

Case Studies Concerning Import Suspension Motions in Japan*

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(Abstract)

With a series of revisions to the Customs Tariff Law made over the past few years, efforts have been undertaken to strengthen Japan's border controls. The 2003 revisions further tightened regulations on patent-infringing goods intercepted at customs by making patents subject to an "import suspension motion system" instead of the conventional "information submission system for import suspension measures." This article summarizes the points to be considered when filing an import suspension motion based on a patent right following the revision of the law.

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In addition to the conventional system based on trademark rights, copyrights and neighboring rights, a motion system for import suspension measures based on patent rights, utility model rights and design rights was introduced through amendments to the Customs Tariff Law of 2003. The number of cases of patent right-based suspension dramatically increased to 80 in 2004 though it is not clear whether the amendments are a direct cause of this increase.¹⁾ However, one could argue that the introduction of the patent right-based motion system for import suspension measures as well as the fact that there is an increasing interest

among companies in import measures placed emphasis on Customs regulations versus the conventional information submission system thus causing an increase in the number of patent right-based cases received in 2004.

As companies develop their awareness of IPRs, the number of patent right-based import suspension motions is expected to increase in the future. However, practical know-how has not been accumulated to an extent sufficient to actually file import suspension motions. Consequently, this article analyzes cases for which an import suspension motion was actually filed, in order to consider points that applicants and other related parties should note in practice in filing a patent right-based import suspension motion.

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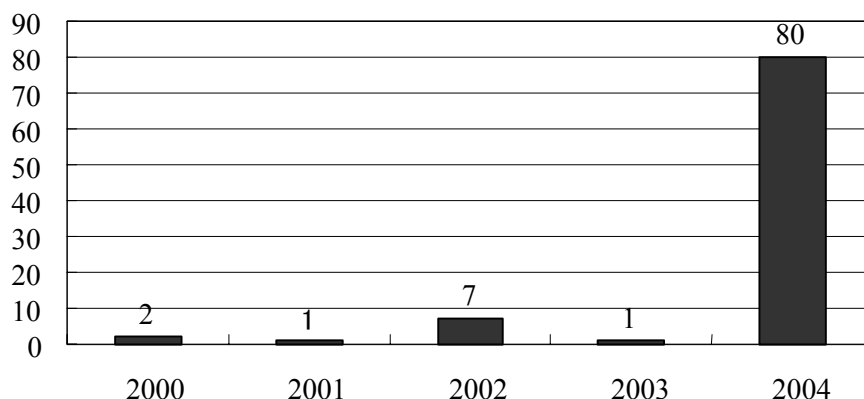


Figure 1 Number of cases of patent right-based suspension

1. Import Suspension Motion

As of July 1, 2005, there were 17 cases of import suspension motions filed with Customs that were actually accepted.²⁾ These cases as well as patent rights subject to said motions are summarized in the table below. We investigated the simultaneous filing of suits for injunction, for invalidation and the *Hantei* system (a system

wherein the JPO provides an advisory opinion on the technical scope of a patented invention) with respect to each patent right. A circle indicates the type of motion filed and the result, if any, is provided in parentheses.

As a result of detailed consideration of these cases, it has become clear that there are cases in which the court made a decision that 1) the imported goods did not infringe any rights or,

Table 1 List of Import Suspension Motions Accepted by Customs (as of July 1, 2005)

Name of patentee	Registration No.	Request for injunction	Trial for invalidation	Request for <i>Hantei</i>
Ajinomoto Co., Inc.	Patent No. 1730647			
	Patent No. 1831122			
	Patent No. 1848284			
	Patent No. 2100370			
	Patent No. 3041921			
Watabun Co., Ltd.	Patent No. 2873216			
Tiger Corporation	Patent No. 2845157			
Honda Motor Co., Ltd.	Patent No. 2061757			O (Belongs to the technical scope)
Bandai Co., Ltd.	Patent No. 3363899			
Canon Inc.	Patent No. 2801149	O (Non-infringement)	O (Invalidation)	
	Patent No. 3278410	O (Non-infringement)		
Nobuyo Shimokawa	Patent No. 2892976		O (Before closing of examination)	
Tsubasa System Co., Ltd.	Patent No. 2676418			O (Belongs to the technical scope)
Bath Corporation	Patent No. 1875434			
	Patent No. 1971346			
Seiko Epson Corporation	Patent No. 3402366			
Healing Sports Limited	Patent No. 3502044		O (Before closing of examination)	
Ken Tsukada	Patent No. 2630555			
Sharp Corporation	Patent No. 2106806		O (Partial invalidation)	O (Belongs to the technical scope)
	Patent No. 2823993		O (Partial invalidation: the decision was subsequently reversed by the High Court)	
Seiwa Denki Sangyo Co., Ltd.	Patent No. 3012200			O (Belongs to the technical scope)
Fuji Photo Film Co., Ltd.	Patent No. 1875901	O (Infringement)		
Sanyo Electric Co., Ltd.	Patent No. 2589184	O (Infringement)		
Sankyo Seiki Mfg. Co., Ltd.				

