Patent Right	Date	October 20, 2022	Court	Intellectual Property High Court, Special Division
	Case number	2020 (Ne) 10024		

- If there are any circumstances suggesting that the patentee could have gained profits if no patent infringement had been made by the infringer, Article 102, paragraph (2) of the Patent Act should be applied by deeming that the patentee has incurred damage due to that infringement. On such basis, if the patentee was exporting or selling a product which is of the same type as the infringing product, targeting the same consumers, and which is in such a competitive relationship in the market that it could have been exported or sold if no patent infringement had been made by the infringer, it can be evaluated that the sales of the patentee's product decreased due to the infringement; therefore, Article 102, paragraph (2) of the Patent Act is applied by regarding that the abovementioned circumstances exist.
- Even where the presumption under Article 102, paragraph (2) of the Patent Act is partially rebutted, if the patentee is found to have been able to grant a license for the rebutted portion of the presumption, paragraph (3) of that Article is applied.
- A case in which, from among the grounds for rebuttal of the presumption under Article 102, paragraph (2) of the Patent Act, the court denied application of paragraph (3) of that Article for the rebutted portion of the presumption relating to the grounds for rebuttal due to the reason that the patented inventions are worked only in a part of the infringing product, but affirmed application of that paragraph for the rebutted portion of the presumption relating to the grounds for rebuttal due to the non-identicality of the markets.

Case type: Injunction
Result: Modification of the prior instance judgment
References: Article 102, paragraphs (2) and (3) of the Patent Act, Article 709 of the Civil Code
Related rights, etc.: Patent No. 4504690, Patent No. 4866978

Summary of the Judgment

1. Outline of the case

In this case, the Appellant, which is the patentee of Patent No. 4504690 (Patent A) for an invention titled "Chair-type treatment apparatus" and of Patent No. 5162718 (Patent B) and Patent No. 4866978 (Patent C) for inventions both titled "Chair-type massage machine," alleged that the Appellee's manufacture, sale, etc. of massage

machines (a total of 12 products: Defendant's Products 1 through 12) constitute infringement of the respective patent rights for Patents A through C (Patent Rights A through C), and claimed an injunction against the Appellee's manufacture, sale, etc. of the products specified in the list of articles (Defendant's Products 1 through 12) based on Article 100, paragraphs (1) and (2) of the Patent Act, and also claimed 1.5 billion yen as part of a claim for compensation of damage in tort due to patent infringement, with delay damages accrued thereon.

The court of prior instance held that Defendant's Products 1 through 12 do not fall within the technical scope of the inventions relating to Patents A through C, and dismissed all of the the Appellant's claims without making determinations on the other points.

The Appellant filed this appeal against the part of the judgment in prior instance which dismissed the claims relating to Patent Rights A and C for Defendant's Products 1 through 8 to the extent of the object of the appeal (however, including the portion of the claim for delay damages that was expanded in this instance).

The issues in this case include whether Defendant's Products 1 through 8 fall within the technical scope of the inventions relating to Patents A and C, whether invalidity defenses are established for the inventions relating to Patents A and C, and the value of the damage incurred by the Appellant. The Appellant has claimed the value of damage based on Article 102, paragraph (2) or (3) of the Patent Act.

2. Outline of this judgment

(1) With regard to the claims relating to Patent Right A, the court found that Defendant's Products 1 through 3, 5, and 8 fall within the technical scope of the invention relating to Patent A. However, the court indicated that the invalidity defense is established for Patent Right A, due to the existence of grounds for invalidation to the effect that the invention relating to Patent A is identical to a publicly worked invention (Article 29, paragraph (1), item (ii) of the Patent Act), and therefore the Appellant cannot exercise its rights against the Appellee based on Patent Right A (Article 104-3, paragraph (1) of that Act). Due to the above, the court determined that all of the the Appellant's claims should be dismissed without having to make determinations on the other points.

(2) With regard to the claims relating to Patent Right C, the court determined that the Appellee's export or sale of Defendant's Products 1 and 2 constitutes infringement of Patent Right C, and affirmed the Appellant's claim for an injunction against the sale, etc. of Defendant's Products 1 and 2. The court also partially affirmed the Appellant's claim for compensation of damage relating to Defendant's Products 1 and 2 to the extent of ordering payment of 391,549,273 yen and delay damages accrued thereon, and

determined that the other claims should be dismissed.

(3) In this judgment, the court held as outlined below with regard to the value of damage relating to Defendant's Product 1.

A. (A) If a patentee claims compensation for damage in tort under Article 709 of the Civil Code due to patent infringement, the patentee needs to prove the infringer's intention or negligence, the occurrence of damage to the patentee, the causal relationship between the infringement and the damage, and the value of the damage. Under such circumstances, Article 102, paragraph (2) of the Patent Act provides that, if a patentee files a claim for compensation for damage that the patentee personally incurs due to infringement, against a person that, intentionally or due to negligence, infringes the patent, and the infringer has profited from the infringement, the amount of that profit is presumed to be the value of damage incurred by the patentee.

