

Drafting claims and selecting countries per their object

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Reduction of damage compensation by own patents

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They say:

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Drafting claims and selecting countries per their object

Typical Objects of Patents

A) Enforcements

1. Exclusion of competitors
2. Damage compensation & license

B) Own use

1. Branding
2. Moving profits from subsidiaries

C) Defense

1. Freedom of business by cross licensing
2. Reduction of damage compensation to NPEs
by own patents (next presentation)

A-1 Enforcement: Exclusion of competitors

(i) Claims:

- must cover what competitors may do.
- Not necessary to cover own products,
unless competitors likely adopt the same feature.

(ii) Countries:

- **Applicant's market**, and
- where **competitors make** their products
- where the applicant makes is less important.

Excluding competitors from “making” in foreign countries

- If products are made in limited countries (e.g., semiconductors and display panels), those countries are important.
- If products are imported to the applicant's market and sold by many distributors, (e.g., ink cartridges for printers,), country of production is more important.
 - ∴ Difficult to pursue all distributors.

A-2 Enforcement: Damage compensation & License

- (i) Claims: should cover large-volume **products of anyone**, not limited to competitors'

$$\text{Damage} \leftarrow \text{Sales} \times \text{Profit Rates}$$

Claims directed to larger markets should be added.
e.g. not only assemblies, but also **final products**

- (ii) Countries: Large damage compensation \Rightarrow **US**

B-1 Own Use: Branding

Patents for attracting investors and customers.

(i) Claims:

Technologies to be promoted,
which should be easily understood

(ii) Countries:

Applicant's market

B-2 Own Use

Returning profits from subsidiaries

(i) Claims:

- Should cover own products
- **Can be narrow** (to save prosecution fees)

(ii) Countries:

Subsidiary's market

C-1 Defense

Freedom of business by cross licensing

(i) Claims

Must cover what competitors likely do

- Whether claims cover own products does not matter.

(ii) Countries

Where **competitors use** the invention.

- Country of own market is not important.

C-2 Defense: Reduction of damage compensation to NPEs by own patents

(next presentation)

Differences of patent prosecutions

Countries (typical suggestions)

Exclusion	→ Applicant's market, Competitor's production
Branding	→ Applicant's market
Cross licensing	→ Competitor's market & production
Returning profits	→ Subsidiary's market
Damage	→ US

Prosecution fees

Exclusions & monetization: Litigation is most feasible.

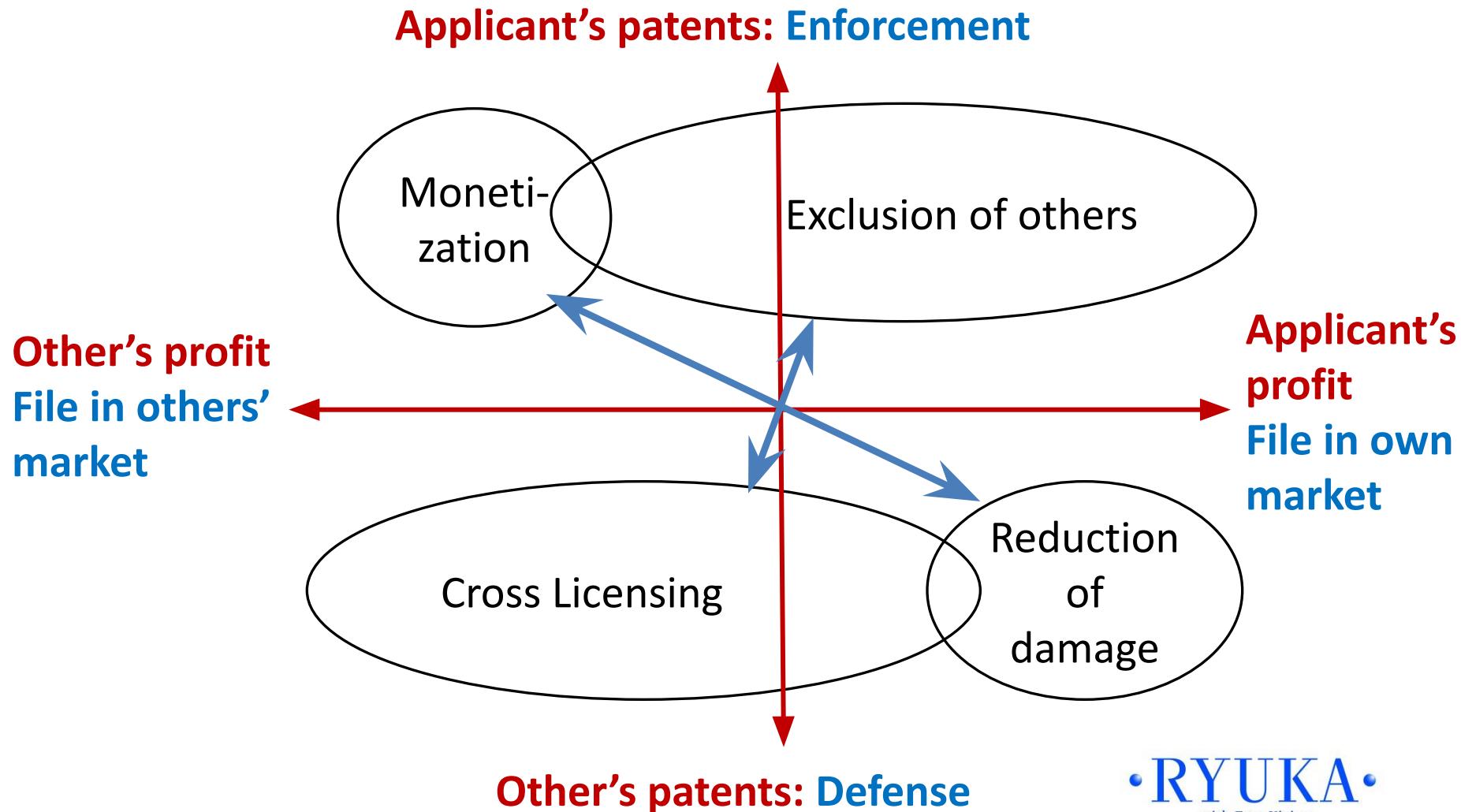
- Premier patents, with many claims and IDS

