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| Date | October 16, 2003 | Court | Tokyo District Court |
| Case number | 2002 (Wa) 1943 | | |
| <p>[i] A case in which the court found that the plaintiff's product does not fall within the technical scope of the defendant's U.S. patent right.</p> <p>[ii] A case in which, with respect to the claim for an injunction alleging that the defendant's act of making or circulating allegations of facts to the plaintiff's customers in the U.S. is an act of business defamation, the court found that the law of Japan is the applicable law ([iv]' The applicable law of a statutory claim that naturally arises between competitors from a legal standpoint due to the occurrence of an act of business defamation is provided by Article 11, paragraph (1) of the Act on General Rules for Application of Laws (Article 17 of the current Act on General Rules for Application of Laws)).</p> | | | |

Reference: Section 271(a) and Section 283 of the U.S. patent law with respect to [i] above and Article 11, paragraph (1) of the Act on General Rules for Application of Laws (Article 17 of the current Act on General Rules for Application of Laws) with respect to [ii] above

Number of related rights, etc.: U.S. Patent No. 4540584

Summary of the Judgment

1. In this case, the plaintiff, which manufactures coral fossil powder and sells it as healthy food in Japan and also exports and sells said product in the United States, alleged against the defendant, which is a Japanese corporation that holds a U.S. patent right for an invention of a composition, etc. for promotion of health using coral sand, that the sale of the plaintiff's product in the United States does not constitute infringement of the defendant's U.S. patent right. Based on this allegation, the plaintiff sought a declaratory judgment that the defendant does not have the right to seek an injunction against the plaintiff's sale of the aforementioned plaintiff's product in the United States based on the aforementioned U.S. patent right, and also sought an injunction against the act of making or circulating the allegation that the plaintiff's sale of the plaintiff's product in the United States constitutes infringement of the defendant's U.S. patent right (Article 2, paragraph (1), item (xiv) (currently, item (xv)) of the Unfair Competition Prevention Act) under Article 3, paragraph (1) of said Act.

In this judgment, the court mainly held as follows and dismissed the claim seeking a declaratory judgment mentioned above but upheld the claim seeking an injunction mentioned above.

(1) Regarding the fulfillment of the technical scope of the defendant's U.S. patent right

by the plaintiff's product

Based on the determination using the method of determining patent infringement under the U.S. patent law, the plaintiff's product does not fulfill Constituent Feature [B] of the defendant's U.S. patent right and thus literal infringement is not established.

In addition, under the method of determining patent infringement under the U.S. patent law, even where literal infringement is not established, if the subject product fulfills a function that is identical with that of a patented invention by a substantially identical method and produces a result that is identical with that of the patented invention, the subject product falls within the technical scope of the patented invention as an equivalent to the patented invention. However, if any of the constituent features of the claims is limited in relation to patentability in the prosecution history, enlargement of the right by the doctrine of equivalents is not permitted in relation to the relevant constituent feature. In this case, the defendant cannot be considered as having proven that coral sand of a particle size outside the range limited by Constituent Feature [B] is not waived through the amendment (U.S. Supreme Court judgment on the Festo case). Therefore, infringement by the doctrine of equivalents is not established for the plaintiff's product.

(2) Regarding the claim for an injunction against the act of business defamation

The act of business defamation alleged by the plaintiff can be considered as being in the legal relationship including foreign affairs-related elements in that it is an action committed by the defendant against the plaintiff's customers in the United States. Therefore, it is necessary to determine the applicable law.

The right to seek an injunction against the act of business defamation is a statutory claim that naturally arises between competitors from a legal standpoint due to the occurrence of an act of business defamation. Application of laws to these is provided by Article 11, paragraph (1) of the Act on General Rules for Application of Laws (Article 17 of the current Act on General Rules for Application of Laws), and law at the place of occurrence of the fact that serves as the cause of the right to claim is the applicable law.

According to the plaintiff's allegation in this case, the place of occurrence of the fact that serves as the cause is the place where the defendant transmitted or sent the email or letter, and the law of Japan is thus the applicable law. Consequently, a determination is to be made on whether the defendant's act falls under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) (currently, item (xv)) of the Unfair Competition Prevention Act.

Judgment rendered on October 16, 2003

2002 (Wa) 1943, Case of Seeking Injunction against Act of Business Defamation

(Date of conclusion of oral argument: June 20, 2003)

Judgment

Plaintiff: Kabushiki Kaisha Coral Corporation

Defendant: Marine Bio Co., Ltd.

Main text

1. The court shall declare that the defendant does not have the right to seek an injunction against the plaintiff's sale of coral fossil powder stated in the Item List attached to this judgment in the United States based on the patent right of U.S. Patent No. 4540584.
2. The defendant shall neither make nor circulate, from Japan to the plaintiff's customers in the United States, the allegation that the plaintiff's act of selling coral fossil powder stated in the Item List attached to this judgment in the United States constitutes infringement of the patent right of U.S. Patent No. 4540584.
3. The defendant shall neither make nor circulate, from Japan to the plaintiff's customers in the United States, the allegation that said customers' act of selling coral fossil powder stated in the Item List attached to this judgment in the United States constitutes infringement of the patent right of U.S. Patent No. 4540584.
4. The defendant shall pay to the plaintiff 2,998,000 yen and the amount accrued thereon at the rate of 5% per annum for the period from February 15, 2002, to the date of completion of the payment.
5. Out of the claims in this action, the claim for a declaratory judgment to the effect that "The court shall declare that the defendant does not have the right to seek an injunction against the sale in the United States of coral fossil powder stated in the Item List attached to this judgment by the plaintiff's customers in the United States based on the patent right of U.S. Patent No. 4540584" shall be dismissed.
6. The plaintiff's other claims shall be dismissed.
7. The court costs shall be divided into three, and the plaintiff shall bear one-third thereof and the defendant shall bear the remaining amount.
8. Paragraphs 2 to 4 of this judgment may be provisionally executed.

Facts and reasons

No. 1 Objects of claims

1. The same as paragraph 1 of the main text.
2. The same as paragraph 2 of the main text.
3. The court shall declare that the defendant does not have the right to seek an injunction against the sale in the United States of coral fossil powder stated in the Item List attached to this judgment by the plaintiff's customers in the United States based on the patent right of U.S. Patent No. 4540584.
4. The same as paragraph 3 of the main text.
5. The defendant shall pay to the plaintiff 18,717,875 yen and the amount accrued thereon at the rate of 5% per annum for the period from February 15, 2002 (date of service of the complaint) to the date of completion of the payment.

No. 2 Answer to the objects of claims

1. Answer before the merits

The claims pertaining to paragraphs 1, 3, and 4 of the objects of claims shall be dismissed.

2. Answer on the merits

All the plaintiff's claims shall be dismissed.

No. 3 Outline of the case, etc.

1.(1) The plaintiff is a company which manufactures coral fossil powder by grinding hermatypic coral fossil and sells it as healthy food in Japan and also exports and sells said product in the United States. The defendant company, which is a Japanese corporation, holds a U.S. patent right for an invention of a composition, etc. for promotion of health using coral sand.

The plaintiff alleges as follows: The aforementioned plaintiff's product does not fall within the technical scope of the defendant's U.S. patent right, and there is a ground for invalidation of said patent right; therefore, the sale of the aforementioned plaintiff's product in the United States does not constitute infringement of the aforementioned U.S. patent right. Based on this allegation, the plaintiff seeks a declaratory judgment that the defendant does not have the right to seek an injunction against the plaintiff's sale of the aforementioned plaintiff's product in the United States based on the aforementioned U.S. patent right (paragraph 1 of the objects of claims), and also seeks a declaratory judgment that the defendant does not have the right to seek an injunction against the sale in the United States of the aforementioned plaintiff's product by the plaintiff's customers in the United States based on the aforementioned U.S. patent right (paragraph 3 of the objects of claims).

Moreover, regarding the defendant's act of sending to the plaintiff's customers in the United States a warning letter, etc. stating that the aforementioned plaintiff's product infringes the defendant's U.S. patent right, the plaintiff alleges that the aforementioned warnings given by the

defendant fall under the act of making or circulating false allegations as prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act and harm the plaintiff's business reputation. Based on this allegation, the plaintiff seeks an injunction against the act of making or circulating the allegation that the plaintiff's sale of the plaintiff's product in the United States constitutes infringement of the U.S. patent right of the defendant's U.S. patent right (paragraph 2 of the objects of claims) and an injunction against the act of making or circulating the allegation that the sale of the plaintiff's product in the United States by the plaintiff's customers constitutes infringement of the defendant's U.S. patent right (paragraph 4 of the objects of claims) under Article 3, paragraph (1) of said Act, as well as compensation for damages (paragraph 5 of the objects of claims) under Article 4 of said Act.

(2) In response to this, as an allegation before the merits, the defendant alleges that the Japanese court is not recognized as having international jurisdiction over the action to seek a declaratory judgment on the non-existence of the right to seek an injunction based on the U.S. patent right as stated in paragraphs 1 and 3 of the objects of claims on the grounds of the principle of territoriality, etc. Furthermore, the defendant also alleges as follows: Even if international jurisdiction of the Japanese court is affirmed, whether the judgment in this action is approved in the United States is unclear; therefore, this action cannot be considered as an effective and appropriate means for solving the dispute, and the aforementioned claims for a declaratory judgment have no benefit. Moreover, the defendant also alleges that as paragraph 3 of the objects of claims is on the issue of the relationship of rights between the defendant and a third party other than the plaintiff, the claim stated in said paragraph also has no benefit of a declaratory judgment in this regard. Regarding paragraph 4 of the objects of claims, the defendant does not deny that the Japanese court has international jurisdiction, but alleges that the claim stated in said paragraph is originally not recognized as having any benefit of an action as said paragraph is on the issue of the relationship of rights between the defendant and a third party other than the plaintiff, in the same manner as paragraph 3 of the objects of claims. As stated in No. 2, 1. above, the defendant seeks a judgment that dismisses this action pertaining to the claims stated in paragraphs 1, 3, and 4 of the objects of claims.

As an allegation on the merits, the defendant alleges that the sale of the plaintiff's product in the United States constitutes infringement of the aforementioned U.S. patent right (literal infringement or infringement by the doctrine of equivalents) as the aforementioned plaintiff's product falls within the technical scope of the defendant's U.S. patent right literally or through application of the doctrine of equivalents and there is no ground for invalidation of said patent right. Based on this allegation, the defendant seeks the dismissal of the plaintiff's claims.

2. Facts on which the decision is premised (facts on which there is no dispute between the parties and facts that can be easily determined by evidence)

(1) Parties, etc.

A. The plaintiff is a stock company which has its head office in Ishigaki-shi, Okinawa and whose principal purpose is to manufacture fine coral fossil powder by grinding hermatypic coral fossil and sell such fine powder as healthy food.

On Yonaguni Island in Okinawa, there is a coral fossil (limestone) mine, which is a result of coral reef having heaved about 40,000 years ago and having become a coral fossil (limestone) mine on shore. The plaintiff has the mining right for this coral fossil (limestone) mine and mines coral fossil blocks. The plaintiff makes some of those blocks into resources for civil engineering and makes the remaining into fine powder at a coral fossil grinding plant established near the mine and manufactures and sells the coral fossil powder stated in the Item List attached to this judgment (product name: "*Donan*"; hereinafter referred to as the "Plaintiff's Product") as healthy food.

