used, and

[F] ([B-5]) a structure that projects from said outer wall so that it engages with said waste-storage cassette rotator for supporting and rotating said waste-storage cassette, and

[G] ([D]) that is a waste-storage cassette

([C]) structured so as to be suspended from said waste-storage cassette rotator.

B. Invention 2 is segmented into the following constituent features.

[H] ([A]) A waste-storage device that comprises a small chamber on the top of the waste-storage device that accepts a waste-storage cassette and

[I] ([A]) a waste-storage cassette rotator, which is installed in said small chamber so that it can rotate said waste-storage cassette in said small chamber and is formed to engage with said waste-storage cassette,

([G]) that is a waste-storage device

[J] ([B]) wherein said waste-storage cassette rotator ([B-1]) comprises an upper ring, [K] ([B-2]) a cylindrical wall that extends from said upper ring downward, and [L] ([B-3]) a flange designed to support said waste-storage cassette for the rotation of said waste-storage cassette, which projects from the bottom of said cylindrical wall inward, [M] ([C]) said waste-storage device further comprises a waste-storage cassette that is engaged with and supported by said waste-storage cassette rotator, [N] ([D]) said waste-storage cassette comprises ([D-1]) an inner wall that defines the core of the nearly column-shaped core, [O] ([D-2]) an outer wall, [P] ([D-3]) a storage part that sits between said inner wall and said outer wall in which folded waste-storage bags are set, [Q] ([E]) said waste-storage cassette has a structure that is provided on said outer wall, projects from said outer wall, and is set to engage with a waste-storage cassette rotator that sits in said small chamber, and [R] ([F]) said waste-storage cassette is structured so as to be suspended from a flange that projects into said inside of the waste-storage cassette rotator due to said structure.

(4) Plaintiff's design right (Exhibits Ko No. 7 and No. 8)

The Plaintiff holds the following design right (hereinafter referred to as "Design Right"; the design pertaining to the Design Right is referred to as "Design").

Registration number: Registration No. 1224008

Design registration application date: April 22, 2004

Priority claim under the Paris Convention, etc.

Priority claim number: 95468-0002

Priority date: October 23, 2003

Priority country: Office for Harmonization in the Internal Market (Trade Marks and Designs)

Date of registration of establishment: October 15, 2004

Article to the design: Waste-storage cassette

Registered design: As described in the attached design bulletin

Explanation of the article to the design: This article is used by being fixed in a waste-storage device, etc., and it is used to collect waste by housing a sequence of many cylindrical bags in a doughnut-shaped recess in a manner that it can be pulled out and by pulling out these bags one-by-one and fitting the bag into a hole at the center.

(5) Act committed by the Defendant

The Defendant imports, sells, and offers to sell Product 1.

(6) Structure of Product 1

- a. A waste-storage cassette designed to be installed on the top of a waste-storage container,
- b. which is a waste-storage cassette
 - b-1. comprising an inner wall that defines the nearly column-shaped core,
 - b-2. an outer wall,
 - b-3. a storage part that sits between said inner wall and said outer wall in which folded waste-storage bags are set,
 - b-4. an extension part that extends from the top of said inner wall toward said outer wall wherein said folded waste-storage bags are pulled out to the inside of said core beyond said extension part when used, and
 - b-5. a projecting part that has four missing parts that are equally spaced in the circumferential direction of the outer periphery of said outer wall.

(7) Comparison between the Invention and Product 1, etc.

Product 1 fulfills Constituent Features [B] to [E] ([B] to [B-4]) of Invention 1.

(8) Background to the filing of the patent application in question

A. The Plaintiff filed the patent application in question (the "Patent Application") on June 5, 2009 as a divisional application of the patent application (Patent Application No. 2006-536164), which was filed in Japan, claiming a priority based on a U.K. application on October 21, 2004.

B. For the Patent, the establishment of a patent right was registered on November 6, 2009.

(9) Transition of the distributorship agreement, etc. (Exhibit Ko No. 15 and Exhibits Otsu No. 15 to No. 17)

A. Since around 1993, the Plaintiff had designated Aprica Kasai/Aprica Childcare Institute (hereinafter referred to as "Former Aprica") as its exclusive agency in Japan. The Plaintiff and Former Aprica concluded a comprehensive distributorship agreement (Exhibit Ko No 15; hereinafter referred to as "Distributorship Agreement"), including the following provisions, on November 26, 2003.

(A) If this agreement is terminated for any reason, Former Aprica shall cease to exploit all of the Plaintiff's intellectual property rights, for which it received a license from the Plaintiff, in any form (including use in relation to stationery and vehicles without any exception) without delay, and shall return to the Plaintiff all the printed matters (excluding general catalogues of Former Aprica) indicating that Former Aprica holds those intellectual property rights, or it shall dispose of them without charge (paragraph 12.7).

(B) Former Aprica shall cease to promote sales of and advertise the products and to use the intellectual property rights, except where it commits such act for the purpose of selling the inventory goods for which the Plaintiff does not exercise the right of repurchase. Former Aprica may sell said inventory goods only within three months from the termination of this agreement (paragraph 14.4).

(C) Intellectual property rights

"This agreement covers patents, trademarks, service marks, trade names, brand names, copyrights, rights to designs, know-how, secret information, and other intellectual property rights, including any business reputation incidental thereto, irrespective of "whether or not registered or capable of registration" and whether or not they exist in this area or any other area (paragraph 1.1).

B. Based on the aforementioned agreement concluded with the Plaintiff, Former Aprica conducted the sale of the Plaintiff's products. It started selling a waste-storage device and corresponding waste-storage cassette called Mark I (product name: におわなくてポイ (niowanakute poi; odorless waste-storage device)) around 1993, a waste-storage device and corresponding waste-storage cassette called Mark II (product name: におわなくてポイ マルチ (niowanakute poi maruchi; multi odorless waste-storage device)) around 1999, and a waste-storage device and corresponding waste-storage cassette called Mark III (product name: におわなくてポイ・イージー (niowanakute poi ījī; easy odorless waste-storage device)) around 2006. The waste-storage device of Mark I and that of Mark II do not have a waste-storage cassette rotator, but that of Mark III does have a waste-storage cassette rotator.

C. The Plaintiff and a U.S. corporation, Newell Rubbermaid Inc. (hereinafter referred to as "Newell"), agreed in the agreement dated March 7, 2008 (Exhibit Otsu No. 15) that the contractual status under the Distributorship Agreement is transferred from Former Aprica to Newell along with Newell's acquisition of Former Aprica's business. On April 1 of the same year, Former Aprica transferred its business to the Defendant, which was established by Newell in Japan (Exhibit Otsu No. 16).

D. In October 2008, the Plaintiff notified that the Distributorship Agreement would not be renewed on and after November 27 of the same year.

E. The Plaintiff and Combi Corporation (hereinafter referred to as "Combi") located in Taito-ku, Tokyo (detailed address is omitted) concluded a distributor agreement concerning baby diaper-disposal products (Exhibit Ko No. 56) on October 15, 2008. The Plaintiff has designated Combi as its exclusive agency in Japan on and after November 27 of the same year. Combi sells the Plaintiff's product, Mark III, under the product name of "ニオイ・クルルンポイ (nioi kururunpoi" (waste-storage device that rolls up odor).

