Date	August 27, 2013	Court	Osaka District Court,
Case number	2011 (Wa) 6878		21st Civil Division
– A case in which the court ruled that the manufacturing and sale of the defendant's products constitutes an indirect infringement of the plaintiff's patent right for an invention of a simple process and upheld the plaintiff's claim for an injunction against such act of the defendant, etc.; the court also ruled that the act of attaching to a product that does not contain lime a name which includes characters, "しっくい" (meaning "plaster"), but does not include characters, etc. that indicate that the product is not plaster itself, constitutes an act of unfair competition set forth in Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act.			

Summary of the Judgment

The plaintiff has a patent right for an invention titled "color stabilizing process for colored plaster composition" ("Patent Right 1") and a patent right for an invention titled "process for restraining color of a colored plaster coating film from being washed out" ("Patent Right 2"). The plaintiff asserted that the defendant's process used in the manufacturing process of the defendant's products falls within the technical scope of Patented Invention 1 and that the manufacturing and sale of the defendant's products constitutes an indirect infringement (Article 101, item (v) of the Patent Act) of Patent Right 2. Based on this assertion, the plaintiff filed this action against the defendant to seek an injunction against the manufacturing, sale, etc. of the defendant's products, demand the disposal of said products, and claim damages. In addition, the plaintiff asserted the defendant's act of attaching names, such as "しっくいAg+" and "しっくいHR," to interior finishing materials that do not contain lime constitutes an act of unfair competition (Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act), and sought an injunction against said act.

The major issues in this case were [i] whether said defendant's process falls within the technical scope of Patented Invention 1, [ii] whether it is proper to claim an injunction based on Patent Right 1, [iii] whether said defendant's manufacturing and sale constitutes an indirect infringement of Patent Right 2, and [iv] whether the names attached to the defendant's product fall under indications that are likely to cause a misconception about quality, etc.

With regard to issue [i], the defendant acknowledged that the ingredient specified by Patented Invention 1 is contained in the manufacturing process of the defendant's products but asserted that the plaintiff's "color stabilizing process for colored plaster composition" is not used therein. However, in this judgment, the court cast aside this defendant's assertion and determined that the defendant used Patented Invention 1.

With regard to issue [ii], the court first determined that Patented Invention 1 is not an invention of a manufacturing process but is an invention of a simple process, and then ruled that it is impossible to stop the manufacturing, sale, etc. of products based on Patent Right 1 and that it is only possible to seek an injunction against use of the process.

With regard to issue [iii], the court ruled that the manufacturing and sale of the defendant's products fulfills the requirements set forth in Article 101, item (v) of the Patent Act, and found the establishment of an indirect infringement. The court then upheld the plaintiff's claim for an injunction against the manufacturing, sale, etc. of the defendant's products based on Patent Right 2.

With regard to issue [iv], the court ruled that if a name of a product includes the characters "しっくい," consumers of the defendant's products, etc. ordinarily recognize that the relevant product contains lime or dolomite plaster unless the characters "しっくい," are used integrally with characters, etc. that indicate that the product is not plaster itself, such as "風" (meaning "-like"). The court then determined that the act of attaching to a product that contains neither lime nor dolomite plaster an indication, such as "しっくい HR" and "しっくい Ag+," which includes the characters "しっくい," but does not include characters, etc. that indicate that the product is not plaster itself constitutes an act of unfair competition (Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act).

The plaintiff sought an injunction against use of the indications without specially limiting the structure of the subject products. However, the court ruled that the relevant act constitutes an act of unfair competition only in relation to interior finishing materials that contain neither lime nor dolomite plaster. With regard to "しっくい Ag+" which had also been used as a name of a product that contains lime, the court limited the products subject to the injunction to "interior finishing materials that do not contain lime" (on the other hand, the name "しっくい HR" had been consistently used for products that contain neither lime nor dolomite plaster; therefore, the court ruled that there is no need to limit the structure of the subject products in the main text of the judgment).

Judgment rendered on August 27, 2013, the original received on the same date, court clerk

2011 (Wa) 6878 Case of Seeking Injunction, etc. against Infringement of Patent Right

Date of conclusion of oral argument: May 28, 2013

Judgment

Plaintiff: Himeno Innovac Co., Ltd.

Defendant: Kabushiki Kaisha Fukko

Main text

1. The defendant shall not use the process specified in the attached "Description of Defendant's Process 1."

2. The defendant shall not manufacture, sell, or offer for sale (including display for the purpose of sale) any products having the structure specified in the section "Structure" in the attached "Description of Defendant's Product 1."

3. The defendant shall dispose of the products specified in the preceding paragraph and any semi-finished products thereof (those that have the structure specified in the section "Structure" in the attached "Description of Defendant's Product 1" but are not completed as products).

4. The defendant shall pay the plaintiff 26,788,170 yen, and, regarding 21,419,954 yen of which, the defendant shall pay money accrued thereon at the rate of 5% per annum for the period from May 29, 2011 until the date of full payment, and, regarding 5,368,216 yen of which, the defendant shall pay such money for the period from July 31, 2012 until the date of full payment.

