

WINDS FROM JAPAN

The Licensing Executives Society Japan

Protection of Cross-border Network System related Inventions: *Dwango v. FC2 IP High Court Grand Panel Decision*

By Mitsuo KARIYA *

On May 26, 2023, the Grand Panel of the IP High Court found that, in a system invention comprising a server, user terminals and a network connecting therebetween, even if the server is produced and located outside Japan, it can correspond to the “production” as one of the execution acts under the Japanese Patent Act Article 2(3)(i). Based on this assessment, the court made a decision that FC2 infringed Dwango’s patent and ordered injunctions and damage awards.

IP High Court Grand Panel Decision

Dwango filed an appeal to the IP high court for a disaffirmation of the decision in which the Tokyo district court denied patent infringements of JP No. 6,526,304 by the defendant FC2. It claims a comment streaming system comprising a server, plural terminals and a network connecting therebetween. The district court found that all the claim elements are satisfied by the system which is located across Japan and the US, however it denied the patent infringement claims because of the fact that the server was located outside Japan. This district court decision was reported in the WINDS #75 as Case 2.

The IP high court grand panel gave their opinions on the issues as follows.

1) “Production” in network system inventions

The “production” as one of the execution acts under the Japanese Patent Act Article 2(3)(i) is defined as an act of newly creating an article which falls in the technical scope of an invention. The “production” in a network system invention, in which a server and terminals are connected through a network like the Internet for performing a well-organized function as a whole, means an act of newly creating a system in which plural components have organic relationships

with each other by being connected through the network and demonstrate functions which satisfy all the claim elements of the invention as a whole while each component alone does not satisfy all the claim elements of the invention.

2) New creation of the defendant’s system

It is considered that the defendant’s system having functions satisfying all the claim elements is newly created at the time when a user terminal receives files from the server because it becomes possible to perform an overlay display of comments on a movie at the user terminal. The appellee (defendant) FC2 argued that the act by FC2 relating to the “production” of the defendant’s system is completed in the US by making the program for the system and uploading the program to the server, however the defendant’s system satisfying all the claim elements of the present invention cannot be completed only by making the program for the system and uploading the program to the server because the defendant’s system cannot perform the functions without receiving the files by the user terminal.

3) “Production” under the Japanese Patent Act Article 2(3)(i)

The “territorial principle” for patent rights means that patent rights in each country are defined by the laws in the country concerned as to the establishment, transfer, effect and so on, and the effect of a patent right is recognized as effective only in the territory of the country concerned. This principle is also applicable to the Japanese patent law.

Currently, it is common in network systems to locate servers outside Japan. Also, it does not matter in which country the servers are located. Even if a server, which constitutes the accused infringing network system, is located outside Japan, it is possible to use the system domestically if the terminals, which constitute the system, are located in Japan, and the use of the system can have an impact on the economic interests

which can be obtained by exercising the invention domestically.

4) Interpretation of “territorial principle”

For network system inventions, if it is uniformly interpreted that the fact that a server as a component constituting the system is located outside Japan does not correspond to the “implementation” of the invention under the Japanese Patent Act Article 2(3) by interpreting the “territorial principle” strictly, it becomes possible to easily escape the patent infringement liabilities simply by locating the server outside Japan and it is unreasonable because the network system patent cannot be sufficiently protected.

On the other hand, if it is uniformly interpreted to correspond to the “implementation” of the invention under the Japanese Patent Act Article 2(3) simply because a terminal as a component constituting the system is located in Japan, it results in excess protection of the patent right and it is also unreasonable because it may cause hindrances in business activities.

5) Applicability of the “territorial principle” to network inventions

From a point of view of protecting network system inventions appropriately, even if a server as a component constituting the system is located outside Japan, it is reasonable to consider that it corresponds to the “production” under the Japanese Patent Act Article 2(3)(i), when the act can be regarded as being conducted in the territory of Japan by comprehensively considering the specific aspects of the act, the functions and roles achieved by the components constituting the system located in Japan, the location where the effect of the invention is achieved by using the system, the economic interests of the patent owner affected by the use of the invention, etc.

