

# 24 FY 2003 Study Report on the Japanese Economic Structure from a Competition Policy Perspective

## —Court Judgments Concerning Calculation of the Amount of Damages in Intellectual Property Infringement Litigation—

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*In Japanese litigation claiming damages for intellectual property right (IPR) infringement, there have been criticisms that it is difficult to prove the amount of damages and that the amount of damages awarded is excessively low.*

*In order to address such criticisms, new provisions have been introduced in the Patent Law and other industrial property laws in recent years to facilitate the proving of the amount of damages. For instance, in the amendment of the four industrial property laws in 1998, provisions were established to presume the sum of money with the quantity of assigned articles by which the defendant's act of infringement was committed multiplied by the profit per unit quantity of the articles that the plaintiff could have sold to be the amount of damages. A similar provision was also introduced to the Copyright Law with the amendment in 2000 and to the Unfair Competition Prevention Law with the amendment in 2003.*

*In order to provide helpful material for future legislation, this study investigates (i) how court judgments in litigation claiming damages have changed after the series of amendments, (ii) how frequently the amended provisions are actually being used, and (iii) the recent trend in determination of the amount of damages for IPR infringement. In addition, it makes analysis of the effects of the law amendments, etc..*

## I Introduction

### 1 Purpose of the study

In Japanese litigation claiming damages for IPR infringement, there have been criticisms that it is difficult to prove the amount of damages and that the amount of damages awarded is excessively low. Therefore, views have emerged that it is difficult to actually enforce intellectual property as the rights for claiming damages upon infringement, although they are recognized as *property* and *rights*, and that the industrial property laws are not completely representative of the originally intended effects in that sense. Accordingly, new provisions have been introduced in the Patent Law and other industrial property laws in recent years to facilitate the proving of the amount of damages.

For a case where a patent right has been infringed intentionally or by negligence, and the infringer has gained profits from this act of infringement, the provisions conventionally

available for determining the amount of damages were one that presumed the amount of the infringer's profits to be the amount of damages suffered by the right holder (Article 102(1) of the old Patent Law [Article 102(2) of the current Patent Law]<sup>(\*)1</sup>) and one that deemed the amount of money that the right holder would normally be entitled to receive for the working of the patented invention to be the amount of damages (Article 102(2) of the old Patent Law [Article 102(3) of the current Patent Law]<sup>(\*)2</sup>). However, the changes indicated in (i) (Article 102(1) of the Patent Law) and (ii) (Article 102(3) of the Patent Law) were made with the 1998 amendment of the Patent Law, and the new provisions entered into force on January 1, 1999. Furthermore, the change indicated in (iii) (Article 105ter of the Patent Law) was made with the 1999 amendment of the Patent Law, and the new provision entered into force on January 1, 2000.

Similar amendments have also been made to the other industrial property laws<sup>(\*)3</sup> at the same time.

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(\*1) There has been criticism that it is difficult for the right holder to prove the infringer's profits, because the evidence for proving those profits is usually held by the infringer (Nobuhiro Nakayama, *Chūkai Tokkyohō* (Annotated Patent Law), 3rd ed., vol. 1, p. 1031).

(\*2) There has been criticism that the right holder can only claim the same amount of licensee fee that can be claimed from a licensee in good faith, and the specific circumstances between the parties to the case cannot be reflected in the amount of money for which the right holder would be entitled to receive (Nobuhiro Nakayama, *Chūkai Tokkyohō*, 3rd ed., vol. 1, p. 1063). In practice, the determination had been made based on the license fee rate of a licensing agreement if the right holder had concluded any licensing agreement with a party, and if not, the determination had been made based on the license fee rate under the licensing agreement for state-owned patents (Notice by the Japan Patent Office (JPO) Commissioner; this agreement developed into the guidelines for agreements on patents, etc. (Notice by the JPO Commissioner)) (Nobuhiro Nakayama, *Chūkai Tokkyohō*, 3rd ed., vol. 1, p. 1064).

(\*3) The Utility Model Law, the Design Law, and the Trademark Law.

(i) In order to facilitate the proving of the lost profits, a calculation method was introduced to presume the sum of money with the quantity of the assigned articles by which the defendant's act of infringement was committed multiplied by the profit per unit quantity of the articles that the plaintiff could have sold to be the amount of damages.

(ii) The word "normally" was deleted from the provision of deeming the amount equivalent to the license fee to be the amount of damages.

(iii) A provision to award a reasonable amount of damages, where proving the amount of damages is extremely difficult, was introduced.

In the Copyright Law, there was Article 114(1) of the old Copyright Law (Article 114(2) of the current Copyright Law) that corresponded to Article 102(1) of the old Patent Law (Article 102(2) of the current Patent Law) and Article 114(2) of the old Copyright Law (Article 114(3) of the current Copyright Law) that corresponded to Article 102(2) of the old Patent Law (Article 102(3) of the current Patent Law). However, with the 2000 amendment of the Copyright Law, the changes indicated in (ii) (Article 114(2) of the old Law [Article 114(3) of the current Law]) and (iii) (Article 114quinquies of the current Law) were made, and the new provisions entered into force on January 1, 2001. In addition, the change indicated in (i) (Article 114(1) of the current Law) was made with the 2003 amendment of the Copyright Law, and the new provision entered into force on January 1, 2004.

