



The Grand Panel of the IP High Court ruled that a U.S.-based video and comment posting portal infringed a Japanese patent for displaying user comments on videos.

Yuichiro Suzuki
Japan Patent Attorneys Association
International Activities Center



Summary

- Patentee enforced a patent for a system consisting of a server and terminals against defendants. One of the defendants is a U.S. company and its servers are located in the U.S. Therefore, the defendant argued that the Japanese patent could not be enforced. On May 26, 2023, the Grand Panel of the IP High Court held that the acts of producing the system are considered to be performed in Japan even though the defendant has its servers in the U.S., and found infringement (IP High Court Judgment, May 26, 2023 (Case No. Reiwa 4 (Ne) 10046)).

Background

- The plaintiff in this case is K.K. Dwango, a Japanese company that operates an internet video portal called Nico Nico Douga (“Nicodo”).
- Nicodo allows viewers of videos to post comments, which are then superimposed on the video and displayed in a right-to-left stream.
- Dwango holds a patent on this video and comment posting system, which consists of a server and terminals. This is the patent at issue in this case.

Background

- The defendants in this case are FC2 Inc., (“FC2”) and K.K. Home Page System (“HPS”).
- While HPS is a Japanese company, FC2 is a US company running video portals FC2 Video, FC2 SayMove, and FC2 Himawari Video.

Background

- The plaintiff sued for an injunction and damages, alleging that HPS provided an infringing video website and FC2 produced the system for the videos in Japan.
- Because FC2 has its servers in the U.S., FC2 argued that the Japanese patent should not be enforced against FC2. At issue is whether a Japanese patent covers an overseas server.

Decision of first instance court

- The Tokyo District Court, the court of first instance, dismissed the plaintiff's claim on the following grounds:
- First, the defendants' system satisfies all the constituent requirements of the invention pertaining to the patent.
- However, there is the doctrine of territoriality in the Patent Act, which means that the patent right is enforceable only in the territory of the country concerned. In order to fall under the category of “production” under Article 2(3)(i) of the Patent Act in Japan, it is necessary that an object that satisfies all the constituent requirements of the patented invention is newly produced in Japan.

Decision of first instance court

- The FC2 server, which is a component of the defendant's system, is located in the U.S., and a user terminal located in Japan alone does not satisfy all of the requirements for the invention of the patent in question.
- Therefore, it cannot be said that the defendant “produced” the defendant's system in Japan. The defendant HPS did not perform services related to the infringing services during the period of alleged infringement. As such, there is no infringement of the patent right.

Dwango's appeal

- Dwango appealed this case to the IP High Court, arguing that the Tokyo District Court erred in its decision.
- Dwango argued as follows:

“The doctrine of territoriality does not require that all constituent requirements be met in Japan. If interpreted as the Tokyo District Court did, it would be extremely easy to avoid infringement of a network-related patent as long as a server is located outside Japan, which would significantly weaken the value of Japan’s network-related patent rights.

”

Dwango's appeal

“In particular, because it is now extremely easy to provide services in Japan using a server located outside Japan, such interpretation makes it difficult to hold a company liable for patent infringement in important technical fields.”

- On this issue of (ex)territoriality, amicus briefs were solicited by the Grand Panel.

IP High Court Judgment

- On May 26, 2023, the Grand Panel of the IP High Court held that the acts of producing the system are considered to be performed in Japan even though the defendant FC2 has its servers in the U.S., and found infringement.

First, the Court found that the infringing system was actually produced. However, the Court noted that the system produced exists across Japan and the United States, because the videos and comments are sent to terminals in Japan from servers in the United States and received by terminals in Japan.

IP High Court Judgment

- Second, with respect to the doctrine of territoriality, the Court pointed out that denying infringement on the grounds that the server is located outside Japan would make it easier to avoid patent infringement and would not adequately protect such system patents.

IP High Court Judgment

- Then, the Court held that even though the servers are located outside Japan, the following factors should be taken into account when analyzing whether an act of producing the system is considered to be performed in Japan: (1) the specific mode of operation of the system; (2) the role and function of the part of the system that exists in Japan; (3) the place where the effects of the system are produced; and (4) the economic impact on the patentee.

IP High Court Judgment

The Court found as follows: Regarding factor (1), because each file containing videos and comments to be superimposed is sent from servers in the U.S. and received by user terminals in Japan, the defendant's system is completed when user terminals in Japan receive each of such file (for videos and comments). Thus, the transmission and reception of the file can be considered to be performed in Japan.

As for Factor (2), the user terminals in Japan realize the main function of this invention (namely, the function of determining and controlling the display position of the comments so that they do not overlap each other when comments are placed on a video).

As for factor (3), the effect of the invention, improving entertainment value in communications using comments, is realized in Japan.

As for factor (4), the above domestic use in Japan affects the economic benefits that Dwango would obtain by using the invention.

IP High Court Judgment

- As such, the Grand Panel held that acts of producing the infringing system are considered to be done in Japan.

Comments

- This is the 15th case heard by the Grand Panel and is a decision of great practical importance.
- While some welcome this decision as strengthening the value of Japanese patent rights, others object to the ruling's treatment of the determination of where the system was made as a matter of law rather than fact.

Comments

- Since the patent was for a computer system, the issue is where the system was deemed to be produced. Last year, in a separate case, the IP High Court made a similar decision on the same parties (IP High Court Judgment, July 20, 2022 (Case No. Heisei 30 (Ne) 10077)).

Comments

- In that case, Dwango sued based on a patent for a computer program and terminal for displaying comments, and the IP High Court found that the distribution of an infringing program from a server located in the U.S. to a Japanese user terminal infringed the computer program claim and indirectly infringed the terminal claim.

Comments

- At the time of the earlier decision, some argued that although the two cases were similar in that the parties and the accused system were identical and the inventions were similar, whether the claim was a “system” or a “program” would make a big difference. Such people said that while the program is distributed from a server located in the U.S. to users located in Japan, the production of the system itself cannot be considered to be in Japan as long as the most important part of the system, the servers, are located in a foreign country.

Comments

- According to this judgment, it may be possible to enforce a Japanese patent even though some of the components (e.g. servers) of a system are located outside Japan.
- Thus, for the patentees, this means that it has more scope to enforce its rights.
- For foreign companies, on the other hand, this ruling means that they may be sued in Japan for services they provide to the Japanese market and may be ordered by the Japanese court to cease and desist.

Comments

- In Japan, as in the U.S., there are advantages to including system claims in network related patents.
- For your reference, in the U.S. BlackBerry case, the system claims were found to be infringed and the method claims were found not to be infringed if a part of the invention was practiced outside the U.S. Further, in the U.S. Akamai case, even if a part of the invention was practiced outside the U.S., the method claims could be infringed if the infringer “directed or controlled” others or formed a “joint venture” with other co-infringers.



Thank you for your attention!!



Yuichiro Suzuki

yuichiro.suzuki@kubota-law.com