In case of the defendant’s system, the specific aspects of the “production” are performed by sending the files to the user terminals in Japan from the server located in the US and receiving the files by the user terminals in Japan, where the sending and receiving can be conceived as being conducted in Japan because the sending and receiving are performed in a unified fashion and the defendant’s system is completed when the user terminals in Japan receive the files.

The user terminals perform the major functions of the invention which are required to display comments on the movie in positions in a way such that they do not overlap each other. The defendant’s system can be used from Japan through the user terminals, the effect of the invention for improving the entertainment in communication using comments is manifested in Japan. The use of invention in Japan can affect the economic interests which the appellant Dwango obtains by using the system in Japan.

If the foregoing circumstances are comprehensively considered, it is regarded as corresponding to the “production” under the Japanese Patent Act Article 2(3)(i) because the “production” can be regarded as being conducted in the territory of Japan.

In view of the meaning of the “territorial principle” that patent rights in each country are defined by the laws in the country concerned as to the establishment, transfer, effect and so on, and the effects of patent rights are recognized as effective only in the territory of the country concerned, it is not contrary to the “territorial principle” even if it is interpreted as corresponding to the “production” under the Japanese Patent Act Article 2(3)(i) when the act can be regarded as being conducted in the territory of Japan.

None of the supreme court’s decision referred to by the defendant, the provisions of the conventions which were concluded by Japan, the patent act and other laws, can be interpreted as indicating that it is necessary to complete the acts of newly creating an article satisfying all the claim elements of the patented invention in the territory of Japan so as to correspond to the “production” element of the law.

6) Subject of the “production”

In the defendant’s system, the subject of the “production” is the appellee (defendant) FC2 based on the fact that the server sends the files to the user terminals and the user terminals receive the files automatically without additional operations by the users according to the program in the server uploaded by the appellee FC2. The actions taken by the users are limited to ones which are conducted through browsing the webpages managed by the appellee FC2 and it cannot be considered that the users themselves perform the “production” of the defendant’s system proactively.

7) Necessity of Injunction

As described above, the appellee FC2 produced the defendant’s systems (Systems 1, 2 and 3) and infringed the patent. The appellee FC2 argued that it stopped the function for performing an overlay display of movies and comments on August 2, 2022, it is confirmed that System 1 is configured so that the comments are displayed in a region different from that of displaying the movies as of March, 14, 2023, and therefore it is not recognized that the patent has been infringed by the appellee FC2 after this date. However, it is necessary to grant injunctions against the delivery of the files to the user terminals in view of the fact that it is easy to provide Service 1 (in System 1) infringing the patent by changing the program because the appellee FC2 is still providing services for displaying the movies together with the comments.

Because the businesses for Services 2 and 3 (in Systems 2 and 3) were assigned to a third party on September 25, 2020, the appellee FC2 has not infringed the patent since this date and there is no risk that the appellee FC2 may infringe the patent in the future. Therefore, it is not necessary to grant injunctions against the delivery of the files for Services 2 and 3.

Interpretation of implementation of the invention according to the two IP high court decisions

Another IP high court decision (reported in the WINDS #75) also discussed infringement issues in network system inventions where the accused infringer's system comprises a server located outside Japan, user terminals located in Japan and a network connecting therebetween.

The grand panel decision indicated an interpretation of the "production" of a network system and the other IP high court decision indicated an interpretation of the provision of a program transmitted through a network.

1) Grand panel decision

It can be considered to correspond to the "production" when the act can be regarded as being conducted in the territory of Japan by comprehensively considering (a) the specific aspects of the act, (b) the functions and roles achieved by the components constituting the system located in Japan, (c) the location where the effects of the invention are achieved by using the system,

and (d) the economic interests of the patent owner affected by the use of the invention, etc.