Furthermore, with the 2003 amendment of the Unfair Competition Prevention Law, the changes indicated in (i) (Article 5(1) of the Law), (ii) (Article 5(3) of the Law), and (iii) (Article 6ter of the Law) were made, and the new provisions entered into force on January 1, 2004.

This study is aimed at providing helpful material for future legislation and settlement of IPR disputes by investigating the recent trend in determination of the amount of damages for IPR infringement, including how court judgments in litigation claiming damages have changed by enforcement of the above amendments to the Patent Law, etc. and how frequently the amended provisions are actually being used, in addition to analysing the effects of the law amendments.

## 2 Sample Cases<sup>(\*4)</sup>

The sample cases covered in this study are those cases that are published in the list of IPR related judgments<sup>(\*5)</sup> on the Supreme Court website, in which the right holder claimed damages relating to IP (patent, utility model, design, trademark, copyright, and unfair competition) and for which judgment affirming all or part of the claim was rendered during the period from January 1, 1998 to December 31, 2003. However, the list for 1998 contained only a small number of cases claiming damages based on copyrights, so additional samples were sought and extracted from the Hanrei Taikei Judicial Information System CD-ROM released by Dai-ichi Hoki.

## II Results<sup>(\*6)</sup>

### 1 Overall trend

Table 1 shows the results of the number of cases by type of right for each year (from January 1 to December 31). Cases in which two or more different types of rights (e.g., a patent right and a design right) have been enforced were counted for the respective types of rights. Therefore, the total number of cases related to the respective types of rights for each year may exceed the number of cases in which damages were awarded for that year.

Among the sample cases, the largest number of cases was related to copyrights (121 cases), followed by those related to patent rights (79 cases), and those related to unfair competition (75 cases). On the other hand, the smallest number of cases was related to design rights (19 cases).

### 2 Provisions based on which damages were claimed and awarded

#### (1) Provisions based on which parties claimed damages

Aggregation was made on the legal provisions based on which the right holders (the infringed parties) have claimed damages in litigation, claiming damages for IPR infringement. When the claim was based on multiple legal provisions, the case was counted for the respective provisions.<sup>(\*7)</sup>

(\*4) The court judgments for the sample cases were analyzed with the cooperation of the following attorneys at law at YUASA AND HARA: Toshiaki Makino, Reiko Ito, Soshi Endo, Kuniaki Kobayashi, Koji Sakuma, Hideki Shimada, Taketo Nasu, Norimasa Shimoda, Mio Ishii(Tanahashi), and Mineko Mouri. The author wishes to express his sincere gratitude for their effort.

(\*5) [http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/\\$SearchForm?SearchView](http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/$SearchForm?SearchView)

(\*6) The paper omits the analysis results by industrial field due to the space limitation. For details, see *Heisei 15 nendo waga kuni keizai kôzô ni kansuru kyôshôseisaku-teki kanten kara no chôsa kenkyû* (*Chiteki zaisan shingai soshô ni okeru songai baishôgaku no santei ni tsuite no hanrei ni kansuru chôsa kenkyû*) *hokokusho* (FY 2003 Study report on the Japanese economic structure from a competition policy perspective—Study on court judgments concerning calculation of the amount of damages in intellectual property infringement litigation—) released by the Institute of Intellectual Property.

(\*7) Cases for which the legal basis was not clear from the judgments were not counted. Therefore, the total number of cases based on the respective laws may differ from the total in Table 1.

Table 1 Overall trend of the number of cases by type of right and by year

	1998	1999	2000	2001	2002	2003	Total
Cases in which damages were awarded	61	40	78	62	59	53	352
Patent rights	14	9	16	15	16	9	79
Utility model rights	12	5	11	6	3	5	42
Design rights	5	4	7	0	2	1	19
Trademark rights	6	3	13	9	8	10	49
Copyrights	14	15	27	25	22	18	121
Unfair competition	15	5	17	11	15	14	75
Total	66	41	91	66	66	57	387

**(i) Patent rights, utility model rights, design rights, and trademark rights**

Under the Patent Law, provisions on presumption of the amount of damages are stipulated in Article 102(1) through (3). Article 102(1) was added with the 1998 amendment and entered into force on January 1, 1999. Therefore, it is considered to be used as the legal basis in the cases for which judgments were rendered in or after the middle of 1999. This survey divided the sample cases for 1999 between those under the old law and those under the new law based on whether the oral proceedings had either been concluded before January 1, 1999 or on or after that date. In the table below, the cases based on Article 102(1) of the old law are included in the number for Article 102(2), and those based on Article 102(2) of the old law are included in the number for Article 102(3). Meanwhile, Article 102(2) of the old law and Article

102(3) of the current law are only different in respect to the deletion of the word “normally,” so they were categorized under the same group. The same applies to the utility model rights, design rights, and trademark rights.

