

Three Recent Decisions on Repair, Refill and Recycle

Trade Mark Act Sec. 37 – “Ink Bottle”

Where trade-marked ink bottles are commercially refilled by third parties and no indication is given about such alteration of the original goods, such act infringes the trade mark at least in cases where the refilled bottles are not returned to the same customers from which they were obtained.

Tokyo High Court, 31 August 2004 – Case No. Hei 15 (Ne) 899

(Riso kagaku kôgyô kabushiki kaisha v. Takken Corporation, et al.)

From the facts:

The plaintiff (appellant) owns three trade marks registered for paint, dye, colouring, printing ink, etc.: the word marks “RISO” Nos. 4091781 and 4091782, and the word mark “RISOGRAPH” No. 4036757.

The plaintiff manufactures and distributes printing machines plus ink bottles for these machines, all bearing said three trade marks. Once all the ink is used up, the ink bottle is supposed to be replaced by a new one, and the used-up bottle is meant to be destroyed. The ink bottle for the plaintiff’s machine has a distinctive shape in order to fit into the printing machine.

The defendant D2 (appellee 2), a distributor of plastic materials, advertised a service for the refill of ink bottles to users of the plaintiff’s printing machine, and collected used-up ink bottles from users upon request. The defendant D1 (appellee 1), a manufacturer and a distributor of plastic materials and plastic products, bought such ink bottles from D2, dismantled the bottles, rinsed them, refilled the bottles with ink manufactured by D1, and replaced the cap. These bottles are hereinafter referred to as the “defendants’ products”. D1 sold the defendants’ products to D2, and D2 resold the defendants’ products to users, mostly public offices (police agencies, city governments), schools (universities, high schools, junior high schools), etc. The defendants’ products still carry the plaintiff’s trade marks when being sold to the users, and no indication is provided that the refilled ink stems from D1.

In this case, the plaintiff asserted that the defendants make infringing use of the plaintiff’s marks according to Sec. 2(3)(ii) Trade Mark Act. The plaintiff claims injunction, destruction of the defendants’ products, and damages amounting to 50 million yen.

The defendants argue that they are merely refilling the ink of ink bottles supplied by their customers. They act upon their customers' request, and even if the ink bottles still bear the plaintiff's trade marks, the defendants do not "use" those marks, and the defendants do not infringe.

The Tokyo District Court accepted the defendants' arguments and rejected the plaintiff's claim (21 January 2003, Case No. Hei 14 (Wa) 4835). The Tokyo District Court held that "the products bore the plaintiff's trade mark at the time the defendants collected the used ink bottles from their customers. There is not relation between the trade mark on the ink bottles and the refilled ink, and the trade mark does not play a role in the identification of the products. Thus, the defendants does not 'use' the plaintiff's registered trade mark [as an indication of origin], and there is no trade mark infringement".

The plaintiff appealed.

Findings:

"It is not in dispute between the parties that appellee 2 refills ink bottles bearing the appellant's trade marks and sells them. This act clearly falls within the definition of "use" under Sec. 2(3)(ii) Trade Mark Act. However, we understand that the nature of a trade mark is to distinguish the source of the product, and therefore we need to determine not only whether the act of the appellees is a "use" of the appellant's trade marks, but also whether it plays a role in the identification of the product source in order to find trade mark infringement.

From the above facts, we conclude:

- (i) that the appellees collected empty ink bottles from customers, refilled the same type of ink bottles (the ink bottle to be refilled may be an empty ink bottle from another customer, though), and sold them. The appellees also refilled empty ink bottles and sold them without a particular customer request or a particular consumer delivering its empty inkbottles,
- (ii) that D1 collected used-up ink bottles from about 1,500 customers including D2 and many affiliated shops. The size of defendant's business was thus far beyond that of a small private trading entity,
- (iii) that the name of the appellant's printing machine or the name of its replaceable ink cartridge appeared on the appellees' leaflets and order sheets which the appellees distributed to their customers in order to sell their products. Yet, there were no notice such as "this ink was produced by the appellee / not by the appellant" in order to avoid confusion, and thus there was the danger of confusion [as to the origin of goods],
- (iv) that the appellees' products were bearing the appellant's trade marks when being delivered to customers,

- (v) that in some cases, customers of the appellees who not only used the printing machines but who were actually in charge of buying ink bottles did not realize that the refilled ink was manufactured by the appellees without any relationship to the appellant, and
- (vi) that ink bottles for printing machines are often resold after the first sale.