Note: This table shows information obtained from the Industrial Property Digital Library of the JPO and does not show all cases that actually occurred.

2) the JPO determined that a patent was invalid after an import suspension motion was accepted or 3) imported goods that were identified as constituting an infringement by Customs were actually suspended.

Once Customs suspends importation, both the right holder who filed the import suspension motion and the importer of goods suspected of infringing rights are affected socially and economically. Therefore, this article analyzes each case focusing on this point.

The premise of this analysis, the motion system for import suspension is briefly outlined in this section.

2. Requirements for Filing an Import Suspension Motion

To file an import suspension motion, it is necessary to satisfy the following five requirements: (1) being a right holder, (2) validity of the right, (3) the fact or threat of infringement exists, (4) the fact of infringement can be confirmed, and (5) Customs can distinguish between legitimate and infringing goods. If these five requirements are satisfied, a motion will be accepted, and Customs will take action in terms of articles relating to the motion for up to two years (renewal is possible).³⁾

(1) Being a right holder

“Right holder” includes exclusive licensee in addition to original right holder of a patent right or other right.

(2) Validity of the right.

The validity of a right is determined based on whether the right has been registered with the JPO. In other words, a right is deemed to be valid based on registration with the JPO, and the defect of the registration itself is not questioned. Incidentally, an application does not become the subject of import suspension motion because the content thereof is not recognized as having (sufficient) grounds. In addition, when it is difficult to determine infringement, it is necessary to submit a decision document or a written decision of provisional disposition issued by the court that proves infringement, a *Hantei* document prepared by the JPO, or written expert testimony prepared by an attorney at law, depending on the content of the right.

(3) The fact or threat of infringement exists.

The fact of infringement means infringing articles have been imported into Japan, but the fact of actual import is not questioned and the threat thereof is also sufficient.

(4) The fact of infringement can be confirmed.

It is necessary for an applicant to make it possible to confirm the fact of infringement by submitting articles suspected of infringing the right and photographs or catalogues thereof.

(5) Customs can distinguish between legitimate and infringing goods.

It is necessary for an applicant to provide information that is necessary for Customs to compare and distinguish between legitimate goods and articles suspected of infringing the right through customs inspection.

3. Determination of Infringement by Customs (Identification Procedure) and Determination by the Court and the Japan Patent Office

If a motion satisfying the above-mentioned requirements was accepted by Customs and an import declaration was filed with respect to articles suspected of infringing the relevant right, Customs starts the identification procedure to determine whether articles suspected of infringing the right actually infringe the patent right. In this identification procedure, an Investigator for Intellectual Property Right or a responsible official of Customs determines the existence of infringement based on the evidence and opinions provided by the patentee and the importer. Moreover, the patentee can also request the Director-General of Customs to hear the opinion of the Commissioner of the JPO. In this case, if the Director-General can obtain an opinion from the Commissioner, he will determine the existence of infringement while referring to said opinion.

If articles for which an import declaration had been filed were identified as infringing articles, these articles are confiscated and then destroyed or re-exported in principle unless the importer voluntarily disposes of the articles. In addition, if articles were identified as non-infringing, they would be allowed to pass customs (Article 21(2) of the Customs Tariff Law).

On the other hand, patentees are granted the right to request those who infringe patents or other rights for suspension or prevention of the infringement, i.e. the right to request an injunction (Section 100 of the Japanese Patent Law). Patentees can also file a suit for import suspension in addition to filing an import suspension motion with Customs. As a counter to a suit for suspension, importers can file a suit for confirmation of non-existence of the right to request a suspension with the court. Incidentally, it is also possible to apply for provisional disposition at the same time of filing these suits (principle suit). If an importer intends to directly dispute over the validity of a relevant patent, he may file a demand for a trial for invalidation with the JPO. Therefore, the determination of infringement by Customs and by the court may differ. In addition, there is the additional risk that the patent may be deemed invalid by the JPO.