(10) Notice given by the Plaintiff to the Defendant's customers (Exhibit Otsu No. 48)

A. Around July 28, 2009, the Plaintiff sent to the Defendant's customers a written notice (Exhibit Otsu No. 48; hereinafter referred to as the "Written Notice"; hereinafter this act is referred to as the "Act of Giving the Notice").

B. The following is stated in the Written Notice (Exhibit Otsu No. 48).

"As a developer and producer of diaper-disposal systems, Sangenic holds many intellectual

property rights around the world with respect to the designs and production of diaper-disposal pails and spare cassettes. If Sangenic ... becomes aware of infringement of its own intellectual property right by a competing product, ... Sangenic would take every measure to protect its own business from the producer or retailer that has committed said infringement."

(11) Sales volume and sales of Product 1 (Exhibits Otsu No. 38 and No. 55)

The sales volume and sales of Product 1 during the period from November 6, 2009 until the end of May 2011 are as follows. The sales volume is 406,602 units (one set contains three units of Product 1), and the sales is 171,039,163 yen. Incidentally, the total sales of Product 1 in consideration of the volume discount thereof made under various pretexts, such as distribution-cost sharing, sales-promotion-cooperation costs, and sales rebate, as trade terms agreed with each customer is 168,347,196 yen.

Periods	Sales volume	Sales
November 2009 (Nov. 6 to 30)	2,100 sets	¥2,112,980
December 2009	11,566 sets	¥11,436,919
January 2010	4,884 sets	¥6,429,236
February 2010	10,410 sets	¥14,374,108
March 2010	8,898 sets	¥11,102,300
April 2010	12,521 sets	¥15,732,943
May 2010	4,442 sets	¥5,375,678
June 2010	7,147 sets	¥8,630,142
July 2010	7,800 sets	¥9,436,498
August 2010	9,655 sets	¥12,556,108
September 2010	6,613 sets	¥8,783,248
October 2010	6,896 sets	¥9,358,305
November 2010	9,725 sets	¥12,860,108
December 2010	745 sets	¥623,414
January 2011	2,573 sets	¥2,797,139
February 2011	5,480 sets	¥7,138,714
March 2011	14,786 sets	¥20,126,774
April 2011	5,145 sets	¥6,735,166
May 2011	4,148 sets	¥5,429,383

3. Issues

[Principal action]

(1) Whether there is an infringement of the patent right pertaining to Invention 1

(1)-1 Fulfillment of constituent features of Invention 1 (direct infringement)

(1)-1(i) Interpretation of Constituent Features [A] ([A]), [F] ([B-5]), and [G] ([C]) of Invention 1

(1)-1(ii) Fulfillment of constituent features of Invention 1

(1)-2 Whether there are grounds for invalidation of the patent pertaining to Invention 1

(1)-2(i) Violation of Article 36, paragraph (6), item (ii) of the Patent Act

(1)-2(ii) Lack of novelty (Exhibit Otsu No. 14)

(1)-2(iii)a. Lack of an inventive step (primarily cited reference Exhibit Otsu No. 14)

(1)-2(iii)b. Lack of an inventive step (primarily cited reference Exhibit Otsu No. 14)

(1)-2(iii)c. Lack of an inventive step (primarily cited reference Exhibit Otsu No. 18)

(2) Whether there is an infringement of the patent right pertaining to Invention 2

(2)-1 Whether an indirect infringement of Invention 2 is constituted

(2)-2 Whether exhaustion is established

(3) Whether there is an infringement of the Design Right

(3)-1 Constitution of the registered design in question (the "Registered Design")

(3)-2 Constitution of Product 1

(3)-3 Whether the Registered Design and the design of Product 1 are similar to each other

(4) Propriety of a claim for an injunction based on the agreement

(5) Propriety of claims for an injunction and disposal

(6) Whether there is an intention or negligence

(7) Damages

(7)-1 Calculation of the amount of damages (Article 102, paragraph (2) of the Patent Act and Article 39, paragraph (2) of the Design Act)

(7)-2 Calculation of the amount of damages (Article 102, paragraph (3) of the Patent Act and Article 39, paragraph (3) of the Design Act)

(7)-3 Active damages

[Counterclaim]

(1) Whether an act of unfair competition is constituted (whether the relevant act falls under the act of making or circulating a false allegation as set forth in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act)

(2) Whether there is a ground for justification

(3) Whether there is an intention or negligence

(4) Damages

4. Allegations of the parties concerning the issues

[Principal action]

(omitted)

(7) Damages

(7)-1 Calculation of the amount of damages (Article 102, paragraph (2) of the Patent Act and Article 39, paragraph (2) of the Design Act)

(Plaintiff)

The Plaintiff sustained the following damages from infringements of the Patent Right and the Design Right committed by the Defendant (Article 102, paragraph (2) of the Patent Act and Article 39, paragraph (2) of the Design Act)

A. Article 102, paragraph (2) of the Patent Act is applicable to this case.

In this case, the Plaintiff manufactures the Plaintiff's cassette and the Plaintiff's device in the United Kingdom and has concluded an exclusive agency agreement with non-party Combi, and Combi imports and sells the Plaintiff's cassette and the Plaintiff's device in Japan. Therefore, the Plaintiff does not work the Patent Right in Japan. However, Article 102, paragraph (2) of the Patent Act is applicable to this case for the following reasons.

(A) Working by a patentee is not required to apply Article 102, paragraph (2) of the Patent Act.

[i] According to popular theories and judicial precedents, Article 102, paragraph (2) of the Patent Act is a presumptive provision concerning the amount of damages and is not a presumptive provision concerning occurrence of damages (lost earnings). Therefore, what should be discussed in terms of the propriety of applying said paragraph is "whether or not lost earnings occurred," and it is not "whether or not the patentee works the invention." In short, the issue is summarized in the existence of a cause-and-effect relationship, that is, a relationship where "if an infringer sells one infringing product, a patentee loses the opportunity to sell one product." Both the Plaintiff's cassette and the Defendant's Product 1 fit only in the Plaintiff's device and are thus substantially competing in the Japanese market. Therefore, if the Defendant sells one unit of Product 1, the Plaintiff becomes unable to sell one unit of the Plaintiff's cassette and, therefore, sustains the damage of becoming unable to gain a profit from selling it. Such damage should be compensated by the Defendant from the perspective of the purpose of the system of compensation for damages in tort (Article 709 of the Civil Code) that is designed to have a tortfeasor compensate damages caused by a tort in a reasonable and fair manner.

(ii) Article 102, paragraph (2) of the Patent Act only provides for the actor who exercises the right to claim damages as a "patentee or an exclusive licensee," and does not clearly specify "working by the patentee" as a condition for the application of said paragraph. Therefore, it is a correct interpretation of law to understand that application of said paragraph shall not be precluded if "occurrence of lost earnings" is recognized, irrespective of the existence of "working by the patentee."

(iii) There is a judicial precedent in which the court upheld the application of Article 102, paragraph (2) of the Patent Act on the basis of existence of competition in the market and a

relationship wherein the parties compete for market shares (judgment of the Tokyo District Court of August 27, 2009). In addition, there are also judicial precedents in which the court denied the application of said paragraph because there are no lost earnings, that is, the patentee does not lose the opportunity to sell one product when the infringer sells one product (judgment of the Osaka District Court of March 27, 1981 and judgment of the Tokyo High Court of June 15, 1999).

