

# Mock Trial

- **Scene 1**

**2<sup>nd</sup> Date for Oral Argument**

**Explanatory Session**

- **Scene 2**

**3<sup>rd</sup> Date for Oral Argument**

**Rendering of Judgment**

# Scene 1

## 2<sup>nd</sup> Date for Oral Argument

September 17, 2023

## Explanatory Session

# Procedures to be Conducted on this Date

Statement on the Outcome of Preparatory Procedures



Court procedure to officially confirm the outcome of the points at issue and evidence.

Explanatory Session



Final presentation of briefs and oral arguments of both parties.

Participation of Technical Advisors



Explanation of specialized technical matters relating to the dispute.

# Dispute in this Case

## **Point at Issue** (International Exhaustion)

- Collie Corporation, which has obtained a license for the Corresponding Patent Right from Pony Corporation, has exercised the Corresponding Patent Right by producing and selling the Plaintiff's Roll Paper within Country B. Donkey Corporation is importing the Defendant's products, which are produced using the core tubes of the Plaintiff's Roll Paper, from Country B to Country A, and selling them within Country A.
- The issue at hand pertains to whether the exercise of the Patent Right which was granted in Country A is not entitled due to exhaustion, based on these circumstances.

# Plaintiff's Arguments (1)

## Plaintiff's Arguments (Summary)

### 1. International exhaustion

International exhaustion is not applicable.

### 2. Modification / component replacement, etc.

The action of the Defendant is regarded as the novel production of the patented products, and the exhaustion should be denied.

# Plaintiff's Arguments (2)

## 1. International exhaustion

International exhaustion is not applicable.

In this case, the Patent Right held by the Plaintiff in Country A and the Corresponding Patent Right in Country B are **separate rights**.



In Country A, if the Plaintiff has exercised the Patent Right for products related to the Corresponding Patent Right, it **cannot be regarded as profiting twice**.



The basis (justification) for exhaustion is lacking.

# Plaintiff's Arguments (3)

## 2. Modification / component replacement, etc.

### Legal Argument

- The limitation on the exercise of a patent right through exhaustion applies exclusively to the original patented product itself that has been assigned by a patent holder or its equivalent outside of the country where the patent was granted.
- When modification or replacement of a component was made to a patented product which was assigned outside of the country by a patent holder or its equivalent, resulting in newly producing a patented product which is not identical to the original patented product, the patent holder is entitled to exercise the patent right for the newly produced patented product.

# Plaintiff's Arguments (4)

## 2. Modification / component replacement, etc.

### Application

- The Plaintiff's Roll Paper is exclusively used for packaging articles.
- The packaging sheet portion of the Plaintiff's Roll Paper is a major part of the product and also holds the concentrated economic value.
- → After the packaging sheet has been used up, the utility of the Plaintiff's Roll Paper as a product is completely lost. Therefore, it should not be evaluated that winding the packaging sheet is replacement of a consumable component.
- The core tube part of the Plaintiff's Roll Paper is designed to be used up entirely once attached to the Plaintiff's Device and does not have the structure and strength suitable for removal. When recycling and reusing the core tube, it is difficult to ensure the quality of the roll paper.



- When the packaging sheet of the Plaintiff's Roll Paper is consumed, its utility as a product is lost.
- Winding a new packaging sheet onto the core tube of the Plaintiff's Roll Paper results in its loss of identity as a product and newly produces a patented product that is not identical to the Plaintiff's Roll Paper.



# Defendant's Arguments (1)

## Defendant's Arguments (Summary)

1. International exhaustion

International exhaustion is applicable.

2. Modification / component replacement, etc.

The actions of the Defendant do not newly produce a patented product, and exhaustion should be applicable.

# Defendant's Arguments (2)

## 1. International exhaustion

### Legal Argument

In a case where a patent holder or its equivalent has assigned patented products outside of the country where the patent was granted, the patent holder shall not be entitled to exercise the patent right over the assigned patented product, unless:

- (1) The patent holder or its equivalent have agreed with the assignee to exclude the country where the patent was granted from the areas of sale or use of the patented product.
- (2) In case of exercising the patent right against a third party who has acquired the patented product from the assignee and against another third party who has acquired the patented product subsequently, the agreement (1) has been made and it has been explicitly indicated on the patented product.

# Defendant's Arguments (3)

## 1. International exhaustion

### Application

This case involves the previously mentioned issue (2). A third party who has acquired patented products from the assignee and its subsequent assignees.



There was no indication on the Plaintiff's Roll Paper (patented product) that Country A was excluded from the areas of sale or use of the patented product.



Therefore, the exercise of the Patent Rights in Country A for the said product is not entitled.

# Defendant's Arguments (4)

## 2. Modification / component replacement, etc.

### Application

- The core tube of the Plaintiff's Roll Paper is reused without any changes, and the packaging sheet of the Plaintiff's Roll Paper is consumed.
- → **No modification or component replacement was made with regard to either item.**
- The distinctive technical aspect of the Invention lies in the core tube.
- → The core tube of the Plaintiff's Roll Paper is made of hard plastic and does not suffer damage or deterioration within the timeframe required to consume the original packaging sheet.
- → Regarding the reuse of the core tube, it cannot be claimed that the patented product is being reused after its ordinary life as a product has elapsed.
- The packaging sheet is a generic product. Winding a packaging sheet onto the core tube of the Plaintiff's Roll Paper constitutes no more than the replacement of a consumable part under normal use.
- The Defendant's actions have not altered any component that constitutes the essential part of the Invention. Therefore, **they do not diminish the identity of the patented product, nor do they amount to novel production of a patented product.**

# Q&A

## Question 1: Magnets

It appears that highly cost-effective ferrite magnets are used. What is the reason for using such magnets?