From these facts, we can conclude that it is clear that the distribution of the appellees' products creates the possibility of confusion as to the source of the ink which is refilled in the ink bottles, as customers and consumers may believe the ink comes from the appellant, and therefore the registered trade marks play a role as source identification in the sales of the products (ink). The appellees are "using" said trade marks, and thus infringe the trade mark rights of the appellant."

The Court enjoined the defendants from using said trade marks, ordered the destruction of the defendants' products, and ordered the defendants jointly and severally to pay 50 million yen to the plaintiff.

For the Japanese-language version, see Hanrei Jihô 1883, 87. The first instance decision of the Tokyo District Court is reprinted in Hanrei Jihô 1883, 96. Translation first printed in the International Review of Intellectual Property and Competition Law (IIC) Vol. 37 (2006) 607.

Mineko Môri

Japanese Trade Mark Act Sec. 38 – “Brother Ink Ribbon”

Use of the indication “For brother” (“*buraza-yô*”) on spare parts for fax machines without consent of the trade mark owner does not qualify as a trade mark infringement in the absence of any confusion as to the origin of the spare parts.

Tokyo High Court, 13 January 2005 – Case No. Hei 16 (Ne) 3571

(Brother K.K. v. Ohm Electric Inc.)

Case summary:

The plaintiff is the well-known maker of electronic appliances, Brother, which holds the word marks “brother” in Latin alphabet and “*buraza*” in Japanese *katakana*. The defendant Ohm produces replacement parts, *inter alia* ink ribbons for fax machines. One of its products is an ink ribbon sold in a box that bears the maker’s name “Ohm” on the left hand corner in large letters, the indication “ink ribbon” (*inku ribbon*) in large *katakana* in the middle, accompanied below by an English note “For brother TYPE 1”, and in the right corner the further specification “*buraza-yô*” in *katakanakanji* (“For use in brother”; “For brother”). The bottom side of a box bears the maker’s name “Ohm Electric Inc.” and its address in very small English letters. The plaintiff argues that such get-up causes consumer confusion as to origin of the spare parts, in particular due to the following circumstances: The type of facsimile for which the ribbons would serve were mostly sold to private homes. A good many purchasers were old people and women unfamiliar with technical appliances and thus prone to confusing the origin of the spare parts as being original Brother goods.

The court denied confusion as to the origin as follows: First, it was rather common these days that spare parts were manufactured not by the maker of the original appliance, but by third parties. Second, the usage and meaning of the English word “for” was taught in Japanese middle schools and thus all Japanese consumers should be familiar with the English phrase “for use in brother”. Third, the indication “For brother TYPE 1” and “*buraza-yô*” was correct and necessary information to consumers wishing to purchase replacement ink ribbons for certain types of Brother faxes. Finally, the fact that the name of the maker “Ohm” was only indicated in English did not create confusion; after all, the name was written in large letters.

Japanese-language original available at the Supreme Court’s homepage <www.courts.jp>.

Note:

The case was dismissed both by the Tokyo District Court (23 June 2004, Hanrei Jihô 1872, 109) and the Tokyo High Court. The courts had to distinguish this case from “Type Chanel No. 5” case (Tokyo High Court, 24 March 1993, International Review of Intellectual Property and Competition Law 26, 566) where it was held that use of the English phrase “If you like Chanel No. 5, you’ll love Cinq” on the packages of strange smelling “fragrance sticks” could indeed cause confusion to Japanese customers who might take the phrase as indicating a true Chanel product. The objective necessity of using the Brother trade mark for indicating compatibility may also have contributed to the result that indeed is similar to the interpretation of Art. 6(1)(c) of the EC Trade Mark Directive given by the European Court of Justice (ECJ, 17 March 2005, International Review of Intellectual Property and Competition Law 36, 722 – “Gilette”).