**(ii) Copyrights**

In the Copyright Law, Article 114(1), which provides for the calculation method of multiplying the quantity of the articles assigned by the infringer, which have been produced by an act of infringement, by the profit per unit quantity of the right holder’s articles was introduced with the 2003 amendment, and only entered into force on January 1, 2004. Therefore, this provision is not used as the basis in any of the sample cases (the numbers are indicated as zero in the table). The provision of presuming the profits of the infringer to be the damages suffered by the right holder had been stipulated under Article 114(1) of the old law, but due to the introduction of

Table 2-1 Provisions based on which the damages were claimed (patent rights)

	1998	1999	2000	2001	2002	2003	Total	
Patent Law	Article 102(1)	0	0	5	4	6	3	18
	Article 102(2)	6	5	8	8	3	3	33
	Article 102(3)	7	5	9	8	9	2	40
	Article 105 <sup>ter</sup>	0	0	0	0	0	0	0
	Article 65	3	0	0	0	0	0	3
Article 709 of the Civil Code	9	0	0	1	0	0	10	
Other	4	2	3	0	0	3	12	

Table 2-2 Provisions based on which the damages were claimed (utility model rights)

	1998	1999	2000	2001	2002	2003	Total	
Utility Model Law	Article 29(1)	0	2	4	1	1	3	11
	Article 29(2)	4	2	4	1	1	0	12
	Article 29(3)	5	4	5	5	1	2	22
	Article 30 *	0	0	0	0	0	0	0
Article 709 of the Civil Code	7	1	1	0	0	0	9	
Other	2	1	5	0	1	0	9	

(\* Article 105<sup>ter</sup> of the Patent Law as applied mutatis mutandis in Article 30 of the Utility Model Law)

Table 2-3 Provisions based on which the damages were claimed (design rights)

		1998	1999	2000	2001	2002	2003	Total
Design Law	Article 39(1)	0	1	3	0	1	0	5
	Article 39(2)	2	3	4	0	0	1	10
	Article 39(3)	1	1	3	0	1	0	6
	Article 41*	0	0	0	0	0	0	0
Article 709 of the Civil Code		1	0	0	0	0	0	1
Other		1	0	3	0	0	0	4

(\* Article 105<sup>ter</sup> of the Patent Law as applied mutatis mutandis in Article 41 of the Design Law)

Table 2-4 Provisions based on which the damages were claimed (trademark rights)

		1998	1999	2000	2001	2002	2003	Total
Trade-mark Law	Article 38(1)	0	0	1	2	2	3	8
	Article 38(2)	3	2	8	5	5	6	29
	Article 38(3)	0	2	3	2	1	1	9
	Article 39 *	0	0	0	0	0	0	0
Article 709 of the Civil Code		2	0	0	1	0	1	4
Other		2	0	2	0	1	1	6

(\* Article 105<sup>ter</sup> of the Patent Law as applied mutatis mutandis in Article 39 of the Trademark Law)

Table 2-5 Provisions based on which the damages were claimed (copyrights)

		1998	1999	2000	2001	2002	2003	Total
Copyright Law	Article 114(1)	0	0	0	0	0	0	0
	Article 114(2)	4	2	7	6	7	6	32
	Article 114(3)	6	6	14	9	17	15	67
	Article 114 <sup>quinquies</sup>	0	0	0	0	0	0	0
Article 709 of the Civil Code		3	0	3	4	1	1	12
Other		3	1	5	9	0	3	21

the above provision with the 2003 amendment, the provision was moved to Article 114(2). Similarly, the provision of deeming the amount equivalent to the license fee to be the damages suffered by the right holder, which had been stipulated under Article 114(2) of the old law, was moved to Article 114(3) with the 2003 amendment. The paragraph numbers under the current law are used in the table below.

#### (vi) Unfair competition

In the Unfair Competition Prevention Law, Article 5(1), which provides for the method of calculating the damages suffered by the infringed party by multiplying the quantity of the articles assigned by the infringer by the profit per unit quantity of the right holder's articles, and Article 6<sup>ter</sup>, which provides for awarding a reasonable amount of damages when it is difficult to prove the amount of damages, were introduced with the 2003 amendment, and only entered into force on January 1, 2004. Therefore, these provisions are not used as the basis in any of the sample cases (the numbers are indicated as zero in the table, similar to the case

of copyrights). Article 5(2), which provides for presuming the profits of the infringer to be the damages suffered by the right holder, and Article 5(3), which provides for deeming the amount equivalent to the license fee to be the amount of damages, have respectively been moved from Article 5(1) and (2) of the old law due to the introduction of the new provision in Article 5(1). The paragraph numbers under the current law are used in the table below.

Article 4 of the Unfair Competition Prevention Law is a general provision based on which damages are claimed under the law.

#### (2) Provisions based on which the court awarded damages

The number and the percentage of judgments in which the court affirmed the plaintiff's claim for damages were aggregated by type of right. Table 2-7 shows the cases in which a claim for damages based on Article 102(1) of the Patent Law was affirmed. For instance, in 1998, four out of the six claims for damages based on Article 102(2) were affirmed, and the affirmation rate was 67%.

