

## Overview and significance of the Grand Panel case (2022 (Ne) 10046)

### [1] Challenges with network-based inventions

In Japan, it had remained unclear whether patent infringement could be found for a network-based system whose component exists outside Japan via a network. Recently, the Intellectual Property High Court ("IP High Court") rendered a judgment finding patent infringement concerning a system comprising a server existing outside Japan and user terminals existing in Japan (2022 (Ne) 10046). This case was examined by a Grand Panel consisting of five judges. This was the first time that the system for soliciting opinions from third parties (the so-called the Japanese amicus brief system) ("Amicus Brief System") has been used since the Amicus Brief System was introduced under the revised Patent Act that took effect in April 2022. Under the Amicus Brief System, the matter for which opinion was solicited was: what requirements should be met to constitute "producing" as the working act of an invention, with respect to an invention of a system comprising a server existing outside Japan and a plurality of terminals.

### [2] Producing of network-based system

The Grand Panel of the IP High Court found patent infringement, holding that the defendant's act was the "producing" of the network-based system in question. Article 2(3)(i) of the Patent Act provides for the "producing" of a product as one of the manners of working a product invention. The IP High Court construed the "producing" of a product as an "act of newly creating a product belonging to the technical scope of an invention." The IP High Court also interpreted the "producing" of network-based systems as an "act of newly creating the system in which a plurality of elements, each of which does not singularly satisfy all the constituent features of the invention, are connected via the network so as to have an organic relationship with one another and to have a function of satisfying all the constituent features of the invention as a whole."

### [3] Criteria for assessment of "producing" of network-based systems

Japan follows the principle of territoriality that limits the validity of patents only in the territory of Japan. This principle of territoriality gives rise to a question of whether the act of "producing" by the defendant as explained in [2] is considered as "producing" within the meaning of Article 2(3)(i) of the Patent Act. The IP High Court indicated the criteria that it is reasonable to understand that an act of newly

creating a network-based system falls under the "producing" within the meaning of Article 2(3)(i) of the Patent Act if such act can be considered to have taken place in the territory of Japan, even where a server forming a part of constituent elements of the network-based system exists outside Japan, based on the consideration of the entirety of the following factors:

- (i) a specific manner of the act;
- (ii) a function or role performed in the invention by those elements existing in Japan among the elements constituting the system;
- (iii) a place where the effect of the invention can be achieved by use of the system; and
- (iv) an influence that the use thereof exerts on the economic profits of the patentee of the invention.

#### [4] Significance of judgment and expectation for future

The Grand Panel case is significant in that it paved the way for patent enforcement against network-based systems partly comprising of elements exist outside Japan. However, the conditions for application of the criteria are limited and require the further development of court judgments. It is expected that network-based system inventions will be more appropriately protected according to the circumstances of the era of cloud computing.