

Disposable Camera Case
Tokyo District Court
Case No. H8 (wa) 16782
August 31, 2000

FACTS

Plaintiff sold its disposable (single-use) cameras in which its patent right, utility model right and design patent right were worked in Japan and Korea. Defendants manufactured, imported and sold defendant's products which were recycled plaintiff's cameras once used by consumers.

Plaintiff contended that importing, manufacturing and selling defendant's products constitute infringement of Plaintiff's patent right, utility model right and design patent right. Defendant disputed this, arguing that the patent right, etc. had been exhausted.

ISSUE

Whether the act of a third party with no authority to recycle and sell patented product which has once been lawfully assigned and its utility exhausted may constitute patent infringement.

HOLDING

1. Domestic Exhaustion

When the patent holder or the licensee has assigned the patented product in Japan, the patent right on the product 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 (Supreme Court Decision of July 1, 1997).

However, (1) once the utility of the patented product has been used up, the patent holder is allowed to exercise its patent right over that patented product (because, even under such an interpretation, the patent holder does not obtain double profits from the patented product).

Also, (2) even if the main component which constitutes the essential feature of the patented invention is removed and replaced with a new component in the

patented product, the patent holder is allowed to exercise its patent right over that product (because that product is not the same product as the original patented product.)

2. International Exhaustion

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 exercise its patent right in Japan over the patented product against the person who acquired the product directly or indirectly from the assignee, except in cases where the above agreement has been made and it explicitly indicates such on the product (Supreme Court Decision of July 1, 1997).

However, even in the above instance, it is appropriate to render the interpretation that the patent holder is allowed to exercise its patent right over that product (1) when the utility of the patented product has been used up, or (2) when the main component which constitutes the essential feature of the patented invention has been replaced in the patented product (because even if such interpretation is rendered, the free circulation of products in the international market is not hindered).

3. Application to this case

The utility of the Plaintiff's product is considered to be used up when the consumer has finished taking photographs and the used film has been removed from the camera at a laboratory. (Then after that, new film is loaded on the camera and sold to another consumer.) Thus, domestic exhaustion and international exhaustion are not established in the present case, and Plaintiff is allowed to exercise its patent right, utility model right and design patent right over the defendant's products.