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Christopher Heath

Patent Act Sec. 101 (1) (i) – “Canon Inkjet Printer”

The refilling of patented ink cartridges is an act of infringement both regarding the product patent of the ink tank and the process patent for the manufacture of ink tanks.

IP High Court, Special Division (Grand Panel)

31 January 2006 – Case No. Hei 17 (Ne) 10021

(Canon Inc. v. Recycle Assist Co., Ltd.)

Facts:

“The plaintiff owns two patents, a product patent (claim 1) on an ink tank for inkjet printers (“patented products”) and a process patent (claim 10) for the manufacture of the patented products. The plaintiff manufactures patented products and distributes them both in Japan and abroad. The defendant imports the patented products that were recycled for re-use by a company in Macao (“Company M”). An affiliated company of Company M, Company N, collected empty ink tank bodies (i.e. the patented products) from North America, Europe and Asia (including Japan), and sold them to its subsidiary company, Company O. Company O made a vent on the top surface of the liquid ink storage chamber in the ink tank bodies, rinsed them, dried them, refilled ink through the vent, plugged the vent, put labels on the products, and thus produced commercial recycled products (“recycled products”) by re-utilising the used-up patented ink tank bodies. Company M purchased the recycled products from Company O and shipped them to Japan. The defendant then imported the recycled products from Company M and distributed them in Japan. It is not in dispute that the recycled products and the method for producing the recycled products are both within the product patent and the process patent of the plaintiff.

The plaintiff and owner of the above-mentioned two patents regards the defendant’s acts as an infringement of its patents and seeks an injunction against the importation and distribution of the recycled products, and in addition an order for the destruction of the latter. The defendant requests the lawsuit be dismissed because the plaintiff’s patent rights for the specific products in question are exhausted.

The three issues for the court to answer are:

1. Whether or not the process patent right is still exercisable against the defendant's products, or is exhausted by the sale of the patented products in Japan.
2. Whether or not the process patent right is still exercisable against the defendant's products, or is exhausted by the sale of the patented products in Japan.
3. Whether or not the product patent right and the process patent right are exhausted by the sale of the patented products abroad.

The plaintiff argues that the exhaustion doctrine shall not be applied to this case due to the nature of the patented products. Once the ink is used up, the products have fulfilled their function, at least as intended by the patentee who collects the used patented products and recycles them as resource materials for manufacturing other products. On the other hand, the defendant argues that, once the ink inside the patented products has been consumed, the products' bodies still maintain their functionality and quality, and any consumer could refill them with new ink and utilise them. In this respect, the defendant cites the result of a survey conducted in April 2004 amongst consumers of inkjet printers. The survey shows that 46.1% of consumers return the used ink cartridges to collecting boxes available at retail shops, and 4.4% refill the ink tank. 8.8% (this figure increased to about 12% in a survey of February 2005) use recycled ink cartridges, and 33.4% indicate a willingness to use the recycled ink cartridges, if available. Furthermore, the defendant points to examples in the US and Germany with established, large markets for recycled ink tanks for inkjet printers. Finally, the defendant highlights the importance of the "Act for the Promotion of Utilisation of Recycled Resources (Law No. 48 of 1991, as amended), which aims to enhance recycling and the protection of the environment. The defendant asserts that in light of such legislation, it is a national and entrepreneurial duty to use recycled resources and recycled products."

[The Tokyo District Court rejected the plaintiff's claim in its decision of 8 December 2004 – Case No. Hei 16 (Wa) 8557, in: Hanrei Jihô 1889, 110. The plaintiff appealed.]