(iv) If Article 102, paragraph (3) of the Patent Act is applied instead of paragraph (2) of said Article and the royalty rate becomes inexpensive, the amount of damages is too low as a penalty for infringement, which is not enough to discourage illegal acts.

(B) The Plaintiff can be deemed to be working Invention 1.

(i) Even if working by a patentee him/herself is set as a requirement for application of said paragraph, the Plaintiff can be equated with a person who works Invention 1 because of the following: as mentioned above, the Plaintiff manufactures the Plaintiff's cassette and the Plaintiff's device in the United Kingdom and has concluded an exclusive agency agreement with non-party Combi, and non-party Combi imports and sells the Plaintiff's cassette and the Plaintiff's device in Japan; therefore, essentially, the Plaintiff is working the Patent in Japan by using non-party Combi as a tool.

(ii) The aforementioned matter can also be proven by the fact that the Plaintiff approves non-party Combi's sales-promotion plans in Japan and provides financial assistance for non-party Combi's sales-promotion activities, affixes the Plaintiff's name it designed to all of the packages of the Plaintiff's cassette and the Plaintiff's device, obtains intellectual property rights therefor in Japan, and exercises these rights (Exhibit Ko No. 52).

B. Calculation of the amount of damages

(A) As mentioned in assumed facts (11), the Defendant sold 406,602 units of Product 1 in total during the period from November 6, 2009 to May 2011, and the number of units sold annually is 259,074. Therefore, the number of units sold during the period from September 2009 to July 7, 2011 is 479,842 ($= 406,602 \text{ units} + 259,074 \text{ units} \times (5/30 + 2 + 1 + 7/31)/12$).

(B) The amount of profit from selling one unit of Product 1 is 334 yen (the amount alleged by the Defendant in the counterclaim). Therefore, the marginal profit that arose during each period mentioned in assumed facts (11) is calculated by the following formula: sales volume during each period $\times 3 \times 334$ yen. Delay damages accrued on said marginal profit arises on the day following the last day of each period.

In that case, the amount of the Defendant's marginal profit calculated for the period from September 2009 to July 7, 2011 is 160,267,228 yen ($= 334 \text{ yen} \times 479,842 \text{ units}$), of which the amount of the marginal profit based on the act of infringing the Design Right for the period from September 2009 to November 5 of the same year is 15,623,538 yen ($= 160,267,228 \text{ yen} \times$

$(1 + 1 + 5/30)/(4 + 12 + 6 + 7/31))$, and the amount of the Defendant's marginal profit based on infringements of the Patent Right and the Design Right for the period from November 6 of the same year to July 7, 2011 is 144,643,690 yen (= 160,267,228 yen – 15,623,538 yen).

C. Counterargument against the allegations of the Defendant

(A) It is merely a guess by the Defendant that the Plaintiff delivers to non-party Combi the Plaintiff's cassette under the FOB terms. Even if that is the case, the following allegation is non-essential: The existence of working of a patent by a seller is determined based on trivial trade terms (specifically, terms of delivery, such as FOB, DDU, or DDP), the propriety of application of Article 102, paragraph (2) of the Patent Act is affected thereby, and the amount of damages also changes thereby.

(B) Originally, occurrence of lost earnings relates to an issue of whether or not the Plaintiff has lost earnings in relation to the patent infringement committed by the Defendant. It is not logically related to the status of sale of the Defendant's new product and other companies' competing products that are not products infringing the Patent. The cassette for the Defendant's new product named "におわなくてポイ消臭タイプ(niowanakute poi shoushu taipu)" (odorless waste-storage device) does not fit in the Plaintiff's device. Therefore, it also has no relation to the market of "cassettes applied to the Plaintiff's device," of which the Plaintiff takes notice. The same applies to other companies' competing products. Even if the market of the Defendant's new product has a relation to the market of which the Plaintiff takes notice, an influence of sale of the new product cannot be considered because the new product had not existed during the period from the start of sale of Product 1 around July 2009 until around July 2010, when the sale of the new product started.

(C) There is a provision on the obligation to purchase pertaining to the minimum purchase volume in the agreement concluded between Former Aprica and the Plaintiff. However, only a sanction against a failure to perform said obligation is the cancellation of the agreement (Article 9.2). There is no provision on monetary compensation.

(Defendant)

A. The Defendant disputes all of the Plaintiff's legal allegations. Incidentally, it is not necessary to discuss the existence of an infringement of the Design Right of the Plaintiff because it is obvious that the Defendant does not infringe the Design Right.

B. Non-application of Article 102, paragraph (2) of the Patent Act

(A) Article 102, paragraph (2) of the Patent Act is a presumptive provision concerning a cause-and-effect relationship between an act of infringement and damages, which is one of the general requirements for constitution of a tort, and the amount of damages therefrom, and it is not a presumptive provision concerning an occurrence of damages itself. Therefore, it is considered necessary for a patentee to prove occurrence of damages, specifically, working of a

relevant patent by the patentee him/herself, in order to make said paragraph applicable. In addition, "working" of a patented invention means the acts prescribed in the items of Article 2, paragraph (3) of said Act. From the perspective of the principle of territoriality, it is considered to mean the acts prescribed in said paragraph that are committed in Japan. Consequently, the Plaintiff needs to be "working" (Article 2, paragraph (3) of the Patent Act) Invention 1 in Japan in order to make Article 102, paragraph (2) of the Patent Act applicable to this case.

In this case, as mentioned below, the Plaintiff conducts no business in relation to the Plaintiff's product, including the Plaintiff's cassette, in Japan, and it thus does not work Invention 1 in Japan. Therefore, Article 102, paragraph (2) of the Patent Act is not applicable in this case.

(i) The Plaintiff did not manufacture the Plaintiff's cassette in Japan on the occasion of transactions with Former Aprica.

(ii) The terms of delivery agreed between Former Aprica and the Plaintiff was FOB (Exhibit Ko No. 15 and Exhibit Otsu No. 43). The Plaintiff only acquired an export permit and conducted customs clearance in the United Kingdom and delivered the Plaintiff's cassette to Former Aprica while on board at the port of shipment (United Kingdom). The Plaintiff thus did not engage in import into Japan. Although the terms of delivery agreed between the Plaintiff and non-party Combi are unclear, the terms are basically considered as having not been changed. Therefore, the Plaintiff does not engage in the import of the Plaintiff's cassette.

(iii) The Plaintiff entrusts non-party Combi with sales and marketing activities for the Plaintiff's product in Japan. Therefore, the Plaintiff neither sells nor conducts marketing for the Plaintiff's product, including the Plaintiff's cassette, in Japan.

