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Japan IP High Court's first-ever decision allowing patent enforcement against infringing acts partially committed outside of Japan

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On July 20, 2022, the Japan Intellectual Property High Court ("IP High Court") rendered the first-ever decision allowing enforcement of Japanese patent rights against infringing acts partially committed outside of Japan (Case No. 2018 (Ne) 10077). The plaintiff Dwango Co., Ltd. sued co-defendants FC2, Inc. (U.S. company) and Homepage System, Inc. (Japanese company), alleging that they jointly infringed Dwango's patents related to inventions of a "computer program" for displaying comments on a video being played on a screen. The allegedly infringing computer program was provided online to users in Japan from servers located in the United States, so the defendants argued that their acts of providing the computer program were completed in the U.S. and did not constitute patent infringement in Japan.

The Tokyo District Court Decision dismissed the plaintiff's claims on September 19, 2018 (Case No. 2016 (Wa) 38565) for the reason that the accused computer program does not fall within the technical scope of the invention.

However, the IP High Court overturned this ruling and held that the accused computer program did fall within the technical scope of the invention. It further stated that even in a case where not all of the defendant's infringing acts occur within Japan, it would not go against the territorial principle to allow enforcement of Japanese patent rights if such defendant's acts, when seen "substantially and wholly," could be regarded as having been carried out in Japan. The IP High Court raised the following four factors to be considered upon determining whether the defendants' provision of their computer program from servers located outside of Japan could "substantially and wholly" be regarded as having been carried out in Japan:

- whether the provision is clearly and easily distinguishable into parts within Japan and parts outside Japan; *(NO, in this case)*
- whether the control of the provision was carried out in Japan; *(YES, in this case)*
- whether the provision was directed to customers in Japan; *(YES, in this case)*
- whether the effect of the invention obtained by the provision was realized in Japan; *(YES, in this case)*

In conclusion, the IP High Court found patent infringement by the defendants and reversed the Tokyo District Court Decision, considering that the defendants' provision of their computer

program could “substantially and wholly” be regarded as having been carried out in Japan.

There is another IP High Court case pending between the same parties (Case No. 2022 (Ne) 10046), wherein the patent at issue is related to an invention of a “computer system” for delivering comments to be displayed on a video played on a screen. In this case, the invention is a “computer system” specifically claiming a “server” as a component of the computer system, which is different from the “computer program” in the other IP High Court Case. According to the conventional territorial principle, all of the claimed components of the computer system need to exist in Japan in order to find patent infringement. Thus, the Tokyo District Court dismissed the plaintiff’s claims in this case too, for the reason that the defendants’ servers existed outside of Japan (Case No. 2019 (Wa) 25152).

The IP High Court is currently examining this case closely and they have also gathered opinions from various stakeholders from the end of September to the end of November, utilizing the Japanese version Amicus Brief system introduced in April 2022 for the first time. It will be interesting to see how the new Amicus Brief system will play out and whether or not the IP High Court will render a decision in line with the other case, bringing another important precedent for cases related to the territorial principle.

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