5. The defendant shall not use the indication specified in the attached "Description of Defendant's Indication 1" for an interior finishing material that does not contain lime or for any containers, packages, advertising catalogs, or advertisements thereof or shall not sell or display for the purpose of sale any interior finishing material that does not contain lime to which the indication specified in the attached "Description of Defendant's Indication 1" is affixed.

6. The defendant shall not use the indication specified in the attached "Description of Defendant's Indication 2" for an interior plaster finishing material or for any containers, packages, advertising catalogs, or

advertisements thereof or shall not sell or display for the purpose of sale any interior plaster finishing material to which the indication specified in the attached "Description of Defendant's Indication 2" is affixed.

7. The defendant shall dispose of the interior plaster finishing material specified in the preceding paragraph to which the indication specified in the preceding paragraph is affixed as well as the containers, packages, and advertisement catalogs thereof.

8. Any other claims of the plaintiff shall be dismissed.

9. The court costs shall be divided into ten portions, of which six portions shall be borne by the defendant with the remaining portions borne by the plaintiff.

10. This judgment may be provisionally executed as long as paragraphs 1, 2, 4, 5 and 6 are concerned.

Facts and reasons

No. 1 Objects of the Claims

1. Claim for an injunction, etc. based on Patent Right 1 specified below

(1) The defendant shall not manufacture the products specified in the attached "Description of Defendant's Product 1" by use of the process specified in the attached "Description of Defendant's Process 1," sell or offer for the purpose of sale the products specified in the attached "Description of Defendant's Product 1" manufactured by use of the process specified in the attached "Description of Defendant's Process 1."

(2) The defendant shall dispose of the products specified in the attached "Description of Defendant's Product 1" manufactured by use of the process specified in the attached "Description of Defendant's Process 1" and any semi-finished products thereof (those that have the structure specified in the section "Structure" in the attached "Description of Defendant's Product 1" but are not completed as products).

(3) A secondary claim for an injunction in the case where Patent Right 1 is found to be for an invention of a process

The same as paragraph 1 of the main text

2. Claim for an injunction, etc. based on indirect infringement of Patent Right 2 specified below

(1) The defendant shall not manufacture, sell, or offer for sale (including displaying for the purpose of sale) any products specified in the attached "Description of Defendant's Product 1."

(2) The defendant shall dispose of the products specified in the attached "Description of

Defendant's Product 1" and any semi-finished products thereof (those that have the structure specified in the section "Structure" in the attached "Description of Defendant's Product 1" but are not completed as products).

3. Claim for payment of damages based on Patent Rights 1 and 2

The defendant shall pay the plaintiff 76,946,864 yen, and regarding 60,005,296 yen of which, the defendant shall pay money accrued thereon at the rate of 5% per annum for the period from May 29, 2011 until the date of full payment, and, regarding 16,941,568 yen of which, the defendant shall pay such money for the period from July 31, 2012 until the date of full payment.

4. Claim for an injunction, etc. on the grounds of an act of unfair competition specified in Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act

(1) The defendant shall not use the indication specified in the attached "Description of Defendant's Indication 1" for an interior plaster finishing material or for any containers, packages, advertising catalogs, or advertisements thereof or shall not sell or display for the purpose of sale any interior finishing material to which the indication specified in the attached "Description of Defendant's Indication 1" is affixed.

(2) The same as paragraph 6 of the main text.

(3) The same as paragraph 7 of the main text.

No. 2 Outline of the case

The plaintiff alleged that the defendant's act of manufacturing, selling, or otherwise handling the products specified in the attached "Description of Defendant's Product 1" (while said attachment does not specify the products by a product name, only the products having the structure specified in said attachment and given a product name "しっくいペイント Ag+" (Plaster paint Ag+) shall be hereinafter referred to as "Defendant's Product 1" for the sake of convenience) by use of the process specified in the attached "Description of Defendant's Process 1" ("Defendant's Process 1") constitutes infringement of the plaintiff's patent right (Patent No. 3834792) ("Patent Right 1") and also constitutes indirect infringement (Article 101, item (v) of the Patent Act) of the plaintiff's patent right (Patent No. 3975228) ("Patent Right 2"). The plaintiff sought an injunction against the defendant's act of manufacturing, selling, or otherwise handling the products specified in said attachment that were manufactured by use of Defendant's Process 1 and demanded disposal thereof based on Patent Right 1 (1.(1) and (2) of the section titled "Objects of the Claims"). The plaintiff also sought an injunction against the defendant's act of manufacturing, selling, or otherwise handling the products specified in said attachment and demanded disposal thereof based on Patent Right 2 (2.(1) and (2) of the section titled "Objects of the Claims"). Furthermore, the plaintiff

demanded payment of 76,946,864 yen from the defendant for the act of tort, i.e. infringement of those patent rights (infringement of a monopolistic non-exclusive license until May 29, 2007), and regarding 60,005,296 yen of which, the defendant shall pay delay damages at the rate of 5% per annum for the period from May 29, 2011 (the last day of the act of tort related to said portion of the damages) until the date of full payment, and, regarding 16,941,568 yen of which, the defendant shall pay such delay damages for the period from July 31, 2012 (the last day of the act of tort related to said portion of the damages) until the date of full payment (3. of the section titled "Objects of the Claims"). Furthermore, as a secondary claim related to the aforementioned claim for an injunction based on Patent Right 1, the plaintiff sought an injunction against the defendant's act of using Defendant's Process 1 based on Patent Right 1 (1.(3) of the section titled "Objects of the Claims").