The main component of the Plaintiff's Product is calcium carbonate which is a component deriving from coral insects (coelenterate), and the Plaintiff's Product also comprises sodium, potassium, magnesium, manganese, silicon, etc.

There are various types of usage of the Plaintiff's Product, such as adding it together with nutrient sources (vitamin, etc.) to foodstuffs to enhance their nutritional value, not limited to eating it in the original form of powder as a nutrient source.

B. The defendant is a stock company which has its head office in Chiyoda-ku, Tokyo and whose principal purpose is to manufacture and sell healthy food and water quality purifiers, which are made from coral sand obtained from the seabed in the Okinawa region.

C. The plaintiff exports the Plaintiff's Product to a U.S. company, Health Co. net (the current Coral Inc.), and Health Co. net mixes the Plaintiff's Product with other nutritional supplements, such as vitamins, and sells it in the United States as calcium-containing healthy food "Coral Plus." In addition, there is Health Nutrients, Inc., an affiliated company of Health Co. net (Exhibit Ko 2, Exhibit Otsu 13, and the entire import of the oral argument).

(2) Regarding the U.S. patent right of the defendant

A.(A) P, who is the former representative of the defendant, filed patent applications in Japan, the United States, etc. for an invention of food, etc. using coral sand and obtained the following U.S. patent (hereinafter referred to as the "U.S. Patent Right") (Exhibit Ko 3-1).

U.S. Patent No. (USP, NO): 4540584

Date of patent registration: September 10, 1985

Date of expiration of duration of right: December 28, 2003

(20 years from the filing date: Section 154(c)(1) of the U.S. patent law)

Title of the invention: Composition for promotion of health

Filing date: December 28, 1983

Foreign application pertaining to priority: [Japan] Patent Application No. 1982-233889

December 28, 1982

(B) Prosecution history of the U.S. Patent Right (Exhibit Otsu 11)

a. The application for the U.S. Patent Right was originally (as of December 28, 1983) filed as an application consisting of 10 claims, including Claim 1, which is a single independent claim.

b. Claim 1 at the time of the filing defined the invention as a "component for promotion of health comprising coral sand as an effective component." However, the examiner refused Claim 1 by citing many publicly known examples that are published in a periodical titled "Chemical Abstracts" (hereinafter simply referred to as "Chemical Abstracts"). As publicly known examples published in Chemical Abstracts included 20 to 60-mesh coral sand that is used for removing heavy metal from drainage (see pages 2 to 4 of the instructions dated September 13, 1984), the defendant, who is the applicant, amended Claim 1 as stated in the scope of claims of the U.S. Patent Right in B.(C) below in the written amendment submitted on February 13, 1985.

c. The defendant, who is the applicant, alleges a difference from prior art by noting in the part stating opinions in the aforementioned written amendment, that no issue of Chemical Abstracts instructs the use of coral sand powder as a mineral supplement (see page 5 of the written amendment dated February 13, 1985). The defendant also states as follows: "Therefore, no record document suggests the '50 to 500 mesh' requirement. This size is effective for intake of a mineral supplement in the human body" (same as above).

d. The reason for refusal was avoided through the aforementioned amendment, and the U.S. Patent Right was registered.

(C) Former representative P, who was the patentee of the U.S. Patent Right, died on September 16, 2001, and Q, who is P's wife, inherited the U.S. Patent Right after consultation for division of estate held by P's heirs (the entire import of the oral argument).

Q assigned the U.S. Patent Right to the defendant by a document dated December 24, 2002, and said assignment was registered with the United States Patent and Trademark Office on January 6, 2003 (Exhibits Otsu 14-1 to 14-3 and 23-1 to 23-3).

B. Content of the statements in the description of the U.S. Patent Right (hereinafter referred to as the "Description") (Exhibit Ko 3-1)

(A) Abstract

Coral sand obtained from the living skeletons or semi-fossils of hermatypic coral or hidden reef-building coral is ground into about 150 to 500 mesh, and the resulting coral sand powder is provided as drinkables or tablets for promotion of health.

(B) Outline of the invention (lines 48 to 57 in Section 1)

The present invention is based on the discovery that coral sand obtained by grinding living skeletons and semi-fossils of hermatypic coral or hidden reef-building coral (hereinafter referred

to as "hermatypic coral") contains calcium carbonate as a main component and a variety of minerals required by the human body in ecologically chemical portions. That is, the present invention is directed to a composition for promotion of health comprising coral sand as an effective component.

(C) Scope of claims (lines 35 to 40 in Section 4)

[Claim 1] (hereinafter this invention is referred to as the "Patented Invention," and segmented parts thereof are referred to as "Constituent Feature [A]" and "Constituent Feature [B]," respectively)

[A] A mineral supplement, comprising coral sand as an effective component in an amount sufficient to provide calcium carbonate and other minerals as a mineral supplement for humans;

[B] wherein said coral sand is in the form of a fine powder of a particle size passing about 150 to 500 mesh.

([Claim 2] to [Claim 20] are omitted)

(D) Description of the preferred embodiments

a. The composition of the present invention is characterized in that coral sand is contained as an effective component. Coral sand which is obtained from living skeletons and semi-fossils of hermatypic coral contains calcium carbonate (CaCO_3) as a main component (about 95%), magnesium, strontium, sodium, potassium, phosphorus, and chlorine, which are important bio-elements, and further essential inorganic vitamin elements, such as iron, copper, manganese cobalt, chromium, and boron (lines 64 to 68 in Section 1).

b. Naturally occurring coral sand is washed to be desalinated, and then the desalinated coral sand is disinfected and dried at temperatures of about 80°C to about 150°C, preferably 90°C to 120°C, and the disinfected and dried coral sand is ground into 150 to 500 mesh, preferably 200 to 450 mesh. This grinding can also be effected either by freeze drying the disinfected and dried coral sand at temperatures of about -180°C to -200°C in a nitrogen atmosphere, or in a state where coral sand has been kneaded together with seawater or fresh water (lines 48 to 57 in Section 2).

(3) Content of an email, etc. which Health Co. net, etc., which are the plaintiff's customers in the United States, received (incidentally, the parties disagree on the sender of the email, etc., as mentioned below)

A. Health Co. net received an email with the following content from Japan on March 2, 2000 (hereinafter the email dated said date is referred to as the "First Warning").

"The product called 'CORAL PLUS' handled by Health Co. net completely infringes U.S. Patent No. 4540584 and other rights of the defendant, and we request you to make a reply within seven days. Otherwise, we will immediately file an action with the U.S. court." (Exhibit Ko 4)

B. Around July 16, 2001, the person in charge at Health Nutrients, Inc., which is an affiliated company of Health Co. net, sent to R, who takes charge of the transaction of the Plaintiff's Product

in the United States, an email that describes the details of a meeting between Health Nutrients, Inc. and the defendant (Exhibit Ko 9-1).

The aforementioned email stated as follows: Health Nutrients, Inc. was shown by the defendant copies of the first one page of the judgment on the action to seek an injunction against the manufacturing and sale of a product rendered by the Naha District Court (1998 (Wa) 429) (Exhibit Ko 9-2) and the Product List attached to said judgment, and was then told that "In said judgment, the court determined that all the coral used for healthy food is protected by the global patent of Marine Bio Co., Ltd. (defendant in this action)" and "Marine Bio (defendant in this action) intends to claim rights against Coral Corporation (plaintiff in this action) because Coral Corporation has continued to ignore its notification of the fact that *Donan* (Plaintiff's Product) of Coral Corporation infringes the U.S. Patent Right, and Marine Bio is also preparing to file an action against Health Nutrients, Inc."

C. Health Co. net received a letter with the following content which is dated November 2, 2001 from Japan (Exhibit Ko 12) (hereinafter the letter dated said date is referred to as the "Second Warning")

The content thereof is as follows.

"We examined patent infringement committed by Coral Corporation (plaintiff in this action) with our patent attorney and consulting lawyer. We then felt sure that if we file an action against Coral Corporation, we would win the case. However, do you know the fact that if we file the action, both you and Coral Corporation will bear the costs of hundreds of thousands of dollars? We are sure that we will win this case, but our investigation revealed that Coral Corporation is never considered as being able to pay court costs and other expenses. Therefore, we would like to give you the advice that it would be a good solution for you to solve the dispute through negotiations with us out of court. As you also know, our company, Marine Bio (defendant in this action), has been a leading company in the domestic and overseas markets for coral and other goods for over about 40 years. We will never betray the trust of any of our customers who have ever conducted transaction with us. This is our company's spirit. We know that you will make a great decision. We look forward to doing much business with you."

No. 4 Issues

1. Issue 1: Defense before the merits (international jurisdiction over the action pertaining to paragraphs 1 and 3 of the objects of claims, existence or absence of the benefit of a declaratory judgment (benefit of an action), and existence or absence of the benefit of an action in relation to the action pertaining to paragraph 4)
2. Issue 2: Whether the sale of the Plaintiff's Product constitutes infringement of the U.S. Patent Right
3. Issue 3: Whether the defendant's act falls under the "act of making or circulating false

allegations" as prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act

4. Issue 4: Damages incurred by the plaintiff

(omitted)

No. 6 Court decision

1. Regarding Issue 1 (Defense before the merits)

(1) Regarding international jurisdiction (see Exhibits Ko 14 to 16)

A. Paragraphs 1 and 3 of the objects of claims are claims for a declaratory judgment on the non-existence of the right to seek an injunction against the act of selling the Plaintiff's Product in the United States based on the U.S. Patent Right. However, the defendant alleges that Japan does not have international jurisdiction over the action pertaining to the aforementioned claims by stating such as that the principle of territoriality is applicable to a patent right as a reason therefor. Therefore, this issue is first considered.

B. There is no internationally approved general rule for international jurisdiction, and international customary law has yet to be sufficiently mature. Therefore, it is reasonable to determine whether Japan is recognized as having international jurisdiction over a specific case based on impartiality between the parties and the principle of appropriateness and promptness of court proceedings in accordance with reason. Where any of the venues provided in the Code of Civil Procedure of Japan exists within Japan in relation to an action filed with the Japanese court, it is reasonable to affirm the international jurisdiction of Japan over said action unless there are special circumstances where reaching a judicial decision in Japan goes against impartiality between the parties or the principle of appropriateness and promptness of court proceedings (see the judgment of the Second Petty Bench of the Supreme Court of October 16, 1981, 1980 (O) 130, Minshu, Vol. 35, No. 7, at 1224, the judgment of the Second Petty Bench of the Supreme Court of June 24, 1996, 1993 (O) 764, Minshu, Vol. 50, No. 7, at 1451, and the judgment of the Third Petty Bench of the Supreme Court of November 11, 1997, 1993 (O) 1660, Minshu, Vol. 51, No. 10, at 4055).

