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Date of the judgement

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1997.07.01

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Case Number

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1995(O)1988

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Title

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Judgment upon case of availability of an injunction based upon a patent right against so-called parallel import

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Result

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Judgment of the Third Petty Bench, July 1, 1997

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Court of the Second Instance

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Tokyo High Court Judgment of March 23, 1995

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Summary of the judgement

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If a patent holder in Japan or an equivalent person assigns a patented product outside Japan to another person, the patent holder, unless there is an agreement with the assignee excluding Japan from the areas of sale or use of the said product, may not seek an injunction in Japan concerning the patented product on the basis of the patent right against the person who acquired the product from the assignee, except in cases where the above agreement has been made and is explicitly indicated on the product.

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References

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Article 68 of the Patent Law

A patent holder has an exclusive right to work the patented invention as business. However, this

does not apply if an exclusive right to work the patent has been granted to another person by the patent holder and this person exercises this right within the scope of his exclusive right.

Article 100 of the Patent Law

1 Patent holders and the holders of the right to work the patented invention are entitled to demand termination or prevention of infringement against a person who infringes or is likely to infringe the patent right or the right to work the patented invention.

2 Patent holders and the holders of the right to work the patented invention, when making the demand as provided in the preceding paragraph, may also demand the abandoning of the things which constituted the infringement (in invention of methods of production, including products which were produced by infringement), destruction of the equipment provided for the infringement and other acts needed for the prevention of infringement.

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Main text of the judgement

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The appeal is dismissed.

The cost of appeal is to be borne by the appellant.

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Reasons

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On the grounds of appeal by the representative of the appellant, Sumio Takeuchi and the representative of the of the appellant and supplementary participant, Sumio Takeuchi

1 The present case is an action of the appellant seeking an injunction against import and sale of goods which were produced and sold in the Federal Republic of Germany by the appellant and claiming damages on the basis of a patent right vis-a-vis the appellee who imported these goods into Japan by parallel import and sold them. Facts lawfully ascertained by the original instance is as follows:

(1) The appellant holds a patent 'car wheels' in Japan (Patent application, October 29, 1983 (claim of priority on the basis of patent application to the European Patent Office on May 27, 1983), public notice of patent application, January 12, 1990, patent registration, December 20, 1991, Patent No. 1629869; hereinafter, the 'patent in the present case', and the invention, 'patented invention in the present case').

(2) The appellant has a patent on the invention which is the same as the patented invention in

the present case (application to the European Patent Office on May 27, 1983 with the Federal Republic of Germany and other countries as designated countries, application No. 83105259.2, registration April 22, 1987; hereinafter, the 'corresponding German patent').

(3) The appellee, P1, at the latest, by August 1992, imported aluminium car wheels BBS.RS which is in the list of products (a) and Rolinser RSK which is in the list (b) attached to the judgment of the first instance court and sold them to the appellee P2. P2 sold these products until the same month. It is likely that the appellees may continue importing and selling these products (hereinafter, these products including both the products which have been sold and which are intended to be sold in the future are to be called, 'products in the present case').

(4) Products in the present case are within the technical scope of the patented invention in the present case.

(5) Products in the present case had been produced and sold in the Federal Republic of Germany as a product of the patented invention by the appellant after the corresponding German patent has taken effect.

2 In the present case, the appellees argue that the patent in the present case on the product in the present case had lost effect by the lawful sale of those products in the Federal Republic of Germany, and therefore, the import of these products into Japan and their sale in Japan do not constitute infringement of the patent in the present case. This is the argument of the international exhaustion of patent rights.

The original instance court, in the present case, found that the appellant had produced and sold the products in the present case as result of working of the corresponding German patent which the appellant holds, and that it was evident that the appellant was guaranteed one opportunity to compensation for making the patented invention publicly available. There was no proof that there was legal restriction on the securing of this opportunity at the time of the sale, and therefore, the patent in the present case was exhausted in relation to the products in the present case, and the claim of the appellant for an injunction and payment of damages on the basis of the patent in the present case was dismissed.

3. The conclusion of the original instance court that the claim of the appellant against the appellee for an injunction and payment of damages was groundless is justifiable. The reasons are as follows:

1) Article 4-2 of the Paris Convention on the Protection of Industrial Property Rights of March 20, 1883 as amended in Brussels in December 14, 1900, in Washington in June 2, 1911, the Hague in November 6, 1925, in London in June 2, 1934, in Lisbon in October 31, 1958, and in

Stockholm in July 14, 1967 (hereinafter, 'Paris Convention') provides that '(1) Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not. (2) The foregoing provision is to be understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for nullity and forfeiture, and as regards their normal duration.' The above provision denies the mutual dependence of patents and provides that patent of each country is mutually independent in emergence, transfer and termination, i.e. the validity of the patent is not affected by the invalidity, termination, or period of subsistence etc. of a patent in another country. However, whether a patent holder may exercise the patent right when there are special circumstances is not within the purview of this provision.

This territorial principle means that as far as a patent is concerned, emergence, transfer, effect etc. of the patents of each country are governed by their respective national laws, and the effect of patents is acknowledged only within the country.

When a patent holder exercises the right concerning the patent right granted in Japan, the problem of to what extent the circumstances that the product which is the object of the exercise of the said right had been assigned by the same patent holder outside Japan should be taken into account when deciding on the permissibility of the exercise of the right by the patent holder is a matter of interpretation of the Patent Law of Japan. This problem has nothing to do with the Paris Convention or territorial principle, and whatever interpretation is adopted, it is evident from above that it is not against Article 4-2 of the Paris Convention or the territorial principle.