Moreover, the plaintiff alleged that the defendant's act of selling an interior finishing material or interior plaster finishing material that does not contain lime and plaster by affixing the indication specified in the attached "Description of Defendant's Indication 1" ("Defendant's Indication 1") or the indication specified in the attached "Description of Defendant's Indication 2" ("Defendant's Indication 2") thereto constitutes an act of unfair competition specified in Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act (act of causing confusion about the quality, etc.) and sought an injunction against the defendant's use, etc., of Defendant's Indications 1 and 2, and demanded disposal of the interior finishing material, etc. to which Defendant's Indication 2 is affixed (4.(1) to (3) of the section titled "Objects of the Claims").

1. Facts based on which court determinations are made

The following facts are undisputed by the parties concerned or easily recognizable based on the aforementioned evidence or the entire import of oral argument.

(1) Parties concerned

The plaintiff is a stock company established for the purpose of conducting civil engineering work, designing and constructing buildings, carrying out painting work, conducting spray-paint sign production work or waterproofing work, manufacturing and selling interior and exterior wall building materials, and caring out R&D activities concerning building materials. The plaintiff also engages, as a business, in the manufacturing, sale, etc. of colored plaster compositions.

The defendant is a stock company established for the purpose of manufacturing and selling interior and exterior plastering and painting materials, carrying out interior and exterior plastering and painting work, and conducting base coating work, etc. The defendant also engages, as a business, in the manufacturing, sale, etc. of colored plaster

compositions.

(2) Patent Right 1

A. The plaintiff has a patent right ("Patent Right 1") for the following patent ("Patent 1"; the invention described in Claim 1 of Patent 1 shall be hereinafter referred to as "Patented Invention 1"; the description and drawings related to Patent 1 shall be hereinafter referred to as "Description 1").

Patent No.: 3834792

Name of the invention: Color stabilizing process for a colored plaster composition

Application date: September 11, 2002

Priority date: September 11, 2001

Registration date: August 4, 2006

[Claim 1]

A color stabilizing process for a colored plaster composition containing a white component containing lime, inorganic color pigments, binding agent, and water that is characterized by containing a hydroxyl non-ionic hydrophilic high-molecular compound in said colored plaster composition and by using a combination of lime and inorganic white pigments as the aforementioned white component

B. Patented Invention 1 can be divided into the following constituent features.

A1: A color stabilizing process for a colored plaster composition containing a white component containing lime, inorganic color pigments, binding agent, and water

B1: containing a hydroxyl non-ionic hydrophilic high-molecular compound in said colored plaster composition

C1: using a combination of lime and inorganic white pigments as the aforementioned white component

D1: a process that is characterized by the aforementioned constituent features

(3) Patent Right 2

A. The plaintiff holds a patent right ("Patent Right 2") for the following patent ("Patent 2"; the invention described in Claim 1 of Patent 2 shall be hereinafter referred to as "Patented Invention 2-1"; the invention described in Claim 2 as "Patented Invention 2-2"; these are collectively referred to as "Patented Invention 2"; the description and drawings related to Patent 2 shall be hereinafter referred to as "Description 2").

Patent No.: 3975228

Name of the invention: Process for preventing the formation of washed-out spots in a colored plaster coating film

Application date: July 6, 2004

Priority date: February 15, 2002

Registration date: June 29, 2007

[Claim 1]

A process to prevent the formation of washed-out spots or any whitening due to washed-out spots in a colored plaster coating film consisting of a colored plaster composition containing lime, binding agent, and water, which is characterized by the use of a combination of white pigments and color pigments, i.e., oxidized metal or carbon black, as the coloring agents of said colored plaster composition

[Claim 2]

The process specified in Claim 1, which is characterized in that titanium oxide is used as white pigments.

B. Patented Inventions 2-1 and 2-2 can be divided into the following constituent features.

[Patented Invention 2-1]

A2: A process to prevent the formation of washed-out spots or any whitening due to washed-out spots in a colored plaster coating film consisting of a colored plaster composition containing lime, binding agent, and water

B2: A process characterized in that a combination of white pigments and color pigments, i.e., oxidized metal or carbon black, is used as the coloring agents of said colored plaster composition

[Patented Invention 2-2]

C2: Titanium oxide is used as white pigments

D2: A process specified in Claim 1

(4) License granted based on Patent Right 1 and assignment thereof

Regarding Patent 1, the patentee was the representative of the plaintiff as of August 4, 2006, when said patent was registered. The plaintiff was given a monopolistic non-exclusive license from the representative of the plaintiff.

Subsequently, the representative of the plaintiff assigned Patent Right 1 to the plaintiff. This transfer was registered on May 29, 2007.

(5) Defendant's act and the structures of Defendant's Products 1 and 2

A. For the period from February 9, 2007 to July 31, 2012 at the latest, the defendant manufactured, sold, and offered for sale Defendant's Product 1. Until around July 31, 2012, the defendant also manufactured, sold, and offered for sale products to which Defendant's Indication 2 was affixed ("Defendant's Product 2").