Considering this in relation to this case, the defendant is a Japanese corporation having its head office in Japan, and the general venue for an action against the defendant exists in Japan (Article 4, paragraph (4) of the Code of Civil Procedure). Therefore, it is reasonable to affirm the international jurisdiction of Japan unless there are special circumstances as mentioned above.

C. The defendant alleges that the international jurisdiction of Japan is denied over the action pertaining to the aforementioned claims by stating that the principle of territoriality is applicable to a patent right as a reason therefor. However, the principle of territoriality of a patent right means

that each country's patent right is provided by the law of the relevant country in relation to its establishment, transfer, effect, etc. and that the effect of a patent right is recognized only in the territory of the relevant country (judgment of the Third Petty Bench of the Supreme Court of July 1, 1997, 1995 (O) 1988, Minshu, Vol. 51, No. 6, at 2299), and it is related to the effect of a patent right under substantive law and does not refer to international jurisdiction over an action concerning a patent right.

A claim for an injunction based on a patent right is a claim based on the property right of a private person. Therefore, whether the international jurisdiction of Japan should be affirmed should be determined in accordance with the aforementioned principle, deeming the relevant action as an action pertaining to an ordinary claim under private law. Where the general venue for an action against the defendant exists in Japan, the international jurisdiction of Japan is affirmed. For certain, the requirements for establishment of a patent right and effect thereof are provided by the law of each country from the perspective of the economic policy of the country, and are related to the policy determinations of the country to that extent. However, even if that point is taken into account in determining applicable law for an action to seek an injunction, it does not serve as a reason for denying the international jurisdiction of a country other than the country where said patent right has been registered (see the judgment of the First Petty Bench of the Supreme Court of September 26, 2002, 2000 (Ju) 580, Minshu, Vol. 56, No. 7, at 1551).

D. Incidentally, an action to seek a judgment that denies establishment of a patent right or invalidates a patent right is generally considered as falling under the exclusive jurisdiction of the country where the patent right has been registered. In an action to seek an injunction based on a patent right, the other party is often permitted to argue against the patentee's claim by alleging the invalidity of the relevant patent as a defense under positive law or case law. However, in such a case, even if the patentee's claim for an injunction is dismissed as said defense is deemed to have a reason, the determination that said patent is invalid is effective only between the parties to the action as a determination in the reasons in the judgment on said action to seek an injunction, and it does not invalidate said patent right in relation to third parties. Therefore, permission of said defense does not serve as a reason for denying the international jurisdiction of a country other than the country where said patent right has been registered, and even if the other party makes a defense of patent invalidity in an action to seek an injunction, it also does not serve as a reason for preventing performance of the proceedings of the relevant action at the court of a country other than the country where said patent right has been registered.

This case is one over the existence or non-existence of the right to seek an injunction based on a U.S. patent right. In the United States, it is provided in the statutory form that the other party may allege invalidity of a patent as a defense in an action to seek an injunction (Section 282(2) of the U.S. patent law). However, the relevant patent is not immediately invalidated in relation to

third parties due to a determination in the action that the patent is invalid.

E. This case is an action to seek a declaratory judgment on the non-existence of the right to seek an injunction based on a patent right, and it is also called an action to seek a negative declaratory judgment. However, the aforementioned point concerning an action to seek an injunction is also applicable to this case in the same manner.

Moreover, where the defendant files an action to seek an injunction against the plaintiff's sale of the Plaintiff's Product in the United States based on the U.S. Patent Right, it is considered that Japan, which is the location of the head office of the plaintiff that is the other party, or the United States, which is the country where said patent right has been registered and the act of infringement has been committed, can be recognized as having international jurisdiction over the action. However, in light of the fact that the head office of the defendant which is the patentee is located in Japan and other facts, it is not recognized that there is the circumstance where the defendant suffers more disadvantage from appearing in this action in Japan than from filing and conducting an action to seek an injunction in the United States. In consideration of this point, the plaintiff cannot be considered as having unjustly obtained the international jurisdiction of Japan by filing this action although the plaintiff filed this action to seek a declaratory judgment on the non-existence of the right to seek an injunction in advance of the defendant's filing of an action to seek an injunction.

F. On these bases, in this case, the general venue for an action against the defendant exists in Japan, and there are no special circumstances where reaching a judicial decision in Japan goes against impartiality between the parties or the principle of appropriateness and promptness of court proceedings. Therefore, the international jurisdiction of Japan should be affirmed.

(2) Regarding the existence or absence of the benefit of an action (benefit of a declaratory judgment) (paragraphs 1 and 3 of the objects of claims)

A. Regarding paragraphs 1 and 3 of the objects of claims

(A) Regarding the action to seek a declaratory judgment on the non-existence of the right to seek an injunction based on the U.S. Patent right, the defendant alleges that there is no benefit of a declaratory judgment because it is questionable whether a judgment on said action is approved in the United States.

However, as mentioned above, a country other than the country where a patent right has been registered is also recognized as having international jurisdiction over an action to seek an injunction based on a patent right. Therefore, if the court of a country having international jurisdiction, which is other than the country where the patent right has been registered, renders a judgment, said judgment should be approved and executed in other countries. This does not differ even in the country where the patent right has been registered. As mentioned above, even an action to seek a declaratory judgment on the non-existence of the right to seek an injunction based

on a patent right should be considered in the same manner as an action to seek an injunction in terms of international jurisdiction. Consequently, a declaratory judgment on the non-existence of the right to seek an injunction rendered by the court of a country having international jurisdiction other than the country where the patent right has been registered should be approved by other countries, including the country where the patent right has been registered, in the same manner as a judgment that dismisses an claim for an injunction which was rendered by the court of a country having international jurisdiction.

In that case, as Japan is recognized as having international jurisdiction over the action to seek a declaratory judgment on the non-existence of the right to seek an injunction based on the U.S. Patent Right in this case, if this court renders a judgment on this case and the judgment becomes final and binding, said judgment should be approved by other countries, including the United States, which is the country where the patent right has been registered, and the benefit of a declaratory judgment is not denied due to the reason alleged by the defendant.

Incidentally, regarding the approval and execution of a judgment rendered by a foreign court, the Code of Civil Procedure of Japan provides that a final and binding judgment rendered by a foreign court is valid only if it meets all of the following requirements: [i] the jurisdiction of the foreign court is recognized pursuant to laws and regulations, conventions, or treaties; [ii] the defeated defendant has been served (excluding service by publication or any other service similar thereto) with the requisite summons or order for the commencement of litigation, or has appeared without being so served; [iii] the content of the judgment and the litigation proceedings are not contrary to public policy in Japan; [iv] a guarantee of reciprocity is in place (Article 118 of the Code of Civil Procedure). Although there can be the opinion that a judgment rendered by the Japanese court should be expected to be approved and executed in a foreign country only if the aforementioned requirements provided in the Code of Civil Procedure of Japan are fulfilled, even based on such opinion, in this case, Japan is recognized as having international jurisdiction as mentioned above, the defendant appeared after receiving summons in an appropriate form, and the content of the plaintiff's claims and litigation proceedings under the Code of Civil Procedure of Japan are not contrary to public policy that is generally recognized in the international community. Moreover, a guarantee of reciprocity is in place between Japan and the United States, and the following is provided in the code of civil procedure (revised code) of Nevada (location of Health Co. net, which is the plaintiff's customer) in the United States, which falls under the place of the act of infringement: "17.350 (Filing and status of foreign judgments) An exemplified copy of any foreign judgment may be filed with the clerk of any district court of this state. The clerk shall treat the foreign judgment in the same manner as a judgment of the district court of this state. A judgment so filed has the same effect and is subject to the same procedures, defenses and proceedings for reopening, vacating or staying as a judgment of a district court of this state and

may be enforced or satisfied in like manner." (Exhibit Ko 52). On the other hand, there is a case in which a judgment rendered by the court of Nevada in the United States was approved as valid in Japan (judgment of the Tokyo District Court of December 16, 1991, 1991 (Wa) 6792, Hanrei Times, No. 794, at 246; Exhibit Ko 53).

(B) In addition, as mentioned above, the defendant can also file an action to seek an injunction against the plaintiff's sale of the Plaintiff's Product in the United States based on the U.S. Patent Right with the court in Japan, where a general venue for an action involving the plaintiff exists. However, if a declaratory judgment to the effect that the defendant does not have the right to seek an injunction against said plaintiff's sale based on the U.S. Patent Right is rendered in this case, it is possible to prevent the defendant from receiving a judgment that upholds such injunction at the Japanese court in the future owing to res judicata of said judgment. Therefore, it is also clear that the action pertaining to paragraph 1 of the objects of claims has the benefit of a declaratory judgment in this sense.

B. Regarding paragraph 3 of the objects of claims

(A) Paragraph 3 of the objects of claims is as follows: "The court shall declare that the defendant does not have the right to seek an injunction against the sale in the United States of the Plaintiff's Product by the plaintiff's customers in the United States based on the Patent Right." It seeks a declaratory judgment concerning the legal relationship between the defendant and a third party other than the parties to this action, specifically, between the defendant and the plaintiff's customers in the United States.

It is permitted to file an action to seek a declaratory judgment as an action involving the benefit of an immediate final and binding judgment only if it is necessary and appropriate for the settlement of a dispute with the defendant to make the judgment being final and binding in relation to a certain legal relationship. Regarding an action to seek a declaratory judgment concerning the legal relationship with a third party other than the parties to the action, the benefit of a declaratory judgment is not always denied, and it should be said that the benefit of a declaratory judgment can be affirmed if the legal relationship with said third party directly affects the plaintiff's rights and obligations. However, this case is on a dispute between the plaintiff and the defendant over the issue of whether the Plaintiff's Product falls within the technical scope of the U.S. Patent Right, and this issue should be settled by paragraph 1 of the objects of claims (The court shall declare that the defendant does not have the right to seek an injunction against the plaintiff's sale of the Plaintiff's Product in the United States based on the patent right in question.). In addition, even if a judgment is rendered concerning paragraph 3 of the objects of claims, it does not have any legal effect on the relationship between the defendant and the plaintiff's customers in the United States, and it cannot prevent the defendant from receiving a judgment that upholds an injunction against said customers at the court of the United States, etc. owing to its res judicata.

On these bases, it cannot be said that there is the benefit of an action for the action pertaining to paragraph 3 of the objects of claims.

(B) The plaintiff alleges that there is the benefit of a declaratory judgment because if a declaratory judgment concerning paragraph 3 of the objects of claims becomes final and binding, the plaintiff can freely sell the Plaintiff's Product to the plaintiff's customers in the United States and the business reputation of the plaintiff and its customers is restored. However, as mentioned above, even if a judgment is rendered concerning paragraph 3 of the objects of claims, it does not have any legal effect on the relationship between the defendant and the plaintiff's customers in the United States. Therefore, the circumstance alleged by the plaintiff refers to a mere de facto or reflex effect. Consequently, it cannot be said based on the circumstance alleged by the plaintiff that there is the benefit of an immediate final and binding judgment.

C. On these bases, it should be said that there is the benefit of a declaratory judgment for the action pertaining to paragraph 1 of the objects of claims, but it cannot be said that there is the benefit of a declaratory judgment for the action pertaining to paragraph 3 of the objects of claims. Therefore, the action pertaining to paragraph 3 of the objects of claims should be dismissed as an unlawful one.