2) The other IP high court decision

It is reasonable to interpret correspondence to the "provision" under the Japan Patent Act when it is possible to regard as being conducted in the territory of Japan substantially and as a whole by considering the circumstances like (a) whether it is difficult to distinguish the part of the "provision" conducted outside Japan from the part of "provision" conducted in Japan clearly and easily, (b) whether the control of the "provision" is conducted in Japan, (c) whether the "provision" is directed to the users in the territory of Japan, and (d) whether the effects of the inventions achieved by the "provision" are presented in Japan, etc.

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# Is posting to Twitter (currently X) a screenshot attachment of another Twitter post regarded as "quotation" under the Copyright Act? *IP High Court 2022 (Ne) No. 10060, April 13, 2023*

By Yasuko TANAKA \*

*Note that this article uses the word "Twitter" for the currently X in accordance with the written decision.*

Social media such as Twitter (currently X) is now an integral part of our lives. While communicating and spreading messages to large numbers of people has never been easier, it can constitute copyright infringement to reproduce or transmit publicly a copyrighted work without permission of the copyright holder. We therefore must be careful not to violate copyright rules.

In the event of copyright infringement by an anonymous poster on the Internet, the sender (anonymous poster) must first be identified to seek damages. The Provider Liability Limitation Act allows a victim to request a provider such as an operator of social media or a telecommunications carrier to disclose information that helps identify the sender (sender's information) when the rights of others have been violated by an anonymous posting on the Internet.

On the other hand, the Copyright Act has some exceptional provisions to limit rights. For example, Article 32(1) stipulates a "quotation" as one of the exceptional provisions, if a reproduction or public transmission of work falls under the "quotation", that action does not constitute infringement. This case revolved

around the issue of whether or not posting a screenshot attachment of another post to Twitter is regarded as a "quotation" under the Copyright Act Article 32(1).

### Background

The case is based on the claim that the poster of the plaintiff's postings 1-4 ("each of the plaintiff's postings") on Twitter has requested the appellant, a Special Specified Telecommunications Service Provider (NTT Docomo), to disclose the sender's information of the postings 1 to 4 ("each of the postings of the case"), claiming that the copyright (rights of reproduction and public transmission) of the poster was violated by the attachment of screenshots of the plaintiff's postings by persons unknown.

### Keywords

"Request for disclosure of sender's information"

A "request for disclosure of sender's information" is defined in the Provider Liability Limitation Act, which allows a victim to request a provider such as an operator of social media or a telecommunications carrier to disclose information that helps identify the sender (sender's information) when the rights of others have been violated by an anonymous posting on the Internet.

"Quotation" under Article 32(1) of the Copyright Act

Article 32(1): It is permissible to quote and thereby exploit a work that has been made public. In such a case, the work must be quoted consistent with fair practices and within a scope that is justified for the purpose of news reporting, critique, study, or other place in which the work is quoted.

### **District Court's Holding**

In the first instance, the court acknowledged the copyrightability of the plaintiffs' posts, and found that, as for whether or not posting a Twitter screenshot attachment of another Twitter post was regarded as a "quotation" under Article 32(1) of the Copyright Act, copying the plaintiff's posts by screenshot and posting them on Twitter violated the Twitter's terms and conditions and was not consistent with fair practice according to the fact that the Tweet has a "quote" function as a way of citing other posts in the terms and conditions. Thus, the court found that the poster's copyright was violated and admitted the plaintiff's claim. The defendant (appellant) appealed.

After the conclusion of oral argument in the first instance, the plaintiff died, and the appellee, an estate corporation, succeeded his position.

### **IP High Court's Holding**

The high court also acknowledged the copyrightability of the plaintiffs' postings. However, as for whether or not posting a Twitter screenshot attachment of another Twitter post was regarded as a "quotation" under Article 32(1) of the Copyright Act, they found that quoting other Twitter posts by screenshot attachment and posting them may be consistent with fair practices and each of the postings. In this case, the Tweet was considered to be a quotation under Article 32(1). Also, they found that it was not sufficient to find that it was clear that the plaintiff's copyright in each of the plaintiff's postings was infringed, and concluded that there was no reason for the appellant's demand for disclosure of the sender's information, as none of the requests could be found to be obvious infringements of his rights.