B. Defendant's Product 1 has the structure specified in the section titled "Structure" of the attached "Description of Defendant's Product." Defendant's Indication 1 was affixed

to the packages, advertisements, etc. thereof.

The defendant sent the plaintiff a document dated March 25, 2011 (Exhibit Ko 11) and stated therein that "we decided to completely remove 'lime' from the ingredients from now on. In September 2010, the defendant manufactured and sold, on a trial basis, an interior finishing material not containing lime under the same product name as that of Defendant's Product 1.

C. Defendant's Product 2 is an interior plaster finishing material that does not include lime.

2. Issues

(1) Claims made based on the patent rights

A. Whether the defendant's products fall within the technical scope of Patented Invention 1 (Issue 1-1)

B. Whether it is possible to seek an injunction against the manufacturing, sale, etc. of Defendant's Product 1 and demand disposal thereof based on Patent Right 1 (Issue 1-2)

C. Indirect infringement of Patent Right 2 (Article 101, item (v) of the Patent Act) (Issue 1-3)

D. Damage suffered by the plaintiff (Issue 1-4)

(2) Claims made based on the Unfair Competition Prevention Act

A. Applicability of an act of unfair competition (Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act (Issue 2-1)

B. Whether the plaintiff's business interests have been infringed or are likely to be infringed by the act of unfair competition (Issue 2-2)

(omitted)

No. 4 Court Decision

1. Issue 1-1 (Whether the defendant's products fall within the technical scope of Patented Invention 1)

(omitted)

(4) Summary

As described above, since the process that the defendant used in manufacturing Defendant's Product 1 can be found to have satisfied Constituent Features A to C of Patented Invention 1, it is clear that said process satisfies Constituent Feature D as well.

Therefore, it can be said that the process that the defendant used in manufacturing

Defendant's Product 1 satisfies the constituent features of Patented Invention 1 and falls within the technical scope thereof (it is reasonable that the plaintiff specifies the process used by the defendant as Defendant's Process 1, in other words, the process specified in the attached "Description of Defendant's Process 1").

2. Issue 1-2 (Whether it is possible to seek an injunction against the manufacturing, sale, etc. of Defendant's Product 1 and demand disposal thereof based on Patent Right 1)

The plaintiff alleged that Patented Invention 1 is an invention of a process for manufacturing products and that Defendant's Product 1 can be regarded as the product manufactured by use of said process. Based on this allegation, the plaintiff sought an injunction against the defendant's act of manufacturing products by use of said process and an injunction against the sale, etc. of Defendant's Product 1, and demanded disposal thereof (1.(1) and (2) of the section titled "Objects of the Claims").

The plaintiff's allegation was made on the premise that Patented Invention 1 is a process for manufacturing a color-stabilized colored plaster composition. Since the Patent Act differentiates an invention of a simple process from an invention of a process for manufacturing products in terms of the exercisability of the patent right (Article 2, paragraph (3) and Article 100, paragraph (2) of said Act). Therefore, it is necessary to clarify which type of invention is at issue.

In the case of Patented Invention 1, the claims do not describe said invention as a process for manufacturing products with such an expression as a "special process for manufacturing a colored plaster composition." Description 1 states that the color stabilizing process can allow the formation of a colored plaster coating film without any washed-out spots or unevenly colored spots. There is room to interpret this statement as meaning that the product manufactured by use of the process of Patented Invention1 is a plaster coating film because it is the product eventually produced. Therefore, it is not clearly indicated that Patented Invention 1 is an invention of a process for manufacturing a colored plaster composition.

On these grounds, it is reasonable to interpret that Patented Invention 1 is not an invention of a process for manufacturing products, but an invention of a simple process. Thus, it is not permitted to seek an injunction against the manufacturing, sale, etc. of Defendant's Product 1 or demand disposal thereof on the grounds of infringement of Patent Right 1. It is only possible to seek an injunction against the use of Defendant's Process 1 as a secondary claim.

(omitted)

3. Issue 1-3 (Indirect infringement of Patent Right 2 (Article 101, item (v) of the Patent Act))

The plaintiff's allegation that the manufacturing, sale, etc. of Defendant's Product 1 constitutes indirect infringement of Patent Right 2 for an invention of a process (Article 105, item (v) of the Patent Act) is examined below.

(1) "Product to be used for said process" and "product indispensable for the resolution of the problem by said invention"

Patented Invention 2-1 is a process that has such function and effect (Constituent Feature A) that, on the premise that it involves a "colored plaster composition containing lime, binding agent, and water," said process will "prevent the formation of washed-out spots and whitening due to washed-out spots in a colored plaster coating film consisting of said composition." Said process itself is specified as "a process characterized by the use of a combination of white pigments and color pigments, i.e., oxidized metal or carbon black, as the coloring agents of said colored plaster composition" (Constituent Feature B2). According to such wording, "a colored plaster composition containing lime, binding agent, and water" that contains a combination of white pigments and color pigments, i.e., oxidized metal or carbon black, as coloring agents of the colored plaster composition" can be considered to be a "product to be used for said process" and also a "product indispensable for the resolution of the problem by said invention" (Article 101, item (v) of the Patent Act) in relation to Patented Invention 2-1, which is an invention of a process that has the aforementioned function and effect. Furthermore, if the "white pigments" are "titanium oxide" (Constituent Feature C2), the same can be said in relation to Patented Invention 2-2.