(B) In order to say that lost earnings-type damages as provided for in Article 102, paragraph (2) of the Patent Act have occurred, it is necessary to allege and prove as a premise that the factual condition where a patentee had enjoyed exclusive benefits based on the business of working, etc. a patented invention in Japan was damaged due to infringement of a relevant patent right. In order to say that such factual condition exists, it is naturally required that the patentee him/herself be conducting business in Japan. Here, "business" is generally understood to be referring to the fact that the patentee him/herself manufactures and sells, in Japan, a product in which the patented invention is worked. Even in the case of taking a stance that there is no need for the patentee to be conducting business, it is at the very least necessary to form the premise of a factual condition where the patentee him/herself would be able to enjoy exclusive business interests through the manufacturing and sale of a competing product in Japan (see the judgment of the Kanazawa Branch of the Nagoya High Court of April 12, 2000, Nikkanko [second period edition], 2563, at 23 and the judgment of the Tokyo District Court of August 27, 2009, 2007 (Wa) 3494). In this case, the Plaintiff neither works Invention 1 nor engages in the business of

manufacturing and selling a competing product in Japan. Therefore, there is no room for application of Article 102, paragraph (2) of the Patent Act.

(C) In this case, there are various circumstances on which the Plaintiff is not recognized as having suffered lost earnings.

(i) Circumstances on which the number of sales of the Plaintiff's cassette is reduced other than existence of Product 1

a. Sale of the Defendant's new product (a non-infringing competing product)

In July 2010, the Defendant started selling device and cassette of its new product named "におわなくてポイ消臭タイプ (niowanakute poi shoushu taipu)" (odorless waste-storage device) (Exhibit Otsu No. 45). This product is characterized by the use of a deodorizing antibacterial film to wrap up used diapers and the low-running costs that result from easy storage of many diapers with a shorter length of film, which is achieved by eliminating the twisting motion from the process of wrapping up used diapers with the film. Thanks to the Defendant's sales-promotion activities, etc., the Defendant sold about 123,000 devices and about 668,000 cassettes during the period from the start of selling said new product until the end of May 2011. According to the results of research conducted by a third party (see Attachment 1 of Exhibit Otsu No. 44), the sales share of waste-storage devices is as follows as of March 2011 after the Defendant started selling the aforementioned new product: the Defendant: 56%; non-party Combi: 41%; and Angelcare: 3%. In light of an increase in the sales share of said new product within a short period of time, it cannot be denied that consumers' switch from the Plaintiff's product to the aforementioned new product contributed to a decrease in the number of sales of the Plaintiff's cassette.

b. Existence of other company's competing product (a non-infringing product)

Out of many competing products (Attachment 2 of Exhibit Otsu No. 44) that have the same usage as that of the Plaintiff's product, a product named "らくらくおむつバケツ (rakuraku omutsu baketsu)" (easy diaper pail) (made by Angelcare) has been highly appreciated by consumers since its sales started in 2007 in Japan, and its market share has gradually increased. In a survey conducted by the Defendant in 2008, the aforementioned other company's product was evaluated as better than the Plaintiff's product in terms of the shape, use of color, odor containment, and operability. The volume of diapers contained per cassette of said other company's product was larger than the Plaintiff's cassette, and the price of said other company's waste-storage device was lower than that of the Plaintiff's device. Therefore, it cannot be denied that an increase in the sales volume of the aforementioned other company's product contributed to a decrease in the number of sales of the Plaintiff's cassette.

c. Cessation of use of the Plaintiff's device and change of the method of using it

As of 2010, the device of the Plaintiff's product had problems, such as some parts coming

off and cutters becoming dull. This caused some consumers to cease to use the Plaintiff's product and purchase another product (Exhibit Otsu No. 46). In addition, in light of economic trends, there seem to be a considerable number of consumers who refrain from purchasing the Plaintiff's cassette that uses longer film, who dispose of diapers only with plastic shopping bags, or who dispose of diapers by placing garbage bags or plastic shopping bags in the Plaintiff's device instead of the Plaintiff's cassette in order to cut household costs.

d. Unreasonableness of figures that the Plaintiff uses as a basis

The Plaintiff has not submitted any objective evidence in relation to the quantity of cassettes that should be sold per device and the use rate. Moreover, the duration of use of the device is affected by consumers' cost-consciousness, which reflects the age and number of consumers' children, consumers' taste, and economic conditions as well as existence of other competing products, etc., and it does not become a uniform figure every year. There are only feeble grounds for alleging, based on the use rate, etc. alleged by the Plaintiff, that the sales volume of the Plaintiff's cassette is decreasing.

(ii) Other circumstances that underpin the absence of lost earnings

The Plaintiff sells to non-party Combi the Plaintiff's product, including the Plaintiff's cassette, and has granted an exclusive right to sell them in Japan. In concluding a sales agreement on which the exclusive right to sell is granted, it is common to set provisions on the minimum purchase volume. In some cases, such an agreement includes provisions that make it mandatory for the purchaser to purchase the agreed minimum purchase volume or provisions on collection of the amount equivalent to supposed profits from any shortfall in the minimum purchase volume as a penalty. In light of this, the agreement concluded between the Plaintiff and non-party Combi is also considered to include such provisions. Therefore, the Plaintiff can be economically indemnified even in the case of a failure to achieve the minimum purchase volume, irrespective of the actual sales of the Plaintiff's cassette. Even if the sales of the Plaintiff's cassette decrease due to the sale of Product 1, the Plaintiff would suffer no lost earnings.

(7)-2 Calculation of the amount of damages (Article 102, paragraph (3) of the Patent Act and Article 39, paragraph (3) of the Design Act)
(Plaintiff)

The Plaintiff sustained the following damages from the infringements of the Design Right and the Patent Right committed by the Defendant (Article 102, paragraph (3) of the Patent Act and Article 39, paragraph (3) of the Design Act).

A. In this case, the Plaintiff has concluded an exclusive agency agreement with non-party Combi, and there is hardly any possibility that the Plaintiff will grant a license to the Defendant. Therefore, it was originally impossible to think of the "objectively reasonable amount in the

case where the patentee, etc. grants a license." Consequently, there is no room for application of Article 102, paragraph (3) of the Patent Act.

B. In the case of applying Article 102, paragraph (3) of the Patent Act by way of experiment, the "amount the patentee or exclusive licensee would have been entitled to receive" (the amount equivalent to the royalty), as set forth in Article 102, paragraph (3) of the Patent Act, refers to the "objectively reasonable amount in the case where the patentee, etc. grants a license." Taking into account the following circumstances of this case, the amount equivalent to the royalty is considered to be at least 167 yen (the amount equivalent to 37.95% of the sales price, 440 yen), that is a half of 334 yen, which is the amount of profit per unit of Product 1 as self-confessed by the Defendant: [i] the Defendant acknowledges a profit of 334 yen per cassette; [ii] the Plaintiff's cassette has high margins, and when the profit margin of a product in which a patent is worked is high, the royalty therefor should be set high; [iii] when the Plaintiff grants a license to one other than non-party Combi, which is its exclusive agency, it is forced to change the exclusive agency agreement concluded with non-party Combi and would reconsider its sales strategy in Japan; therefore, the royalty rate cannot be regarded as "objectively reasonable" in terms of commercial practice unless it is significantly higher than ordinary royalty rates (around 3 to 5%); and [iv] other circumstances. Other circumstances are as follows: [a] the Plaintiff has dominated the Japanese market by a cassette it developed; [b] Invention 1 is technically excellent; [c] the degree of contribution made by Invention 1 to Product 1 of the Defendant is extremely high; and [d] the Plaintiff's adoption of the policy of not granting a license to a person other than non-party Combi indicates the big economic appeal of Invention 1.

