

Recent Decisions on Cross-Border Patent Infringement

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Abstract

In July 2022, the IP High Court handed down a decision on a patent infringement lawsuit. The plaintiff of this case, who holds a patent on a display device of a video streaming system, claimed patent infringement against the defendant, who provides video streaming services from a server in the United States to users in Japan. The Court held that even if distribution of a patented program is not formally completed in Japan, the distribution constitutes the working of the invention if the distribution can be evaluated as having been carried out in Japan from a substantial and overall viewpoint, and affirmed patent infringement by the defendants. In March 2022, prior to this decision, the Tokyo District Court had handed down a decision denying cross-border infringement. This article outlines the IP High Court decision, referring to its relation with the Tokyo District Court decision.

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I. Background and overview

Dwango Co., Ltd., a Japanese company providing video streaming services, (hereinafter, “Plaintiff”) is a patent owner of Japanese Patents No. 4,734,471, 4,695,583 and 6,526,304, (hereinafter, respectively “Patents A, B and C”) related to a technology for superimposing user comments on a video. Patents A and B relate to a display device of a video streaming system, and Patent C relates to a video streaming system as a whole, including a server and display devices. FC2, Inc., the United States company, and Homepage System, Inc., a Japanese company (hereinafter, collectively “Defendants”), jointly provided video streaming services in which user comments are superimposed on the video. The Defendants’ services were provided to the User in Japan via a server located in the United States.

In 2016, the Plaintiff filed a lawsuit against the Defendants at the Tokyo District Court seeking an injunction against the Defendants' services and compensation for damages on the grounds that the Defendants' services infringed on Patents A and B (hereinafter, "prior case")¹. The Court dismissed all of the Plaintiff's claims in 2018, and the Plaintiff then appealed to the IP High Court (hereinafter, "prior appeal case")². The decision on the prior appeal case was handed down on July 20, 2022, and showed circumstances to be considered when allowing enforcement of the Japanese patent rights against the working act of the patented invention across national borders.

In 2019, the Plaintiff filed another lawsuit against the Defendants at the Tokyo District Court on the grounds that the Defendants' services also infringe on Patent C³ (hereinafter, "subsequent case"). The Court dismissed the Plaintiff's claims on March 24, 2022, based on the territorial principle.

This article outlines the decision on the prior appeal case, referring to the subsequent case.

II. Decision on the prior appeal case

1. Patent A (No. 4,734,471)

The Plaintiff claimed that the Defendants' services fell within the technical scope of the inventions of claims 1-2, 5-6 and 9-10 of Patent A. Claims 1-2 and 5-6 relate to the invention of a display device, and claim 1 is an independent claim. Claims 9-10 relate to the invention of a program, and claim 9 is an independent claim. Claims 1 and 9 are as follows;

1. A display device playing a video and displaying comments on the video, the display device comprising:

- a comment information storing unit storing comment information, the comment information including the comments and comment addition time representing the playback time of the video when the comments are added;
- a video playback unit playing the video and displaying the video in a first display column; and
- a comment display unit retrieving a comment corresponding playback time of the video being displayed in the first display column and displaying the retrieved comment in a second display column; wherein

a portion of the second display column overlaps at least a portion of the first

¹ Heisei 28 (Wa) 38565, Tokyo District Court

² Heisei 30 (Ne) 10077, IP High Court

³ Reiwa 1 (Wa) 25154, Tokyo District Court

display column and the other portion of the second display column are outside the first display column, and

the comment display unit displays at least a part of the retrieved comment outside the first display column and inside the second display column.

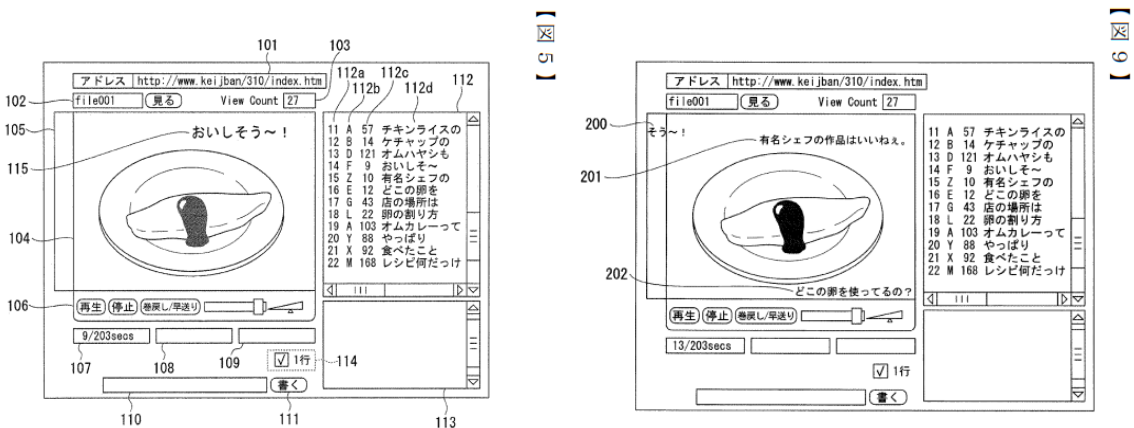
9. A program causing a computer of a display device displaying comments on the video as:

