



Newsletter

21COE-WIN-CLS RCLIP

❖ RCLIP Workshop Series No.11(2005/11/19)

“Repair or Part Replacement and Patent Infringement”

Professor Tamura Yoshiyuki, School of Law,
Hokkaido University



The RCLIP invited Professor Tamura, Hokkaido University to speak about “Repair or Part Replacement and Patent Infringement” at the RCLIP Workshop Series No.11. Recently, there have been many related judicial cases making this issue very controversial. So nearly 100 people from concerned business parties to students participated in the workshop.

The doctrine of exhaustion is a concept whereby a patent right owner or the one who obtained permission from the owner will not exercise the patent right after the patent right is “exhausted” when the patent invention is realized, produced and sold domestically.

There are various views on its ground. Professor Tamura stated that the patent right that originally intends to promote industrial development should not stand in the way of it although it is necessary to protect trading safety and promote distribution for industrial development. He said that is a benefit balancing. Its legal grounds are based on the doctrine of abuse of right. And if the doctrine of exhaustion

is based on the benefit balancing, it is necessary to consider whether benefit condition exists or not on the application of the doctrine of exhaustion. With such awareness of the issues, he started to examine specific issues such as “reservation of ownership and exhaustion” and “repair or part replacement and exhaustion”. First, with the respect of reservation of ownership and exhaustion, as far as the right owner reserve the ownership when the right owner sells patent product, the product cannot be distributed without the consent of the owner. As a matter of form, that lacks the premise necessary to apply the doctrine of exhaustion that intends to improve trade safety by protecting distribution. However, circumvention of the law should not be induced. There is a judicial decision saying that undertaking default of obligation should not be a right infringement in particular if there is a breach of the contract in the case of the contract that the patent owner concluded to “rent” the post cutter, which was the implementation of the invention (Osaka District Court Decision on December 26, Heisei 14 at the Supreme Court Website). The judgment did not say it was invalid because the contractual terms were illegal. However, Professor Tamura pointed out there seems to be a tendency to interpret the evasive terms restrictively.

Second, with the respect of repair or part replacement and exhaustion, an assignor of a patent product will not be held responsible for a patent right infringement when he/she “uses” the product. If such is the case, as a general rule, the assignor should be able to legally conduct repair, which is a part of product “use”. However, if the assignor “produces” the product more than just repair, the patent owner will lose the demand of



the market to sell the patent product by that amount. To respond this, the patent owner set the price higher at the first distribution. As a result, the pricing hampers the further distribution of the patent product. That will be against the purport of the doctrine of exhaustion. Therefore, “production” is illegal in principle. Further examination continued on this thesis that “use is legal, but production is illegal” by classifying the problem situations into two groups: (1) a case where an act that is not deemed as production becomes a patent infringement and (2) a case where an act that is deemed as production does not become a patent infringement.

The example of (1) a case where an act that is not deemed as production becomes a patent infringement is the case of Acyclovir. The original decision (Tokyo District Court’s decision of January 18, 2001, Hanji 1779 99) stated that the form of use that a patent owner did not expect left room for the possibility of “being not exhausted” even though it was not deemed as “production”, and concluded that the act was not an act of infringement because the product is exhausted. The appeal court (Tokyo High Court’s Decision of November 29, 2001, Hanji 1779 89) adopted the method of making it non-infringement when if it was not deemed as “production”. Professor Tamura named the former an approach of exhaustion, and the latter an approach of production. He pointed out that the approach of exhaustion tended to be unclear because it was based on whether the form of use was expected or not by the patent owner under normal social standards. On the contrary, the approach of production could clearly delineate the act of production that were claimed, then, reach a conclusion that the act that was not deemed as production was non-infringement. He concluded that that ensure the safety of trading and the approach of production must be considered as proper.