Branding & returning profits from subsidiaries

- Cost effective prosecution

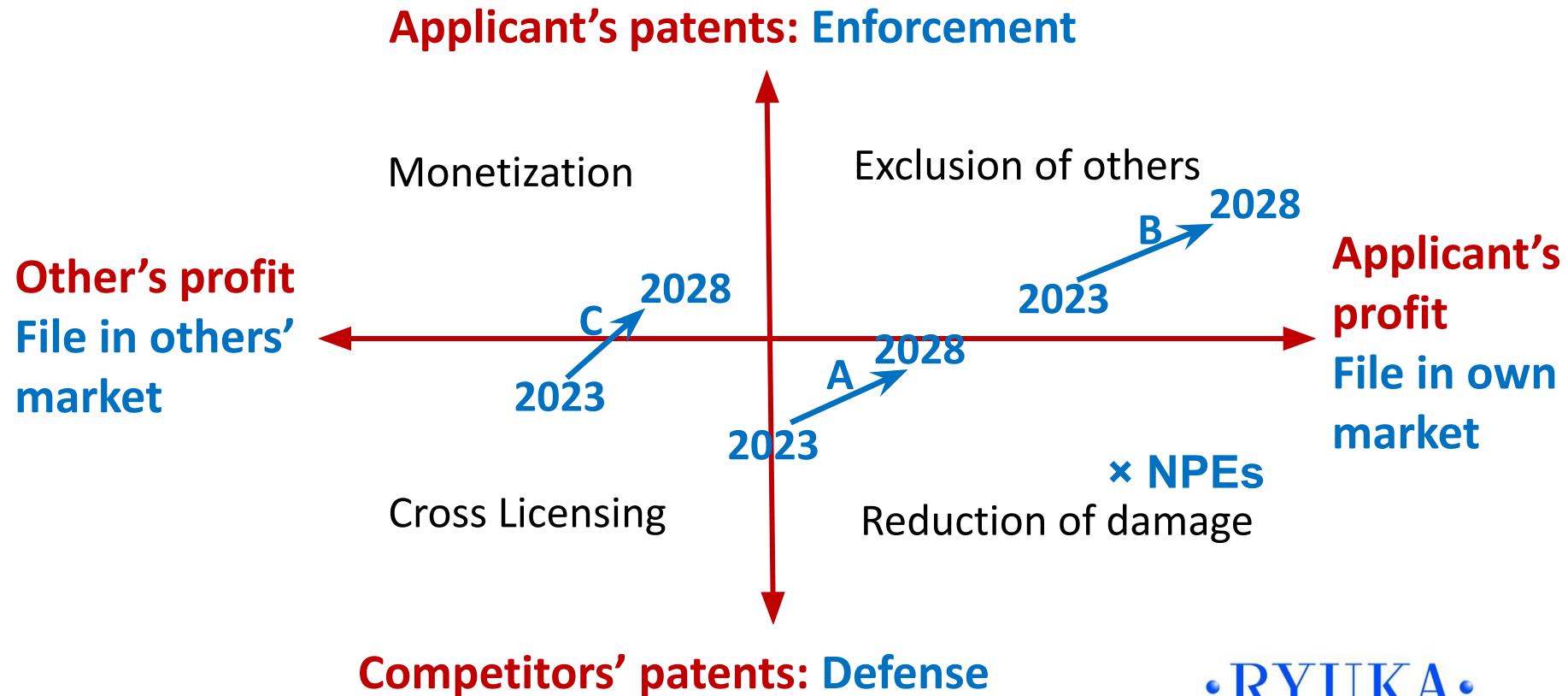
“Patent Marketing”