C. Counterargument against the allegations of the Defendant

(A) The Plaintiff's waste-storage device, Mark III, is an excellent product made by improving an old product, Mark II. Invention 1 pertaining to the cassette therefor is also presumptively recognized as being of high value.

(B) A license for Invention 1 is granted with a focus on the ability to fit in Mark III; and the ability to also fit in Mark II is not an element that is taken into account in determining the licensing of Invention 1. Even if use with Mark II is considered to be an element that is taken into account in determining the licensing of Invention 1, it cannot become a factor that causes a reduction in the royalty rate of Invention 1 in light of the fact that the Plaintiff ceased to sell Mark II five years ago and that Mark II accounts for around 7% of the Plaintiff's devices existing in Japan.

(C) Contribution made by the Defendant in relation to the sale of the Plaintiff's product is nothing more than contribution made by the Defendant for value owing to the Plaintiff's monetary contribution based on the distributorship agreement. It thus does not become an element that is taken into account in determining the royalty rate. The penetration of a product

into consumers is determined based on the quality and performance of the product, and it is the Plaintiff that made an improvement to the product. The device of Mark II had been made into a brand with the name of the Plaintiff, and it is the Plaintiff that developed and improved the product and obtained intellectual property rights therefor. The Defendant made no contribution. It is the Plaintiff that designed and manufactured the cassette of Mark III to fit in the devices of both Mark II and Mark III, and this is the essence of the development in this case. The Plaintiff sincerely takes its social responsibility for consumers. In order to perform this responsibility, the Plaintiff performed an assured and uninterrupted shift from the Defendant to non-party Combi to ensure that the Plaintiff's consumers can receive the provision of its goods in an assured and efficient manner.

(D) Even if a position in the market were established owing to market development efforts, those efforts were made not by the Defendant but by Former Aprica.

(Defendant)

A. Regarding the sales volume and sales of Product 1

As mentioned in assumed facts (10), the total sales of Product 1 in consideration of the volume discount thereof for the period from November 6, 2009 to the end of May 2011 is 168,347,196 yen.

B. Regarding the royalty rate

In this case, the reasonable royalty rate for Invention 1 is 1%, comprehensively taking into account the following individual specific circumstances: [i] the fact that the technical significance and value of Invention 1 cannot be considered to be high; [ii] the fact that Product 1 is often used in the form of not utilizing the technical features of Invention 1; and [iii] the development of the market of waste-storage devices by the Defendant, the power of "Aprica" brand, the Defendant's sales network, and substantial contribution through sales efforts, as the background behind the actual sales of Product 1.

(A) Content of Invention 1, etc. (distance from publicly known art, etc.)

Invention 1 is an invention of a waste-storage cassette, and the structure of the waste-storage cassette itself is described in Exhibit Otsu No. 14 Invention. A difference exists merely in the point of whether or not a part with which a structure that projects from the outer wall engages is a rotator. Even where Invention 1 involves novelty and an inventive step, it is close to publicly known art, and the structure that projects from the outer wall itself cannot be considered to be technically excellent. Therefore, Invention 1 is not the one that is of high value as an invention.

There is no example licensing of Invention 1 because there is no need to use Invention 1 and there is thus no motivation for a third party to obtain a license therefor. Specifically, Invention 1 is close to publicly known art, and a competing product of the Plaintiff's product (Attachment 2

of Exhibit Otsu No. 44) is manufactured and sold without using the technical feature (comprising an extension part that engages with a waste-storage cassette rotator) of Invention 1.

(B) Use for the device of Mark II

As a considerable number of units of the device of Mark II are continuously used, Product 1 is also continuously purchased. However, the technical feature of Invention 1 is not realized in cases where consumers use Product 1 by fitting it in the device of Mark II, which is a waste-storage device lacking a rotator, and the function and effect of Invention 1 are also not produced in such cases. Therefore, Invention 1 makes no contribution to the sale of Product 1.

(C) Regarding the Defendant's efforts for market development

As of the time when the Defendant was in a contractual relationship with the Plaintiff, it developed the market of waste-storage devices in Japan by conducting proactive activities, such as preparation of pamphlets (Exhibits Otsu No. 59 and No. 28 to No. 30), advertisement placement in magazines (Exhibit Otsu No. 60) and on websites, implementation of events, sales activities targeting retailers and wholesalers (Exhibits Otsu No. 61 and No. 62), and market research, based on its own determination, calculation, and responsibility to the extent that it can ensure profits in consideration of the purchase price of the Plaintiff's product set by the Plaintiff. Thereby, the Defendant sold about 167,000 units of the device of Mark I, about 470,000 units of the device of Mark II, and about 240,000 units of the device of Mark III in the Japanese market. Precisely because the Defendant could develop the market, it became possible to sell Product 1 to an unspecified number of consumers. Moreover, the Defendant is one of the top brands that are very high-profile and trusted in the baby goods market in Japan. The Defendant had held this position in Japan before it started selling the Plaintiff's product, including the Plaintiff's cassette. Consumers consider being a product of a trustworthy top brand as an important element when choosing baby goods due to their tendency to put emphasis on the health, safety, etc. of infants. Therefore, the power of the Defendant's brand substantially contributes to the sales volume of Product 1. The fact that the Plaintiff's cassette is sold by a third party in the Japanese market indicates the Plaintiff's low sales capabilities in said market.

C. Amount equivalent to the royalty

(A) According to the results (Exhibit Otsu No. 56) of research on royalty rates by technical classification based on questionnaire surveys conducted from November 2009 to February 2010, the average royalty rate in the "transportation" category, to which waste containers belong, is just above 3%. However, in this case, there are many grounds for making the royalty rate lower than the usual royalty rate in the industry. Therefore, the royalty rate of 1% should be considered reasonable. There are judicial precedents in which the court found a royalty rate of less than 1%, which is lower than the usual royalty rate in the industry, for the reason of a low value of the patented invention, etc. (see the judgment of the Tokyo District Court of December

14, 2007, Patent, Vol. 62, No. 8, at 58 and the judgment of the Tokyo District Court of February 15, 2007, Hanta, No. 1282, at 283).

(B) As mentioned above, the reasonable royalty rate for Invention 1 is 1%. Therefore, the amount equivalent to the royalty for the period from November 6, 2009 to the end of May 2011 is 1,683,471 yen (calculated by the following formula: total amount of sales x royalty rate = the amount equivalent to the royalty, 168,347,196 yen x 0.01; decimal places are rounded off).

(7)-3 Active damages

(Plaintiff)

A. Calculation of the amount of damages

(A) In order to carry out the proceedings, there is no other choice but to appoint counsels, and fees for attorneys and patent attorneys, etc. are inevitable. Therefore, the total amount of counsels' fees should be found to be damages that have a cause-and-effect relationship with the act of infringement committed by the Defendant.

(B) The Plaintiff paid 46,462,755 yen in total as fees for attorneys and patent attorneys for the period from July 2009 to July 7, 2011. Specifically, the Plaintiff paid 41,423,205 yen from July 2009 until October 2010 and 5,039,550 yen from November of the same year until July 7, 2011 (converted at 135 yen a pound).