The example of (2) a case where an act that is deemed as production does not become a patent infringement is the case of film-with-lens camera,

disposable camera (Tokyo District Court’s decision of August 31, 2000, Supreme Court Home Page) or the case of ink cartridge (Tokyo District Court’s decision of December 12, 2004, Hanji 1889 110) These decisions emphasized whether a replaced part constituted the essential parts of the invention or not. Tokyo District Court decided it did not constitute the essential parts of the invention and concluded it was non-infringement. Professor Tamura viewed this issue as the question whether or not it was assessed that a patent owner had a chance to be compensated. He said that it could not be assessed that there was a chance to be compensated if the identity with the original product is lost due to repair or so. Therefore, he concluded that the criterion for judgment should be the identity with the original product (the question whether or not a repair or replacement part is large enough to share the most part of the original product and if the part is changed, it cannot be said as an identical product).

Following the report stated above, an active discussion with the participants took place.

After the workshop, IP High Court’s decision of January 31, 2006 was announced stating that an act of refilling an ink cartridge made the cartridge reequip for leak prevention, and it was nothing else than processing or changing a part of the essential parts of the invention. The decision rejected the exhaustion in this case.

(RC Taro Hirayama)



❖ RCLIP Special Seminar (2005/12/16)

“Process of IP Legislation & Policy Developments in the U.S.”



The RCLIP invited Mr. Stephan G. Kunin, the former Vice Director of USPTO and Mr. Susumu Iwasaki, Senior Examiner of Japan Patent Office as the speaker of the RCLIP Special Seminar on December 16, 2005.

First, Mr. Iwasaki delivered a lecture on “Process of IP Legislation & Policy Developments in Europe”. In 1967, several major organizations such as the EEC, the ECSC, and the EURATOM unified to establish the EC (European Communities) from the EEC, then, in May of 2004, the EC expanded its membership from 15 countries to 25 countries and also increased official languages from 11 to 20. That developed a large-scale market with more than 9.6 trillion GDP in Europe.

He explained the framework of IP system in Europe and pointed out “multilayer” as one of Europe’s uniqueness. When the EU law and a country law exist concurrently, a conflict between them occurs. The EU is positioned midway between inter-governmentalism and federalism, which permits no authorities to centralized organizations.

The European Commission, the Council of the European Union, and the European parliament involve with the policy developments. IP related legislative grounds are divided into the power for establishing the internal market and the complementary power. The EC treaties provide details by each ground.

He introduced some cases that were stuck at

the European parliament as well as the Council of the EU in the process of IP legislation, then, gave an explanation about the protocol approach in relation to European patents.

Next, Mr. Kunin lectured on “Process of IP Legislation & Policy Developments in the U.S.”. After proposed to the subcommittees in House and Senate, the bills will be through hearings and amendments, then, submitted to the judiciary committees for further hearings.

The process will follow different courses depending on whether the bill is proposed by the Executive Branch Department, EBD, or by the private sector. If it is proposed by the EBD, the bill needs to have an approval of the OMB, Office of Management and Budget, and comments of related departments. If it is proposed by the private sector, there is normally a Statement of the Administration’s position on the bill filed with Congress (SAP).

When the bill is decided and passed at the House and Senate, it will be passed to the President. The President may sign the bill into law or veto it.

The OMB possesses the final decision right of the policies proposed by the EBD. It is President’s senior technology policy and science advisors who decide national IP policies. He concluded that the process of IP Legislation in the U.S. was incomplete although it was not so complex as that in Europe.

A panel discussion followed the lectures, moderated by Professor Toshiko Takenaka, Visiting Professor of Law, Waseda University, and Professor of Law School, University of Washington. Four panelists including Professor Ryu Takabayashi took part in the discussion. Then, there was an active QA session with the participants. After the seminar, the name card exchange event was held sponsored by Oblon, Spivak, McClelland, Maier & Neustadt.

(RA Akiko Ogawa)

❖ **RCLIP Workshop Series No.12 (2006/1/31)**

“Roles of ‘Suit against Patent Office’s Trial Decision for Invalidation’ and ‘Suit against Infringement’ in Invalidation Judgment”

Professor Ryu Takabayashi, Waseda University



At the RCLIP Workshop Series No. 12 on January 31, 2006, Professor Ryu Takabayashi, Director of the RCLIP reported on “Roles of ‘Suit against Patent Office’s Trial Decision for Invalidation (hereinafter referred to as “STDI”)’ and ‘Suit against Infringement (hereinafter referred to as “SI”)’ in Invalidation Judgment”.

