Chair-type massage machine case (Intellectual Property High Court decision dated October 20, 2022, Reiwa 2 (ne) 10024)

Appellant (Plaintiff): Fuji Medical Instruments Mfg. Co., Ltd.

Respondent (Defendant): Family Inada Co., Ltd.

1. Outline of the study

Why was the compensation so high (about 260 million USD (1USD=150JPY) ?

→Article 102(3) (amount equivalent to license fee) was allowed to be applied to the portion of Article 102(2) (infringer's profits) that rebuts (overrides) the presumption of infringer's profits. (Before this case occurred, it was not clear as to whether such a decision was available.)

Details

(1) Case

Plaintiffs allege that defendant's Products 1-12 infringe plaintiffs' Patents A-C.

Patent A: Patent No. 4504690

Patent B: Patent No. 5162718

Patent C: Patent No. 4866978

The district court found that none of the accused products infringed any of the plaintiff's patents, and then dismissed the plaintiff's lawsuit.

In the appeal trial, the plaintiff narrowed the defendant's products to 1-8 and the plaintiffs' patents to A and C.

The High Court determined that Patent A should be invalid and then it determined whether the infringement happened for only Patent C. The targets of Patent C are only Products 1 and 2.

As for Product 2, the High Court determined that the amount of marginal profit was zero but it allowed the amount of damages under Article 102(3).

As a result, it calculated the amount of damages based on Products 1 and 2 infringing Patent C.

(2) Calculation of the amount of damages

(2-1) Point

As for Article 102(1), the revised Patent Act, etc. of 1998 (enforced on April 1, 2020) clearly stipulates that the patentee can claim the amount equivalent to a license fee

according to the extent to which the patentee's sales capacity is exceeded, together with the amount of the damages based on the number of sold products violating patents.

However, as for Article 102(2), the Patent Act does not clearly state that the amount equivalent to the license fee is allowed, as a part of the amount of damages, for the rebuttal portion of the presumption of the infringer's profit due to exceeding the patentee's sales capacity or other reasons.

Therefore, whether an amount equivalent to the license fee is allowed for the rebuttal portion of the presumption of infringer's profits was a point of contention.

(2-2) Decision by the High Court

It should be understood that such equivalent amount is allowed. Here is a summary of the details of the High Court decision.

> In light of the fact that a patentee can obtain profits by implementing the patented invention and can obtain profits by licensing a third party to implement the patented invention, it is understood that the damages due to the infringer's act can be considered as the lost profits due to the decrease in sales of the patentee and due to the loss of the opportunity to license.
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> As a result, it should be understood that even if the presumption under Article 102(2) is partially rebutted, Article 102(3) is applicable if the patentee is deemed to have been able to license the portion in which the presumption is overcome.

In addition, the possibility of claiming an amount equivalent to the license fee should be determined for each of the grounds for rebuttal of the presumption. Here is a summary of the details of the High Court decision.

> It is understood that there are two grounds for rebuttal of the presumption under Article 102(2) similar to Article 102(1): the first ground is exceeding the patentee's sales capacity, and the second ground is due to other reasons. With respect to the first ground, the patentee is deemed to have been able to grant a license unless there are special circumstances. With respect to the second ground, it is understood that whether the patentee was able to license the patent or not should be determined on an individual basis under the facts and circumstances.

In this case, the High Court recognized only (1) and (3) out of the following (1) to (5) as

rebuttal grounds for the presumption.

(1) The patented invention is implemented in only a part of the defendant's product (Plaintiff's patent C is an invention relating to a "forearm treatment mechanism" in a chair-type massage machine.)
(2) Presence of competitive products in the market
(3) Non-identity of the market (defendant's products and plaintiff's products share only some destination countries (export destinations), and the fact that the destination countries are different means that the markets are not identical).
(4) Defendant's business efforts
(5) Performance of the defendant's products

Then, the High Court did not allow the amount equivalent to the license fee with respect to (1), but allowed the amount equivalent to the license fee only with respect to (3). Here is a summary of the details of the High Court decision.

> Regarding (3), since the plaintiff is not deemed to have exported their product to the destination countries of the defendant product, the plaintiff is not deemed to have a conflict in the respective markets of the destination countries. Therefore, it is recognized that the plaintiff could grant a license as for the number of units exported according to the rebuttal portion of the presumption.
> On the other hand, regarding (1), Patent C does not contribute to the individual defendant's product over the entire number of units exported according to the rebuttal portion of the presumption. Therefore, it is not recognized that the plaintiff could grant a license as for the portion to which the invention according to Patent C did not contribute.
> As a result, in this case, it is appropriate to apply Article 102(3) only to ground (3).