(C) The amount equivalent to 30% of the fees mentioned in (B), 13,938,826 yen, cannot be categorized into either the fees for infringing the Patent Right or those for infringing the Design Right. Moreover, the amount equivalent to 70% of the fees mentioned in (B), 32,523,929 yen, can be categorized into either fees for infringing the Patent Right or those for infringing the Design Right. Out of said amount, the amount of fees for infringing the Patent Right is 22,766,750 yen (accounting for 70% of said amount) while the amount of fees for infringing the Design Right is 9,757,179 yen (accounting for 30% of said amount).

B. The entire amount of damages in the amount equivalent to fees for attorneys and patent attorneys should be recognized.

(A) In judicial precedents on the cases seeking damages based on infringements of a patent right, design right, etc., the amount equivalent to fees for attorneys and patent attorneys is not around 10% of the admissible amount of damages, but it is determined in consideration of the difficulty of the action, proceedings, the claims upheld by the court, and background to filing the action, etc.

(B) In this case, the total amount of counsels' fees should be found to have a considerable extent of cause-and-effect relationship with the act of infringement, taking into account the following peculiarities of this case: [i] the Plaintiff is an overseas resident, and it is very difficult for the Plaintiff itself to carry out the proceedings; [ii] this action is a highly specialized action for intellectual property right infringement for infringing a patent right and a design right; [iii] in

this case, it was necessary for the Plaintiff to take comprehensive measures against infringements; [iv] the act of infringement committed by the Defendant constitutes a violation of the principle of good faith in relation to the agreement and it is very malicious, as it was intentionally committed; the Defendant sufficiently predicted or should have been able to predict that if it commits such act of infringement, it would cause a dispute without fail, and the Plaintiff, who is an overseas resident, has no other choice but to appoint counsels; therefore, it is obvious that the Defendant predicted or should have been able to predict circumstances that caused special damages, specifically, counsels' fees (analogical application of Article 416, paragraph (2) of the Civil Code).

C. On these grounds, damages sustained by the Plaintiff are as follows.

(A) Damages from infringement of the Patent Right or the Design Right

[i] Damages from infringement of the Design Right (Article 39, paragraph (2) of the Design Act): 15,623,538 yen + [ii] damages from infringement of the Patent Right or the Design Right (Article 102, paragraph (2) of the Patent Act or Article 39, paragraph (2) of the Design Act): 144,643,690 yen + [iii] damages pertaining to counsels' fees based on infringement of the Design Right: 9,757,179 yen + [iv] damages pertaining to counsels' fees based on infringement of the Patent Right: 22,766,750 yen + [v] damages pertaining to counsels' fees based on infringement of the Patent Right or the Design Right: 13,938,826 yen = 206,729,983 yen

(B) Damages from infringement of the Patent Right

[ii] + [iv] + [v] = 181,349,266 yen

(Defendant)

A. The Defendant argues against the allegations of the Plaintiff.

B. The amount of damages equivalent to fees for attorneys and patent attorneys should be determined based on the amount equivalent to the expenses that were necessary for carrying out proceedings from a legal perspective. In judicial precedents, such amount was found by using around 10% of the admissible amount of damages as a gauge. There are some cases where the court found the amount exceeding 10% of the admissible amount of damages in consideration of the specialized nature, difficulty, etc. of actions for patent infringement. However, in most of such cases, the admissible amount of damages was small, ranging from 100,000 to 6,000,000 yen. This is because the court adopted an especially exceptional handling in such cases in order to give relief to the patentee, etc. when the admissible amount of damages is small though the patentee, etc. required a large amount of labor. Even in such cases, fees for attorneys and patent attorneys never exceed several millions yen. Moreover, there is no contractual relationship between the Plaintiff and the Defendant, and the Defendant committed no violation of the agreement (violation of the principle of good faith). Therefore, the Plaintiff's allegation concerning the Defendant's intention based thereon is also unacceptable.

(omitted)

No. 3 Court Decision on the Issues
Regarding the [principal action]

(omitted)

14. Regarding Issues (7) Damages, (7)-1 Calculation of the amount of damages (Article 102, paragraph (2) of the Patent Act), (7)-2 Calculation of the amount of damages (Article 102, paragraph (3) of the Patent Act), and (7)-3 Active damages

(1) As mentioned above, the Defendant infringes the patent right pertaining to Invention 1 by importing, selling, and offering for sale Product 1. Therefore, the Defendant assumes the obligation to compensate damages from said act sustained by the Plaintiff.

(2) Calculation of the amount of damages under Article 102, paragraph (2) of the Patent Act

The Plaintiff alleges calculation of damages under Article 102, paragraph (2) of the Patent Act while the Defendant alleges that the presumption set forth in said paragraph is not applicable because the Plaintiff is not working the patent right pertaining to Invention 1 in Japan. Therefore, this issue is discussed below.

A. According to evidence (Exhibit Ko No. 56) and entire import of argument in addition to the assumed facts, the Plaintiff and Combi concluded a "distributorship agreement concerning baby diaper disposal products" on October 15, 2008; and in said agreement, (omitted) the Plaintiff did not make clear the content of the exclusive sales agreement concluded with Combi, such as whether there are provisions on royalties, the time and place of delivery of products, and the time of payment for the products, other than the content disclosed by Exhibit Ko No. 56.

B. In light of the fact found above and the fact that the Plaintiff itself had not alleged, during the period before the conclusion of oral argument of this case, that the Plaintiff was working the Patent in Japan, it can be found that the Plaintiff granted to Combi the exclusive right to sell and that Combi took charge of import, sale, or otherwise handling of the Plaintiff's products relating to waste-storage devices in Japan though the time of transfer of the ownership of the Plaintiff's products is not clear in some point. Therefore, the Plaintiff cannot be found to have worked the Patented Right in Japan.

Consequently, the Plaintiff lacks a prerequisite for the presumption set forth in Article 102, paragraph (2) of the Patent Act, and the amount of damages cannot be calculated under said paragraph.

C. In this regard, the Plaintiff alleges as follows: working by the patentee is not a prerequisite

for the application of Article 102, paragraph (2) of the Patent Act, and said paragraph is applicable if the patentee is recognized as suffering lost earnings, that is, if there is a cause-and-effect relationship in which "the patentee loses the opportunity to sell one product if the infringer sells one infringing product"; if there is competition or a relationship wherein the parties compete for shares in the market, there is a basis for the application of said paragraph; in this case, it is obvious that the Plaintiff becomes unable to sell one unit of the Plaintiff's cassette if the Defendant sells one unit of Product 1; therefore, occurrence of lost earnings is found. The Plaintiff also alleges that it can be deemed to be working Invention 1.

However, as mentioned above, working of a relevant patented invention by the patentee in Japan should be considered a prerequisite for applying Article 102, paragraph (2) of the Patent Act.

Incidentally, even from the perspective as alleged by the Plaintiff, what is questioned here is not whether the patentee loses the opportunity to sell one product if the infringer sells one infringing product but whether the Plaintiff, who is the patentee, can be considered to be losing the same amount in profits as the amount that it could have obtained through the working of the patent right as a result of the infringer's act of selling the infringing product. It is also questioned whether there is a fact that is sufficient to deem the Plaintiff to be working Invention 1 in Japan.