The report stated the current condition as “STDI is bound hand and foot while SI is free” and mentioned an ongoing discussion that it was only necessary to have SI for the purpose of invalidation judgment. In response to these conditions, the report concluded that it was not the court but the patent office that decides the life and death of the right, therefore, the STDI should take bolder steps toward invalidation judgment and also the SI should remain more cautious about invalidation judgment.

First, in order to examine the appropriate scope of examination and judgment for STDI, Professor Takabayashi discussed the scope of the Supreme Court’s decision of the case of a knitting machine (The decision of the Court en banc, the Supreme Court, of March 10, 1976, Minsyu 30 2 79), which restricted the permissible scope of examination and judgment for STDI. The decision rejected the examination and judgment based on another “new cited reference” in the suit against the Patent Office’s Trial Decision for Invalidation where novelty and/or

nonobviousness was admitted or denied based on a specific reference. The scope of this “new cited reference” which is not allowed to introduce at the STDI should be interpreted in parallel with the scope of the cited evidence that is allowed to introduce at the resumed suit, by another Supreme Court’s decision for the case of a high speed barreling method (The Third Petty Bench of the Supreme Court decision of April 28, 1992, Minsyu 46 4 245) which acknowledged a binding force of the decision of STDI, in spite of the effects of binding force of previous court decision. That is, “what can be independent grounds for invalidation” and “what can become grounds for invalidation when those come with the cited reference instead of only reinforcing the cited reference” correspond to the “new citation” that was prohibited by the Court en banc decision through the restriction of the scope of examination and judgment. Therefore, in the light of this decision, it is appropriate to interpret that submitting the evidence that “only reinforces the cited reference” should be permitted.

Next, Professor Takabayashi examined the scope of the Supreme Court decision for the case of the method for manufacturing large-diameter rectangular steel tube (The Third Petty Bench of the Supreme Court decision of March 9, 1999, Minsyu 53 5 303), which is also the cause of binding hand and foot of STDI. The decision concluded that the STDI should be dismissed and Patent Office’s Trial Decision for Invalidation should be revoked if a Trial Decision for Correction becomes final and conclusive to accept the reduction of the patent claim when the STDI is still pending. In order to interpret the scope of the decision in a limited way, first, Professor Takabayashi stated that (1) it was necessary to distinguish a false correction for buying time and a true correction for maintaining the right and if it was the former, the trial of STDI should continue, and (2) even if it was the latter, for (a) the case where the correction was admitted to exclude the grounds for invalidation from the cited reference, or (b) the case where the



correction was admitted which had no relation with the existence of the invalidation, the trial of STDI should continue. In terms of (a), Clause 2, Article 181 of the Patent Law, which was recently adopted, should be interpreted as follows. If a correction is demanded to the Patent Office when the STDI is pending, the court should hear the opinions of the related parties to see if the grounds for invalidation are eliminated or not when the correction is admitted. Based on the hearings, the court should revoke the Patent Office's Trial Decision for Invalidation by ruling only when it determines that the grounds for invalidation are eliminated. Therefore, in this case, the Trial Decision for Correction at the Patent Office must be wrong because it is in conflict with the previous decision by the court. So the court does not have to think about such wrong Patent Office's decision. In addition, in terms of (b), the trial should continue because the correction is completely irrelevant to the judgment for the grounds for invalidation in the relation to the cited reference with which the STDI deals.