(3) Paragraph 4 of the objects of claims

A. The defendant alleges that paragraph 4 of the objects of claims is a claim for the relationship of rights between the defendant and third parties, which are the plaintiff's customers, and that the plaintiff has no standing.

B. However, paragraph 4 of the objects of claims is to seek an injunction against the defendant's act under Article 3, paragraph (1) of the Unfair Competition Prevention Act on the grounds that the defendant's act falls under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) of said Act. Said claim is premised on the allegation that the "defendant's act of making or circulating, from Japan to the plaintiff's customers in the United States, the allegation that the act of selling the Plaintiff's Product in the United States by said customers constitutes infringement of the U.S. Patent Right" falls under the "act of making or circulating false allegations that harm the business reputation of another person" as referred to in Article 2, paragraph (1), item (xiv) of said Act. That is, in this case, the plaintiff alleges that the content of the allegation that the "act of the plaintiff's customers in the United States of selling the Plaintiff's Product in the United States constitutes infringement of the U.S. Patent Right" falls under false allegations that harm the business reputation of the plaintiff, who is a business competitor of the defendant, and that the act of making or circulating such allegation falls under the act of unfair competition that harms the plaintiff's business reputation. Based on these allegations, the plaintiff makes the claim stated in paragraph 4 of the objects of claims.

Therefore, in this case, whether the defendant has committed the act of unfair competition

against the plaintiff should be determined by examining whether the defendant has made or circulated an allegation as mentioned above and whether the aforementioned content of allegation falls under false allegations that harm the plaintiff's business reputation. That is, the plaintiff makes the claim stated in paragraph 4 of the objects of claims, seeking an injunction against the defendant's act of unfair competition against the plaintiff, and does not make the claim in relation to the relationship of rights between the defendant and third parties. Consequently, the defendant's allegation that the plaintiff has no standing for the claim stated in paragraph 4 of the objects of claims is a criticism made without correctly understanding the content of said plaintiff's claim and is thus unacceptable.

2. Regarding Issue 2 (whether the sale of the Plaintiff's Product constitutes infringement of the U.S. Patent Right)

(1) Regarding applicable law

Paragraph 1 of the objects of claims is as follows: "The court shall declare that the defendant does not have the right to seek an injunction against the plaintiff's sale of the Plaintiff's Product in the United States based on the U.S. Patent Right." This is the issue of whether the defendant has the right to seek an injunction against the plaintiff's act in the United States based on the right granted under the U.S. patent law, and it includes foreign affairs-related elements. Therefore, it is necessary to determine applicable law.

A claim for an injunction based on a U.S. patent right differs from a claim based on an act of tort, which is intended to compensate past damages incurred by a victim, in terms of purpose and character, and it should be considered as being based on the monopolistic and exclusive effect of the U.S. patent right. Therefore, the nature of its legal relationship should be determined in accordance with the effect of the patent right. There is no direct provision on applicable law for the effect of a patent right in laws and regulations, etc.; applicable law should be determined based on reason. It is reasonable to understand that a country which has the closest relationship with a patent right is the country where said patent right has been registered, taking into account that [i] a patent right is recognized as a right after going through filing of an application and registration in each country, [ii] many countries adopt the principle of territoriality for a patent right, and according to said principle, a patent right in each country is provided in relation to its establishment, transfer, effect, etc. by the law of the country and the effect of a patent right is recognized only within the territory of the country, and [iii] a country where protection of a patent right is required is the country where the patent right has been registered as long as the effect of a patent right is recognized only within the territory of the country. Therefore, it is reasonable to understand that applicable law is the law of the country where the patent right has been registered, which has the closest relationship with the patent right (see the judgment of the First Petty Bench of the Supreme Court of September 26, 2002, 2000 (Ju) 580, Minshu, Vol. 56, No. 7, at 1551).

Therefore, the U.S. patent law is applicable law for the claim stated in paragraph 1 of the objects of claims.

(2) Regarding the provisions of the U.S. patent law

Section 271(a) of the U.S. patent law provides that "Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent." Section 283 of said law also provides that "The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable."

Therefore, in this case, it is determined whether the sale of the Plaintiff's Product constitutes infringement of the U.S. Patent Right and whether the defendant has the right to seek an injunction against the plaintiff in accordance with Section 271(a) and Section 283 of the U.S. patent law.

(3) Method of determining patent infringement under the U.S. patent law

In an infringement action under the U.S. patent law, whether the product subject to a determination concerning establishment or non-establishment of infringement (hereinafter referred to as the "subject product") falls within the technical scope of a patented invention and whether the sale, etc. of the subject product constitutes patent infringement are basically determined by the following method (Exhibit Ko 19 [same as Exhibit Otsu 10], Exhibit Otsu 7, etc., and the entire import of the oral argument).

A. Literal infringement

In the case where the statement of the scope of claims (claims) in the description is segmented into constituent features (elements) and the structure of the subject product is compared with those constituent features in accordance with the following principle, if the subject product fulfills the wording of the constituent features, the subject product falls within the technical scope of the patented invention.

[i] All element rule: As there is no constituent feature that is not important, infringement is established only where the allegedly infringing product fulfills all the constituent features of the claims.

[ii] Element by element: Each constituent feature must be independently compared.

B. Infringement by the doctrine of equivalents

Even where literal infringement is not established, if the subject product fulfills a function that is identical with that of a patented invention by a substantially identical method and produces a result that is identical with that of the patented invention, the subject product falls within the technical scope of the patented invention as an equivalent to the patented invention.

However, if any of the constituent features of the claims is limited in relation to patentability

in the prosecution history, enlargement of the right by the doctrine of equivalents is not permitted in relation to the relevant constituent feature.

In this regard, in the U.S. Supreme Court judgment on the Festo case (*Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 62 U.S.P.Q. 2d 1705, 1713, 122 S. Ct. 1831 (2002)), the court rules as follows: "Where a constituent feature of a claim is amended for a reason related to patentability and the amendment is intended to narrow the scope of right, the court presumes that the 'patentee surrendered all subject matter between the broader and the narrower language.'" The patentee is obliged to show that the particular equivalent in question has not been surrendered by the amendment. Furthermore, in said judgment, the court rules as follows: "when the court is unable to determine the purpose underlying a narrowing amendment-and hence a rationale for limiting the estoppel to the surrender of particular equivalents-the court should presume that the patentee surrendered all subject matter between the broader and the narrower language." Then, the court cites the following as the cases "where the amendment cannot reasonably be viewed as surrendering a particular equivalent": "(a) The equivalent may have been unforeseeable at the time of the application; (b) the rationale underlying the amendment may bear no more than a tangential relation to the equivalent in question; or (c) there may be some other reason suggesting that the patentee could not reasonably be expected to have described the insubstantial substitute in question." The court then holds that the patentee can be immune to the limitation on establishment of equivalence by prosecution history estoppel.

(4) Whether the sale, etc. of the Plaintiff's Product constitutes infringement of the U.S. Patent Right

Whether the Plaintiff's Product falls within the technical scope of the Patented Invention (invention claimed in Claim 1 of the U.S. Patent Right) is determined by the aforementioned determination method.

A. Content of the statements in the Description (Exhibit Ko 3-1; description pertaining to the U.S. Patent Right)

As stated in facts on which the decision is premised (No. 3, 2.(2)B.) above, the following is stated in the Description.

(A) Abstract

Coral sand obtained from living skeletons or semi-fossils of hermatypic coral or hidden reef-building coral is ground into about 150 to 500 mesh, and the resulting coral sand powder is provided as drinkables or tablets for promotion of health.

(B) Outline of the invention (lines 48 to 57 in Section 1)

The present invention is based on the discovery that coral sand obtained by grinding living skeletons and semi-fossils of hermatypic coral or hidden reef-building coral (hereafter referred to as "hermatypic coral") contains calcium carbonate as a main component and a variety of minerals

required by the human body in ecologically chemical proportions. That is, the present invention is directed to a composition for promotion of health comprising coral sand as an effective component.

(C) Scope of claims (lines 35 to 40 in Section 4)

[Claim 1] (Patented Invention)

A mineral supplement, comprising coral sand as an effective component in an amount sufficient to provide calcium carbonate and other minerals as a mineral supplement for humans; wherein said coral sand is in the form of a fine powder of a particle size passing about 150 to 500 mesh.

(D) Description of the preferred embodiments

a. The composition of the present invention is characterized in that coral sand is contained as an effective component. Coral sand which is obtained from living skeletons and semi-fossils of hermatypic coral contains calcium carbonate (CaCO_3) as a main component (about 95%), magnesium, strontium, sodium, potassium, phosphorus, and chlorine, which are important bio-elements, and further essential inorganic vitamin elements such as iron, copper, manganese cobalt, chromium, and boron (lines 64 to 68 in Section 1).

b. Naturally occurring coral sand is washed to be desalinated, and then the desalinated coral sand is disinfected and dried at temperatures of about 80°C to about 150°C , preferably 90°C to 120°C , and the disinfected and dried coral sand is ground into 150 to 500 mesh, preferably 200 to 450 mesh. This grinding can also be effected either by freeze drying the disinfected and dried coral sand at temperatures of about -180°C to -200°C in a nitrogen atmosphere, or in a state where coral sand has been kneaded together with seawater or fresh water (lines 48 to 57 in Section 2).

B. Whether the Plaintiff's Product fulfills Constituent Feature [A]

Regarding fulfillment of Constituent Feature [A], the plaintiff alleges, in relation to the interpretation of "coral sand," that coral sand means natural coral sand taken from the seabed as a raw material and that it is required to be a particle of the size that belongs to the category of "sand" at the stage before being processed into fine powder. Therefore, this point is considered.

(A) In the claims, there is no definition of "coral sand" itself. Therefore, the meaning of coral sand is interpreted by referring to the general meaning of the term stated in dictionaries, the statements in the Description other than the claims, and the prosecution history, etc. (according to Exhibit Ko 19, Exhibit Otus 7, etc., this is also a general method for claim interpretation under the U.S. patent law).

a. The following is stated in the "Outline of the invention" section in the Description (Exhibit Ko 3; description pertaining to the U.S. Patent Right): "The present invention ... coral sand obtained by grinding living skeletons and semi-fossils of hermatypic coral or hidden reef-building coral (hereafter referred to as "hermatypic coral") ... calcium carbonate as a main component and a

variety of minerals required by the human body ..." (lines 49 to 55 in Section 1). The following is stated in the "Description of the preferred embodiments" section: "Coral sand obtained by grinding living skeletons and semi-fossils of hermatypic coral or hidden reef-building coral contains calcium carbonate (CaCO₃) as a main component (about 95%), magnesium ..., which are important bio-elements, and further essential inorganic vitamin elements ..." (lines 64 in Section 1 to line 3 in Section 2); "These elements shown in Table 1 above (boron, sodium, magnesium ...) which are contained in typical examples of naturally occurring coral sand are accumulated and calcified through life activity of hermatypic coral that is coelenterate. Accordingly, coral sand has an ecologically chemical proportion, unlike food additives such as calcium carbonate and the like obtained purely by chemical treatment" (lines 33 to 39 in Section 2); "The hermatypic coral used as a raw material for preparing coral sand is known to be the leading part in building coral reef because of skeletogenesis or calcification promoted by the action of Zooxanthella or endozoic algae present in its body" (lines 58 to 62 in Section 2). There is no other statement to the effect that coral sand obtained from hermatypic coral fossil is excluded from coral sand in the Description.