If articles that were identified as infringing by Customs are subsequently identified as non-infringing, the patentee will bear liability for damages to the importer. On the other hand, if Customs erroneously identifies non-infringing articles as infringing articles, the importer will suffer considerable loss due to suspension of importation. Therefore, the determination of infringement by Customs requires accuracy because it has a large impact on the parties concerned. However, the mere determination of infringement involves many elements to be considered and it is therefore not easy to make. Thus, the following section considers the adequacy of determination by Customs concerning each element for determination of infringement.

4. Elements for the Determination of Infringement

4.1 Technical scope of a patent right

This is the most basic element in the determination of infringement, specifically, the determination of whether articles suspected of infringing a patent right belong to the technical scope of the patent right. According to Section 70 of the Patent Law, the technical scope of a patent right has to be determined based on the description of the claims, and thus, infringement is determined through comparison between the

constituent features described in the claims and the constituent features of articles suspected of infringing the patent right. In this comparison, it is necessary to accurately interpret the scope of the claims and understand the constitution of articles suspected of infringing the patent right. Here, determination is difficult if disassembly or further analysis is necessary to understand the constitution of said articles. Moreover, the difficulty of determination differs depending on the technical scope of the subject patent right. For example, although the scope of right for an invention of “product” and that of right for an invention of “process” extend to the relevant “product,” it is generally more difficult to identify an infringement based on “process” than based on the “product.” This is because for a “process,” it is necessary to identify the method of making articles suspected of infringing the patent right.

On the other hand, it is possible to request the JPO for *Hantei* with respect to the technical scope of a patent right (Section 71(1) of the Patent Law). Although in the *Hantei* process, a council of the appeal examiners of the JPO determines whether the allegedly infringing article (article suspected of infringing the patent right) belongs to the technical scope on the basis of the description of the claims, the result of *Hantei* is not legally binding. However, it is the official view of the JPO based on expertise and it is thus positioned as kind of expert testimony.

Consequently, Customs is required to accurately interpret the scope of claims and precisely identify the subject through sufficient examination of the article suspected of infringing the patent right. However, as mentioned above, determination may become complicated for some cases, and it is definitely not easy to make correct determination with only limited information that is voluntarily provided by the parties concerned. As described above, it is possible to secure the credibility of the determination to a certain extent by utilizing the JPO's *Hantei* system. In fact, there have been four cases out of the above-mentioned cases in which the patentee obtained an advisory opinion that the relevant suspected article “belongs” to the technical scope of the patent right, by utilizing the *Hantei* system. If the patentee receives a determination by the JPO, which is a specialized organization, before filing a motion with Customs, Customs

will refer to the result of *Hantei* by the JPO in its own determination thus improving the credibility of the determination. Furthermore, in cases where the Director-General of Customs asks the Commissioner of the JPO for an opinion as mentioned above, the Commissioner is unlikely to give an opinion that is different from the result of the *Hantei*.

4.2 Validity of a right

Even if articles suspected of infringing a patent right belongs to the technical scope of the patent right, the articles will not constitute an infringement if the patent right is invalid. A patent may be invalidated through a trial for invalidation or in an infringement suit wherein based on arguments of abuse of the right the invalidity of the patent right has been affirmed. In short, it is necessary to take into account the validity of a relevant patent right in determining infringement. It must be considered that, sophisticated expertise and various kinds of information are required to determine the validity of a patent right, and it is probably difficult for Customs to determine on its own that a patent right granted by the JPO is invalid. In addition, if doubt arises in terms of the validity of a patent right, it is considered possible for the importer to assert that doubt to Customs. In any case, it is difficult for Customs to determine the validity of the patent in consideration of the importer's assertion due to the circumstances mentioned above.

Consequently, it is hardly presumable that Customs can determine infringement taking into account the validity of a relevant patent right, and in fact, Customs seems to proceed with the identification procedure on the premise that the subject patent right is valid.

For example, in the case of an import suspension motion based on Patent No. 2801149 of the above-mentioned cases, after the motion was accepted by Customs and the importer stopped the importation of the subject article, i.e. ink tanks for inkjet printers, due to the commencement of the Customs' identification procedure, the court ruled in a suit requesting an injunction that the subject articles did not constitute an infringement on the grounds that the request fell under abuse of the right⁴⁾ because the relevant patent right possessed clear reasons for invalidation (December 8, 2004; Tokyo District Court⁵⁾).

