

VI. Remedies: Injunction and Damages

1. General

If infringement is found and validity of the patent is not denied by the court, then the patentee is entitled to the remedies of both injunction and damages (if such remedies are both sought). Injunction order is automatically issued so long as the term of the patent has not expired; that is under the Japanese patent law there is no room for the court to decide to issue the injunction order by court's discretion. As to damages, historically recoverable amount of damages under patent infringement action was relatively small in the past. However, in 1998 and 1999 Patent Law was amended to increase the amount of damages to be found by courts in patent infringement actions. After this amendment the amount of damage actually increased significantly.

2. Injunction

(1) Permanent Injunction

In the final judgment of patent infringement action, if infringement and validity of the patent in suit are found by the court, then, unless the term of patent is expired, the court issues an injunction order, i.e., an order to stop the act of infringement, and to destroy infringing inventories and devices which are used for conducting infringement. Usually the plaintiff requests in the complaint that the court declare the judgment temporally executable. In such case the district court decision can be executed even if a notice of appeal is filed. To prevent such execution of the district court decision, the defendant has to file a petition to stay the injunction order pending the appeal case. For issuance of the court's order to stay the injunction order, the defendant must post a bond.

(2) Temporary Injunction

See Section VIII Preliminary Injunction Proceeding.

3. Damages

Theoretically, damages may be recovered under Article 709 of Civil Code, the provision of tort. To recover damages the plaintiff should prove causation between the act of

infringement and damage in addition to the act of infringement. There are two types of damages in case of patent infringement action, i.e., lost profit and reasonable royalty. It was generally considered that proof of the causation between the act of infringement and lost profit is difficult. Effective as of January 1, 1999 Patent Law Article 102 was amended to provide three ways of calculation of damages as illustrated below.

(1) Article 102 para. 1 (Recovery of Patentee's Profit)

Lost profit is an amount of profit which the patentee could have obtained but for the infringer's act. In the past it was generally considered that this type of lost profit is difficult to prove. Under the newly enacted Article 102 para. 1, the damage amount may be calculated by the formula of: (number of infringing products sold) X (patentee's profit from the sale of patentee's one product). This calculation presumes that the patentee could have sold its products as many as the number of infringing products but for the infringement. This calculation method may be applicable when the patentee's products and infringer's products are competing in the market. Incremental profit is used as the patentee's profit. The incremental profit is calculated by subtracting only variable costs from the sales amount of patentee's products. Variable costs means costs which increase depending on the number of sales. It is generally a large percentage. Therefore, the calculated damage becomes fairly large amount. However, the damage amount is capped by the patentee's capacity to manufacture and sell the products. The burden of proof of those factors to calculate the amount given by the formula above is on the plaintiff.

However, on the other hand, the defendant may prove relevant facts to reduce the amount of damage because the patentee could not have sold such many number of plaintiff's products as the sales number of infringing products. Such relevant facts may include: non-infringing alternative products in the market, business efforts of the infringer, market development efforts of the infringer, low price of the infringing product when price is important factor for the purchasers to buy the product, difference of sales methods between the patentee and the infringer, effect of brand, difference in features of the patentee's products and infringer's products which attracted the purchasers attention and any other facts that may have affected the causation of infringement and patentee's loss of profit. The burden of proof of such facts is on the defendant.

(2) Article 102 para. 2 (Presumption of Patentee's Damage by Infringer's Profit)

Article 102 para. 2 of Patent Law provides that the infringer's profit is presumed to be equal to the patentee's damages caused by the patent infringement. This provision is considered to be rebuttable by actually proving damages. This provision is not considered to be allowing recovery of infringer's profit by the patentee. Under this clause contribution of the patent to the infringer's profit is considered in case the patent pertains to only a part of the infringer's product. The patentee may select either Article 102 para. 1 or Article 102 para.2 to prove damages. Usually, if a patentee does not want to disclose its own profit under Article 102 para. 1, the presumption clause of Article 102 para. 2 is relied on. However, generally it is difficult to prove the infringer's profit than the patentee's own profit.

(3) Reasonable Royalties

If the patentee does not practice the patented invention or does not compete with the infringer's product in the market, the patentee's lost profit cannot be proved even by relying on Article 102 para. 1 or para. 2. In such case the patentee may calculate damages by reasonable royalties under Article 102 para. 3. It is provided that reasonable royalty is a minimum amount of damages which the patentee is entitled. Reasonable royalties may be usually calculated by (sales amount of infringing products) X (reasonable royalty rate). The reasonable royalty rate may be determined in consideration of royalty rate in the same or similar industries and similar technology but it is not bound by industry standard. The reasonable royalty which is determined by the court after fighting in the court can be higher than a royalty which is voluntarily determined by agreement between the parties. In usual cases where there is no special reasons to find the reasonable royalty otherwise the court applies 5% royalty rate under Article 102 para. 3.

(4) Proof of Damages

To prove damages the plaintiff needs to know at least sales amount and sales number of infringing products. Those information should be disclosed from the defendant. Usually the court requests the defendant disclose such information voluntarily. If accurate information is disclosed, it can be used as an evidence by the patentee to prove damages. If the defendant does not disclose such information, or the figures disclosed by the

defendant is suspicious, the plaintiff may seek a court order to produce documents for calculation of damages against the defendant. The plaintiff may also seek an appointment of an expert from a pool of certified public accountants by the court. The court appointed expert may investigate the infringer's accounting documents including asking questions to the defendant.

4. Other Remedies of Monetary Compensations

(1) Unjust Enrichment

A patentee may seek recovery of unjust enrichment from the infringer who practiced the patented invention without paying royalties to the plaintiff. The amount of recovery payment is reasonable royalties. Under the unjust enrichment theory the statute of limitation is 10 years as compared to 3 years in case of tort. It is therefore possible to recover lost profit damages for the past three years from the time of filing a patent infringement action under the tort theory and recover reasonable royalties for the period of past fourth through tenth years under the theory of unjust enrichment.

(2) Compensation for Period before Issuance of Patent

A patent applicant may request payment of compensation from a person who knew and practiced the invention disclosed in the published patent specification during the period when the patent application was pending in the Patent Office. Such payment may be requested only after issuance of the patent. A patent applicant who wants to secure such right of compensation usually send a warning letter in which relevant claims are described together with a copy of the patent publication to put the person who practices the invention on notice of the patent publication. The amount of compensation is calculated based on reasonable royalty rate.

(3) Costs of Court

When a court renders a decision, the court usually declares that losing party shall bear costs of court. The costs of court do not include attorney fees. Most significant element of court costs is revenue stamp fee which is paid at the time of filing a complaint or a notice of appeal. The revenue stamp fee at the time of filing is around the range of 0.2-0.3% of the value of litigation; the revenue stamp fee at the time of filing a notice of

appeal to Intellectual Property High Court is 1.5 times the revenue stamp fee at the time of filing the complaint; and the revenue stamp fee at the time of filing a notice of appeal to Supreme Court is twice of the revenue stamp fee at the time of filing the complaint. .

(4) Attorney Fees

As stated above, under the Japanese law, a prevailing party of the lawsuit may not recover attorney fees from a losing party. However, the patentee may seek recovery of reasonable attorney fees from the infringer as a part of the patentee's damages caused by the infringer's act of infringement. On the other hand, the defendant does not have a means to seek recovery of attorney fees in normal cases. However, in a very unusual case such as a malicious litigation in which the patentee knew that there was no basis for the filing of the litigation, the defendant may seek recovery of its attorney fees as a part of damages caused by such litigation.