Findings:

Issue 1:

When the patentee or the licensee of the patent rights sells the patented products in Japan, the relevant patent rights for the patented products shall be deemed exhausted because the patent rights for these patented products have fulfilled their purpose. Thus, the patentee may no longer exercise the patent right over to the defendant's acts, such as using, assigning, or leasing the patented products. (The Supreme Court of Japan, 1 July 1997, Case No. Hei 7 (O) 1988 [International Review of Intellectual Property and Competition Law 29, 334] – "BBS")

However, a patent right is not exhausted and the patentee can enforce its right in the following situations:

- *Scenario 1:* When a patented product is re-used or recycled after the patented product has fulfilled its original service life and thus fulfilled its function, or
- *Scenario 2:* When a third party adds or exchanges part or all of the substantial elements of the patented invention of the patented products.

[In Scenario 1, such an exhaustion doctrine will not affect the free distribution of merchandise in the market, and, in Scenario 2, such a doctrine will not lead to an unjust double reward under the patent system, but rather give the patentee the chance of fulfilling upcoming needs for the patented products. As to Scenario 2, once further additions or exchanges have been made to part or all of the substantial elements of the patented products, such refurbished products are different from the original products.]

Scenario 1 depends on whether or not the patented products have fulfilled their function (determination is made based on the patented products). Scenario 2 depends on whether or not the addition or exchange has been made to part or all of the substantial elements of the patented invention (determination is made based on the patented invention).

So, when part or all of the substantial elements of the patented invention have been damaged or used up, and thus have fulfilled their function, additions or exchanges to such substantial elements fall both within Scenarios 1 and 2. Where additions or exchanges are made to parts other than the substantial elements of the patented invention, such acts may fall within scenario 1 but not 2.

Application of Scenario 1:

... [T]he act of refilling the ink into the empty ink tank after the original ink has been consumed is the replacement of a consumable part, and such an act is a use of the ink tank. No statutes provide that the usage of the ink tank is limited to the consumption of the originally filled ink, nor is there a common understanding in society about such a limitation. Therefore, we cannot conclude that the patented products have fulfilled their function and the products have ended their service life at the time when the originally filled ink has been consumed. Thus, the Scenario 1 exception to the exhaustion doctrine is not applicable here.

Application of Scenario 2:

... [F]rom the above facts, the defendant's products which were made by Company O are the result of additions or exchanges to a part protected by the patented invention, and such a part is the substantial element of the patented invention at issue. Thus, the Scenario 2 exception to the exhaustion doctrine can be applied to this case, and therefore the patent right is not yet exhausted and the patentee can claim his patent right over the defendant's products.

Issue 2

[Even though it is not necessary to decide on the exhaustion of the process patent, the following remarks are made:]

For a process patent according to Patent Act Sec. 2(3)(ii), the exhaustion doctrine, and its limits as discussed above, does not apply in the same manner to the sale and distribution of the patented products. Rather, the process patent can be deemed exhausted in the following circumstances.

- a) when a product that is manufactured according to the process patent is also covered by a product patent, and ... the substantial technical contents are the same in both patents ..., once the product patent is deemed exhausted.
- b) [the same applies where under a] the product or process patent is subsequently assigned]. Here, the patentee would not be allowed to enforce its right against the defendant who employs the patented process or manufactures and sells the products based on the assigned right....

... In this case, by refilling the ink into the patentee's ink tanks, the defendant uses the patented process, which is the substantial element of the patent at issue. As neither the patentee nor the licensee sells the manufacturing machines or raw materials to manufacture the ink tanks by employing the patented process, the patentee is still allowed to enforce its patent right.

.....

In this case, the process invention (claim 10) refers to the liquid container of the product invention (claim 1), and the idea of such a process invention is to fill the liquid in the described manner into the liquid container, which is meant to be filled with ink. The process patent thus adds no additional technical idea to the product patent (claim 1), and both inventions contain the same technical idea. Thus, the patentee should be allowed to enforce its process patent rights (claim 10) because the exercise of the product patent right (claim 1) is not exhausted.

Translated from the website of the Supreme Court of Japan:

<<http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/3F833955B41D23F64925710700290024/?OpenDocument>>. Translation first printed in the International Review of Intellectual Property and Competition Law (IIC) Vol. 37 (2006) 867.

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