Judgments of Tokyo District Court, 47th Civil Division
Date of the Judgment: 2005.12.13
Case Number: 2004（Wa）No.13248

Title（Case）:
A case wherein the court determined that the defendant's act of sending its competitor's business partners a written notice about the possibility of the competitor's infringement on a patent constitutes unfair competition specified in Article 2, para.1, item 14 of the Unfair Competition Prevention Act

Summary of the Judgment:

Company A owned a patent on the invention named "Moving handrail" which had ten claims, and produced advertisement products for escalators（the Defendant's Products）based on the patent. The defendant had an exclusive license to sell the defendant's products in Japan and sold the Defendant's Products in Japan. The plaintiff was a competitor of the defendant. The plaintiff imported and sold handrail advertisement film（the Plaintiff's Products）on a commercial basis and engaged in the business of installing the products onto the handrails of escalators, etc. Company A sent Company B, which was a business partner of the plaintiff, and other companies a written notice stating that, in Company A's opinion, the Plaintiff's Products and the application thereof could conflict with claims in Company A's patent and could infringe the patent. Immediately after the notice was sent, the plaintiff explained to Company A in detail that the Plaintiff's Products do not infringe the patent and warned that the plaintiff would not tolerate Company A sending such a notice to customers of the plaintiff ever again. Despite this warning, Company A once again sent such a notice stating that the Plaintiff's Products could infringe the patent in dispute. The defendant also sent a similar notice to Company B and the plaintiff.

In this case, the plaintiff argued that its act did not infringe the patent disputed in this case and requested a declaration that the defendant did not have the right to demand an injunction, claim for damages, or the right to seek the recovery of unjust enrichment based on its exclusive license or non-exclusive license of the patent disputed in this case. The plaintiff also argued that the defendant's and Company A's act of sending the above-mentioned notices to business partners of the plaintiff should be regarded as an "act of making or circulating a false allegation" under Article 2, para.2, item 14 of the Unfair Competition Prevention Act, and therefore, as a joint tort by the two companies. Based on these grounds, the plaintiff demanded an injunction against the act of making or circulating a false allegation under Article 3, claimed damages under Article 4, and requested an apology advertisement under Article 7 under

the said Act.

The court determined that because the plaintiff's handrails on which the Plaintiff's Products were installed did not fall within the technical scope of the plaintiff's patent, in light of the claims and the detailed explanation of the invention described in the patent specification, the defendant does not have the right, based on the exclusive license or non-exclusive license of Company A's patent, to demand an injunction against the plaintiff's import, production, sale, and use of the Plaintiff's Products.

While concluding that the contents of the written notice sent by the defendant must be regarded as a false allegation, the court observed that such a notice could be considered not to be illegal if the notice was considered to be sent by the patentee and/or licensee as a part of the legitimate exercise of the patent right to the receivers of the notice, but on the other hand, such a notice should be considered illegal and regarded as unfair competition specified in Article 2, para.1, item 14 of the Unfair Competition Prevention Act, even if the notice appeared to be sent by the patentee, etc. as a part of the legitimate exercise of the patent right, as long as this was just a formality with the real purpose of doing harm to the reputation of a competitor so that the patentee can gain superiority in the market, and as long as, for example, the notice was extremely inappropriate by social standards in terms of the contents or the manner of sending it or otherwise amounted to an abuse of right. Before making a judgment, the court took the following facts into consideration in a comprehensive manner: (1) Although the defendant itself acknowledges the fact that the plaintiff's handrails in which the Plaintiff's Products were installed did not fall within the technical scope of most of the patent claims, the defendant vaguely notified that the Plaintiff's Products could infringe the patent right in dispute without mentioning this fact at all; (2) Despite the plaintiff's detailed explanation that the Plaintiff's Products did not violate the patent and the warning that the plaintiff would not tolerate such a written notice sent to customers of the plaintiff ever again, the defendant sent a similar notice once again during the time when Company A also sent similar notices; (3) According to the defendant, when the defendant sent Company B the defendant's notice, the defendant received from Company A an explanation that the plaintiff was in preparation of selling the Plaintiff's Products in Japan, and was thereby likely to infringe Company A's patent, and the same view was also presented by the patent attorney who had carried out the registration procedure for the patent; (4) The defendant did not take any legal procedures such as the commencement of a lawsuit against the plaintiff or Company B; and (5) the court had already made a judgment that Company A's act of sending a warning letter constituted unfair competition specified in Article 2, para.1, item 14 of the Unfair Competition Prevention Act. Based on these grounds, the court accepted the demand for an injunction, damages, and apology advertisement,

by holding that the defendant's act of sending the defendant's notice to Company B, which was a business partner of the plaintiff, was illegal, and considered to be the act of making or circulating a false allegation that is injurious to the business reputation of the plaintiff, who was in a competitive relationship with the defendant, because the defendant's act of sending a notice as well as Company A's act of sending such a notice, which, in appearance, took the form of a part of the exercise by the patentee, actually aimed at letting the patent owner gain superiority in the market by damaging the reputation of a competitor, and also because the manner of sending the notice was inappropriate by social standards and amounted to an abuse of right.