Moreover, according to Exhibit Ko 23, there is the following statement in *Iwanami seibutsugaku jiten dai 2 han* (Iwanami biology dictionary, 2nd edition) (first copy published on July 5, 1977 and fifth copy published on November 20, 1981): "*Sangoshō* [coral reef in English; *recif corallien* in French ...]: This term means limestone reef made by the accumulation of the remains of calcareous-secreting organisms, mainly hermatypic coral. Coral reef limestone is formed through the process wherein skeletons of hermatypic coral serve as the core, skeleton pieces of calcareous algae, shellfish, echinus, crustacean, foraminifers, etc. fill in the voids, and the entirety thereof is bonded and solidified by melobesioid algae." (No evidence sufficient to recognize that an explanation different from this is given in a U.S. wordbook or dictionary has been submitted.)

b. Regarding "sand" of coral sand, the Description states it merely as "coral sand" (lines 57 and 64 in Section 1, etc.). In addition, in the "Description of the preferred embodiments" section, coral sand after being ground into 150 to 500 mesh is also described as follows: "The finely divided coral sand powder thus obtained is extremely finely porous and has high solubility in water. The coral sand powder thus obtained..." (lines 3, 5, and 8 in Section 3).

On the other hand, according to Exhibit Otsu 4, "sand" is described as follows in *Kōjien dai 2 han hoteiban* (*Kōjien*, 2nd edition, amended version) (first copy published on December 1, 1976): "Fine particles of rocks; mainly consisting of particles of various kinds of minerals; ordinarily referring to those whose diameter is 2 mm or less and one-sixteenth mm or more." (No evidence sufficient to recognize that an explanation different from this is given in a U.S. wordbook or dictionary has been submitted.)

(B) In light of the above, the term "coral sand" is understood as meaning coral sand, which mainly comprises calcium carbonate and contains minerals, such as boron, sodium, and magnesium, and is obtained in nature, differently from calcium carbonate artificially prepared by chemical synthesis. There is no reason for interpreting "coral sand" particularly as coral sand taken from the seabed.

Moreover, the plaintiff alleges that "coral sand" is required to be a particle that belongs to the category of "sand" at the stage before being processed into fine powder. However, for the Patented Invention, Constituent Feature [B] states that "coral sand is in the form of a fine powder of a particle size passing about 150 to 500 mesh" in the state of a mineral supplement, but in light of the statement concerning "coral sand powder" in the Description, "coral sand" is not required to be in the shape of a particle of a specific size at the stage before being processed into the form of fine powder. Therefore, the term "sand" in Constituent Feature [A] should be understood as having a meaning merely as the generic name of particles obtained by breaking up rocks.

(C) Considering whether the Plaintiff's Product fulfills the requirement of "coral sand" in Constituent Feature [A] on that basis, as stated in the aforementioned facts on which the decision is premised (No. 3, 2.(1)A), the Plaintiff's Product is manufactured by grinding a mass of coral fossil obtained from coral fossil (limestone) mine, which was originally coral reef that heaved on shore. The main component thereof is calcium carbonate, which is a component deriving from coral insects (coelenterate), and the Plaintiff's Product also comprises sodium, potassium, magnesium, manganese, silicon, etc.

Therefore, the Plaintiff's Product is also one obtained by grinding limestone rocks deriving from coral reefs, whose main component is calcium carbonate and which also comprises minerals. Therefore, it does not differ from coral sand obtained in nature in this regard, and it thus fulfills the requirement of "coral sand" in Constituent Feature [A].

C. Whether the Plaintiff's Product fulfills Constituent Feature [B]

(A) Regarding the meaning of "a particle size passing about 150 to 500 mesh" in Constituent Feature [B]

The defendant alleges as follows: Constituent Feature [B] defines coral sand as being "in the form of a fine powder of a particle size passing about 150 to 500 mesh," and the term "mesh" does not directly define the particle diameter of fine powder but defines the range of a "sieve" for selecting the fine powder; the Plaintiff's Product fulfills Constituent Feature [B] as it also passes a sieve of said mesh.

Therefore, the meaning of "a particle size passing about 150 to 500 mesh" in Constituent Feature [B] is considered.

Looking at the prosecution history of the Patent Right, as stated in the aforementioned facts on which the decision is premised (No. 3, 2.(2)A), Claim 1 at the time of the filing of the

application for the U.S. Patent Right defined the invention merely as a "component for promotion of health comprising coral sand as an effective component," and put no limitation on the particle size of coral sand. However, the defendant was notified of the existence of publicly known examples by the examiner and amended the definition in Claim 1 to a "mineral supplement passing about 150 to 500 mesh." The defendant stated, in that written amendment, that "This size is effective for intake of a mineral supplement in the human body" (see page 5 of the written amendment dated February 13, 1985), and in the "Description of the preferred embodiments" section in the Description, the defendant also stated that "(the disinfected and dried coral sand) is ground into 150 to 500 mesh, preferably 200 to 450 mesh " (lines 51 to 52 in Section 2) (2.(2)B.(D) in the aforementioned facts on which the decision is premised). Therefore, it is obvious that the defendant put limitation on the particle size of coral sand that is effective for intake in the human body by the aforementioned numerical values (incidentally, in this regard, the defendant itself also explained as follows on page 13 of Defendant's Brief (6) dated February 28, 2003: "The original Claim 1 was amended to be narrowed down to coral sand of a specific particle size. In particular, the particle size was narrowed down to one passing about 150 to 500 mesh."). If the term "mesh" defines a range of the "sieve" as alleged by the defendant, there will be no meaning of setting the upper limit numerical value (500 mesh), and this is not reasonable.

According to the above, it is reasonable to understand that "about 150 to 500 mesh" in Constituent Feature [B] defines the particle size for which these numerical values are the lower and upper limits.

(B) Regarding the particle size of the Plaintiff's Product

Regarding the particle size of the Plaintiff's Product, on July 17, 2002, which is the date of the second preparatory proceedings, the defendant stated that "The particle size of the product in question is recognized as around 5,000 mesh" (record of said preparatory proceedings). However, after that, on page 14 of Defendant's Brief (6) dated February 28, 2003 and on page 6 of Defendant's Brief (7) dated April 14, 2003, the defendant alleged that the analysis of the Plaintiff's Product revealed the fact that 13% of the Plaintiff's Product are of a particle size included in the range of "about 150 to 500 mesh" stated in Constituent Feature [B]. Then, the defendant alleged as follows: The defendant recognized the particle size of the Plaintiff's Product as being about 5,000 mesh on the date of the second preparatory proceedings only in relation to the Plaintiff's Product stated in Exhibit Ko 6, and the defendant does not recognize that all the other Plaintiff's Products are identical with this. In response to this, the plaintiff alleged on page 2 of the plaintiff's Fifth Brief dated February 28, 2003 that an admission has been established in relation to the point that the particle size of the Plaintiff's Product is "about 5,000 mesh" and that the defendant is not permitted to revoke the admission.

The particle size of the Plaintiff's Product is an extremely important fact in comparing the

Plaintiff's Product with the constituent features of the Patented Invention when determining whether the Plaintiff's Product falls within the technical scope of the U.S. Patent Right, and it should be considered as the fact in issue. Therefore, the admission is established in terms of the aforementioned point. Consequently, the defendant should be considered as not being permitted to revoke the admission unless it proves that the aforementioned admission contradicts reality and is based on a mistake.

On these bases, according to Exhibit Ko 8 (JIS standard specification for sieves: detailed table) and Material [ii] attached to Exhibit Otsu 16 (reference characteristic values for major standard sieves and comparative table), a "particle size passing about 150 to 500 mesh" is one that is converted into "about 100 to 27 μm ."

In this regard, the defendant alleges that about 13% of the Plaintiff's Product are of a particle size of about 100 to 27 μm in terms of the total different value, and submits Exhibit Otsu 16 (report prepared by the defendant company). However, the defendant alleges that samples used as the subject of experiment in Exhibit Otsu 16 are "Coral Calcium," a coral powder product handled by Health Co. net (current Coral Inc.), which the defendant obtained from its customer, Stauber Performance Ingredients, Inc., USA. However, taking into account the fact that the name of the product under which Health Co. net imported and handled the Plaintiff's Product is "Coral Plus" (Exhibit Ko 2), it should be said that it has not been proven that the aforementioned "Coral Calcium" is a product identical with "Coral Plus," and it is thus doubtful whether the Plaintiff's Product was inspected. Therefore, the experiment result indicated in Exhibit Otsu 16 is unacceptable. In that case, it has not been proved that the aforementioned defendant's admission contradicts reality and is based on a mistake. Therefore, the revocation of the admission is not permitted. Consequently, it should be premised that the particle size of the Plaintiff's Product is about 5,000 mesh, and therefore, the Plaintiff's Product thus does not fulfill Constituent Feature [B].

In addition, according to Exhibit Ko 7 (test report prepared by the Japan Food Research Laboratories), as a result of measurement of particle size distribution of the Plaintiff's Product by the Japan Food Research Laboratories, in terms of particle mass, 0.010% of the Plaintiff's Product has a particle size of 28.012 to 22.908 μm , and over 99.9% thereof has a particle size of 22.908 μm or less and 0.274 μm or more. Over 90% of the whole Plaintiff's Product has a particle size of 10.246 μm or less, and the intermediate value is recognized as a product having a particle size of 3 μm (about 5,000 mesh in light of the aforementioned conversion table (Exhibit Otsu 16)). In general, in the case of indicating the particle size of a product in the field to which the Plaintiff's Product belongs, the average value (intermediate value) of the particle size of the product is recognized as the particle size of the product. In that case, the particle size of the Plaintiff's Product is 3 μm (about 5,000 mesh) as mentioned above. Therefore, Constituent Feature [B] is not fulfilled

(incidentally, even if the subject of experiment of the aforementioned Exhibit Otsu 16 is the Plaintiff's Product, over 90% thereof has a particle size of 27 μm or less according to the experiment result of Exhibit Otsu 16 (the total of the difference values of the particle size that exceeds 27 μm is 6.755%; in this regard, the defendant alleges that the total is about 13%, but the defendant is recognized as misreading the table), and the average value is 3.899 μm ; therefore, at any rate, the particle size of the Plaintiff's Product does not fulfill Constituent Feature [B]).

D. Regarding establishment or non-establishment of infringement by the doctrine of equivalents

As mentioned above, the Plaintiff's Product does not fulfill Constituent Feature [B], and literal infringement is thus not established.

The defendant alleges that even if literal infringement is not established for the Plaintiff's Product, the Plaintiff's Product falls within the technical scope of the Patented Invention as an equivalent to the structure of the Patented Invention. Therefore, this point is determined.