# Q&A

## Question 2: Precision

Differences in precision between the Defendant's Product and the Plaintiff's Roll Paper.

# Q&A

## Question 3: Collection of the Plaintiff's core tube

# Q&A

## Question 4: Reuse



# Procedure after the Explanatory Session

**Recommendation of Settlement**

**Settlement Date  
(Web Conference)**

**Termination of procedure for Settlement**

# Scene 2

## **3<sup>rd</sup> Date for Oral Argument**

October 17, 2023

## **Rendering of Judgment**

# Rendering of Judgment

## Main Text

1. The Defendant must neither import nor sell the products described in the Exhibit.
2. The Court costs shall be borne by the Defendant.

# Reason

## (Domestic Exhaustion)

In cases where a patent holder or a licensee has assigned patented products in Country A, 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 assignment of those products.

### Reasons

- (1) To protect the free circulation of goods in the market.
- (2) No necessity to allow the patent holder to profit again from the patented products since the opportunity for securing compensation has been granted.

# Reason

## (Factors Considered in International Exhaustion)

When a patent holder or its equivalent has assigned patented products outside of Country A, the patent rights in Country A and the corresponding patent rights in the other country are separate rights. Therefore, it is not possible to argue the international case in the same way with the domestic case where a patent holder or its equivalent assigned the patented products domestically.

Also in light of the state of international commercial transactions in modern society, when a patent holder or its equivalent assigned patented products outside of Country A, it is reasonably expected that the assignee or its subsequent acquirer will import the patented products into Country A as business, and it is necessary to protect the free circulation of such products.

# Reason

## (Framework of Judgment)

When a patent holder or its equivalent assigned patented products outside of Country A, the patent holder, unless there is an agreement with the assignee excluding Country A from the areas of sale or use of the said products, may not seek an injunction in Country A 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 it is explicitly indicated on the product.

In this case, the Plaintiff's Roll Paper does not carry a clear indication that Country A is excluded from the areas of sale or use.

Therefore, according to the aforementioned framework, the exercise of the Patent Right is not entitled for this reason.

# Reason

**(Produced patented product lacking its identity due to modification or component replacement, etc.)**

The objects on which the exercise of a patent right is restricted should be the patented products themselves that the patent holder or its equivalent had assigned. Therefore, if the patented product, assigned by the patent holder or its equivalent in other country, has been modified or components have been replaced, and as a result, it can be regarded as a novel production of the patented product which is not identical to the original patented product, the patent holder is entitled to exercise the patent right over the newly produced patented product.

The determination of whether the modification or replacement can be regarded as a novel production of the patented product or not should be determined by taking into consideration the characteristics of the patented product, the content of the patented invention, the manner of modification, and the replacement of components as well as the circumstances involving the transaction in a comprehensive way.

# Reason

**(Whether a newly produced patented product lacks identity.)**

The Plaintiff's Roll Paper is designed to be attached to the Plaintiff's Device, where magnets within the core tube, around which the packaging sheet is wound, are detected by the rotation angle sensor of the Plaintiff's Device. This enables the packaging sheet to be pulled out with the appropriate tension.

→ If the packaging sheet is not properly wound around the core tube, the utility of the Plaintiff's Roll Paper might not be fully realized, and thus it is expected to be used once and then replaced with a new one. Accordingly, the core tube is not designed to have enough strength for repeated use and the magnets disposed therein are cost-effective ferrite magnets.



# Reason

**(Whether a newly produced patented product lacks identity.)**

The Plaintiff's Roll Paper does not expect users to remove the core tube and wind it with a new packaging sheet by themselves. Instead, users typically return the used core tube to the Plaintiff for recycling and purchase a new one.

The Plaintiff's Roll Paper is exclusively intended for packaging items. Once the packaging sheet is completely consumed, its core tube and the magnets therein, although not likely to immediately wear out or break upon single use, can no longer play the technical role of the Invention. Moreover, considering that neither the core tube nor the magnets per se possess versatility, it is unlikely that users would find any utility in them.

→ The economic value of the Plaintiff's Roll Paper is primarily attributed to the packaging sheet portion.

# Reason

**(Whether a newly produced patented product lacks identity.)**

The Plaintiff's Roll Paper loses its utility as a patented product once the packaging sheet is fully consumed. On the other hand, the Defendant's Product, by using the recycled core tube of the Plaintiff's Roll Paper, restores the state in which the core tube and the position of the magnets within it are used to adjust the braking force of the packaging device based on the roll paper's outer diameter, ensuring the appropriate tension for pulling out the packaging sheet. This can be regarded as restoration of the material value of the Invention.

Consequently it should be concluded that the Defendant's Product is regarded as a newly produced patented product which is not identical to the Plaintiff's Roll Paper.

→ Therefore, the exercise of the Patent Right over the Defendant's Products is not restricted.



**Thank you for your attention.**

