

Managing Intellectual Property

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Record Japan patent award in doubt

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The biggest award in a patent infringement case in Japan may never be paid after the Japanese Patent Office (JPO) ruled that the patent in question is invalid.

In two separate decisions on March 19, the Tokyo District Court awarded Aruze, a company which makes and sells equipment such as slot machines and pachinko machines (the Japanese form of pinball) for the gaming industry, a total of ¥8.4 billion (\$63.5 million). The court decided that Sammy Corporation and Net Co had infringed Aruze's patent relating to a controller system for slot machines. Sammy is liable for ¥7.4 billion, while Net Co must pay ¥1 billion. Now JPO examiners have intervened by ruling that the idea of players trying to collect icons of the same design is not novel. Aruze is expected to appeal the JPO's decision to the same appeal court.

Aruze had originally claimed about ¥10 billion from Sammy and ¥1.8 billion for the infringements, which began in March 1998, until the complaints were filed against Net Co in June 1999 and against Sammy in October 1999. Sammy has already appealed to the Tokyo High Court.

Usually patent awards in Japan are based on the patent owner's working capability, in these cases Aruze's. If this formula had been followed, then it would not have mattered if the two defendants had sold a large number of slot machines containing the infringing patent. The awards would have depended on the number of machines it was thought Aruze was reasonably capable of selling.

However, in the *Aruze* decisions the Tokyo District Court changed tack. "Presiding Judge Mimura took an expansive interpretation of the legislative provision governing the calculation of damages in patent infringement lawsuits," says John Tessensohn, a member of Shusaku Yamamoto in Osaka. "In this case working capability is interpreted to mean potential capability," add Akihiro Ryuka and Mituko Wada, of Ryuka IP Law Firm in Tokyo. Sammy Corp was ordered to pay damages on 39,000 infringing machines sold. The total number of Net Co machines deemed to have infringed was 5,000.

Ryuka and Wada believe that the damages award may be larger than Sammy's profit. This reflects a reform in the awarding of damages in Japan, where the practice of awarding punitive damages, common in other countries, has not been adopted up to now. "This is a reform of damages in Japan," they say, "and signals a warning to infringers that the courts are adopting a stance of awarding significantly larger amounts of damages."

The highest award in a patent infringement case before the two *Aruze* decisions was made in favour of SmithKlineBeecham, which won ¥3 billion from Fujimoto Pharmaceutical Corp in the Tokyo District Court in October 1998 for the infringement of a patent covering Tagamet, SmithKline's anti-ulcer drug.

"The *Aruze* decisions are part of the Japanese courts developing a pro-patentee stance adopted against infringers of patent and other intellectual property rights," says Tessensohn.

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