2) While the patent holder has the right to work the patented invention (Art.68, Patent Law), as far as invention of things is concerned, use, assignment, or rental of the products of the patented invention is regarded as the 'working' of the patented invention (Art.2, para.3, subpara.1). If this is the case, acts of a person who had the product which is the outcome of the patented invention (hereinafter, 'patented products') assigned from the patent holder using them by himself, or re-assigning them to a third party as business as well as acts of a third party who had the products assigned from the first assignee of using them, or assigning or renting them to another person as business may technically be regarded as a working of a patent and therefore, are infringements of the patent. However, if the patent holder or the licensee assigned the patented products in Japan, the patent right on the products has achieved its goal and has been exhausted, and the effect of the patent right does not extend to acts such as the use, assignment and rental of the products. This is because (1) while the protection of invention under the patent law must be realised in harmony with the social and public interest, (2) in assignments, the assignor transfers all the rights to the assignee and the assignee acquires all the rights which belonged to the assignor, and when the patented products are placed in the market for circulation,

transactions are effected on the assumption that assignees acquire the right to freely use and reassign the products as business, independent of the exercise of the rights by the patent holder on the products. If authorisation of the patent holder is required every time the products are assigned, free circulation of goods in the market will be obstructed, smooth circulation of patented goods will be inhibited, and will result in harming the interest of the patent holder himself, and thus will be against the goal of the Patent Law, which is to 'promote invention and contribute to the development of industries by pursuing protection and utilisation of inventions (Art.1 of the Patent Law)'. (3) On the other hand, the patent holder has received payment including remuneration for making the patented invention publicly available by assigning the patented products by himself and receives a license fee for licensing the use of patents. Therefore, the opportunity for securing compensation for making the patented invention available to the public has been granted, and there is no necessity to allow the patent holder to profit again in the process of circulation of goods in the market from the patented products which have already been assigned by the patent holder or the licensee.

3) However, this does not apply in the same way in cases where a patent holder in Japan assigned the patented good outside Japan. This is because in the country where the assignment took place, the patent holder does not necessarily have the patent on the invention which is the same as the invention which is protected by the patent in Japan (hereinafter, 'corresponding patent'). Even if the patent holder has a corresponding patent, in the light of the fact that the patent in Japan and the patent in the country of the place of assignment are separate rights, if the patent holder exercised the right based upon the patent right in Japan in relation to the goods which is protected by a corresponding patent, it cannot be regarded as profiting twice from the same patent.

4) If one gives consideration to the balancing of the ensuring of international circulation of goods and the rights of the patent holder, in the light of the situation in which international commercial transactions are developing in a broad scale and in an advanced manner in the modern society, it is required that when an entrepreneur in Japan imports goods sold in another country and places them in the market in Japan, freedom of circulation of goods including import of goods is required to be respected at the maximum. In commercial transactions outside Japan, generally, it is presupposed that the assignor transfers all the rights on the object to the assignee and the assignee acquires all the rights the assignor had. In the light of the situation of international transactions in modern society as mentioned above, also when the patent holder assigned the patented product outside Japan, it is naturally expected that the assignee or a person who had the patented products assigned by the assignee imports the patented goods into Japan as business, uses them or assigns them further to others as business.

Taking into account the above, if a patent holder in Japan or an equivalent person assigns a

patented product outside Japan to another person, the patent holder, unless there is an agreement with the assignee excluding Japan from the areas of sale or use of the said product, may not seek an injunction in Japan concerning the patented product on the basis of the patent right against the person who acquired the product from the assignee, except in cases where the above agreement has been made and is explicitly indicated on the product. In other words, (1) as explained above, in the light of the fact that when the patented product was assigned outside Japan by the patent holder, it is naturally expected that the products may be subsequently imported into Japan, if the patent holder assigned the patented products outside Japan without any reservation, it should be understood that the patent holder had implicitly granted the right to control the products to the assignee and the subsequent assignees without being restricted by the patent which the assignor has in Japan. (2) On the other hand, if one looks at the right of the patent holder, the patent holder should be understood to be entitled to reserve the right of exercising his patent right in Japan at the time of the assignment of the patented products outside Japan, and if the patent holder, at the time of assignment, agrees with the assignee to exclude Japan from the area of sale or use of the patented products and expressly indicated this on the products, the person who had the products subsequently assigned from the assignee, even if there were intermediaries in the circulation process of the products, should be able to recognise that there was such a restraint on the product, and is capable of making a decision to purchase or not to purchase such products at his own will. (3) The same shall apply in cases where the patented products were assigned outside Japan by subsidiaries or affiliated companies which can be regarded as an equivalent of the patent holder. (4) The necessity of protecting the reliance of the assignee of the patented products on free circulation of the products does not depend on whether or not the patent holder has a corresponding patent in the place where the patented products have been first assigned.

5) In the present case, according to the above-mentioned facts ascertained by the original instance court, products in the present case are those which the appellant, who is the patent holder, had sold in the Federal Republic of Germany. In the present case, the appellant has neither asserted nor proved that the appellant had agreed with the assignee at the time of the sale to exclude Japan from the area of use or sale, or had expressly indicated this on the products, and therefore, the appellant is not allowed to seek an injunction or claim damages based upon the patent right in the present case.

The original judgment is identical with the above in conclusion, and therefore is justifiable. The appellants' arguments that the original judgment is against the law, including the Constitution, are based upon unique views, or criticise the part of the original judgment which does not affect its conclusion and cannot be accepted.

Therefore, the justices unanimously decides in accordance with articles 401,95 and 89 of the Code of Civil Procedure as the main text.

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Presiding judge

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Justice Masao Ohno

Justice Itsuo Sonobe

Justice Hideo Chikusa

Justice Yukinobu Ozaki

Justice Shigeru Yamaguchi

(Translated by Sir Ernst Satow Chair of Japanese Law, University College, University of London)