Table 2-6 Provisions based on which the damages were claimed (unfair competition)

		1998	1999	2000	2001	2002	2003	Total
Unfair Competition Prevention Law	Article 5(1)	0	0	0	0	0	0	0
	Article 5(2)	5	3	5	5	9	6	33
	Article 5(3)	4	0	2	0	2	1	9
	Article 6 <i>ter</i>	0	0	0	0	0	0	0
	Article 4	10	2	8	2	1	0	23
Article 709 of the Civil Code		3	0	1	3	2	1	10
Other		1	0	3	0	0	0	4

There is a theory stating that, because the provision, that deems the amount equivalent to the license fee to be the amount of damages, legally stipulates the amount equivalent to the license fee as the minimum amount of damages guaranteed, the court may affirm an amount equivalent to the license fee even when the right holder does not claim the amount equivalent to the license fee. Thus, some court judgments have supported this theory and awarded such damages based on the entire purport of the oral arguments.<sup>(\*)8</sup>

### 3 Trend of the license fee rate

When presuming the amount equivalent to the amount of money that the right holder would be entitled to receive for the working of the patented invention (the amount equivalent to the license fee) to be the amount of damages, the determination of the license fee rate has a large impact on the final amount of damages. Table 3 shows the average license fee rate claimed by the right holder and the average rate affirmed by the court by type of right.

Overall, the average license fee rates claimed and affirmed are both the highest for cases based on copyrights and the lowest for cases based on trademark rights. The gap between the rate claimed and the rate affirmed was larger for cases based on patent rights and trademark rights, and smaller for cases based on utility model rights and copyrights.

There is a case in which the court expressly

recognized the impact of the deletion of the word “normally” from the legal provision on determining the amount of damages, and accordingly derived a high license fee rate. The court ruled that, in the case of calculating the amount of damages in infringement litigation, the infringer would benefit from the infringement unless the court awarded damages based on a higher rate than the license fee rate agreed upon in an ordinary licensing agreement, and that it would be reasonable to affirm a rate higher than that in an ordinary licensing agreement in order to avoid such a situation.<sup>(\*)9</sup>

### 4 Awarding a reasonable amount of damages when it is difficult to prove the amount of damages

Although provisions on presuming the amount of damages are established under Article 102 of the Patent Law and other laws in order to facilitate the proving of the amount of damages in IPR-related litigation, there can be cases where the proving is still difficult. Thus, Article 248 of the Code of Civil Procedure provides that the court can award a reasonable amount of damages when proving the amount of damages is extremely difficult “from the nature of the damages.” Nevertheless, in IPR infringement litigation, there are cases where the proving is difficult for a reason other than the nature of the damages, so Article 105*ter*<sup>(\*)10</sup> of the Patent Law, Article 114*quinquies*<sup>(\*)11</sup> of the Copyright Law,

(\*)8 Nobuhiro Nakayama, Chûkai Tokkyohô, 3rd ed., vol. 1, p. 1062. The judgments adopting such a theory include: 2001 (ne) No. 6316 and 2002 (ne) No. 1980, a koso appeal claiming damages for trademark infringement and its incidental koso appeal (original judgment: Tokyo District Court judgment, 2000 (wa) No. 15912).

(\*)9 Tokyo High Court judgment on July 18, 2003, 2002 (ne) No. 3136.

(\*)10 Material for the fifth session of the Planning Subcommittee of the Industrial Property Council, October 29, 1998 ([http://www.jpo.go.jp/shiryô/toushin/shingikai/kikaku05\\_1.htm](http://www.jpo.go.jp/shiryô/toushin/shingikai/kikaku05_1.htm)). With regard to the relationship between Section 105*ter* of the Patent Law and Article 248 of the Code of Civil Procedure, the document explains that Section 105*ter* of the Patent Law should be introduced to deal with cases where the proving of the amount of damages is not necessarily extremely difficult “from the nature of the damages,” such as where the right holder was forced to lower the price of the product due to the act of infringement or where it is difficult to assess the extent of contribution and the profit rate of the patented invention in the completed product.

(\*)11 Summary of the deliberation by the First Subcommittee of the Copyright Council, December 1999 ([http://www.cric.or.jp/houkoku/h11\\_12a/h11\\_12a\\_main.html](http://www.cric.or.jp/houkoku/h11_12a/h11_12a_main.html)). The document explains that the provision should be introduced in order to deal with cases where it is extremely difficult to prove the facts necessary for the proof of the amount of damages “from the nature of such relevant facts” rather than where it is extremely difficult to prove the amount “from the nature of the damages,” such as when the right of performance has been continuously infringed by karaoke performances, and the number of performances including those in the past must be proved.

and other provisions provide that the court may award a reasonable amount of damages when it is extremely difficult to prove the facts that are necessary for the proof of the amount of damages

“from the nature of such relevant facts.” In this study, there were four cases in which a claim was made based on Article 248 of the Code of Civil Procedure or the provision was applied.<sup>(\*12)</sup>

Table 2-7 The number and the percentage of judgments in which the court affirmed the basis for the right holder's claim