Given that it is difficult for the patentee to prove the value of damage, and that this could result in causing an inconvenience that reasonable damage compensation would not be achieved, the purport of this provision is to reduce the patentee's difficulty of proof by presuming the amount of profit gained by the infringer from the infringement to be the value of the damage, if the infringer has gained such profit. Thus, if there are any circumstances suggesting that the patentee could have gained profits if no patent infringement had been made by the infringer, it should be construed that the application of Article 102, paragraph (2) of the Patent Act would be allowed by deeming that the patentee has incurred damage due to that infringement (see the judgment of the Special Division of the Intellectual Property High Court rendered on February 1, 2013 and the judgment of the Special Division of the Intellectual Property High Court rendered on June 7, 2019). In light of the purport of that paragraph, if the patentee was exporting or selling a product which is of the same type as the infringing product, targeting the same consumers, and which is in such a competitive relationship (a competing product) in the market that it could have been exported or sold if no patent infringement had been made by the infringer, it can be evaluated that the sales of the patentee's competing product decreased due to the infringement; therefore, it is reasonable to construe that there are circumstances suggesting that the patentee could have gained profits if no patent infringement had been made by the infringer. Moreover, it should be construed that the patentee's product does not necessarily need to be a product working the patented invention or need to demonstrate the same function and effect as the patented invention in order for such circumstances to exist.

(B) The Appellant is found to have exported Appellant's Product 1 to the same destination countries as those of Defendant's Product 1 in the same period as when

Defendant's Product 1 was exported. Appellant's Product 1 is the same type of product as Defendant's Product 1, targeting the same consumers, in that it is "a chair-type massage machine having armrest portions each provided with a forearm treatment mechanism for massaging the forearm of a person to be treated." In light of the commonality in the function of being capable of massaging the forearm of a person to be treated, Appellant's Product 1 is found to be a product in such a competitive relationship (a competing product) in the respective markets of the common destination countries mentioned above that it could have been exported if Defendant's Product 1 had not been exported. Therefore, it is found that, regarding Appellant's Product 1, there are circumstances suggesting that the Appellant could have gained profits if no infringement of Patent Right C had been made by the Appellee.

Accordingly, Article 102, paragraph (2) of the Patent Act is applied to the calculation of the value of the damage incurred by the Appellant in relation to the export of Defendant's Product 1.

B. The amount of profit gained by the Appellee from the export of Defendant's Product 1 (the amount of marginal profit) is presumed to be the value of the damage incurred by the Appellant, pursuant to Article 102, paragraph (2) of the Patent Act (hereinafter this presumption is referred to as the "Presumption").

The Appellee alleges that [i] the fact that the patented inventions are worked only in a part of Defendant's Product 1, [ii] the existence of competing products in the markets, [iii] the non-identicality of the markets, [iv] the Appellee's marketing efforts (the brand power and advertising), and [v] the performance (functions, design, etc.) of Defendant's Product 1 constitute grounds for rebutting the Presumption. While [i] and [iii] are found to constitute grounds for rebuttal, [ii], [iv], and [v] cannot be found to constitute grounds for rebuttal.

By comprehensively considering the contents of the grounds for rebuttal referred to in [i] and [iii] above, the technical significance of the inventions relating to Patent C, and other factors, the contribution rate of the inventions relating to Patent C to formation of motivation to purchase Defendant's Product 1 is found to be a specific rate, and it is found that there is no reasonable causal relationship between the amount of marginal profit of Defendant's Product 1 and the value of the damage incurred by the Appellant with regard to the portion exceeding this rate.

Therefore, because the Presumption is rebutted to the abovementioned extent, the value of damage under Article 102, paragraph (2) of the Patent Act incurred by the Appellant is found to be the amount of marginal profit of Defendant's Product 1 which is equivalent to the abovementioned rate.

C. (A) Article 102, paragraph (3) of the Patent Act provides that the patentee may fix the value of the damages that the patentee has personally incurred as being equivalent to the amount of money the patentee would have been entitled to receive for the working of the patented invention, and may claim compensation for this against a person that, intentionally or due to negligence, infringes the patent. Meanwhile, the main clause of paragraph (5) of that Article (the main clause of paragraph (4) of that Article before the 2019 amendment of the Patent Act) provides that the provisions of paragraph (3) do not preclude any claim to compensation for damages in excess of the amount provided for therein. Given that a patent right has an effect to prohibit a third party's act of working the patented invention in the course of trade without obtaining a license from the patentee, and to eliminate that working (see Article 68 of the Patent Act), it is regarded that provisions of Article 102, paragraph (3) of the Patent Act allow the patentee to claim compensation for damage against the infringer by deeming the amount equivalent to the license fee for the patented invention as the minimum value of damage incurred by the patentee, regardless of whether or not the patentee is working or is capable of working the patented invention, and that the value of the damage referred to in that paragraph is equivalent to the lost profit as the minimum guarantee for the loss of a licensing opportunity.

