

Date	January 16, 2014	Court	Osaka District Court 26th Civil Division
Case number	2012 (Wa) 8071		
– A case in which the court denied exhaustion of both the patent right and the trademark rights.			

1. The plaintiff holds a patent right for an invention titled "roll paper for packaging divided powders" (Patent No. 4194737; the "Patent Right"), and manufactures and sells roll paper for packaging divided powders by working the patented invention (the Plaintiff's Product). The Plaintiff's Product carries the plaintiff's registered trademarks (Registration No. 1685481 and No. 5488876; the "Registered Trademarks").

The defendant collects used tubes that are left after the packaging paper of the Plaintiff's Product is consumed, manufactures a product by rolling new packaging paper around the collected tubes and sells this product as roll paper for packaging divided powders (the Defendant's Product).

The plaintiff manufactures and sells a divided powder packaging device (the Plaintiff's Device). The Plaintiff's Product and the Defendant's Product are used exclusively by means of the Plaintiff's Device. In addition, the Registered Trademarks remain on the Defendant's Product because the Defendant's Product uses the tube of the Plaintiff's Product without making any change to it.

In this case, the plaintiff sought against the defendant an injunction to suspend the manufacture and sale of the Defendant's Product, etc., demanded the disposal of the same and sought damages, etc. based on the Patent Right and the trademark rights in question (the "Trademark Rights").

2. The main issue of the case is whether or not the Patent Right and the Trademark Rights have been exhausted.

3. The court denied exhaustion of both the Patent Right and the Trademark Rights and upheld the plaintiff's claims on the grounds as summarized below.

[i] Although it is found that the plaintiff assigned the packaging paper of the Plaintiff's Product to customers, it cannot be found that the plaintiff assigned ownership of the tube of the Plaintiff's Product to customers (the Plaintiff's Product can be broken down into the tube and the packaging paper, and it is found that the plaintiff only assigns the packaging paper rolled around the tube to customers, while reserving ownership of the tube and loaning [/leasing?] it to costumers for use). Consequently, there is no premise to support the defendant's allegation of exhaustion of the Patent Right.

[ii] The act of manufacturing a product by rolling new packaging paper around the used tube of the Plaintiff's Product constitutes an act of manufacturing a new product

by replacing the essential component of the Plaintiff's Product that has completed its original function as a product. Customers are unable to carry out such an act, and moreover, the Defendant's Product that is manufactured in this manner cannot be regarded as being identical to the Plaintiff's Product from a social or economic perspective. It is appropriate to find that the Defendant's Product is a newly manufactured patented product that is not identical to the Plaintiff's Product in the unprocessed stage, and hence the act of manufacturing the Defendant's Product constitutes the working (producing) of the invention covered by the Patent Right.

[iii] Products manufactured with the use of different packaging papers and by different entities cannot be considered to be identical to each other in terms of quality. The defendant's act of selling the Defendant's Product, which is in this respect not identical to the Plaintiff' Product, with the Registered Trademarks affixed thereto, constitutes infringement of the plaintiff's Trademark Rights (right to exclusive use). As a practical matter, the defendant's act also interferes with the Registered Trademarks' function to indicate the source of goods and function to indicate the quality of goods.