		Basis for the claim	The number and the percentage of judgments in which the court affirmed the claim based on the respective provisions (The figure on the right hand side of the slanted line (/) indicates the total number of cases (denominator))						
			1998	1999	2000	2001	2002	2003	Total
Patent rights	Patent Law	Article 102(1)	0/ 0 (--)	0/ 0 (--)	4/ 5 (80%)	2/ 4 (50%)	6/ 6 (100%)	3/ 3 (100%)	15/18 (83%)
		Article 102(2)	4/ 6 (67%)	4/ 5 (80%)	5/ 8 (63%)	4/ 8 (50%)	1/ 3 (33%)	2/ 3 (67%)	20/33 (61%)
		Article 102(3)	6/ 7 (86%)	2/ 5 (40%)	7/ 9 (78%)	8/ 8 (100%)	9/ 9 (100%)	2/ 2 (100%)	34/40 (85%)
		Article 65(3)	2/ 3 (67%)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	2/ 3 (67%)
	Article 709 of the Civil Code	7/ 9 (78%)	0/ 0 (--)	0/ 0 (--)	0/ 1 (0%)	0/ 0 (--)	0/ 0 (--)	7/10 (70%)	
	Other	4/ 4 (100%)	0/ 2 (0%)	1/ 3 (33%)	0/ 0 (--)	0/ 0 (--)	1/ 3 (33%)	6/12 (50%)	
Utility model rights	Utility Model Law	Article 29(1)	0/ 0 (--)	1/ 2 (50%)	2/ 4 (50%)	1/ 1 (100%)	0/ 1 (0%)	2/ 3 (67%)	6/11 (55%)
		Article 29(2)	4/ 4 (100%)	2/ 2 (100%)	2/ 4 (50%)	1/ 1 (100%)	1/ 1 (100%)	0/ 0 (--)	10/12 (83%)
		Article 29(3)	3/ 5 (60%)	3/ 4 (75%)	4/ 5 (80%)	5/ 5 (100%)	1/ 1 (100%)	2/ 2 (100%)	18/22 (82%)
	Article 709 of the Civil Code	4/ 7 (57%)	0/ 1 (0%)	0/ 1 (0%)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	4/ 9 (44%)	
	Other	1/ 2 (50%)	0/ 1 (0%)	5/ 5 (100%)	0/ 0 (--)	1/ 1 (100%)	0/ 0 (--)	7/ 9 (78%)	
Design rights	Design Law	Article 39(1)	0/ 0 (--)	1/ 1 (100%)	2/ 3 (67%)	0/ 0 (--)	1/ 1 (100%)	0/ 0 (--)	4/ 5 (80%)
		Article 39(2)	2/ 2 (100%)	3/ 3 (100%)	2/ 4 (50%)	0/ 0 (--)	0/ 0 (--)	1/ 1 (100%)	8/10 (80%)
		Article 39(3)	1/ 1 (100%)	0/ 1 (0%)	2/ 3 (67%)	0/ 0 (--)	0/ 1 (0%)	0/ 0 (--)	3/ 6 (50%)
	Article 709 of the Civil Code	1/ 1 (100%)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	1/ 1 (100%)	
	Other	0/ 0 (--)	0/ 0 (--)	3/ 3 (100%)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	3/ 3 (100%)	
Trade-mark rights	Trademark Law	Article 38(1)	0/ 0 (--)	0/ 0 (--)	1/ 1 (100%)	1/ 2 (50%)	1/ 2 (50%)	2/ 3 (67%)	5/ 8 (63%)
		Article 38(2)	1/ 3 (33%)	1/ 2 (50%)	5/ 8 (63%)	3/ 5 (60%)	4/ 5 (80%)	4/ 6 (67%)	18/29 (62%)
		Article 38(3)	0/ 0 (--)	2/ 2 (100%)	3/ 3 (100%)	2/ 2 (100%)	1/ 1 (100%)	1/ 1 (100%)	9/ 9 (100%)
		Article 39	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)
	Article 709 of the Civil Code	1/ 2 (50%)	0/ 0 (--)	0/ 0 (--)	1/ 1 (100%)	0/ 0 (--)	0/ 1 (0%)	2/ 4 (50%)	
	Other	2/ 2 (100%)	0/ 0 (--)	1/ 2 (50%)	0/ 0 (--)	0/ 1 (0%)	0/ 1 (0%)	3/ 6 (50%)	
Copyrights	Copyright Law	Article 114(1)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)
		Article 114(2)	1/ 4 (25%)	1/ 2 (50%)	2/ 7 (29%)	4/ 6 (67%)	1/ 7 (14%)	0/ 6 (0%)	9/32 (28%)
		Article 114(3)	5/ 6 (83%)	6/ 6 (100%)	13/14 (93%)	7/ 9 (78%)	14/17 (82%)	14/15 (93%)	59/67 (88%)
	Article 709 of the Civil Code	1/ 3 (33%)	0/ 0 (--)	2/ 3 (67%)	3/ 4 (75%)	1/ 1 (100%)	1/ 1 (100%)	8/12 (67%)	
	Other	1/ 3 (33%)	1/ 1 (100%)	1/ 5 (20%)	6/ 9 (67%)	1/ 0 (--)	0/ 3 (0%)	10/21 (48%)	
Unfair competition	Unfair Competition	Article 5(1)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)
		Article 5(2)	5/ 5 (100%)	3/ 3 (100%)	3/ 5 (60%)	5/ 5 (100%)	8/ 9 (89%)	5/ 6 (100%)	29/33 (88%)
	Prevention Law	Article 5(3)	3/ 4 (75%)	0/ 0 (--)	1/ 2 (50%)	0/ 0 (--)	1/ 2 (50%)	1/ 1 (100%)	6/ 9 (67%)
		Article 4	10/10 (100%)	2/ 2 (100%)	5/ 8 (63%)	1/ 2 (50%)	0/ 1 (0%)	0/ 0 (--)	18/23 (78%)
	Article 709 of the Civil Code	3/ 3 (100%)	0/ 0 (--)	0/ 1 (0%)	3/ 3 (100%)	1/ 2 (50%)	1/ 1 (100%)	8/10 (80%)	
	Other	1/ 1 (100%)	0/ 0 (--)	1/ 3 (33%)	0/ 0 (--)	0/ 0 (--)	0/ 0 (--)	2/ 4 (50%)	