Next, the report covered the appropriate scope of Article 104-3 of the Patent Law based on the current conditions that, compared with the STDI, the SI has relatively freely reached the judgment of the grounds for invalidation in some cases including the case of ICHITARO (IP High Court decision of September 30, 2005, Minsyu 54 4 1368) since the Kilby case (The Third Petty Bench of the Supreme Court decision of April 11, 1999, Minsyu 54 4 1368). In this respect, the Supreme Court's decision on the Kilby case did not admit that invalidation judgment could be made at SI in the same way as it is made at Patent Office's Trial for Invalidation. Instead, the decision must have stated that invalidation judgment in SI should be made by each case from the viewpoint whether it is abuse of the right if the court approves the enforcement of the right by the relevant right holder. After clarifying these points, Professor Takabayashi mentioned Article 104-3 of the Patent Law also enacted from the

very same purport. Therefore, the restriction on effects of the right by the article should be limited to the cases when there are very obvious grounds for invalidation. Even if the patent includes certain grounds for invalidation, the enforcement of the right by the right owner should not be restricted in the case where the grounds for invalidation can be removed by any correction and the defendant object cannot avoid an infringement of the patent under the restricted scope of claims by that correction. In addition, if the judgment has been made in SI whether the correction is possible or not and also the infringement is formed or not under the corrected claim, the court must be able to avoid the retrial due to no benefit of appeal when a Patent Office's Trial Decision for correction becomes final and conclusive after the such judgment of SI is made. By this way, it is possible to prevent thrusting cases each other within the court system and streamline the overall process. On the contrary, if invalidation judgment is made at SI in the same way as it is made at Patent Office's Trial for Invalidation, Professor Takabayashi pointed out that the grounds for retrial would arise by Patent Office's Trial Decision for Correction afterwards and there would be useless digging up of the cases after all. He concluded such interpretation could not reach a one-time resolution of disputes.

Following the report stated above, an active discussion with the participants took place.

(RC Asuka Gomi)

The RCLIP's

Asian IP Precedents Database Project

The database is available in English, free of use at: <http://www.21coe-win-cls.org/rclip/db/>

IP Database Project: China

At the end of last year, Professor Takabayashi, Director of the RCLIP, led the members of Chinese working group to pay a courtesy visit to each Chinese professor as well as to have a meeting about the seminar in February in order to



examine the development process of Chinese DB and the way of utilizing the DB.

With the cooperation of Chinese professors, The 2nd RCLIP Asia Seminar, "Dispute settlement of the courts related to Industrial Property in East Asia - China" was held at Kosai Kaikan (Yotsuya, Tokyo) on February 17, 2006. It was a part of Japan Patent Office's project. Professor Wang Bing of Tsinghua University, Professor Guo He of Renmin University, Professor Zhang Ping of Peking University, Associate Professor Li Zhenghua of Zhongshan University, and Judge Zhang Xiaodu of Higher People's Court of Shanghai reported on several topics including patent protection in China, copyright issues in China, current condition of trademark trials in Beijing, IPR trials in Guangdong and fundamental judging method of patent infringement in China. It was a remarkable seminar because five Chinese authorities of IPR law gathered at the same place. So more than 100 people participated in the event. In addition, Judge Zhang Xiaodu is writing a report for the DB project.

As regards 50 precedents that will be added to the database this year, the RCLIP discussed with Professor Wang Bing of Tsinghua University, Professor Guo He of Renmin University, Professor Zhang Ping of Peking University, Associate Professor Li Zhenghua of Zhongshan University, and Judge Zhang Xiaodu of Higher People's Court of Shanghai. Collecting the important precedents is almost completed and the data will be added continuously in the future.

(RA Yu Fenglei)

In FY 2005, 190 cases of 280 most important precedents were placed at the database (50 patent cases, 30 trademark cases, and 30 copyright cases of Beijing region, 20 cases of Shanghai region, and 60 cases of Guangtong region). Additional 90 cases will be placed at the end of March 2006. At this point, the IP DB project of China will complete as it planned and the DB will be fully available by the end of March. (RC Yuan Yi)

❖IP Database Project: Thailand

Currently 210 Thai precedents have already been placed at the database. More 50 cases will be added within this fiscal year. To analyze the Thai precedents accumulated so far, a COE Research Associate had made a one-week visit to the IP&IT Court in Bangkok. The precedents related to trademark of those collected precedents were examined this time. The research result will be publicized at the COE's periodical journal.

(COE Research Associate Tetsuya Imamura)

❖IP Database Project: Indonesia

The establishment of Indonesian DB has lagged behind the planned schedule. However, finally the Supreme Court submitted 80 precedents data to Waseda University in Indonesian language. Currently the data is translated into English. It will be released at the beginning of next fiscal year.