On the other hand, in light of the fact that the amount of "profit" gained by the infringer from the infringement (the amount of marginal profit) referred to in Article 102, paragraph (2) of the Patent Act is calculated by multiplying the price of the infringing product by the quantity sold or otherwise worked so as to obtain the sales amount, and deducting expenses from that amount, the value of the damage incurred by the patentee as presumed pursuant to the provisions of that paragraph is regarded to be equivalent to the lost profit resulting from a decrease in the sales of the product working the invention or the competing product which the patentee could have sold or otherwise worked if no patent infringement had been made by the infringer.

Given that the patentee can gain profits not only by directly working the patented invention, but also by granting a license for the patented invention to a third party, it is regarded that the damage incurred by the patentee due to the infringement by the infringer can be considered to be the lost profit resulting from a decrease in the sales of the product working the invention or the competing product which the patentee could have sold or otherwise worked if no patent infringement had been made by the infringer and the lost profit resulting from the loss of a licensing opportunity.

It follows that, even where the presumption under Article 102, paragraph (2) of the Patent Act is partially rebutted, if the patentee is found to have been able to grant a

license for the rebutted portion of the presumption, it should be regarded that application of paragraph (3) of that Article would be allowed.

Grounds for rebuttal of the presumption under Article 102, paragraph (2) of the Patent Act are regarded to include, as in the case of paragraph (1) of that Article, grounds for rebuttal due to the quantity of sales, etc. of the infringing product exceeding the patentee's ability to sell or otherwise work the patented invention, and grounds for rebuttal due to circumstances under which the patentee could not sell or otherwise work the patented invention for any other reason. It is construed that, with regard to the rebutted portion of the presumption relating to the abovementioned grounds for rebuttal due to the quantity exceeding the patentee's ability to work the patented invention, the patentee is found to have been able to grant a license unless there are special circumstances, but with regard to the rebutted portion of the presumption relating to the abovementioned grounds for rebuttal due to circumstances under which the patentee could not sell or otherwise work the patented invention for any other reason, whether or not the patentee could have granted a license under the facts of those circumstances should be determined individually.

(B) The grounds for rebutting the Presumption are those due to the reason that the patented inventions are worked only in a part of Defendant's Product 1 and due to the non-identicality of the markets, and not due to the quantity exceeding the patentee's ability to work the patented inventions.

However, the rebutted portion of the presumption relating to the grounds for rebuttal due to the non-identicality of the markets is based on the finding that, in the period when the Appellee exported Defendant's Product 1 to the respective destination countries, Appellant's Product 1 was not exported to those destination countries, and therefore, Appellant's Product 1 is not found to be in such a competitive relationship in the respective markets of those destination countries that it could have been exported if Defendant's Product 1 had not been exported. Although it can be said that the Appellant had circumstances under which it could not directly export the number of machines exported relating to that rebutted portion of the presumption, the Appellant is found to have been able to grant a license for such export.

On the other hand, with regard to the rebutted portion of the presumption relating to the grounds for rebuttal due to the reason that the inventions relating to Patent C are only worked in a part of the infringing product, the Presumption is rebutted because the inventions relating to Patent C do not contribute to each individual Defendant's Product 1 for the entire number of machines exported relating to the rebutted portion of the presumption. It cannot be found that the Appellant could have granted a license for such

part to which the inventions relating to Patent C have not contributed.

It follows that, in this case, it is reasonable to allow application of Article 102, paragraph (3) of the Patent Act only for the rebutted portion of the presumption relating to grounds for rebuttal due to the non-identicality of the markets.

D. The value of damage relating to Defendant's Product 1 incurred by the Appellant is the total amount of the value of the damage under Article 102, paragraph (2) of the Patent Act and the value of the damage under paragraph (3) of that Article relating to the rebutted portion of the presumption under paragraph (2) of that Article due to the non-identicality of the markets.

(4) In this judgment, the court held that, with regard to the value of the damage relating to Defendant's Product 2, the amount of expenses to be deducted is larger than the sales amount of Defendant's Product 2, which means that the amount of profit (the amount of marginal profit) does not exist and Article 102, paragraph (2) of the Patent Act would not be applied, and found the value of the damage under paragraph (3) of that Article.

On such basis, the court found that the value of the damage incurred by the Appellant to be compensated by the Appellee is the value of damage relating to Defendant's Products 1 and 2 and the amount equivalent to attorneys' fees totaling 391, 549,273 yen.