

Date	December 4, 2014	Court	Intellectual Property High Court, Third Division
Case number	2013 (Ne) 10103 2014 (Ne) 10020		
<p>– A case wherein the court partially upheld the claims for damages made by Appellee 1, who held the patent right in question ("Patent Right"), and Appellee 2, who was the exclusive licensee with respect to the Patent Right, against the appellant on the grounds that the fabric developing conveyance device manufactured and sold by the appellant falls under the technical scope of the invention covered by the patent (the "Patent") granted for an invention titled "an apparatus for feedings flatwork articles to a laundry processing unit such as iron roller" and that there are no grounds for invalidation of the Patent.</p>			

Reference: Article 102, paragraph (1) and paragraph (3) of the Patent Act, Article 709 of the Civil Code and Article 260, paragraph (2) of the Code of Civil Procedure
Number of related right, etc.: Patent No. 2690256 (the "Patent")

Summary of Judgment

In this case, Appellee 1 (the plaintiff in the first instance), who held a patent right (the "Patent Right") for an invention titled "an apparatus for feeding flatwork articles to a laundry processing unit such as an iron roller," and Appellee 2 (the plaintiff in the first instance), who was an exclusive licensee with respect to the Patent Right, alleged against the appellant (the defendant in the first instance) that the fabric developing conveyance device manufactured and sold by the appellant (the "appellant's product") infringes the Patent Right and claimed against the appellant compensation for damages in an amount equivalent to lost profits caused by the sale of the appellant's product.

In the prior instance, the court found that the appellant's product infringes the Patent Right and partially upheld the claims made by the appellees to the extent of ordering the payment of 37,700,000 yen and delay damages accrued thereon based on Article 709 of the Civil Code with respect to Appellee 1 and the payment of 239,937,507 yen and delay damages accrued thereon based on Article 709 of the Civil Code and Article 102, paragraph (1) of the Patent Act with respect to Appellee 2.

Dissatisfied with this, the appellant filed an appeal and a petition seeking return of money paid to the appellees based on the declaration of provisional execution made in the judgment in prior instance, pursuant to Article 260, paragraph (2) of the Code of Civil Procedure, while Appellee 1 filed an incidental appeal with respect to the part of the judgment in prior instance which dismissed the claims for damages made by

Appellee 1 with respect to the appellant's product sold overseas. Moreover, the appellees expanded the claims in this instance by filing an incidental appeal and newly claimed damages with respect to the period immediately following from the period of sales of the appellant's product as claimed in the prior instance until the expiry date of the Patent Right.

In this judgment, the court found that the appellant's product falls within the technical scope of the invention covered by the Patent as found in the judgment in prior instance and held that any of the allegations newly made by the appellant in this instance as the grounds for invalidation of the Patent have no legal basis.

Based on this finding, the court again considered the damages suffered by the appellees and held as follows with respect to the damages suffered by Appellee 2 in relation to the appellant's product sold in the EU area, etc.: "The appellees' product has received practically no orders from the EU area, etc. and no costs have been paid to obtain a CE mark (which is required in exporting products to such area). Such costs cannot be found to immediately increase in connection with the increase in the sales number and can hardly be recognized as falling under the category of variable costs. However, such costs may be regarded as costs that would have naturally accrued on Appellee 1 if the appellees' product were exported in place of the appellant's product. As such, it is appropriate to deduct from the amount of profits arising from the sale of the appellees' product the abovementioned costs as those directly necessary for the sale of the appellees' product as a substitute for [...] the appellant's product sold in the EU area, etc. [...]." Based on this holding, the court deducted 3,000,000 yen as such costs from Appellee 2's profits and modified the judgment in prior instance to the extent of ordering the appellant to pay 236,937,507 yen and delay damages accrued thereon with respect to the claims made by Appellee 2.

Meanwhile, with respect to the damages suffered by Appellee 1 in relation to the appellant's product sold overseas, the court considered whether or not the claims for damages based on Article 709 of the Civil Code may be allowed based on a finding that there was no basis to apply Article 102, paragraph (3) of the Patent Act with respect to Appellee 1, who had granted an exclusive license to Appellee 2. The court held that "it must be said that it remains uncertain as to whether or not there are products that may virtually compete with the appellant's product or appellees' product in foreign markets" and that "the term and conditions necessary for selling the appellant's product overseas also remain unclear" and thus "as far as the damages suffered by Appellee 1 are concerned, it is difficult to find that it has been proved that Appellee 2 could have sold the appellees' product in the same quantity as that of the

appellant's product sold overseas if the appellant's product had not been sold and that Appellee 1 could have obtained the corresponding royalty." In addition, with respect to the imbalance pointed out by Appellee 1 for approving the calculation of the amount of damages based on Article 102, paragraph (1) of the Patent Act with respect to Appellee 2 in relation to the appellant's product sold overseas as mentioned above, the court held that "as long as the party responsible for showing proof differs, it is not especially unnatural to consequently reach different findings for each party in the same proceedings due to the evidence submitted" and thereby dismissed the incidental claim filed by Appellee 1 with respect to the appellant's product sold overseas as mentioned above.

Furthermore, the court upheld the appellant's petition based on Article 260, paragraph (2) of the Code of Civil Procedure to the extent of claiming Appellee 1 to pay 3,219,573 yen and delay damages accrued thereon and upheld the claims expanded by the appellees in this instance to the extent of claiming payment of 9,750,000 yen and delay damages accrued thereon with respect to Appellee 1 and payment of 90,619,458 yen and delay damages accrued thereon with respect to Appellee 2.