In this regard, the Plaintiff merely clarifies the fact that Combi imports and sells the Plaintiff's product, which is not sufficient to prove that the Plaintiff loses the same amount in profits as the amount that it could have obtained through the working of the patent right by itself in the case where the infringer sells one infringing product. It can also not be said that the fact on which the Plaintiff can be deemed to be working Invention 1 in Japan has been made clear.

Consequently, the aforementioned allegations by the Plaintiff are unacceptable.

D. As mentioned above, it should be said that the presumption set forth in Article 102, paragraph (2) of the Patent Act is not applicable to the Plaintiff and that the amount of damages cannot be calculated under said paragraph.

(3) Calculation of the amount of damages under Article 102, paragraph (3) of the Patent Act

A. As mentioned in assumed facts (11), the sales volume and sales of Product 1 in each month during the period from November 6, 2009, on which the Patent Right was established, to the end of May 2011 are as described in the table above. The total sales volume is 406,602 units while the total amount of sales is 171,039,163 yen.

B. Based on this, circumstances that should be taken into account in calculating the "amount the patentee or exclusive licensee would have been entitled to receive for the working of the patented invention" (Article 102, paragraph (3) of the Patent Act) are examined.

(A) According to evidence (Exhibit Ko No. 56 and Exhibits Otsu No. 28 to No 31, No. 44, No. 47, No. 56, and No. 63) and entire import of argument in addition to the assumed facts, the

following facts can be found.

(i) Class B 65 relating to the gathering and transporting of household waste and waste equivalent thereto, such as waste disposal units and garbage boxes, under the International Patent Classification belongs to the technical classification of "transporting." According to a handbook titled "ロイヤルティ料率データハンドブック～特許権・商標権・プログラム著作権・技術ノウハウ～ (royarutiryōritsu dēta handobukku tokkyoken shōhyōken puroguramu chosakuken gijutsu nouhau)" (Royalty rate data handbook: patent rights, trademark rights, program copyrights, and technical know-how) published by the Research Institute of Economy, Trade and Industry on August 31, 2010, royalty rates for patent rights in the patent classification to which waste disposal units, garbage boxes, etc. belong, that is, "transporting," are between the minimum value of 0.5% and the maximum value of 6.5%. The average thereof is 3.7%. For exclusive licenses, royalty rates are between the minimum value of 1.0% and the maximum value of 16.5%, and the average thereof is 2.0%. For licenses granted through settlement talks, such as actions, royalty rates are between the minimum value of -3.0% and the maximum value of 16.5%, and the average thereof is 1.5%. Regarding the usual royalty rates, the cases of setting the royalty rate as 2 to less than 3% account for 14.3%, those of setting it as 3 to less than 4% account for 40.8%, and those of setting it as 4 to less than 5% account for 26.5% (Exhibit Otsu No. 56).

(ii) The Plaintiff concluded an exclusive agency agreement with Combi, and thereby granted to Combi the exclusive right to sell its waste-storage devices and cassettes.

(iii) The Plaintiff and Former Aprica had sold Mark II and Mark III as double-branded products by affixing both the trademarks of the Plaintiff and Former Aprica thereto. The Plaintiff and Former Aprica started selling Mark II in 1999, and sold the accumulated total of 470,362 units. In 2006, they started selling the device of Mark III, and sold the accumulated total of 240,521 units (Exhibits Otsu No. 28 to No. 31 and No. 63).

(iv) Incidentally, some users are continuously using the device of Mark II even after the end of its sale (Exhibit Otsu No. 47).

(v) Moreover, in July 2010, the Defendant started selling the device and cassette of its new waste-storage device named "におわなくてポイ消臭タイプ (niowanakute poi shōshū taipu)" (odorless waste-storage device). The Defendant sold 123,000 units of the device in total (monthly average of about 11,000 units) and about 668,000 cassettes in total (monthly average of about 60,000 units) (Exhibit Otsu No. 44).

(vi) The sales shares of Combi, Angelcare, and the Defendant for waste-storage devices at retailers before June 2010, which is before the Defendant started selling the aforementioned new product, were 90%, 10%, and 0%, respectively. However, their sales shares as of March 2011, which is after the Defendant started selling the aforementioned new product, were 41%, 3%,

and 56%, respectively (Exhibit Otsu No. 47).

(B) According to the facts found above, the usual royalty rate in the technical field to which the Patent belongs is recognized as being between 3 and 4%. However, in this case, the Plaintiff concluded an exclusive agency agreement with Combi and thereby granted to Combi the exclusive right to sell. Therefore, the royalty rate is presumptively recognized as being higher than the usual royalty rate in the case of additionally granting a license to the Defendant. In consideration of this, the royalty rate in this case should be considerably high, even taking into account the fact that Former Aprica sold Mark II and Mark III with the Plaintiff as double-branded products at some point and Former Aprica is presumptively recognized as having made reasonable efforts and contributions to market development and that the sales share of Combi in the market declined after the Defendant started selling its new product. In consideration of the aforementioned circumstances, it is reasonable to find the reasonable royalty rate for calculating the "amount the patentee or exclusive licensee would have been entitled to receive for the working of the patented invention" as set forth in Article 102, paragraph (3) of the Patent Act to be 10%.

(C) The Defendant alleges that the reasonable royalty rate for Invention 1 is 1%, comprehensively taking into account the following individual specific circumstances: [i] the fact that the technical significance and value of Invention 1 cannot be considered to be high; [ii] the fact that Product 1 is often used in the form of not utilizing the technical features of Invention 1; and [iii] the development of the market of waste-storage devices by the Defendant, the power of "Aprica" brand, the Defendant's sales network, and substantial contribution through sales efforts, as the background behind the actual sales of Product 1. However, regarding [i], the technical value of Invention 1 cannot be recognized as not being high even through comparison with publicly known documents. Regarding [ii], there is no specific allegation and proof on that point. Regarding [3], as mentioned above, even if such circumstances are recognized, it is reasonable to find that the royalty rate in this case becomes considerably higher than the usual royalty rate in consideration of other circumstances in this case. Therefore, the Defendant's allegation that the reasonable royalty rate is 1% is unacceptable.

C. Consequently, it is reasonable to find the amount of damages sustained by the Plaintiff under Article 102, paragraph (3) of the Patent Act to be the following amount calculated by multiplying the amount of sales for each month (assumed facts (11)) by a reasonable royalty rate of 10%. Incidentally, regarding June and July (1st to 7th; the 7th of the same month is the end of the period subject to the claim for payment of damages that the Plaintiff made in a petition for amendment of a claim dated the same) 2011, the average of the amount of sales for the period from January to May 2011 (monthly amount of 8,445,435 yen) is considered to be the amount of sales for the relevant period. Moreover, although the Defendant alleges that the discount

amount should be taken into account, it is not reasonable to take into account said amount in calculating the reasonable amount set forth in Article 102, paragraph (3) of the Patent Act as such discount falls under individual circumstances.

