Calculation of damages in IP infringement cases of Japan

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1 Significance of article 102 of the patent act and article 38 of the trademark act

Importance of presumptive provisions

Presumptive provisions for calculating the amount of damages

- Article 102 of the Patent Act
- Article 38 of the trademark Act

etc.

(almost the same)

The principle of the Civil Code of Japan

When a patentee or a trademark holder(hereinafter referred to as a "patentee") file a damage suit, he must allege and prove all these facts.

1. The occurrence of damage
2. The amount of damages
3. The causation between such damages and the patent infringement

It is very difficult for a patentee to prove these facts.

The purpose of the presumptive provisions for calculating the amount of damages

- Article 102 of the Patent Act
- Article 38 of the Trademark Act

- These provisions reduce the difficulty for a patentee to prove the amount of damages.

Paragraph (1) of these articles

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

✖ multiplied by

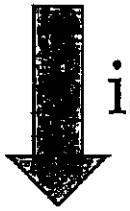
The quantity of products sold by the infringer

⬇ is presumed to be

The amount of damages of the patentee

Paragraph (2) of these articles

The amount of profit earned by the infringer



is presumed to be

The amount of damages of the patentee

Paragraph (3) of these articles

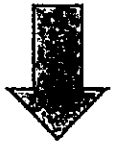
The amount equivalent to royalty

is presumed to be

The amount of damages of the patentee

The precedents of lower courts about paragraph (2)

The precedents of lower courts of Japan required the working of patented invention(or the usage of registered trademark) by the patentee to apply the paragraph (2).



Recently IP High Court grand panel made a new decision on this issue.

2 Waste Storage Device Case -a judgment of IP High court Grand Panel

Waste Storage Device Case

IP High Court Grand Panel 2012(Ne)No.10015, February 1, 2013

- The plaintiff in the first instance (the appellant in the second instance; hereinafter referred to as the "plaintiff") was the holder of a patent for an invention titled "waste storage device".

The facts

- The plaintiff was manufacturing the products by using the patented invention in UK.
- The plaintiff designated Company A as the distributer of its products in Japan.
- The plaintiff exported its products to Company A and Company A sold the products to consumers in Japan.
- The defendant infringed the patent in Japan.

Judgment of the district court

- The working of the patented invention by the patentee is required to apply the paragraph (2). In this case, the amount of damages is not presumed according to the paragraph (2) because the plaintiff has not worked the patented invention in Japan.

- The court awarded 18.14 million yen as damages, that was 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 paragraph(2) should be allowed if there are any circumstances suggesting that the patentee could have gained profits if no patent infringement had been made.

- The court awarded 134.61 million yen as damages under paragraph(2).

A new problem after the judgment

What is "the circumstances suggesting that the patentee could have gained profits if no patent infringement had been made"?

Probably the circumstances will be denied if the patentee only accepts the royalties.

THANK YOU FOR YOUR ATTENTION!