I visited Indonesia twice in 2006. In January, I had a meeting with the DB project team of Indonesian Supreme Court about the project proceeding. Then, in February, with Prof. Takabayashi who visited Indonesia to lecture at the IPR seminar for judges, lawyers, and other practitioners in Jarkarta, I paid a courtesy visit and had a meeting with the project team. After we started the meeting by expressing our appreciation to the cooperation of the project, concrete opinion exchanges actively took place between Judge Mariana Sutadi, Deputy Director of the Supreme Court, Judge Abudul Kadir Mappong who is in charge of the project and Professor Takabayashi, former judge, about the assessment of the damage and so on. In addition, the RCLIP asked them to have a lecture at the RCLIP Special Seminar after the project completion. (RA Yuka Aoyagi)

❖IP Database Project: Taiwan

The team of lawyer, researcher and judge is now developing Taiwan DB. It plans to prepare 300 precedents within two years. 300 cases were already selected and 150 of them are to be



completed in Chinese language within February as the allotment for the first project year. Then, they will be translated in to English to be released at the beginning of next fiscal year. The allotment for next year will be processed faster than this year and the remaining 150 cases are to be released. (RA Yuka Aoyagi)

❖ IP Database Project: Vietnam

After the RCLIP's visit last year, we have been exchanging emails to inquire about the legislation in Vietnam and confirm the basic information there. (RA Akiko Ogawa)

❖ IP Database Project: Korea

The DB project in Korea progresses smoothly and on February 24, 15 precedents were placed at the DB as the first allotment of the project. Now translation into English is being made and at the end of February, the remaining 15 cases will be at the DB. Also, the RCLIP invites Choi Sung-Joon, Senior Judge, Patent Court of Korea, who has cooperated with the DB project to lecture on the theme of "Recent Movement of Korean IP Precedents" on March 2, 2006. It is expected that the seminar will have a useful discussion to seek the current conditions of Japanese and Korean IP Law by comparing the precedents of two countries. (RA Lea Chang)

❖ Events and Seminars

For inquiries, please visit our website.

❖ RCLIP Asian Seminar No.3

【Date】 March 2, 2006, 18:00-21:00

【Place】 Waseda Univ., Bldg 8, Conf. Room #3

【Theme】 Recent Movement of Korean IP Precedents

【Lecturers】

Choi Sung-Joon, Senior Judge, Patent Court of Korea

Judge Setsu Shimizu, Tokyo District Court

【Moderator】Ryu Takabayashi, Professor of Law, Waseda University

❖ RCLIP Workshop Series No.13

【Date】 April 17, 2006, 18:00-20:00

【Place】 Waseda Univ., International Conf. Hall, 3rd floor, Conf. Room #2

【Lecturer】

Masahiro Motoyama, Associate Professor of Law, Kokushikan University

【Title】 "Interface of Design Law and Copyright Law – Copyright Protection Guideline for Applied Art"

❖ RCLIP Special Seminar (U.S. Patent Lawsuit Seminar)

【Date】 April 24, 2006

【Place】 Waseda Univ., International Conf. Hall

【Lecturers】

Ryuichi Shitara, Judge of Tokyo District Court

Kent A. Jordan, Judge of Delaware State Federal District Court

Barry Bretschneider, Morrison & Foerster LLP

Eiji Katayama, Attorney at Law

【Moderator/Coordinator】

Toshiko Takenaka, Professor of Law School, University of Washington, Visiting Professor of Law, Waseda University

Ryu Takabayashi, Professor of Law, Waseda University

❖ RCLIP Workshop Series No.14

【Date】 May 26, 2006, 18:00-20:00

【Lecturer】

Katsuyuki Izumi, Associate Professor of Tokushima University

Editor/issuer

Ryu Takabayashi,

Director of Research Center for the Legal System of Intellectual Property (RCLIP)

21coe-win-cls

Web-RCLIP@list.waseda.jp

http://www.21coe-win-cls.org/e_index.html