a video playback means for playing the video and displaying the video in a first display column; and

a comment display means for

referring a comment information stored in a comment information storing unit, the comment information including the comments and comment addition time representing the playback time of the video when the comments are added, and

retrieving a comment corresponding playback time of the video being displayed in the first display column and displaying at least a part of the retrieved comment outside the first display column and inside a second display column, a portion of the second display column overlapping at least a portion of the first display column and the other portion of the second display column being outside the first display column.



(Left: Fig. 5, Right: Fig. 9 of the specification of the Patent A)

As shown in Fig. 5, the right portion of the second display column 105 overlaps the first display column 104 for displaying a video, and left portion of the second display column 105 is outside the first display column 104. The comments are displayed so as to move from the right edge of the second display column 105 to the left edge thereof. Therefore, as shown in Fig. 9, a part of the comment 200 is displayed outside the first display column 104 and inside the second display column 105. Due to these configurations, the invention of claim 1 enables a user of the display device to easily recognize that the comments are

not part of the video, but added by himself/herself or other users.

The invention of claim 9 is an invention of a program with the same configurations and technical effect as those of the invention of claim 1.

2. Patent B (No. 4,695,583)

The Plaintiff also claimed that the Defendants' services fell within the technical scope of the inventions of claims 1-3 and 9-11 of Patent B. Claims 1-3 relate to the invention of a display device, and claims 9-11 relate to the invention of a program. The details of Patent B are omitted in this article, since infringement of Patent B was affirmed neither in the prior case nor the prior appeal case.

3. Defendants' services

The Defendants provided websites for video streaming services with a server located in the United States. When a user's terminal device accesses a video streaming page on the websites, a program such as a JS file or SWF file executable on the browser (hereinafter, "Defendants' program") is distributed from the Defendants' server and downloaded into the user's terminal device (hereinafter, the terminal device into which the Defendant's program was downloaded is referred to as "Defendants' terminal device"). By executing the program, the Defendants' terminal device sets up a video display area and a comment display area on the screen which overlap each other. The aspect ratio of the video display area can be changed according to the user operation. The Defendants' terminal device then retrieves the video and comments from the server and displays them on the video display area and comment display area, respectively. The comments are displayed so as to move leftward on the video and not overlap each other.

In the Defendants' services, the video display area and the comment display area spatially overlap each other completely. Therefore, the comments are not displayed outside the video display area set by the Defendants' program. However, since the aspect ratio of the video is not always same as that of the video display area which can be changed by the user, the video may not actually be displayed at the left or right edge of the video display area. In such cases, the comments are displayed outside the area on which the video is actually displayed.

4. Issues and decisions of the Courts

The main issues of the prior case and prior appeal case were (i) whether the Defendants' terminal device and the Defendants' program fell within the technical scope of the

inventions of Patent A, and (ii) whether the act of the Defendants infringes Patent A from the viewpoint of the territorial principle.

(1) Technical scope of the inventions

The Plaintiff claimed that “the first display column” of claims 1 and 9 referred to an area where the video was actually displayed, and thus the terminal devices and the program fell within the technical scope of the invention of claims 1 and 9 respectively. On the other hand, the Defendants claimed that “the first display column” referred to an area set up for displaying the video by the program, and thus the terminal devices and the program did not fall within the technical scope of the invention of claims 1 and 9.

The IP High Court adopted the Plaintiff’s claim, reversing the decision of the District Court, because if the comments are displayed outside the area where the video is actually displayed when the user adjusts the aspect ratio of the video display area appropriately, the effect of the patented invention is achieved, and thus the Defendants’ terminal device and the Defendants’ program fell within technical scope of the invention of Patent A.

(2) Infringement of the Patent

The Plaintiff claimed that distribution of the Defendants’ program from the Defendants’ server to the user’s terminal device corresponded to assignment of the patented program and constituted working of the invention, that download of the Defendants’ program into the user’s terminal device corresponded to production of the patented product and also constituted working of the invention, and that production of the Defendants’ program constituted indirect infringement, since the Defendants’ program was exclusively used for production of the Defendants’ terminal device, which was the patented product. On the other hand, the Defendants claimed that distribution of the Defendants’ program did not constitute working of the invention due to the territorial principle, because distribution of the program was performed by the Defendants’ server located in the United States and thus the assignment of the program was completed in the United States. The Defendants also claimed that downloading of the Defendants’ program did not correspond to production of the patented product, because the Defendants’ program was executable without installation and thus only temporarily stored in the terminal device.