(A) As mentioned above ((3)B. above), even where literal infringement is not established, if the subject product fulfills a function that is identical with that of a patented invention by a substantially identical method and produces a result that is identical with that of the patented invention, the subject product falls within the technical scope of the patented invention as an equivalent to the patented invention. However, if a constituent feature of the claims is limited in relation to patentability in the prosecution history, enlargement of rights by the doctrine of equivalents is not permitted in relation to said constituent feature.

Considering this in relation to this case, the Description states as follows in relation to coral sand powder: "Coral sand which is obtained from living skeletons and semi-fossils of hermatypic coral contains calcium carbonate (CaCO_3) as a main component (about 95%), magnesium, strontium, sodium, potassium, phosphorus, and chlorine, which are important bio-elements, and further essential inorganic vitamin elements such as iron, copper, manganese cobalt, chromium, and boron." (lines 64 to 68 in Section 1); "... may be dissolved in water (the powder dissolves in the form of ions) as it is and the resulting solution can be provided as drinking water. Alternatively, the fine powder of the coral sand may be formulated as granules, tablets, emulsions, pills ..., etc. ..." (lines 5 to 11 in Section 3); "the coral sand powder per se may also be used as additives to various foodstuffs" (lines 24 to 25 in Section 3). In addition, there are also the following statements: "The composition for promotion of health in accordance with the present invention is useful for replenishing especially calcium. In addition, ... can also replenish magnesium, strontium, potassium, phosphorus, copper, etc., which are bio-elements, and further essential inorganic vitamin elements such as iron, manganese, potassium, etc." (lines 26 to 33 in Section 3); "... the composition for promotion of health of the present invention can improve diet wherein acidic foodstuffs are apt to be preferred. In particular, calcium which tends to be lacking in babies and children can be spontaneously replenished and at the same time, the so-called inorganic

vitamin elements can be provided ... thus contributing to promotion of health." (line 63 in Section 3 to line 2 in Section 4)

On these bases, the Patented Invention provides a supplement comprising fine coral sand powder that is useful for promotion of health by having calcium and essential minerals or vitamins, etc. be taken into the human body by methods such as dissolving it in water and adding it to foodstuffs.

On the other hand, as stated in the aforementioned facts on which the decision is premised (No. 3, 2.(1)A), there are various types of usage of the Plaintiff's Product, such as adding it together with nutrient sources (vitamin, etc.) to foodstuffs to enhance their nutritional value, not limited to eating it in the original form of powder as a nutrient source. The Plaintiff's Product comprises calcium carbonate, sodium, potassium, magnesium, manganese, and silicon as its components, and these components are considered to be useful for promotion of health.

Therefore, in terms of coral sand powder, the Plaintiff's Product produces a function (effect) and result that are identical with those of the Patented Invention to the extent that it provides a supplement that is useful for promotion of health by having calcium and essential minerals or vitamins, etc. be taken into the human body by methods that are identical with those of the Patented Invention, such as dissolving the Plaintiff's Product in water and adding it to foodstuffs. Therefore, it can be said that there is room to evaluate the Plaintiff's Product as an equivalent to the Patented Invention unless the particle size (about 5,000 mesh) of the Plaintiff's Product causes some sort of significant difference in terms of dissolution of coral powder in water or absorption of calcium and essential minerals or vitamins, etc. into the human body in comparison with the particle size of the coral sand of the Patented Invention, that is, about 150 to 500 mesh.

(B) However, on the other hand, looking at the prosecution history of the U.S. Patent Right, as stated in the aforementioned facts on which the decision is premised (No. 3, 2.(2)A), Claim 1 at the time of the filing of the application for the U.S. Patent Right defined the invention merely as a "component for promotion of health comprising coral sand as an effective component," and put no limitation on the particle size of coral sand. However, the defendant was notified of the existence of publicly known examples of "20 to 60 mesh coral sand that is used for removing heavy metal from drainage" stated in Chemical Abstracts by the examiner, and amended the definition in Claim 1 to [state] a "mineral supplement passing about 150 to 500 mesh." In addition, in the written amendment, the defendant stated that "No record document suggests the '50 to 500 mesh' requirement. This size is effective for intake of a mineral supplement in the human body" (see page 5 of the written amendment dated February 13, 1985). Moreover, in the "Description of the preferred embodiments" section in the Description, the defendant also states that "(the disinfected and dried coral sand) is ground into 150 to 500 mesh, preferably 200 to 450 mesh" (lines 51 to 52 in Section 2) (2.(2)B.(D) in the aforementioned facts on which the decision is

premised). Therefore, it is obvious that the defendant put limitation on the particle size of coral sand that is effective for intake in the human body by the aforementioned numerical values (incidentally, in this regard, the defendant itself explained as follows on page 13 of Defendant's Brief (6) dated February 28, 2003: "The original Claim 1 was amended to be narrowed down to coral sand of a specific particle size. In particular, the particle size was narrowed down to one passing about 150 to 500 mesh").

Therefore, if the defendant alleges that coral sand of a particle size outside the range limited by Constituent Feature [B] falls within the technical scope of the Patented Invention through application of the doctrine of equivalents, the defendant is required to positively allege and prove that it has not waived coral sand of a particle size outside said range by the aforementioned amendment. For example, the defendant is required to allege and prove that this case falls under any of the cases where "(a) the equivalent may have been unforeseeable at the time of the application, (b) the rationale underlying the amendment may bear no more than a tangential relation to the equivalent in question, or (c) there may be some other reason suggesting that the patentee could not reasonably be expected to have described the insubstantial substitute in question."

In light of the aforementioned prosecution history of the U.S. Patent Right, it is obvious that 150 mesh, which is the lower limit value of the particle size provided by Constituent Feature [B], was newly provided through the amendment in order to avoid the loss of patentability due to conflict with publicly known examples because there was 20 to 60 mesh coral sand as publicly known examples (the defendant also agrees on this point). On the other hand, regarding 500 mesh, which is the upper limit numerical value of the particle size provided by Constituent Feature [B], the reason that said numerical value was newly provided at the time of the amendment is not necessarily clear. In this regard, the defendant alleges as follows: At the time of the filing of the application for the U.S. Patent Right, there was no commercially available machine which could grind into 500 mesh or smaller, and a fine grinding mill called jet mill was introduced after the filing of the application for the U.S. Patent Right; therefore, it was unpredictable that a particle size of 5,000 mesh would become available in the future. However, no evidence that is sufficient to recognize such fact has been submitted. In addition, as mentioned above, taking into account the fact that the defendant stated in the written amendment (on page 5 of the written amendment dated February 13, 1985) that "This size is effective for intake of a mineral supplement in the human body," it is estimated that the particle size of coral sand has some sort of effect on water solubility and intake in the human body. In consideration of the fact that the particle size of the Plaintiff's Product is about 5,000 mesh and the Plaintiff's Product is a fine particle that is about over ten times as small as the Patented Invention, it is impossible to conclude that the rationale underlying the provision of the numerical value, 500 mesh, as the upper limit of the particle size

through the amendment has no relationship to a difference from the Plaintiff's Product. Furthermore, it cannot be said that there is a reason suggesting that the defendant could not reasonably be expected to have provided only the lower limit numerical value, 150 mesh, as the particle size without providing the upper limit numerical value, 500 mesh.

On these bases, in this case, the defendant cannot be considered as having proven that coral sand of a particle size outside the range limited by Constituent Feature [B] is not waived through the amendment. Therefore, infringement by the doctrine of equivalents is not established for the Plaintiff's Product.

(5) Summary

On these bases, the Plaintiff's Product does not fall within the technical scope of the Patented Invention. Therefore, the act of selling or otherwise handling the Plaintiff's Product in the United States does not constitute infringement of the U.S. Patent Right.

Consequently, the defendant does not have the right to seek an injunction against the plaintiff's sale of the Plaintiff's Product in the United States based on the U.S. Patent Right without the need of making a determination concerning whether there is a ground for invalidation of the U.S. Patent Right.

Therefore, among the plaintiff's claims in this action, there is a reason for the claim for a declaratory judgment to the same effect (paragraph 1 of the objects of claims).

3. Regarding Issue 3 (whether the defendant's act falls under the "act of making or circulating false allegations" as prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act)

(1) Regarding applicable law, etc. for the claims stated in paragraphs 2, 4, and 5 of the objects of claims

The claims stated in paragraphs 2 and 4 of the objects of claims are to seek an injunction against the defendant's act of making or circulating an allegation to the plaintiff's customers in the United States, deeming said act to fall under the act of business defamation. The claim stated in paragraph 5 of the objects of claims is to seek compensation for damages on the grounds of said act of business defamation.

It is obvious that Japan, where the general venue for an action against the defendant exists, has international jurisdiction over the action pertaining to the aforementioned claims (the defendant also agrees on this point). However, the aforementioned act of business defamation alleged by the plaintiff can be considered as being in the legal relationship including foreign affairs-related elements in that it is an action committed by the defendant against the plaintiff's customers in the United States. Therefore, it is necessary to determine applicable law.

Out of the aforementioned claims, the right to seek an injunction stated in paragraphs 2 and 4 of the objects of claims is a statutory claim that naturally arises between competitors from a legal

standpoint due to the occurrence of an act of business defamation. The right to claim compensation for damages stated in paragraph 5 of the objects of claims is a claim arising from an act of tort. Application of laws to these is provided by Article 11, paragraph (1) of the Act on General Rules for Application of Laws, and law at the place of occurrence of the fact that serves as the cause of the right to claim is applicable law. In this case, the plaintiff alleges that the defendant gave warnings from Tokyo, where its head office is located, to the plaintiff's customers in the United States by email and letter. Based on this allegation, the plaintiff seeks an injunction against the defendant's act of making or circulating allegations from Japan to the plaintiff's customers in the United States and compensation for damages. Therefore, the place of occurrence of the fact that serves as the cause is the place where the defendant transmitted or sent the email or letter, and the law of Japan is thus applicable law. Consequently, a determination is to be made on whether the defendant's act falls under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act.

(2) Regarding the defendant's act against the plaintiff's customers in the United States

The following facts are recognized, comprehensively taking into account the aforementioned facts on which the decision is premised (No. 3, 2.(3)), pieces of evidence mentioned later, and the entire import of the oral argument.

A. On March 2, 2000, the defendant sent an email from Japan to Health Co. net located in the United States while setting the sender as "MARINE BIO CO., LTD <mb-co@mxg.mesh.ne.jp>," the receiver as "<info@healthco.net>," and the subject matter as "Warning" (First Warning).

The content of the email is as follows: "The product called 'CORAL PLUS' handled by Health Co. net completely infringes U.S. Patent No. 4540584 and other rights of the defendant, and we request you to make a reply within seven days. Otherwise, we will immediately file an action with the U.S. court." R, who takes charge of affairs relating to the plaintiff in the United States, copied the content of the aforementioned email and requested the plaintiff to solve the problem at an early date after hearing a patent attorney's opinion because the customer appeared to be very embarrassed (Exhibit Ko 4).

