Recent IP High Court Grand Panel Judgment regarding the method for calculating the amount of damages under the Article 102,paragraph (2) of the Patent Act of Japan

―Waste Storage Device Case―

Tamotsu Shoji
Judge
Tokyo District Court of Japan

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(1) Significance of Article 102 of the Patent Act

Article 102 of the Patent Act

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for calculating the amount of damages

1 Background

(1) Significance of Article 102 of the Patent Act

The principle of the Civil Code in Japan

Any patentee who has sustained damage due to patent infringement, should allege and prove mentioned below.

1 the occurrence of damage

2 the amount of damage

3 the causation between such damage and the act of patent infringement.

Such proof is very difficult for a patentee !

1 Background

(1) Significance of Article 102 of the Patent Act

The purpose of Article 102

Reducing the difficulty in proving the amount of damage for the patentee

Paragraph (1)

The amount of profit per unit of products that would have been sold by the patentee if the infringement had not occurred

×

The quantity of products sold by the infringer

=

The amount of damages

◆Paragraph (2)

The amount of profits earned by the infringer

The amount of damage sustained by the patentee

◆Paragraph (3)

The amount equivalent to royalties

The amount of damages

1 Background

(3) The applicability of paragraph(2)

The amount of damages based on lost profits calculated in accordance with paragraph (2) is larger than the amount equivalent to royalties under paragraph (3)

The applicability of paragraph (2) is a major concern to parties

Background
(3) The applicability of paragraph(2)

The precedents of lower courts in Japan

required

The working of patented invention by the patentee

=

Prerequisite for the application of paragraph (2)

The Waste Storage Device Case

IP High Court Grand Panel 2012 (Ne) No.10015,February1 2013

（**The plaintiff = Patentee**）

The appellant (the plaintiff in the first instance; hereinafter referred to as the “**plaintiff**"), who is the holder of a patent for an invention titled "Waste storage device" (Patent No. 4402165)

（**Distributorship agreement**）

The plaintiff and **Company A** concluded a distributorship agreement

(based on)

The plaintiff designated Company A as a distributor of the cassettes that the plaintiff manufactured in the U.K. by use of the Patented Invention (hereinafter referred to as the "**Product of the Plaintiff** ") in Japan

The plaintiff exported the Product of the Plaintiff to Company A

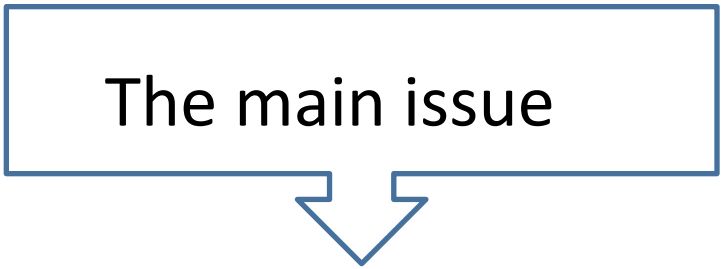
Company A sold the Product of the Plaintiff to general consumers in Japan.

（**Alleged conduct of the defendant** ）

The appellee (the defendant in the first instance, hereinafter referred to as the “**defendant** “)

Importing the waste storage cassettes for nappies (hereinafter referred to as the "**Product of the Defendant**") into Japan and selling it in Japan.

（**Main issue**）



The applicability of paragraph(2) to the calculation of the amount of damages

（**Judgment of first instance**）

- The application of Article 102, paragraph (2) requires the working of the patented invention by the patentee
- The amount of damage may not be presumed pursuant to said paragraph because the plaintiff had not worked the Patented Invention

The court awarded 18.14 million yen as an amount of damage equivalent to the amount of royalties under paragraph (3)

（**Judgment of IP High Court Grand Panel**）

- It should be construed that the working of patented invention by the patentee is not required for the application of paragraph (2)
- The application of said paragraph should be allowed if there are any circumstances suggesting that the patentee could have gained profits if no patent infringement had been made by the infringer.

The Court awarded 134.61 million yen as the amount of damages sustained by the plaintiff pursuant to paragraph (2)

The Patent Act in the U.S.

- Section 284 of the American Patent Act provides :

"Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer."

The court ruling in the U.S.

- There is no presumptive rule in the American Patent Act like Article 102 in Japan.
- The basic rule = “what would the patentee have earned but for the infringement”

(But For Test)

Rite-Hite Corp v. Kelley Co. 56F.3d.1538 , 1545(Fed.Cir.1995 en banc)

Lost sales of the products that are not covered by the patent but directly compete with the infringing products are compensable if such lost sales were reasonably foreseeable by the infringer.

Poly-America, L.P. v. GSE Lining Tech, Inc

383 F.3d 1303,1311(Fed.Cir.2004)

In order to claim damages consisting of lost profits, the patentee needs to have been selling some item , the profits of which have been lost due to infringing sales.

Mars. Inc v. Coin Acceptors, Inc.

527 F.3d 1359,1365 (Fed.Cir.2008)

If the patent company holds the patent but lacks manufacturing and marketing capability, and no profits flow inexorably to the patent company from subsidiary that engages in manufacturing and marketing, the patent company should not be allowed to claim damages based on lost profits.

4 New problems resulted from the judgment

What circumstances is “The patentee could have gained profits if no patent infringement had been made by the infringer ” ?

The new problems resulted from the Grand Panel judgment !

Thank you for your attention !