Regarding this issue, the IP High Court rejected the Defendants’ claim, holding as follows:

From a formal and analytical viewpoint, the distribution of the Defendants' program can be considered as transmission of the program over a telecommunication line in the United States (including the Defendants' server), in Japan (including the user's terminal device), and in other countries, and thus the distribution is not completed in Japan.

However, if assignment of a patented product transmittable over a network must be completed in Japan in order for infringement of a patent of such invention to be constituted, the third party could easily be immune from liability for patent infringement by, for example, moving servers out of the country. In modern digital society where numerous useful network-related inventions exist, it would be grossly unjust to allow such an underhanded act. On the other hand, even if all of the working acts of the patented invention are not formally completed in Japan, it would not violate the territorial principle to enforce the Japanese patent right against an act which can be regarded as being performed in Japan from a substantive and overall viewpoint.

Therefore, considering various circumstances such as (i) whether or not the assignment can be clearly and easily distinguished between the part performed inside Japan and the part outside Japan, (ii) whether or not the assignment is controlled inside Japan, (iii) whether or not the assignment is directed to the users in Japan, (iv) whether or not the effect of the patented invention achieved by the assignment is realized in Japan, the assignment constitutes the working of the invention if the assignment can be regarded as being performed in Japan from a substantive and overall viewpoint.

(Translated and (i)-(iv) added by the author)

Based on the consideration factors above, the IP High Court held that distribution and downloading of the Defendants' program corresponded to assignment of the patented program and production of the patented product respectively, and thus constituted patent infringement. The IP High Court also held that production of the Defendants' program constituted indirect infringement.

III. Subsequent cases

The Plaintiff claimed that the Defendants' services fell within the technical scope of the inventions of claims 1-2 of Patent C. Claims 1-2 relate to the invention of a comment distribution system as a whole, including a server and terminal devices, and both are independent claims.

The District Court stated that a system including the Defendants' server and the

Defendants' terminal device (hereinafter, "Defendants' system") fell within the technical scope of the inventions of Patent C. The main issue in the subsequent case was whether the act of the Defendants infringed Patent C from the viewpoint of the territorial principle.

The District Court held that the statutory "production" meant newly producing a product satisfying all of the requirements of the patented invention in Japan. Even if distribution of the Defendants' program by the server and downloading of the program by the terminal devices constitute the statutory "production" of the Defendants' system, such Defendants' system comprised the server in the United States and the terminal devices in Japan. The Court stated that, although the Plaintiff claimed that most of the Defendants' system is located in Japan, the system cannot be regarded as being produced in Japan, since the scope of exclusivity by patent must be clear and thus whether or not an act constitutes statutory "production" should not be determined by an ambiguous standard such as whether or not the most part of the system is produced in Japan. Therefore, the Court held that the act of the Defendants did not constitute the working of the invention and thus did not infringe Patent C.

In response to the appeal by the Plaintiff against the decision on the subsequent cases, the IP High Court called for third-party comments regarding cross-border infringement with a system including a server and terminal devices. The questions to which comments were called for are as follows:

1. In terms of a "system" invention comprising a server and a plurality of terminal devices as components, when the server is provided and exists outside Japan, may it constitute "production", which is an act of working the invention?
2. If it may constitute "production" relating to question 1 above, what requirements should be met in order to constitute "production"?

This is the first request for comments since the 2021 amendment of the Patent Law made a third-party comment solicitation procedure statutory.

IV. Comments

The District Court held, in March 2022, that the statutory "production" meant that a product satisfying all of the requirements of the patented invention is newly produced in Japan. This holding was strictly compliant with the territorial principle. In contrast, the IP High court held, in July 2022, that it would not violate the territorial principle to enforce the Japanese patent right against an act if the act can be regarded as being performed in Japan from a substantive and overall viewpoint. The decision of IP High Court clearly showed that, under certain requirements, relief against cross-border

infringement is available, based on Japanese patent rights even under the territorial principle. This decision was handed down immediately after the decision of the Tokyo District Court, which was negative on the enforcement of patent rights against cross-border infringement, and is considered to be of great significance in terms of Japanese patent rights.

The consideration factors held by the IP High Court are highly likely to be satisfied if the invention relates to a client device in a client-server system for users in Japan, and the effect of the invention is realized on the client side. Thus, this decision is expected to expand the possibility of patent right enforcement against such systems.

However, at this point, it is not clear whether the patent right can be enforced likewise when the invention relates to a client-server system itself, as in the subsequent case, rather than a client device. The fact that the IP High Court called for comments suggests that this issue is complicated. Therefore, it is preferable to draft claims for client devices in client-server system inventions whenever possible.

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