There is a consensus between the parties concerned that Defendant's Product 1 is a colored plaster composition containing titanium oxide as white pigments, oxidized metal or carbon black as color pigments, lime, acrylic resin emulsion, methylcellulose, and water" and that the "titanium oxide as white pigments," "oxidized metal or carbon black as color pigments," "lime," "acrylic resin emulsion," and "water" contained in Defendant's Product 1 correspond to "white pigments (titanium oxide)," "oxidized metal or carbon black as color pigments," "lime," "binding agent," and "water" of Patented Inventions 2-1 and 2-2, respectively.

Therefore, Defendant's Product 1 can be regarded as a "product to be used for said process" and also a "product indispensable for the resolution of the problem by said invention" in relation to both Patented Inventions 2-1 and 2-2.

The defendant alleged that the purpose of adding titanium oxide to Defendant's Product 1 is to use its photocatalytic function and that Defendant's Product 1 does not

use a "process to prevent the formation of washed-out spots or any whitening due to washed-out spots in a colored plaster coating film (Constituent Feature A2). However, the plaintiff is not alleging that the defendant used the process of Patented Invention 2, but alleging that the manufacturing, sale, etc. of Defendant's Product 1 to be used for said process constitutes indirect infringement of Patent Right 2. Thus, the aforementioned defendant's allegation is unreasonable.

(2) "Knowing that said invention is a patented invention and said product is used for the working of the invention"

On January 17, 2011, the defendant received from the plaintiff a written notice titled "Inquiry" stating that Patented Invention 2 is a patented invention and that Defendant's Product 1 is to be used for the working of Patented Invention 2 (Exhibits Ko 6-1 and 6-2). Therefore, regarding the manufacturing, sale, etc. of Defendant's Product 1 on and after said date, it can be said that the defendant continued to do so, while "knowing that said invention is a patented invention and said product is used for the working of the invention" (Article 101, item (v) of the Patent Act).

(3) Summary

As described above, on and after January 17, 2011, the manufacturing, sale, etc. of Defendant's Product 1 by the defendant can be considered to fulfill the criteria specified in Article 101, item (v) of the Patent Act in relation to Patented Inventions 2-1 and 2-2. Therefore, said act of the defendant can be considered to constitute indirect infringement of Patent Right 2.

(4) Necessity of an injunction, etc. and the scope thereof

The defendant alleged that the defendant has refrained from the manufacture and sale of Defendant's Product 1 since August 1, 2012. In light of the situation, etc., from the time before the filing of this lawsuit, as mentioned in 2. above, there has been a risk that the defendant might engage in the manufacturing, sale, etc. of Defendant's Product 1 or products that are identical therewith in terms of the structure. It is impossible to deny the possibility that Defendant's Product 1 or products that are identical therewith in terms of the structure are still in stock. Thus, it is necessary to seek an injunction against the manufacturing, sale, etc. of the products that have the structure specified in the section "Structure" of the attached "Description of Defendant's Product 1" and to demand disposal thereof.

4 Issue 1-4 (Damage suffered by the plaintiff)

(1) Damage caused by infringement of Patent Right 1

A. Whether there were circumstances that satisfy the preconditions for the application of Article 102, paragraph (2) of the Patent Act

According to the evidence (Exhibits Ko 29, 30, 42 to 47, and 59) and the entire import of oral argument, since before February 9, 2007, from which the period subject to damages calculation starts, the plaintiff has been working Patented Invention 1 for the purpose of the color stabilization in the course of manufacturing the colored plaster composition under a brand name of another company and has been selling the colored plaster composition manufactured by use of such process. It is obvious that said colored plaster composition was in a competitive relationship with Defendant's Product 1 for which Patent Right 1 was infringed in the course of the manufacturing process.

Until May 29, 2007, the plaintiff was a monopolistic non-exclusive licensee. The plaintiff alleged that said monopolistic non-exclusive license was infringed by an act of tort. In order to calculate the amount of damage caused by infringement of a monopolistic non-exclusive license, Article 102, paragraph (2) of the Patent Act can also be interpreted to be applied analogically.

Therefore, it can be interpreted that the plaintiff suffered damage due to defendant's act of infringing Patent Right 1, etc. and that the amount of damage can be calculated by applying Article 102, paragraph (2) of the Patent Act (said provision should be applied analogically as far as the period of infringement of the monopolistic non-exclusive license is concerned; this explanation shall be hereinafter omitted).

B. Whether the profits from the sale of Defendant's Product 1 can be regarded as the "profits" from infringement of Patent Right 1, etc.

Regarding the application of Article 102, paragraph (2) of the Patent Act, the plaintiff alleged that the profits that the defendant gained from the sale of Defendant's Product 1 can be regarded as the profits that the defendant gained from infringement of Patent Right 1, etc. (Article 102, paragraph (2) of the Patent Act). However, as mentioned in 2. above, Patented Invention 1 is not an invention of a process for manufacturing products, but an invention of a simple process. Therefore, even if Defendant's Product 1 is a colored plaster composition manufactured by use of said process, the sale of said composition cannot be considered to be the working of Patented Invention 1 and does not constitute infringement of Patent Right 1. The issue is whether it is possible to consider the profits gained by the defendant from the sale of the Defendant's Product 1 as the profits from infringement of Patent Right 1, etc.