B. The patent attorney commissioned by the plaintiff sent to the defendant a letter dated April 10, 2000. The following content was stated in said letter: "We make a reply in relation to a letter of warning of patent infringement sent to the customer of Kabushiki Kaisha Coral Corporation in the United States (infor@healthco.net) by email on March 2 of this year."; "According to the claims of the U.S. Patent Right, the particle size is between about 150 to 500 mesh, and the product exported by the plaintiff is out of the claims as it is an ultrafine particle whose size is about 5,000 mesh" (Exhibit Ko 5).

C. Furthermore, the aforementioned patent attorney commissioned by the plaintiff sent to the patent attorney commissioned by the defendant a test report prepared by the Japan Food Research

Laboratories (Exhibit Ko 7) showing that the Plaintiff's Product is an ultrafine particle whose size is about 5,000 mesh or smaller, the "JIS standard specification for sieves (detailed table)" (Exhibit Ko 8) as a conversion table for mesh unit, and a sample of the Plaintiff's Product on May 30, 2000. D. When Health Nutrients, Inc., which is an affiliated company of Health Co. net, had a meeting with the defendant around July 16, 2001, Health Nutrients, Inc. received a warning directly from the defendant.

At the time of the aforementioned warning, the defendant showed to Health Nutrients, Inc. the judgment of the Naha District Court (judgment of the Naha District Court of February 27, 2001, 1998 (Wa) 429). In the case pertaining to said judgment, the plaintiff was Marine Bio Co., Ltd. (defendant in this action), and the defendant was Coral Biotech Inc. (hereinafter referred to as "Coral Biotech"), which was established by the defendant in this action through joint contribution with other companies, such as a gravel association. When withdrawing capital from Coral Biotech, the defendant in this action concluded the following agreement with Coral Biotech: "Coral Biotech shall neither manufacture nor sell goods developed by using the technology of the defendant in this action and goods similar thereto." The defendant in this action alleged that Coral Biotech was manufacturing and selling Somelite, which is a water-purifying agent that is made from coral sand produced in Okinawa, and a mineral water principle, which is a water-purifying agent package that is based on Somelite, in violation of this agreement, and sought an injunction against the manufacturing and sale of the water-purifying agent, etc. Incidentally, Health Nutrients, Inc. was shown by the defendant only part of said judgment, specifically, the section showing the parties to the action, the main text of the judgment showing that the defendant in this action wholly won said case (i.e. "The defendant (Coral Biotech) shall neither manufacture nor sell the goods stated in the attached Goods List"), and part of the outline of the case.

On the same day, Health Nutrients, Inc. sent to R an email describing the receipt of the aforementioned warning from the defendant (Exhibits Ko 9-1, 9-2, and 10).

E. On the 18th of the same month, R sent to the plaintiff's representative the email stated in D. above and a copy of (part of) the judgment, etc. and notified that Health Nutrients, Inc., which is the plaintiff's major customer, wishes to receive the plaintiff's clear reply to the aforementioned email, etc. in writing, and thereby asked for the plaintiff's response (Exhibits Ko 9-1, 9-2, and 10).

F. On October 4, 2001, the plaintiff warned the defendant to immediately suspend the defendant's act by alleging that the defendant's act is a clear fallacy that goes against the fact and falls under the act of unfair competition prescribed in the Unfair Competition Prevention Act in consideration of the result of investigation of the content of the aforementioned judgment of the Naha District Court (Exhibits Ko 11-1 and 11-2).

G. On November 2, 2001, the defendant sent a letter from Japan to Health Co. net and thereby notified it that the plaintiff infringes the U.S. Patent Right (Second Warning) (Exhibits Ko 12-1

and 12-2). The content of said letter is as follows.

"We examined patent infringement committed by Coral Corporation (plaintiff in this action) with our patent attorney and consulting lawyer. We then felt sure that if we file an action against Coral Corporation, we would win the case. However, do you know the fact that if we file the action, both you and Coral Corporation will bear the costs of hundreds of thousands of dollars? We are sure that we will win this case, but our investigation revealed that Coral Corporation is never considered as being able to pay court costs and other expenses. Therefore, we would like to give you the advice that it would be a good solution for you to solve the dispute through negotiations with us out of court. As you also know, our company, Marine Bio (defendant in this action), has been a leading company in the domestic and overseas markets for coral and other goods for over about 40 years. We will never betray the trust of any of our customers who have ever conducted transaction with us. This is our company's spirit. We know that you will make a great decision. We look forward to doing much business with you."

In addition, on the same day, the person in charge at Health Nutrients, Inc. sent a letter (Exhibit Ko 13) to R. The content of said letter is as follows. Said letter stated that the plaintiff cannot be convinced only by the content of the warning sent by the plaintiff to the defendant (Exhibit Ko 11) (see F. above) and that the sales of Health Nutrients, Inc. have been significantly affected as the customers of Health Nutrients, Inc. are concerned about the company being sued by the defendant, thereby requesting the plaintiff to solve the problem at an early date.

"Several month have passed without any action worthy of appreciation taken by Coral Corporation in order to defend us from Marine Bio's strategy. The reputation that use of our coral would cause one to be subject to a legal action by Marine Bio (defendant in this action) has spread to all coral customers in the United States, and our sales have been significantly affected. Why does Coral Corporation (plaintiff in this action) refuse to actually take action to stop Marine Bio (defendant in this action)? Why doesn't the president make a call to talk with T about this problem in order to solve it? If this problem cannot be solved, the president should seek an injunction and drag T before a court. The only reason which I can infer is that T is right and the president is hesitant to push forward this problem. If so, I must destroy coral I purchased from you under effective legal guarantee in order to tell my customers that continuation of business with me would not cause them to be subject to any legal measure. At least a half of shipped coral powder "*Donan*" remains unopened. I would like to ask you for prompt legal assistance. Otherwise, I would like you to purchase this coral back at the price including the amount I paid to you and expenses for sending it back to you."

(3) Whether the defendant's act of sending an email to Health Co. net (First Warning) and sending a letter to Health Co. net (Second Warning) falls under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act is considered on the

premise of the facts mentioned above.

A. Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act provides the act of making or circulating false allegations that harm the business reputation of another person who is a business competitor as one type of acts of unfair competition. This provision prescribes acts, which are intended to assume an advantageous position in competition by putting competitors at a disadvantage by harming their business reputation, which is an important asset for business operators, through citation of false allegations, as acts of unfair competition, and prohibits them because such acts should be considered as typical acts of unfair competition.

In light of such legislative purpose of said provision, the act of giving a warning to a third party, such as a customer of a competitor, or the act of advertising infringement by a competitor, based on the allegation that the competitor commits the act of infringement of a patent right or any other intellectual property right, should be considered as falling under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act if it subsequently becomes obvious that said patent right, etc. is invalid or that the competitor's act does not constitute infringement of said patent right, etc.

However, on the other hand, the act of exercising a patent right or any other intellectual property right is permitted as a justifiable act, and the patentee can exercise rights based on a patent right not only against his/her competitors but also his/her customers because the Patent Act provides, in relation to an invention of a product, not only the act of producing the product but also the act of using or assigning, etc. the product as working of the invention (Article 2, paragraph (3), item (i) of the Patent Act).

Then, the issue is whether the patentee's act of making an allegation concerning infringement of a patent right to a customer of a competitor can fall under the act of unfair competition as the act of making false allegations in the case where the competitor commits an act that is suspected of constituting infringement of the patent right.

In such case, an allegation made by the patentee to the customer of the competitor should be considered to be justifiable as exercise of an intellectual property right if the patentee committed the act of warning as part of exercise of the right on the premise of truly exercising rights based on the patent right against the customer of the competitor. However, it is reasonable to understand that even if such an allegation apparently takes the form of exercise of rights, if the substance thereof is rather intended to damage the competitor's reputation with the customer and gain an advantage in transaction with said customer or in competition in the market, said act of warning is deemed to be an act of unfair competition and the patentee should bear responsibility if the content of said allegation is false in the end. Then, whether said allegation was made truly as part of exercise of rights or was made for the purpose of damaging the business reputation of the competitor and gaining an advantage in competition in the market should not be determined only

based on the format and text of the allegation document, etc., and it is reasonable to determine it by comprehensively considering various circumstances, such as the background to said allegation, time and period of distribution of the allegation document, etc., the number and scope of those to which the allegation document, etc. is distributed, business type and content of business of the customers to which the allegation document, etc. is distributed, the customers' business scale, relationship and form of transaction with the competitor, form of involvement in the relevant allegedly infringing product, capability to respond to a patent infringement action, and action taken in relation to the distribution of the allegation document, etc., as well as subsequent actions, etc. taken by the patentee and the customers.

B. In this case, the following circumstances are recognized: [i] When the defendant gave the First Warning and the Second Warning, the defendant was not the patentee of the U.S. Patent Right, and there is no fact that the defendant had received assignment of the patent right or an exclusive license from P, who was the patentee at the time; [ii] The plaintiff, who had come to know that its customer in the United States received the First Warning from the defendant, immediately (by about one month after the receipt of the warning) told the defendant that the particle size of the Plaintiff's Product differs from that stated in the claims of the U.S. Patent Right, and also sent the result of analysis of particle size and a sample of the Plaintiff's Product; however, two months later, the defendant directly told one of the plaintiff's customers again that the Plaintiff's Product infringes the U.S. Patent Right after showing only part of the aforementioned judgment of the Naha District Court; however, the judgment of the Naha District Court is not related to claims based on a Japanese patent right corresponding to the U.S. Patent Right and is also not on the case concerning a supplement for promotion of health using coral sand powder; and the judgment is originally related to a case that has no relationship with the U.S. Patent Right and the Plaintiff's Product; [iii] The defendant furthermore gave the Second Warning despite receipt of a warning from the plaintiff that requests cessation of a series of the defendant's acts on the grounds that said acts fall under the act of making false allegations; and in the Second Warning, the defendant actively showed to the relevant plaintiff's customer that it is advantageous to make a deal with the defendant by saying that the defendant can win the case without fail if it files an action against the plaintiff and that it is a good solution to make a deal with the defendant because such action costs hundreds of thousands of dollars and the plaintiff does not have sufficient means to pay that amount; [iv] The relevant plaintiff's customer, which received the First Warning and the Second Warning, was upset about the continuation of transaction with the plaintiff, and in particular, after receiving the Second Warning, the plaintiff's customer told the plaintiff that it has no other choice but to stop transaction with the plaintiff if this goes on; [v] There is no fact that the defendant filed an action against the plaintiff or its customers based on the allegation that the Plaintiff's Product infringes the U.S. Patent Right after these warnings.

In light of these circumstances, it is reasonable to recognize that the defendant's act of sending an email and a letter to the plaintiff's customers in the United States was committed for the purpose of damaging the plaintiff's reputation with the customers and gaining an advantage in transaction with said customers or in competition in the U.S. market rather than being committed as part of exercise of rights against the customers.

Therefore, the defendant's act of warning by sending an email or a letter from Japan to the plaintiff's customers in the United States should be considered as falling under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act.

C. The defendant alleges that an allegation to the direct infringer of a patent right does not cause reduction of social reputation and does not constitute an act of business defamation.