In terms of the case of import suspension motion based on Patent No. 2106809, the JPO ruled in a trial for invalidation concerning the patent right, which was filed after Customs accepted the motion, that a part of the patent right was invalid (April 11, 2005; Trial for invalidation⁶⁾). Incidentally, regarding this patent right, the patentee also made a demand for *Hantei* to prove that the subject articles, liquid crystal display televisions, belong to the technical scope of its own patent right, and the JPO determined in its *Hantei* that the subject articles "belong" to the technical scope of the patent right (September 27, 2004; Demand for *Hantei*⁷⁾).

Although it is not possible to confirm what determination Customs made in the identification procedure in the above-mentioned cases, it is very likely that Customs did not determine that the patent right was invalid as subsequently held by the court or the JPO.

4.3 Exhaustion of a Patent right

It is necessary to take into account the exhaustion of a patent right in determining infringement based on a patent right. Exhaustion is roughly divided into types, domestic and international exhaustion. The idea of exhaustion in Japan can be summarized by distinguishing between domestic exhaustion and international exhaustion. The idea of domestic exhaustion in Japan is that "if a patentee transferred a product relating to a patented invention within Japan, the patent right for the relevant patented product will be exhausted as its purpose has been achieved, and the effect of the patent right will not extend any more to the acts of using, transferring or lending the relevant patented product (July 1, 1997; Supreme Court (BBS case)⁸⁾." Additionally, a patentee cannot enforce the patent right in terms of products legitimately transferred within Japan. On the other hand, the idea of international exhaustion in Japan is "if a patentee in Japan or a person who can be identified with such patentee transferred a patented product overseas, the patentee will not be allowed to enforce the patent right for the relevant product in Japan against the transferee unless the patentee agreed with the transferee to exclude Japan from the sales territory and use area of the product, and against third parties that have taken over the patented product from the transferee or sub-

sequent purchasers unless such agreement was made with the transferee and the agreement is clearly indicated on the patented product (July 1, 1997; Supreme Court (BBS case)⁸⁾.” It is not permissible to enforce the patent right again in terms of products that were legitimately transferred overseas unless there are special agreements.

To determine whether a patent right has been exhausted, it is necessary to take various factors into account, such as whether the relevant product is one that was legitimately transferred from the patentee, and for international exhaustion, whether the patentee and the transferee have made an agreement that limits the sales territory. Especially, in recent years, there have been sales of recycled products, i.e. resale of used patented products, which were legitimately transferred from the patentee, after applying some kind of processing. There has been discussion over whether a patent right is enforceable against these recycled products. In short, whether recycled products are regarded as patented products legitimately transferred from a patentee is the subject of discussion. This question has been mentioned in the following cases.

<Case 1> (December 8, 2004; Tokyo District Court⁹⁾)

The plaintiff who sells ink tanks for inkjet printers in Japan and abroad requested, based on the patent for the ink tanks (No. 3278410), the defendant who collects ink tanks, which are the plaintiff's products that remain after the ink is used up, in Japan and abroad, and refills ink into these ink tanks to import and sell in Japan, to suspend the import of defendant's products. As cited in the table above, the plaintiff also filed an import suspension motion with Customs based on the relevant patent right, and Customs accepted the motion. In this case, the subject act of the defendant is refilling ink into the plaintiff's products, and the parties concerned disputed over whether domestic exhaustion applies to the plaintiff's products sold in Japan and whether international exhaustion applies to those sold overseas, based on whether the said act falls under new production. In the decision, the court judged that the act of refilling ink into the plaintiff's products, or ink tanks, is not the act of new production but the act of repair, and then

approved the application of domestic and international exhaustion.¹⁰⁾

<Case 2> (August 31, 2000; Tokyo District Court¹¹⁾)

In this case, the plaintiff requested, based on its own patent (No. 1875901), the suspension of import against the defendant's act of importing products created by replacing the films of film units with a lens (i.e. disposable cameras) sold in Japan and abroad by the plaintiff that were brought into processing stations after use by general consumers. In the same way as in Case 1, the parties concerned disputed over the method of treating the defendant's act of replacing films from the viewpoint of exhaustion of a patent right. In the decision, the court denied the application of both domestic exhaustion and international exhaustion from the viewpoints of the effect of patented products and the replacement of the essential part of a patented invention.

In addition to this case, there is the case relating to the import suspension of recycled disposable camera based on Patent No. 1875901 (January 25, 2005; Tokyo High Court¹²⁾). In this case, there was no substantial discussion with respect to domestic and international exhaustion, but in the decision, the court approved the patentee's (defendant's) right to request suspension of import or other acts.