However, Patented Invention 1 has the function and effect of stabilizing the color of a colored plaster composition. In other words, as mentioned in Description 1, the conventional colored plaster composition has the following problem: "It is difficult to disperse the coloring agents evenly in lime. Even if it is mixed, the coloring agents separate easily, thus causing unevenly colored spots in the colored plaster coating film.

… Furthermore, lime is highly alkaline, which tends to destabilize the coloring agents and easily cause fading and washed-out spots, resulting in increasing the unevenness of the color of the coating film" (Paragraph [0004]). The use of Patented Invention 1 would make it "possible to increase the evenness of the color of the colored plaster composition and prevent the formation of uneven washed-out spots and thereby produce an evenly colored film" (Paragraph [0008]). Such function and effect has been proved by an experiment (Exhibits Ko 17 to 19). For a colored plaster composition used as a wall-coating material, the function and effect of providing an even, stable coloring and preventing the formation of unevenly colored spots in the colored plaster film in the course of the use of the plaster composition mean an increase in the effectiveness of the product as a wall-coating material. Such function and effect would directly increase its product value.

In consideration of such function and effect of Patented Invention 1, the economic benefits that the defendant gained by working Patented Invention 1 can be considered to be reflected in the profits from the sale of Defendant's Product 1, which achieved even, stable coloring. Therefore, the profits from the sale of Defendant's Product 1 can be interpreted to be the profits gained by the defendant from infringement of Patent Right 1, etc.

C. Profits gained by the defendant from the act of infringement

In this case, in order to calculate the profits gained from the sale of Defendant's Product 1 as "profits" (Article 102, paragraph (2) of the Patent Act), it is interpreted to be reasonable to deduct, from the sales of Defendant's Product 1, the manufacturing cost, which is the cost necessary to manufacture Defendant's Product 1 (there is a consensus between the parties that the manufacturing cost needs to be deducted, but there is a dispute between the parties with regard to the amount of manufacturing cost), while, with regard to the selling cost and the general administrative cost, only the variable cost should be deducted.

(A) Amount calculated by deducting the manufacturing cost from the sales of Defendant's Product 1

According to the evidence titled "Table of Sales by Product" (Exhibits Otsu 17 to 20, 45, and 46) submitted by the defendant, the defendant gained xxxxxxxxx yen from the sale of Defendant's Product 1 during the period from February 9, 2007, which is after the registration of Patent 1, to July 31, 2012, the date on which the manufacturing and sale of the defendant's products were suspended. Consequently, the defendant obtained xxxxxxxxx yen as gross profits (the amount calculated by deducting the manufacturing cost from the sales; the amount stated in the section "Total amount" of the section

"Gross profits from Defendant's Product 1 (before correction) (B)" of the attached table concerning the calculation of the selling cost and the general administrative cost.

In this respect, the defendant alleged that the "Table of Sales by Product" shows the gross profits calculated by deducting the manufacturing cost based on the figures for the preceding fiscal year and that it will be more accurate to use the amount stated in the attached Gross Profits Calculation Table, which shows the results of the recalculation as of the time of book closing. However, as a general theory, even though it is true that the profits calculated under a managerial accounting system, which requires timeliness, could be different from the profits calculated as of the time of book closing, the amount stated in the attached Gross Profits Calculation Table cannot be accepted as the accurate amount of gross profits because it is not proven by objective evidence.

(B) Other costs that should be deducted

The defendant alleged that, when calculating the "profits" (Article 102, paragraph (2) of the Patent Act), all of the selling cost and the general administrative cost should be deducted. However, as mentioned above, it is reasonable to deduct only the variable cost as far as the selling cost and the general administrative cost are concerned. Therefore, the defendant's allegation is unacceptable. While the defendant also alleged that the cost for developing Defendant's Product 1 (xxxxxxxxx yen paid prior to February 2007) should also be deducted, since such deduction is unreasonable for the same reason, this allegation of the defendant is also unacceptable.

The defendant alleged that, even if it is impossible to deduct all of the selling cost and the general administrative cost, the cost of producing samples of Defendant's Product 1 (xxxxxxxx yen), the cost of preparing catalogues, etc. (xxxxxxxx yen), and the advertisement cost (xxxxxxxx yen) should be deducted. However, there is no sufficient evidence to prove that the aforementioned cost of producing samples was paid. On the other hand, according to the evidence (Exhibits Otsu 55, 57, 65, 66, 69, 70, 77, and 78), the defendant paid xxxxxxxx yen to prepare catalogues, etc. for Defendant's Product 1. Moreover, according to the evidence (Exhibits Otsu 55 to 65, 67, 68, and 70 to 75), the defendant also paid xxxxxxxx yen to publish advertisements for Defendant's Product 1. These advertisement activities including the preparation of such catalogs and the publication of advertisements are important as a means to win the public recognition of Defendant's Product 1 and to explain to customers, especially new customers, the features and effectiveness of the product. This is especially important for Defendant's Product 1 because it is impossible to understand the features, etc. of Defendant's Product 1 from its appearance. Therefore, the total cost of xxxxxxxx yen should be regarded as a variable cost in relation to the sales of Defendant's Product 1.