Deciding objects of patent applications based on profit balance and patent balance



Deciding objects of patent applications

Plotting each competitor **A, B, C** for each product by estimating five/ten years later.
Deciding the objects per competitor, per product, per time



Patent marketing is similar with product marketing

- Analyzing market size and growth rate of products and patents (P&P)
- Analyzing future profit rate of P&P
- Analyzing competitors strength of P&P
- Deciding countries where P&P are sold/obtained
- Balancing between P&P and sales/legal strength

Reducing damage compensation to NPEs by own patents

NPEs seek for “reasonable royalties” as damage compensation

Japan

The damage by a patent infringement can be "the amount of royalty the patentee would have received." (Patent Act Article 102(3))

US

Patent damages cannot be less than "a reasonable royalty for the use of the invention by the infringer." (35 U.S. Code § 284 - Damages)

Non patented features must be considered for determining “reasonable royalty” in both JP and US

Japan

Non patented features should be considered to establish the relations between the infringement and the sales decrease of products. (February 28, 2020, IP High Court)
It should also be considered for "reasonable royalty".

US: Litigation testimony (Georgia-Pacific factor #13)

The testimony for establishing a reasonable royalty must include application of fifteen factors.

#13: “the portion of realized profits attributable to non-patented elements”

The Japan IP High Court reduced the “reasonable royalty” based on other patents

Samsung v. Apple (Japan IP High Court, 2014)

The court calculated the reasonable royalty by multiplying the following factor to 5%, “**reasonable accumulated royalty**”

Sales of standard portion / Sales of product

Number of asserted patents / Number of all patents

This calculation is called as “Top down approach”

Non patented features reduce the “Royalty Rate” in the US as well.

The component also performed non-infringing filtering functions so even if the component was the smallest identifiable component, it “does not insulate them from the ‘essential requirement that the ‘**ultimate reasonable royalty awarded must be based on the incremental value that the patented invention adds to the end product.**’”

“[F]urther apportionment was required to reflect the value of the patented technology compared to the value of the unpatented elements.” The damage award was vacated and remanded.

Finjan, Inv. v. Blue Coat Sys. (Fed. Cir. 2018).

Own patents reduced royalty rate

The expert acknowledged that Briggs and its co-defendant ... have patents covering other components of the accused mowers. But she ignored those components, opining without support that they do not relate to the quality of cut, which she considered “paramount” to selling mowers.

We are skeptical that other patented components of the mower bear no relation to the overall value of the accused mowers, which would influence the relative value of the patented baffle and thus the royalty rate. The damage award was vacated and remanded.

Exmark v. Briggs & Stratton Power Prods.
(Fed. Cir. 2017)

Own patents help reduce “royalty base”

Royalty = Royalty Base x Royalty Rate

The court found that the product as a whole infringes other patents to be significant in overturning application of the entire market value rule. The whole product cannot be the royalty base, because it is clear that other components have their own significant value.

Power Integration v. Fairchild Semiconductor
(Fed. Cir. Sept, 2018)

Suggestions for defending from NPEs

- Obtaining patents that cover own products
- Letting group corporations obtain patents
- Letting parts suppliers obtain patents
- Making overall cross licenses

NPEs will argue:

- Defendant's patents are not necessary
- Defendant's patents have less values

Suggestions for countering NPE's arguments

- Obtaining patents for key inventions
- Building a large patent portfolio for increasing the costs for proving relative value of plaintiff patents
In Samsung v. Apple (JP IP High Court),
Samsung couldn't prove it.
- Explaining patented inventions in advertisements
- Making sure that advertising features do not infringe others' patents

Because:

Under the Top down approach,
NPEs can only claim the damage compensation
multiplied by:

Number of asserted patents / Number of all patents

Owning more patents makes the percentage of asserted patents (owned by NPEs) less.
Thus, the damage compensation NPEs can claim will be less.