

**Judgments of Tokyo District Court, 46th Civil Division**

**Date of the Judgment: 2006.7.6**

**Case Number: 2005 (Wa) No.10073**

**Title (Case):**

A case wherein the court judged that the defendant's act of sending written warnings stating that the companies which had been producing and selling products made by use of the plaintiff's product had infringed the patents constituted a tort and unfair competition specified in Article 2, para.1, item 14 of the Unfair Competition Prevention Act

**Summary of the Judgment:**

The defendant company, who owned three patents on an additive for farmed-fish feed (the defendant's patent 1), a method to produce solid feed for aquaculture (the defendant's patent 2), and an additive for powder-type farmed-fish feed and farmed-fish feed (later modified as "pellet-type farmed-fish feed" (the defendant's patent 3)), sent the plaintiff's business partners written warnings stating that (1) the defendant had filed appeals against the court judgment that upheld the JPO trial decisions to invalidate these patents with explanation on developments during JPO trials for patent invalidation or litigations to rescind the trial decision, and that (2) a feed product of the company to which said warning was addressed contained a product apart from the defendant's product that belonged to the technical scope of the patents owned by the defendant. The defendant also, arguing that (3) the act of producing and selling farmed-fish feed made by use of another company's product constituted an infringement of the defendant's patents, 2 and 3, filed a request for provisional disposition to issue an injunction against such production and sale and carried out publicity activities relating thereto. After the decision to invalidate the defendant's patents had become final and binding, the plaintiff filed this litigation and requested damages from the defendant under Article 5, para.2, of the Unfair Competition Prevention Act and Article 709 of the Civil Code by arguing that the acts specified in (2) and (3) above constituted an act of making or circulating a false allegation under Article 2, para.1, item, 14 of said Act and that the series of acts mentioned in (1), (2), and (3) constituted a tort under the said Code.

The court first found that the act of sending written warnings mentioned in (2) constituted an act of making or circulating a false allegation set forth in Article 2, para.1, item, 14 of the Unfair Competition Prevention Act because the defendant's patents were invalidated by trial decisions and court judgments that upheld the trial decisions and these decisions and judgments had become final and binding. Based on this finding, the court held that, since the act of sending written warnings mentioned in (2)

was made after the Patent Office handed down the trial decision to invalidate the defendant's patent 1, the defendant shall be held liable for negligence for said act. The court noted that the liability for negligence may be denied if the defendant had reasonable grounds to believe that said trial decision for invalidation would be revoked and that the defendant's patent 1 would not be invalidated. However, the court concluded that the defendant did not have reasonable grounds to believe that the defendant's patent 1 should not be invalidated.

Regarding the act of requesting a provisional disposition and carrying out publicity activities mentioned in (3) above, the court presented its general understanding that any act conducted legitimately as a part of its legal acts may not be regarded as an illegal act of unfair competition under the Unfair Competition Prevention Act unless there are extraordinary circumstances, for example, where the patentee's legal acts are beyond the scope and purpose of legitimate legal acts and the patentee conducted such action primarily for the purpose of making and circulating a false allegation damaging to the business of the plaintiff. Regarding this case, the court found that, even if the defendant advanced its allegations or explanation about the alleged infringement on the defendant's patents 2 and 3 in a request for provisional disposition, such legal acts of the defendant may not be construed as an illegal act of unfair competition against the plaintiff. The court held that the defendant's act of carrying out publicity activities may not be regarded as a "false allegation" because the activities were intended to publicize the fact that the defendant had filed a request for provisional disposition to remedy the alleged infringement of the defendant's patents 2 and 3.

Regarding whether the defendant's acts constitute torts under the Civil Code, the court held that the act of sending a written warning mentioned in (2) was illegal, as mentioned above, the act of requesting a provisional disposition and carrying out publicity activities mentioned in (3) and the act of sending a written warning mentioned in (1) were legal because these acts were simply intended to convey the facts.

Regarding damages, the court did not accept the plaintiff's claim for lost profits but accepted the claim for the intangible damage caused by the impairment of the plaintiff's reputation and the cost of attorneys and patent agents. The court found that, in view of the fact that the defendant had long been producing and selling the defendant's product almost exclusively under the defendant's patents, it would be reasonable to calculate the profits generated by the above-mentioned act of unfair competition by comparing a sharp reduction in the sales of the defendant's product that would have been caused due to a rapid influx of the low-priced plaintiff's product into the market if said act of unfair competition had not been committed with an actual slower reduction. The court, however, concluded that it would be inappropriate to find that the act of sending written warnings mentioned in (2) alone prevented a sharp reduction of the sales of the defendant's product because, in light of the situation of the

market for additives for farmed-fish feed and the situation related to the sales of the plaintiff's product, the exclusivity under the defendant's patents had worked to prevent a sharp reduction of the sales of the defendant's product and enabled the defendant to earn the profits.

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