(\*12) Osaka District Court judgment on May 23, 2000, 1995 (wa) No. 1110, a civil case related to a utility model right; Tokyo District Court judgment on March 28, 2002, 1996 (wa) No. 10047, a civil case related to unfair competition; Osaka District Court judgment on July 25, 2002, 2000 (wa) No. 2452, a civil case related to a copyright; and Nagoya District Court judgment on October 23, 2003, 2003 (wa) No. 855, a civil case related to unfair competition.

Table 3 Trend of license fee rates by type of right

	Patent rights		Utility model rights		Design rights		Trademark rights		Copyrights		Unfair competition	
	Claimed	Awarded	Claimed	Awarded	Claimed	Awarded	Claimed	Awarded	Claimed	Awarded	Claimed	Awarded
Average	8.9	4.3	5.6	5.2	6.0	3.7	5.4	2.9	10.6	8.3	7.9	4.3
Highest	30.0	10.0	12.0	10.0	10.0	8.0	8.0	5.0	20.0	30.0	15.0	10.0
Lowest	3.0	1.0	1.0	0.1	4.0	1.0	3.0	0.5	5.0	1.5	3.0	1.0

Meanwhile, there were five cases in which a claim was made based on Article 105<sup>ter</sup> of the Patent Law or a similar provision of other IPR laws, or the provision was applied.<sup>(\*13)</sup>

## 5 Claims based on unjust enrichment

There is extinctive prescription for claiming damages for an act of tort, including an act of IPR infringement (Article 724 of the Civil Code). The right to claim damages lapses by prescription if the injured party does not claim the damages within three years from the time when he/she became aware of such damages and the identity of the party that caused it. On the other hand, the extinctive prescription for claiming return of unjust enrichment under Article 703 or 704 of the Civil Code is ten years according to Article 167(1) of the Civil Code. Therefore, Article 703 or 704 of the Civil Code has been used as the basis for the claim in some cases with regard to the part for which the above three-year extinctive prescription has passed.<sup>(\*14)</sup>

## 6 Trend of the amount of damages

Table 5 shows the amount of damages and the total amount claimed by the plaintiff, the amount of damages and the total amount awarded by the court, as well as the affirmation rate of the amount of damages and the total amount.

The amount of damages claimed is the amount of damages incurred by the infringement, while the total amount claimed includes the amount of damages plus such fees as the attorney's fees. The same relationship applies to the amount of damages awarded and the total amount awarded. The affirmation rate of the amount of damages is the amount of damages awarded divided by the amount of damages claimed, while the affirmation rate of the total amount is the total amount awarded divided by

the total amount claimed.

The amounts of damages claimed and awarded were prominently high in patent right infringement litigation, both in terms of the average amount and the highest amount. The affirmation rate was also higher compared to the rates for the other rights. On the other hand, the amounts awarded were relatively lower for cases related to copyrights and unfair competition. It will be interesting to see how this trend changes in the future by the fact that the provisions for facilitating the proving of the amount of damages has been strengthened, similar to the four industrial property laws, with the 2003 amendment.

The cases related to trademark rights were distinctive in that the affirmation rate was low. One of the factors for the low affirmation rate seems to be that the amount of damages claimed was higher compared to that in the cases related to other rights, although trademark rights are subject to the same legislative measures as those for patent rights.

## III Discussions and Summary

### 1 Deletion of the word "normally" from Article 102(3) of the Patent Law, etc. with the 1998 amendment

An overall trend for litigation claiming damages for IPR infringement is that the damages have been frequently claimed based on the amount equivalent to the license fee, irrespective of the litigation occurring before or after the 1998 amendment of the industrial property right laws. The assumable reasons for the frequent use of this provision are that the plaintiff can keep its business confidential by not providing any information on its business, and that the plaintiff only needs to claim a certain percentage of the infringer's sales amount as the amount equivalent to the license fee, which only requires simple and quick proof. Another reason

(\*13) Tokyo District Court judgment on April 27, 2000, 1996 (wa) No. 3871, a case claiming an injunction against utility model right infringement, etc.; Osaka District Court judgment on September 19, 2000, 1997 (wa) No. 4084, a civil case claiming an injunction against an act of utility model right infringement, etc.; Osaka District Court judgment on March 1, 2001, 1998 (wa) No. 11259, a case claiming an injunction against an act of patent right infringement, etc.; Osaka District Court judgment on October 23, 2003, 2002 (wa) No. 8848, a civil case related to a copyright; and Tokyo District Court judgment on December 17, 2003, 2002 (wa) No. 4237, a case claiming an injunction against copyright infringement, etc.

