



**Sonderhoff & Einsel News Update:  
IP Newsletter (October 2022)**

## **IP High Court Decision: Japanese Patent Right Enforceable Even If Part of the Infringement Takes Place Outside Japan**

### **INTRODUCTION**

In the patent infringement lawsuit of Dwango v. FC2 and HPS, the Intellectual Property High Court (IPHC) held that even if part of the infringing act takes place outside Japan, the Japanese patent right would be effective if certain requirements were met, and thus found infringement of the patent rights (Japanese patent No. 4734471) by FC2 (July 20, 2022; Heisei 30 (Ne) 10077).

### **DETAILS**

Dwango is the patentee of Japanese patents Nos. 4734471 and 4695583 which include claims related to computer programs. Dwango sued FC2 and HPS for infringement of these patent rights. However, since the allegedly infringing computer program was distributed from a server in the U.S. to users located in Japan, it was disputed whether the act of distribution constituted the "provision" of a computer program under Art. 2(3)(i) of the Japanese Patent Law.

In its decision, the IPHC stated that concerning an invention transmitted over a network: *"If the formality that the act of provision in question must be completed entirely within the territory of Japan is required for patent infringement to be established, then a person who attempts to work such an invention could easily escape liability for patent infringement by, for example, moving some facilities such as servers out of the country. In today's digital society, where many useful network-related inventions exist, it would be extremely unjust to allow such evasive behavior. On the other hand, even if the formality that all the elements of the working of a patented invention are completed in the territory of Japan is not met; if, from a substantive and overall viewpoint, it can be evaluated as having been done in the territory of Japan, it is understood that the aforementioned principle of territoriality is not violated if the Japanese patent right is given effect to such an act."*

The IPHC listed the following as circumstances that should be taken into account in assessing whether the provision of the patented invention in question was made within the territory of Japan from a substantive and overall viewpoint:

- The provision is not clearly and easily distinguishable between the part of the provision that takes place outside the territory of Japan and the part that takes place inside the territory of Japan
- The control of such provision is carried out in the territory of Japan (in the present case, by users)
- The provision is directed to customers located in the territory of Japan
- The effect of the patented invention obtained by such provision is realized in the territory of Japan

## **REMARKS**

This decision would greatly improve the enforceability of patent rights for computer program inventions. However, it should be noted that some cloud computing systems etc., where the majority of the invention is to be implemented on a foreign server, are outside the scope of this decision. Therefore, we should continue to pay attention to such cases.

In a related case (*Heisei 30 (Ne) 10077*; both plaintiff and defendants are the same as the above case), which is currently under trial at the IPHC, third-party opinions are now being solicited on the following issues:

1. In the invention of a system comprising of a server and multiple terminal devices, if the server is produced and exists outside Japan, should it be considered as "production" under Art. 2(3)(i) of the Japanese Patent Law, which is an act of working the invention?

2. If we take the view in 1. above that it can be considered as "production," what requirements are necessary?

This is the first time "Japanese Amicus Briefs" are being solicited and is based on the recent law amendment enacted in April 2022 which allows amicus curiae briefs for patent infringement litigation cases, and so this case has been attracting much attention. The period for submission of such briefs is from September 30, 2022 to November 30, 2022.

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