The gist of the reasons on whether or not it was regarded as a "quotation" under Article 32(1) of the Copyright Act was as follows.

(1) Works of others may be quoted and used if they are consistent with fair practice and within the legitimate scope of reporting, criticism, research, and other purposes of quotation (Article 32(1) of the Copyright Act).

Each of the posts in this case is accompanied by a screenshot of the plaintiff's post as an image, and it is acknowledged that the terms and conditions stipulate that when reproducing or modifying content on Twitter, or creating or distributing derivative works based

on such content, one must use the interface and procedures provided by Twitter. Twitter has established a procedure for citing other people's content in the form of a quoted tweet.

However, the terms and conditions are essentially a contract between Twitter and the user, and its contents do not constitute fair practice that should be immediately considered in determining whether or not a tweet constitutes a quotation under the Copyright Act. It is also insufficient to find that posting a screenshot of another tweet constitutes a violation of this agreement.

On the other hand, while it is possible to use the quote function to indicate the target post for criticism, if the original post is changed or deleted, the content displayed in the post using this function will also be changed, making it impossible to correctly grasp the purpose of the criticism or to examine its validity, etc. If the original post is changed or deleted, the content displayed in the post using this function will also be changed, making it impossible to correctly grasp the purpose of the criticism or to examine its validity. However, if a screenshot of the original post is attached to the post, it is understood that such a risk can be avoided. In addition, it is recognized that such an act of attaching a screenshot of other posts to a post is actually done by many people on Twitter.

In light of the above, the method of quotation by attaching a screenshot should also be considered a fair practice as stipulated in Article 32(1) of the Copyright Act.

(2) It may be admitted that "the posting 1 of the case" was made to introduce and criticize the plaintiff, and "the postings 2 to 4 of the case" were made to criticize "the plaintiffs' postings 2 to 4", and the text quoting and the part to be quoted (screenshots) are clearly distinguished, and in light of the purpose of the quotations, the range of each of the plaintiffs' quoted postings is reasonable. Thus, the attached screenshots of each of the plaintiffs' postings falls within the scope of "quotation" under Article 32(1) of the Copyright Act, and it is not sufficient to find that it is clear that X's copyright in each of the plaintiff's postings is infringed.

### **Takeaway**

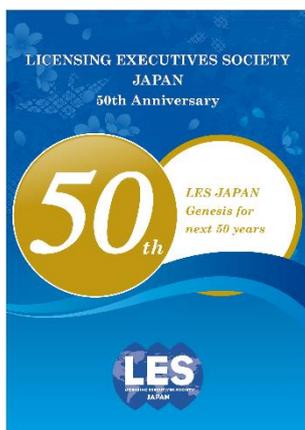
The IP high court found that posting a screenshot attachment of another post to Twitter was regarded as a "quotation" under the Copyright Act and it does not constitute copyright infringement. This decision made it clear that we can post a screenshot attachment of another post without having to use Twitter's "quote" or "repost" functions.

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LES Japan has published the English version of its 50th Anniversary Magazine

By Yasuo FUJII, Ph.D.*

LES Japan published its 50th Anniversary Magazine at the beginning of this year (2023). It was originally written in Japanese and its availability is therefore limited to the LES Japan society members. However, we'd like to share some of the contents with all the LES International members and have published an English version of the 50th Anniversary magazine. This article introduces its contents.



Greeting and Congratulatory Address

The magazine begins with a Greeting by Mr. Kenichi NAGASAWA, President of LES Japan, followed by a Congratulatory Address by Mr. Koichi HAMANO, Commissioner of the Japan Patent Office, Mr. Yoshiyuki IWAI, Honorary Advisor of LES Japan, and Dr. Ichiro NAKATOMI, President of LES International (at the time).