(\*14) Osaka District Court judgment on October 9, 2003, 2002 (wa) No. 9061, a civil case related to a patent right; and Osaka District Court judgment on May 23, 2000, 1995 (wa) No. 4251, a case claiming an injunction of a utility model right infringement, etc. (this case is a counterclaim against 1995 (wa) No. 1110 that has been cited in note 11).

Table 5 Trend of the amount of damages (yen)

		Amount of damages claimed	Total amount claimed	Amount of damages awarded	Total amount awarded	Affirmation rate of the amount of damages	Affirmation rate of the total amount
Patent rights	Average	436,163,334	440,253,637	183,352,629	185,540,797	42%	42%
	Highest	5,500,000,000	5,500,000,000	3,059,360,000	3,059,360,000		
	Lowest	319,922	1,319,922	6,300	6,300		
Utility model rights	Average	177,155,922	151,448,342	34,867,935	36,782,919	20%	24%
	Highest	2,000,000,000	2,000,000,000	198,000,000	200,500,000		
	Lowest	1,791,168	1,970,284	927,132	927,132		
Design rights	Average	102,902,259	103,934,453	37,327,418	37,684,081	36%	36%
	Highest	1,203,120,000	1,203,120,000	451,170,000	451,170,000		
	Lowest	227,350	227,350	16,020	16,020		
Trademark rights	Average	105,291,950	110,369,547	21,305,445	21,681,644	20%	20%
	Highest	1,393,410,632	1,525,010,632	200,000,000	200,000,000		
	Lowest	3,475	3,475	500	500		
Copyrights	Average	70,409,321	88,496,114	12,823,311	14,125,596	18%	16%
	Highest	1,393,410,632	1,525,010,632	163,553,597	179,353,597		
	Lowest	10,500	489,130	10,500	10,500		
Unfair competition	Average	87,292,161	95,462,798	17,584,247	18,549,864	20%	19%
	Highest	1,393,410,632	1,525,010,632	237,352,000	237,352,000		
	Lowest	200,000	200,000	0	200,000		

could be that the persons concerned, including the attorneys at law, are aware by experience that the affirmation rate is higher for claims based on the amount equivalent to the license fee compared to claims based on other calculation methods (see Table 2-7).

As mentioned in the above introduction of court judgments, the provision on the amount equivalent to the license fee is likely to be used more frequently in the future, because a relatively higher level of license fee has come to be affirmed due to the deletion of the word “normally” from the provision.

## 2 Introduction of Article 102(1) of the Patent Law, etc. with the 1998 amendment

With the 1998 amendment, a provision to presume the quantity of the assigned articles by which the defendant’s act of infringement was committed multiplied by the profit per unit quantity of the articles of the right holder to be the amount of damages suffered by the right holder was introduced as Article 102(1) of the Patent Law (similar provisions were also introduced in the other industrial property laws). This is a provision to deem the loss of the profit that the right holder could have gained to be the amount of damages

suffered by the right holder. Before introduction of this provision, the plaintiff only had the option to file a claim based on Article 709 of the Civil Code in order to claim damages based on such loss of profit. In that case, the plaintiff had the obligation to prove the causal relation between the act of the infringer and the loss of the profit the plaintiff could have gained, which was extremely difficult in practice. Therefore, Article 102(1) of the Patent Law was introduced with the 1998 amendment with the aim of remedying the difficulty of proving such a causal relation.<sup>(\*15)</sup>

The effect of the introduction of the provision is clear from this study. Table 2-1, etc. show that claims based on Article 709 of the Civil Code have hardly been observed in the claims for damages related to the four industrial property right laws including the Patent Law in and after 1999, which is the time when the laws amended in 1998 entered into force. On the other hand, Article 102(1) of the Patent Law, etc. has been used frequently from around that time.

Meanwhile, when deeming the profit the right holder could have gained to be the amount of damages, the right holder itself needs to be working the right. In addition, the right holder may be required to prove its selling ability as to whether it could sell the same quantity of articles if the

(\*15) Nobuhiro Nakayama, *Chūkai Tokkyohō*, 3rd ed., vol. 1, p. 991.

infringement had not taken place. When the amount of damages claimed based on this provision are not awarded in full, it is usually due to the insufficient selling ability of the right holder. It is possible that right holders would avoid filing claims based on this provision due to such a reason, but when they can prove that they could actually sell the quantity sold by the infringer, this calculation method would be tremendously useful.