(A) November 2009 (6th to 30th): 211,298 yen

(B) December 2009: 1,143,691 yen

(C) January 2010: 642,923 yen

(D) February 2010: 1,437,410 yen

(E) March 2010: 1,110,230 yen

(F) April 2010: 1,573,294 yen

(G) May 2010: 537,567 yen

(H) June 2010: 863,014 yen

(I) July 2010: 943,649 yen

(J) August 2010: 1,255,610 yen

(K) September 2010: 878,324 yen

(L) October 2010: 935,830 yen

(M) November 2010: 1,286,010 yen

(N) December 2010: 62,341 yen

(O) January 2011: 279,713 yen

(P) February 2011: 713,871 yen

(Q) March 2011: 2,012,677 yen

(R) April 2011: 673,516 yen

(S) May 2011: 542,938 yen

(T) June 2011: 844,543 yen

(U) July 2011 (1st to 7th): 190,703 yen

(V) Total: 18,139,152 yen

(4) Active damages

It is reasonable to find the active damages, which have a considerable cause-and-effect relationship with the act of infringement committed by the Defendant, including fees for attorneys and patent attorneys, to be 3,000,000 yen in consideration of the nature, etc. of this case.

(5) Therefore, it should be said that there is a reason for the Plaintiff's claim for the payment of damages based on infringement of the Patent Right to the extent that the Plaintiff seeks payment of 21,139,152 yen in total with delay damages calculated by the rate of 5% per annum, as prescribed in the Civil Code on each amount relating to each period between November 2009 and June 2011 for the period from the first day of the following month to the date of completion of the payment and on the amount relating to July 2011 and active damages of 3,000,000 yen for

the period from July 12, 2011, which is the day following the date of service of a petition for amendment of a claim dated July 7, 2011 to the date of completion of the payment.

Regarding the [counterclaim]

1. Regarding Issue (1) Whether an act of unfair competition is constituted (whether the relevant act falls under the act of making or circulating a false allegation as set forth in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act)

(1) The Defendant alleges that the Act of Giving the Notice, that is, the Plaintiff's act of notifying the Defendant's customers of the notified matters in question by sending the Written Notice (Exhibit Otsu No. 48), falls under the act of making a false allegation that is injurious to the business reputation of the Defendant (Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act). Therefore, this point is considered below.

A. According to evidence (Exhibits Otsu No. 47 to No. 49) and entire import of argument in addition to the assumed facts, the following facts can be found.

(A) Around May 2009, the Defendant saw its way to start selling Product 1 at the end of July of the same year, and therefore, the Defendant started conducting sales activities, such as explaining Product 1 and soliciting orders, targeting its customers. Around June of the same year, the Defendant received informal orders for Product 1 from certain customers.

(B) Around July 22, 2009, the Defendant obtained information to the effect that the Plaintiff and Combi are circulating their intension to strictly cope with infringements of intellectual property rights in the industry.

(C) As mentioned in assumed facts (11), around July 28, 2009, the Plaintiff and Combi sent the Written Notice (Exhibit Otsu No. 48) to the customers of the Plaintiff and the Defendant. The Written Notice contains the following statements.

"Since November 27, 2008, Combi Corporation has been appointed as a distribution partner by Sangenic International Ltd., a U.K. Corporation owing and manufacturing the Combi/Sangenic diaper disposal system, in relation to all of the customers and trade channels of Sangenic International Ltd. in Japan."

"These products have long been successful since their sales started in the Japanese market in 1993. During that period, Sangenic's system for development and production has established itself as a market leader. Sangenic has accumulated a wealth of knowledge in the relevant field of business and has always continued investing in product development based on patents relating to technologies so as to ensure that high-quality products will be delivered from the production base in the United Kingdom to the Japanese market. The component parts (pail, spare cassette, and film) of the Combi/Sangenic diaper disposal system are designed to provide a high-quality, functional, hygienic method to dispose of used diapers. ..."

"As a developer and producer of diaper disposal systems, Sangenic holds many intellectual

property rights around the world with respect to the designs and production of diaper disposal pails and spare cassettes. If Sangenic ... becomes aware of infringement of its own intellectual property right by a competing product, ... Sangenic would take every measure to protect its own business from the producer or retailer that has committed said infringement."

(D) Around July 28, 2009, the Defendant was notified by multiple customers that they would refrain from purchasing Product 1.

(E) The Defendant sent to its customers a written notice (Exhibit Otsu No. 49) dated July 28, 2009, notifying them that "We would like to notify you that our product which we've scheduled to start selling shortly" (Product 1) "would never infringe another company's patent right."

B. According to the facts found above, the Act of Giving the Notice committed by the Plaintiff coincides with the time when the Defendant started selling Product 1. However, the Written Notice (Exhibit Otsu No. 48) does not specifically refer to intellectual property rights held by the Plaintiff, the infringer, the infringing product, etc. In addition, regarding "diaper-disposal pails and spare cassettes," the Plaintiff states in the Written Notice (Exhibit Otsu No. 48) that "If Sangenic ... becomes aware of infringement of its own intellectual property right by a competing product, ... Sangenic would take every measure to protect its own business from the producer or retailer that has committed said infringement." In terms of the content of the Written Notice, the Written Notice is considered only to be indicating to the Plaintiff's customers the Plaintiff's general intent of exercising rights against the infringer to protect its own business if the Plaintiff becomes aware of the fact of infringement of its intellectual property right. Therefore, the Act of Giving the Notice cannot be found to be the act of making or circulating a "false allegation that is injurious to the business reputation of another person." There is no other evidence sufficient to find this.

(2) The Defendant alleges as follows: in consideration of the timing of the Act of Giving the Notice and circumstances such as where Defendant's Product 1 is the only product that can be mounted on the Plaintiff's waste-storage device, even if the Defendant is not clearly indicated in the Written Notice, the Written Notice is specific enough for customers who have received it to understand that the notified fact is about the Defendant; therefore the Act of Giving the Notice falls under an act that is injurious to the business reputation of another person as set forth in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act. However, as found above, although the statements in the Written Notice relate to "diaper disposal pails and spare cassettes," they are considered only to be indicating the Plaintiff's general and abstract intent. In consideration of this, it cannot be found that the act of making a false allegation as alleged by the Defendant was committed. Consequently, the aforementioned allegation of the Defendant is unacceptable.

2. On these grounds, there is no reason for the claims made in the counterclaim by the

Defendant without the need for a ruling on other issues.

No. 4 Conclusion

On these grounds, there is a reason for the claims made in the principal action by the Plaintiff to the extent of seeking an injunction against importing, selling, offering for sale of Product 1 and disposal of Product 1 as well as seeking the payment of the amount for each period mentioned above with delay damages calculated by the rate of 5% per annum as prescribed in the Civil Code thereon for the period from the first day of the following month, when the period after a tort starts (however, July 12, 2011 in relation to the amount for said month and the amount of active damages), to the date of completion of the payment. Therefore, the claims made in the principal action by the Plaintiff shall be upheld to that extent. On the other hand, other claims shall be dismissed because there is no reason therefor. The claims made in the counterclaim by the Defendant shall also be dismissed as there is no reason therefor. Accordingly, the judgment shall be rendered in the form of the main text.

Tokyo District Court, 29th Civil Division

Presiding judge: OSUGA Shigeru

Judge: KIKUCHI Eri

Judge: OGAWA Masatoshi