(C) Summary

As explained above, the profits gained by the defendant from infringement of Patent Right 1, etc. are calculated to be 56,970,427 yen (= xxxxxxxxx yen minus xxxxxxxx yen).

D. Contribution ratio

Under Article 102, paragraph (2) of the Patent Act, if an infringer of a patent right (or a monopolistic non-exclusive license) earns profits from the act of infringement, the amount of profits would be presumed to be the same as the amount of damage. Depending on the contribution ratio of the working of the patented invention to said profits, the presumed amount of damage should be reduced.

As described in B. above, Patented Invention 1 improves the evenness and stability of the coloring of a colored plaster composition and has the function and effect of preventing the formation of unevenly colored spots in the colored plaster coating film when the plaster composition is used. For a colored plaster composition to be used as a wall-coating material, such function and effect would enhance its effectiveness and directly increase its product value. Therefore, it is clear that such function and effect has contributed to the profits gained from the sale of Defendant's Product 1.

However, Patented Invention 1 is neither an invention of a product nor an invention of a process for manufacturing products, but is an invention of a simple process. Therefore, there is no choice but to evaluate Patented Invention 1 to be insignificant in terms of the contribution ratio to the generation of the profits from the sale of the relevant products.

Furthermore, the website (Exhibit Ko 25) and the catalog (Exhibit Ko 26) that present Defendant's Product 1 failed to explain, as its features, the ingredients specified in Patented Invention 1, the evenness and stability of the coloring thanks to said ingredients, and the function and effect of preventing the formation of unevenly colored spots in the colored plaster coating film in the course of the use of the product. The website and catalog emphasized that Defendant's Product 1 has a humidity control function provided by the plaster, and also has a deodorizing function provided by the titanium oxide, and an antibacterial function provided by the silver ions. These functions of the product are presumed to have increased the demand to a certain extent (Exhibits Otsu 50 to 52).

In addition to these circumstances mentioned above, in consideration of the existence of competitors (Exhibits Ko 33, Otsu 12 and 13), a reduction of up to 60% of the presumed amount specified in Article 102, paragraph (2) of the Patent Act should be permitted.

The defendant alleged that the goodwill and trust customers have regarding the defendant have greatly contributed to the generation of the profits from the sale of Defendant's Product 1. However, there is no objective, concrete evidence to prove what activities the defendant conducted in order to strengthen this trust in addition to the preparation of the catalogues, etc. and the publication of advertisements mentioned in C. above. Regarding the business activities of the defendant, more than 10% of the gross profits has already been deducted from the profits as the advertisement cost. It is impossible to recognize any other factors that would further boost the contribution ratio.

The defendant alleged that the defendant suspended the manufacturing of Defendant's Product 1 and changed the ingredients in August 2012 so that the product would no longer contain lime. As the stability of the color has improved, the sales of the product have not declined since the period before the change (Exhibits Otsu 53, 54, and 79 to 87). However, there is no sufficient evidence to prove whether and to what degree said change has stabilized the color. In addition, it is not clear what specific measures have been taken to maintain the sales after the change in the ingredients. Therefore, it is impossible to recognize that these factors reveal any reasons for finding that the contribution ratio of Patented Invention 1 is low.

Therefore, under Article 102, paragraph (2) of the Patent Act, the amount of damage suffered by the plaintiff (lost earnings) can be calculated as 22,788,170 yen (= 56,970,427 yen × (1-0.6); all digits to the right of the decimal point shall be rounded down).

(2) Damage caused by infringement of Patent Right 2

The plaintiff alleged that, during the period from June 29, 2007, on which Patent 2 was registered, to July 31, 2012, the date on which the manufacturing of Defendant's Product 1 was suspended, in other words, during the period when the period of infringement of Patent Right 1 overlaps with the period of infringement of Patent Right 2, the amount of damage should be calculated by using whichever calculation method gives a higher result under Article 102, paragraph (2) of the Patent Act.

Meanwhile, Patented Inventions 2-1 and 2-2 have the function and effect of preventing the formation of washed-out spots or any whitening due to washed-out spots in a colored plaster coating film consisting of a colored plaster composition. In other words, as mentioned in Description 2, the conventional colored plaster composition has the following problem: "It is difficult to disperse the coloring agents evenly in lime. If it is mixed with lime, the coloring agents separate easily, causing unevenly colored spots in the colored plaster coating film" (Paragraph [0004]). By choosing the ingredients for the colored plaster composition as specified by Patented Inventions 2-1 and 2-2, "it will

become possible to improve the evenness and stability of the color of the plaster composition," and "by using said coloring process, it is possible to significantly prevent the formation of washed-out spots and unevenly colored spots in the coating film" (Paragraph [0010]).

In short, the function and effect and the product value that Defendant's Product 1 has come to have as a result of indirect infringement of Patent Right 2 as well as the economic benefits that the defendant obtained as a result are not different from those obtained as a result of infringement of Patent Right 1 in substance. Patented Inventions 2-1 and 2-2 are inventions of simple processes. The manufacturing and sale of Defendant's Product 1 does not constitute direct infringement of the patent right, but constitutes merely indirect infringement. For this reason, in comparison with the case of direct infringement of a patent right for an invention of a product or a patent right for an invention of a process for manufacturing products, the ratio of contribution to the profits from the sale should be found to be lower as is the case with Patent Right 1.