In the Copyright Law and the Unfair Competition Prevention Law, similar provisions were introduced with the 2003 amendment, and they entered into force on January 1, 2004. Thus, it is hoped that these provisions will also be actively utilized similar to those for industrial property rights. However, there is an interesting issue regarding how these provisions will actually be utilized in the future. While many claims had relied on the provision to deem the amount equivalent to the license fee as the amount of damages in copyright-related litigation (see Table 2-5), many claims had relied on the provision to presume the profit gained by the infringer to be the amount of damages in unfair competition-related litigation (see Table 2-6). The reason for this is considered to be the difference in the situation of profit between the copyright industry where licensing activities are established as business and the domain of unfair competition where the infringer usually gains unjust enrichment by unfair competition. This difference is also likely to affect the status of use of the calculation method of deeming the profit that the right holder could have gained as the amount of damages. Quantitative analysis on this point must be left to the study conducted several years ahead. However, if such difference in the situation of profit surrounding the respective IPRs is to influence the effects of legislation, more careful consideration would be required on the need to take into account the characteristics of the respective IPRs in formulating the policies for designing the systems for claiming damages in the future.

### **3 Introduction of Article 105ter of the Patent law with the 1999 amendment**

As mentioned above, Article 102(1) of the Patent Law, which was introduced with the 1998 amendment, has had a considerable effect on the claims based on the profit the right holder could have gained. Therefore, from the 1998 amendment onward, the advantage in filing a claim based on Article 709 of the Civil Code would only be in claiming damages that are not covered by Article 102 of the Patent Law.<sup>(\*16)</sup> The damages that are not covered by the respective paragraphs under Article 102 of the Patent Law include: (i) the profits lost by

being forced to lower the price; (ii) positive property damages pertaining to investigation of infringement, etc.; (iii) attorney's fees; and (iv) intangible damages, etc. In order to claim these damages, the right holder would have to file a claim based on Article 709 of the Civil Code.

Nevertheless, because a provision allowing the court to award a reasonable amount of damages when it is extremely difficult to prove the amount of damages was introduced as Article 105ter of the Patent Law, etc. with the 1999 amendment of the four industrial property laws, it became possible to avoid the strict burden of proof that conforms to the system of litigation for claiming damages under the Civil Code, also for the damages indicated in (i) through (iv) above.

According to the results of this study, however, Article 105ter of the Patent Law, etc. have hardly been used, and even when they are used, they are not applied as originally intended, but are often cited in the form of "in consideration or in light of the purport of Article 105ter of the Patent Law." Nevertheless, in order to actively utilize the system for claiming damages for IPR infringement and to recover more substantial amount of damages, it is indispensable to also claim recovery of these damages, which are difficult to prove. It would be necessary to closely watch the future development of court judgments regarding this point.

### **4 Status of use of Article 102(2) of the Patent Law, etc.**

When presuming the profit gained by the infringer to be the amount of damages suffered by the right holder, the right holder does not need to disclose its own information in the proceedings, and the judgment is made based on the information provided by the infringer. Thus, it is a useful method for the right holder to keep confidentiality of its information. On the other hand, however, this method has a weak point that the determination becomes difficult if the infringer hesitates to provide information or provides inaccurate information.

An academic theory has also predicted that the introduction of Article 102(1) of the Patent Law, etc., which give consideration to the circumstances of the right holder, with the 1998 amendment has considerably reduced the significance of Article 102(2) of the Patent Law, and Article 102(2) is likely to become a provision that solely considers the circumstances of the infringer by literally taking into account the "profits gained by the infringer through the infringement."<sup>(\*17)</sup>

According to the results of this study, claims based on the provision to presume the profits gained by the infringer through the infringement to be the

(\*16) Nobuhiro Nakayama, *Chūkai Tokkyohō*, 3rd ed., vol. 1, p. 982.

(\*17) Nobuhiro Nakayama, *Chūkai Tokkyohō*, 3rd ed., vol. 1, p. 1015.

amount of damages suffered by the right holder have actually been observed frequently, particularly in cases related to trademark rights (Article 38(2) of the Trademark Law), even after the laws amended in 1998 entered into force (Table 2-4). The assumable reasons for this are that trademark holders are reluctant to use Article 38(1) of the Trademark Law because they do not want to reveal the profit rates of the articles relating to their trademark rights, and that there is small merit in claiming damages based on Article 38(3) of the Trademark Law, which deems the amount equivalent to the license fee to be the amount of damages, because the affirmed license fee rates for trademarks are lower compared to those for other rights (Table 3).

## 5 Summary

As discussed so far, this study has made clear that the provisions to deem the profits that the right holder could have gained to be the amount of damages, which were introduced in the four industrial property laws with the 1998 amendment, are being actively utilized in litigation claiming damages for IPR infringement, and that the effect of deleting the word “normally” from the provision to deem the amount equivalent to the license fee to be the amount of damages, which was a change made to the four industrial property laws with the 1998 amendment and to the Copyright Law with the 2000 amendment, has gradually been observed in court judgments. These indicate that the provisions for facilitating the proving of the amount of damages for IPR infringement are successfully demonstrating certain effects. The series of amendments for facilitating the proving of the amount of damages under the Unfair Competition Prevention Law have only entered into force on January 1, 2004, and it is hoped that these amendments also achieve similar effects in the future.

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