However, Health Co. net, which purchases the Plaintiff's Product from the plaintiff and sells or otherwise handles it in the United States or Health Nutrients, Inc., which is an affiliated company of Health Co. net (hereinafter both of these companies are also collectively referred to as "Health Co. net, etc."), can be the customers of the defendant, as well as the plaintiff's customers, in the United States as the distributors of healthy food made from coral sand. Such act of making a false allegation to Health Co. net, etc. should be considered as resulting in harming the plaintiff's reputation, and the defendant's act of making an allegation to these customers is recognized as having been committed for the purpose of damaging the plaintiff's reputation with the customers and gaining an advantage in transaction with said customers or in competition in the U.S. market rather than being committed as part of exercise of rights against these customers, as mentioned above. Therefore, it falls under the act of unfair competition.

Moreover, the defendant also alleges that only a few warnings were given and that a brief and simple means of communication, email, cannot be equated with a formal letter of warning. However, the number of warnings is not a requirement under Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act. In addition, it is not provided that an allegation must be made by a document. An allegation can be made orally or by email, and the means of making an allegation is no object. Therefore, the aforementioned allegation is unacceptable.

Furthermore, the defendant alleges that the defendant's allegation is not a false allegation because the defendant truly believed that the Plaintiff's Product infringes the U.S. Patent Right at the time when it made the allegation. However, as mentioned above, the act of giving a warning to a third party, such as a customer of a competitor, etc. should be considered as falling under the act of unfair competition prescribed in Article 2, paragraph (1), item (xiv) of the Unfair Competition Prevention Act if it subsequently becomes clear that the competitor's act does not constitute infringement of the relevant patent right, etc. The fact that the patentee, etc. believed that the relevant act constitutes infringement of a patent right at the time when the patentee, etc.

gave a warning is not sufficient to deny that the act of making a relevant allegation falls under the act of unfair competition.

In addition, the defendant alleges that even if the defendant was not the patentee of the U.S. Patent Right at the time of giving the aforementioned warnings, the defendant was the substantial owner and only the formal change of the name had not been conducted. However, according to Section 261 of the U.S. patent law, it is clearly provided that "... patents, or any interest therein, shall be assignable in law by an instrument in writing ... an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage." (Exhibit Ko 30), and oral assignment is not effective. The defendant is not recognized as having given the aforementioned warnings in preparation for actually filing an action in light of the fact that a document for change of the name of the U.S. Patent Right was actually exchanged and the change of the name was registered in the Patent and Trademark Office after over one year passed from the death of P, who was the patentee of the U.S. Patent Right, specifically, around December 2002 to January 2003.

As mentioned above, all the defendant's allegations are unacceptable.

D. As mentioned above, the defendant not only made to the plaintiff's customers in the United States an allegation that the plaintiff's sale of the Plaintiff's Product in the United States constitutes infringement of the U.S. Patent Right but also made an allegation that said customers' act of purchasing and selling the Plaintiff's Product manufactured by the plaintiff also constitutes infringement of the U.S. Patent Right. Regarding the latter, the content of the defendant's allegation is also on the grounds that the Plaintiff's Product falls within the technical scope of the Patented Invention. Therefore, the content of the allegation falls under false allegations that harm the plaintiff's business reputation. Therefore, there is a reason for the claims stated in paragraphs 2 and 4 of the objects of claims out of the claims in this action.

E. Moreover, as mentioned above, the defendant directly told one of the plaintiff's customers that the Plaintiff's Product infringes the U.S. Patent Right by showing only part of the judgment of the Naha District Court, which has no relationship with infringement of the U.S. Patent Right, despite the fact that the defendant was notified by the plaintiff that the particle size of the Plaintiff's Product differs from the particle size stated in the claims of the U.S. Patent Right and received the sending of the result of analysis of particle size and a sample of the Plaintiff's Product. In addition, the defendant furthermore gave the Second Warning despite receipt of a warning from the plaintiff that requests cessation of a series of the defendant's act on the grounds that it falls under the act of making false allegations. In light of these facts, it is obvious that the defendant was at least negligent in relation to the aforementioned acts of unfair competition. Therefore, the defendant should be liable for compensation for damages.

4. Regarding Issue 4 (damages incurred by the plaintiff)

(1) According to Exhibits Ko 32, 34 to 36, and 42 to 44 and the entire import of the oral argument, the following facts are recognized.

A. The plaintiff was established in July 1991 for the purpose of conducting the sale of coral-related goods. After that, the plaintiff started selling coral-related goods in Japan, and also started selling them in Taiwan in 1995 and in Hong Kong in 1996. The plaintiff also started expanding its business in the United States in 1998.

B. The plaintiff sold a total of 5,210 kg of the Plaintiff's Product to Health Co. net, etc. through OVERSEAS BUSINESS DEVELOPMENT CO. INC., an agent managed by R, who is the person in charge of the Plaintiff's Product in the United States, and other customers during the period from 1999 to June 2001. Thereby, the plaintiff gained the profits of 5,618,976 yen in total.

The unit price of the Plaintiff's Product is 3,000 yen per kg, and the manufacturing and sale thereof costs 2,075 yen per kg in total, which consists of [i] 114 yen as costs of raw material, [ii] 1,183 yen as manufacturing costs, and [iii] 778 yen as overhead costs. Therefore, profit per kg is 925 yen. The calculation formula is as follows.

[i] Costs of raw material

The amount of the Plaintiff's Product that can be manufactured from a ton of hermatypic coral fossil (unit price is 8,000 yen), which is a raw material, is about 70 kg.

Costs of raw material = 8,000 yen ÷ 70 kg = 114 yen/kg

[ii] Manufacturing costs

Machine consumption costs (336 yen/kg) + machine operational costs (504 yen/kg) + labor costs (321 yen/kg) + packaging costs (22 yen/kg) = 1,183 yen/kg

[iii] Overhead costs

About 60% of the sum of the costs of raw material and the manufacturing costs (114 yen/kg + 1,183 yen/kg) = 778 yen/kg

C. However, as mentioned above, the plaintiff had been unable to continue transaction with Health Co. net (or Health Nutrients, Inc., which is an affiliated company of Health Co. net), which was the major customer in the United States, since July 2001 as the defendant sent to Health Co. net, etc. warnings to the effect that the Plaintiff's Product infringes the U.S. Patent Right.

(2) The plaintiff alleges that it incurred damages from loss of receivable profits due to loss of transaction with Health Co. net in and after July 2001. Therefore, the facts mentioned in (1) above are considered.

A. According to Exhibit Ko 36 and the entire import of the oral argument, it is recognized that a total of 4,900 kg of the Plaintiff's Product was sold through OVERSEAS BUSINESS DEVELOPMENT CO. INC during the period from October 2000 to June 2001. However, there is no evidence that is sufficient to recognize that the entirety of this amount of Plaintiff's Product

was sold to Health Co. net, etc. In addition, the sales volume of the Plaintiff's Product on June 30, 2001 was 3,000 kg, showing an extreme increase in comparison with the sales volume before then, specifically, 500 kg on May 17 of the same year, 700 kg on February 22 of the same year, and 700 kg on November 30, 2000. However, no rational reason for this point can be found even through the detailed examination of all the pieces of evidence in this case. Even without the defendant's act of warning, it cannot be easily presumed that the sales volume on June 30, 2001, which showed an extreme increase, continued. Therefore, it is not appropriate to calculate damages incurred by the plaintiff simply based on these numerical values. However, comprehensively taking into account the circumstances, such as the fact that Health Co. net, etc. were the plaintiff's major customers in the United States, without the defendant's act of warning, transaction between the plaintiff and Health Co. net, etc. continued, and the sale of at least around 180 kg per month of the Plaintiff's Product could be expected, and it can be presumptively recognized that the plaintiff could continue transaction with Health Co. net, etc. for at least around one year (according to the average of the total sales volume of 1,900 kg during eight months from October 2000 to May 2001, it is presumptively recognized that about 230 kg of the Plaintiff's Product could be expected to be sold per month through OVERSEAS BUSINESS DEVELOPMENT CO. INC; it is recognized that at least 80% thereof would be sold to Health Co. net (or Health Nutrients, Inc.)). In that case, it is recognized that the plaintiff could gain the profit of at least 166,500 yen per month, by multiplying the sales volume per month by the amount of profit obtained by selling one kg of the Plaintiff's Product, that is, 925 yen.

Therefore, it is reasonable to recognize that the amount of the plaintiff's receivable profits is 1,998,000 yen (166,500 yen x 12 months).

B. It is apparent to this court that the plaintiff delegated its counsel to file this action. Comprehensively considering the nature of this case, the content of the claims, development of the proceedings, and various other circumstances, 1,000,000 yen out of said amount is recognized as damages that have a reasonable cause-and-effect relationship with the defendant's act of unfair competition. Although the plaintiff alleges translation fees for the U.S. patent gazette in question, etc. as damages, deeming them as costs required for the court proceedings, the aforementioned translation fees cannot be recognized as damages in addition to the aforementioned patent attorney's fees.

C. In this case, the plaintiff claims payment of delay damages (5% per annum as prescribed in the Civil Code) in relation to damages for the period after the date of service of the complaint. According to the record, the date of service of the complaint is February 15, 2002.

D. Consequently, there is a reason for the plaintiff's claim for damages to the extent of the total amount of those mentioned in A. and B. above, 2,998,000 yen, and delay damages accrued thereon for the period on and after February 15, 2002.

5. Conclusion

On these bases, there is a reason for the plaintiff's claims in this action to seek a declaratory judgment to the effect that [i] "The court shall declare that the defendant does not have the right to seek an injunction against the plaintiff's sale of the Plaintiff's Product in the United States based on the U.S. Patent Right" (paragraph 1 of the objects of claims), [ii] "The defendant shall neither make nor circulate, from Japan to the plaintiff's customers in the United States, the allegation that the plaintiff's act of selling the Plaintiff's Product in the United States constitutes infringement of the U.S. Patent Right" (paragraph 2 of the objects of claims), and [iii] "The defendant shall neither make nor circulate, from Japan to the plaintiff's customers in the United States, the allegation that said customers' act of selling the Plaintiff's Product in the United States constitutes infringement of the U.S. Patent Right (paragraph 4 of the objects of claims). [iv] The plaintiff's claim for a declaratory judgment to the effect that "The court shall declare that the defendant does not have the right to seek an injunction against the sale in the United States of the Plaintiff's Product by the plaintiff's customers in the United States based on the U.S. Patent Right" (paragraph 3 of the objects of claims) should be dismissed as an unlawful one. There is a reason for [v] the plaintiff's claim for damages (paragraph 5 of the objects of claims) to the extent of seeking payment of 2,998,000 yen and delay damages accrued thereon at the rate of 5% per annum for the period from February 15, 2002, to the date of completion of the payment.

Therefore, the judgment shall be rendered in the form of the main text.

Tokyo District Court, 46th Civil Division

Presiding judge: MIMURA Ryoichi

Judge: AOKI Takayuki

Judge: MATSUOKA Chiho

(Attachment) Item List

Calcium food (coral fossil powder) "Product name: *Donan*"