Therefore, the amount of damage caused by infringement of Patent Right 2 should be considered to have been fully evaluated when the amount of damage caused by infringement of Patent Right 1 was calculated. Therefore, it is not necessary to separately calculate the amount of damage. The amount of damage (lost earnings) caused by infringement of Patent Right 1, etc. and Patent Right 2 should be evaluated as 22,788,170 yen as calculated in (1) above.

(3) Attorney's fee

In consideration of the amount of damage calculated in (1) and (2) above, the fact that the claim for an injunction should be found to be acceptable, and other circumstances such as the level of difficulty of this lawsuit and the attorney's fee borne by the plaintiff should be considered to be the same as the amount of damage that has a causal relationship with infringement of Patent Right 1, etc. and Patent Right 2 with the maximum limit of four million yen.

(4) Total amount of damage

On these grounds, the amount of damage suffered by the plaintiff due to infringement of Patent Right 1, etc. and Patent Right 2 can be calculated as 26,788,170 yen.

For the damage that occurred by May 29, 2011, the plaintiff demanded payment of delay damages for the period from said date. For the damage that occurred from May 30, 2011 to July 31, 2012, the plaintiff demanded payment of delay damages for the period from said date. It is reasonable to calculate the amount of damage during these periods by dividing the total amount of damage proportionately to the amount of the gross

profits from the sale of Defendant's Product 1 during each period.

The gross profits from the sale of Defendant's Product 1 was 52,005,296 yen during the period from February 9, 2007 to May 29, 2011 (Exhibits Otsu 17 to 21), and 13,033,440 yen during the period from May 30, 2011 to July 31, 2012 (Exhibits Otsu 21, 45, and 46). If 26,788,170 yen is divided proportionately to these amounts, the calculation of the damage that occurred until May 29, 2011 would be 21,419,954 yen (all digits to the right of the decimal point shall be rounded down), while the damage that occurred during the period from May 30, 2011 to July 31, 2012 would be 5,368,216 yen (all digits to the right of the decimal point shall be rounded down).

(omitted)

7. Conclusion

As described above, the claims specified in 1.(1) and (2) of the section titled "Objects of the Claims" made on the premise that Patent Right 1 is for an invention of a process for manufacturing products are groundless. On the other hand, the secondary claim specified in 1.(3) of the section titled "Objects of the Claims" on the premise that Patent Right 1 is for an invention of a simple process is well grounded and acceptable (paragraph 1 of the main text). The claims specified in in 2.(1) and (2) of the section titled "Objects of the Claims" are acceptable only to the extent that pertains to Defendant's Product 1 (with the product name "しっくいペイント Ag+"), which is one of the products defined in the attached "Description of Defendant's Product 1" (paragraphs 2 and 3 of the main text). The claim for payment of damages specified in 3. of the section titled "Objects of the Claims" is acceptable to the extent specified in paragraph 4 of the main text. The claims specified in 4.(1) to (3) of the section titled "Objects of the Claims" made on the ground of the act of unfair competition specified in Article 2, paragraph (1), item (xiii) of the Unfair Competition Prevention Act are well grounded with regard to Defendant's Product 2 to which Defendant's Indication 2 is affixed (paragraphs 6 and 7 of the main text), while they are found to be well grounded only to the extent that pertains to a lime-free interior finishing material to which Defendant's Indication 1 is affixed (paragraph 5 of the main text). Any other claims are groundless and shall be dismissed. The court costs shall be paid in accordance with paragraph 9 of the main text. The provisional execution shall be declared in accordance with paragraph 10 of the main text.

Osaka District Court, 21st Civil Division

Presiding judge: TANI Yuko

Judge: MATSUAMI Takashi
Judge: MATSUKAWA Mitsuyasu

Description of Defendant's Process 1

A process for stabilizing the color of a colored plaster composition containing a white component containing lime hydrate, inorganic color pigments as coloring agents, acrylic resin emulsion, and water, which is characterized by said colored plaster composition containing methylcellulose, and a combination of lime hydrate and titanium oxide being used as the aforementioned white component

Description of Defendant's Process 2

A process for preventing the formation of washed-out spots or any whitening due to washed-out spots in a colored plaster coating film consisting of a colored plaster composition containing lime hydrate, acrylic resin emulsion, and water, which is characterized by the use of a combination of titanium oxide as white pigments and oxidized metal or carbon black as color pigments as the coloring agents of said plaster composition.

Description of Defendant's Product 1

1. Product name
"しっくいペイント Ag+"
The aforementioned product name is not intended to limit the subject matters. The name merely provides additional information. The subject matters are not limited to the product having the aforementioned product name, but include any colored plaster compositions having the structure specified in 2. below.

2. Structure
A colored plaster composition containing titanium oxide as white pigments, oxidized metal or carbon black as color pigments, lime, acrylic resin emulsion, methylcellulose, and water

Description of Defendant's Indication 1
"しっくいペイント Ag+"

Description of Defendant's Indication 2

"しっくい HR"