In relation to this case, a motion for import suspension of infringing articles was also filed with the U.S. International Trade Commission (ITC) on the basis of the corresponding U.S. patent, of which claim of priority was based on the relevant Patent No. 1875901. In a series of suits relating to this,^{13),14)} the ITC determined that the act of making the relevant disposable cameras, which were first sold within the United States, reusable is “permissible repair,” based on the standard of determination of whether the act of making relevant disposable cameras reusable is “permissible repair” or “prohibited reconstruction.” The ITC thus approved the application of domestic exhaustion. On the other hand, the ITC ordered the import suspension of recycled disposable cameras in terms of disposable cameras sold first outside the United States, and it thus denied the application of international exhaustion.

For reference, determinations in terms of the above-mentioned recycled products in Japan

Table 2 Doctrine of Exhaustion Concerning Recycled Products in Japan and in the United States

Country where the product was first sold	Japan		US	
	In Japan	Overseas	In the US	Overseas
Ink tank	O	O	--	--
Disposable camera	X	X	O	X

Note: A circle is indicated where the doctrine of exhaustion was applied, an "X" where the doctrine was not applied, and a dash where the determination was unclear.

and in the United States are summarized as follows.

As is clear from the above-mentioned cases, determination of whether to apply the doctrine of exhaustion to recycled products differs depending on the subject product (ink tank or disposable camera). In addition, determinations are different between Japan and the United States even for the same subject product. Especially, in the United States, determinations differ depending on the country where the subject product was first sold. Consequently, in determining the exhaustion of a patent right, it is necessary to consider various factors on the basis of sufficient legal knowledge. Without this, it is impossible to make accurate determination of infringement.

4.4 Other

Another element in the determination of infringement is the availability of the right of argument, including prior user right and non-voluntary license due to use prior to request for invalidation trial.

5. Conclusion

As mentioned above, the number of patent right-based import suspension motions has dramatically increased with amendments to the Customs Tariff Law in 2003, and companies have shown increasing interest in import regulations at Customs. However, it was confirmed through analysis of actual motions that the determination of patent infringement involves many problems. In short, it is necessary to take into consideration the interpretation of technical scope, the validity of a patent and the exhaustion of the right in determining the existence of infringement, as well as possession of sufficient legal knowledge and information. We thus expect that Customs will determine infringement

while taking into account these elements. It is necessary for those who file an import suspension motion to file a motion after sufficient and careful consideration of the existence of infringement based on these problems. In doing so, to avoiding inaccurate determinations, as in the past, it is effective to use determinations by other specialized bodies, including the JPO's *Hantei* system, expert testimony and application for provisional disposition filed with the court.

Notes:

- 1) Customs' website, "Condition of import suspension of articles infringing intellectual property rights in 2004"
<http://www.mof.go.jp/jouhou/kanzei/ka170401.htm>
- 2) Customs' website, "List of import suspension motions"
http://www.customs.go.jp/mizugiwa/chiteki/page/s/f_001.htm
- 3) Custom's website, "Concerning the motion system for import suspension measures"
http://www.customs.go.jp/mizugiwa/chiteki/page/s/b_002.htm
- 4) This refers to a case that was heard before the enactment of Section 104-3 of the Japanese Patent Law, in which the court invoked a case law rule that the exercise of a clearly invalid patent does not constitute abuse of rights.
- 5) Tokyo District Court, 2004 (Wa) No. 8553, Case of request for injunction of patent infringement
- 6) Case of trial for invalidation of a patent, *Mukou* 2004-80186
- 7) Case of demand for *Hantei*, *Hantei* 2004-60054
- 8) Supreme Court; 1995 (O) No. 1988; Third Petty Bench; Case of request for injunction of patent infringement
- 9) Tokyo District Court; 2004 (Wa) No. 8557; Case of request for injunction of patent infringement
- 10) Intellectual Property High Court, 2005 (Ne) No. 10021. In a case in which an injunction is sought against patent infringement, the Intellectual Property High Court reversed the original judgment and upheld the plaintiff's claim for an injunction.
- 11) Tokyo District Court; 1996 (Wa) No. 16782;

- Case of request for injunction of patent infringement
- 12) Tokyo High Court; 2004 (Ne) No. 1563; Case of *Koso* appeal for request for the confirmation of non-existence of the patent right and the right to require injunction
 - 13) Jazz Photo Corp. et. v. Int'l Trade Comm'n et., No.99-1431, -1504, -1595, -1596, -1601 (Fed. Cir. Aug. 21, 2001).
 - 14) Fuji Photo Film Co., Ltd. v. Jazz Photo Corp. et., No.03-1324, -1331 (Fed. Cir. Jan. 14, 2005).

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