# Damage due to patent infringement in Japan

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Presiding Judge
IP High Court of Japan

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# Overview

1. Outline of Article 102 of the Japanese Patent Act
2. Paragraph(1):Right holder's profits
3. Paragraph(2):Infringer's profits
4. Paragraph(3):Damages equivalent to royalty
5. Remaining issues

# 1. Outline of Article 102 of the Japanese Patent Act

# Article 102 of the Japanese Patent Act

1. Right holder's profits
2. Infringer's profits
3. Damages equivalent to royalty

# 2. Right holder's profits (Paragraph 1)

# the main clause of § 102(1)

The amount of damage sustained by the patentee may be presumed to be the amount obtained by multiplying "(a) the quantity of articles assigned by the infringer... that composed the act of infringement ..." and "(b) the amount of profit per unit of articles which would have been sold by the patentee ... if there had been no such act of infringement," with the limitation that "(c) the maximum of which shall be the amount attainable by the patentee ... in light of the capability of the patentee ... to work such articles."

# the proviso of § 102(1)

"(d) If any circumstances exist under which the patentee ... would have been unable to sell the assigned quantity in whole or in part, the amount calculated as the number of articles not able to be sold due to such circumstances" shall be deducted.

# Formula for calculating damages

$$(a - d) \times b \qquad (\leqq c)$$

(a) the quantity of articles assigned by the infringer

(b) the amount of profit per unit of articles which would have been sold by the patentee

(c) the amount attainable by the patentee in light of the capability of the patentee

(d) the amount not able to be sold due to circumstance under which the patentee would have been unable to sell

# Burden of proof

- Facts for the above (a), (b) ,(c)
  - by the patentee
- Facts for the above (d)
  - by the defendant

# If the price was inevitably reduced due to the distribution of infringing articles?

① Such claim can be made solely pursuant to Article 709 of the Japanese Civil Code.

② The marginal profit can be calculated based on the pre-reduction price if the price had to be reduced to compete with the infringing articles.

# “Articles which would have been sold if there had been no such act of infringement”

① Working products of the patented invention

② Competitive products

# If a patent infringed is for a part of a product?

① Based on the amount equivalent to the price of the part compared to the price of the entire product, in consideration of the contributions made by the part.

② If the part is drawing the sales of the product, based on the price of the entire product.

# "Circumstances under which the patentee would have been unable to sell"

Case No.2015(Ne)10091 rendered on June 1, 2016 (Bag breaker case)

- Existence of competitive products in the market
- Infringer's marketing efforts (power of brand and promotion activities)
- Performance of the infringing product (functions, design and other features different from those of the patented invention)
- Difference of the market (price and form of sale)

# 3. Infringer's profits (Paragragh 2)

# § 102(2)

The infringer earned profits from the act of infringement, the amount of profits earned by the infringer shall be presumed to be the amount of damage sustained by the patentee …

# Formula for calculating damages

$(a-d) \times b$

(a) the quantity of articles assigned by the infringer

(b) the amount of profit per unit of articles which the infringer sold

(d) factors that rebut the presumptive amount of damages

# Is it necessary to work the patent?

① The patentee is required to work the patent

② The patentee's working of the patented invention is not a requirement for the application of Paragraph (2) of Article 102

# Intellectual Property High Court 's Decision rendered on February 1, 2013

Waste Storage Device Grand Panel case

1. The patentee's working of the patented invention is not a requirement for the application of § 102(2).
2. If a circumstance exists under which the patentee could have earned profits in the absence of the infringer's patent infringement, § 102 (2) should be deemed applicable.

# 4. Damages equivalent to royalty (paragraph 3)

# § 102(3)

A patentee …may claim against an infringer compensation for damage sustained as a result of the intentional or negligent infringement of the patent right…, by regarding the amount the patentee …would have been entitled to receive for the working of the patented invention as the amount of damage sustained.

# Formula for calculating damages

(a)×(e)×( f )

(a) the quantity of articles assigned by the infringer

(e) revenue of per unit of  infringing articles

(f)  the applicable royalty rate

# Applicable royalty rate

The applicable royalty rate  is determined in consideration of various factors

- The intrinsic value of the patented invention
- Contributions of the patented invention to the revenue
- Profits of the product when used therein

# Amendment history

"amount the patentee ... would have been entitled to receive on an ordinary basis"

⇓ 1998

"amount the patentee ... would have been entitled to receive"

A licensee who has paid royalty

under a license agreement ⟺ An infringer

from the beginning

# FRAND license fee

Case No. 2013 (Ne) 10043 rendered on May 16, 2014 (Apple v. Samsung Grand Panel case)

（the aggregate revenue）

×（the percentage of contributions by the parts using the UMTS specifications）

×（the upper cap 5% of the cumulative royalty）

÷（the number of patents essential to the UMTS specifications）

# 5. Remaining issues

# Thank you for your attention.

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