Round-Table Discussions

In the next section, three Round-Table Discussions held in June and July, 2022 are introduced, each of which is thought provoking.

(1) Successive Commissioners of the Japan Patent Office

The first Round-Table Discussion was held with four former Commissioners and the current Commissioner (at that time) of the Japan Patent Office. The topics included: (i) thoughts on their days as Commissioners of the Japan Patent Office and changes in the intellectual property environment; (ii) issue of standard essential patents; (iii) technological innovation such as DX and GX; (iv) changes in international relations; (v) improvement of the presence of Japan Patent Office in the world; and (vi) expectations for LES Japan.



(2) Successive Chief Judges of the Intellectual Property High Court

The second Round-Table Discussion was held with five successive Chief Judges of the Intellectual Property High Court. The topics included: (i) forecast of changes in the world; (ii) issue of international jurisdiction; (iii) legal system response to new business forms; (iv) recent efforts at the intellectual property high court; and (v) advice on future intellectual property activities.



(3) Successive Presidents of LES Japan

The third Round-Table Discussion was held with seven former Presidents of LES Japan (Mr. Chikao FUKUDA, Mr. Junichi YAMAZAKI, Mr. Katsumi HARASHIMA, Dr. Ichiro NAKATOMI, Ms. Junko SUGIMURA, Mr. Makoto OGINO, and Mr. Hiroki SAITO), the current President Mr. Kenichi NAGASAWA, and the President-Elect Ms. Chikako HASHIMOTO. In a very friendly atmosphere, they talked about various issues including memories in their terms, attractiveness of LES activities in Japan and overseas, and future prospects of LES Japan.



50th Anniversary Symposium

Next, the 50th Anniversary Symposium held in September, 2022 with a theme "Intellectual property activities in new era: Revitalizing Business Creation" is reported.

The Symposium included: (i) the Keynote Speech 1 by Dr. Michitaka HIROSE (Professor Emeritus, University of Tokyo) entitled "Present and Future of Metaverse"; (ii) the Keynote Speech 2 by Mr. Masafumi MASUDA (Attorney-at-law, Mori Hamada & Matsumoto) entitled "Legal Issues on Metaverse"; and (iii) the Panel Discussion with very active discussions by the startup CEOs under a theme "Why startup now?".



Working Group Activity Report

Finally, the magazine introduces the reports of the following sixteen Working Groups (WG) in LES Japan. We hope that these reports will give you an opportunity to know our specific activities.

- Antimonopoly Law WG
- U.S. Issues WG
- U.S. Issues (Kansai) WG
- Asian Issues WG
- Intellectual Property Case Research (Kanto) WG
- Trade Secret Working Group
- Corporate Legal and Intellectual Property Management WG
- Healthcare WG
- ICT Business WG
- Leverage a collaboration among Industry-Government-Academia WG
- Branding WG
- Ventures and Startups WG
- Intellectual Asset Finance WG
- YMC WG
- European Issues WG
- Kanto Group Study WG

Access to the LES Japan 50th Anniversary Magazine

Since the magazine is available only for LES International members, the URL, ID and password for your access will be informed in a cover email of the LES Global News sent to the LES International members.

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## Editors' Note

This issue includes articles "Protection of Cross-border Network System related Inventions: Dwango v. FC2 IP High Court Grand Panel Decision" by Mr. Mitsuo KARIYA, "Is posting to Twitter (currently X), a screenshot attachment of another Twitter post regarded as "quotation" under the Copyright Act?: IP High Court 2022 (Ne) No. 10060, April 13, 2023" by Ms. Yasuko TANAKA and "LES Japan has published the English version of its 50th Anniversary Magazine" by Mr. Yasuo FUJII.

Thank you for supporting "WINDS from Japan." This newsletter will continue to provide you with useful information on activities at LES Japan and up-to-date information on IP and licensing activities in Japan.

If you would like to refer to any back issues of our newsletters, you can access them via the following URL:

<https://www.lesj.org/en/winds/new.php>

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