

Translations

Brother Decision

Antimonopoly Law

Antimonopoly Act secs. 2(9)(vi), 19, 24 –
Compatible Ink Cartridge/Brother

*Headnotes by Translator:**

1. Where technical measures (here: changing the circuit design of new printers) are implemented without technical necessity, yet in order to tie goods in the aftermarket by making previously compatible toner cartridges unusable, thereby creating the risk of excluding competitors from the market in the tied goods (here: toner cartridges), such measures amount to an unfair trade practice (here: unlawful tying) under the Antimonopoly Act.

2. Where the exclusionary effect lasted only a relatively short period of time (here: three months) and there is no risk of a repetition of such unlawful conduct, injunctive relief under sec. 24 Antimonopoly Act must be refused.

Tōkyō District Court, 30 September 2021, Case No. 2019 wa 35167

*Color Creation & Elecom v. Brother*¹

FACTS:

1. Outline of the case

The plaintiffs, who produce and sell ink cartridges that can be used for the defendant's 5-type printers, argue that the defendant has unfairly excluded the plaintiffs from the market for cartridges which could be used for the above printers by unreasonably changing the circuit design, thereby making the plaintiff's printers no longer recognise the plaintiffs' cartridges. This would amount to a contravention of the Antimonopoly Act (AMA) (breach

* Translated from the original by Atsuhiko FURUTA.

1 Published on the website of the courts https://www.courts.go.jp/app/files/hanrei_jp/660/090660_hanrei.pdf.

of secs. 19 AMA, 2(9)(vi)(c) and (f) AMA, items 10 (tying) and 14 (unjustly interfering with the business of a competitor) of the Fair Trade Commission's General Designation of Unfair Trade Practices No. 15 of 1982²). The plaintiff claims against the defendant (α) injunctive relief for the above circuit design change for the above printers under sec. 24 AMA, and (β) damages on behalf of the defendant Elecom in the amount of 15,729,364 Yen plus interest.

2. Established Facts

The following facts were acknowledged or established.

(1) Parties

a. The plaintiff Color Creation is a stock company for the purpose of sale, import and export of cartridges or OA supply goods. It imports and sells cartridges for the defendant's inkjet printers.

b. The plaintiff Elecom is a stock company for the purpose of development, production, sale of OA supply goods or OA devices. It sells cartridges for the defendant's inkjet printers.

c. The defendant is a stock company whose main business is the production and sales of communication/printing devices such as printers or multi-function printers.

(2) Cartridges that can be used for the defendant's inkjet printers, etc.

a. The defendant's inkjet printers allow printing by inserting an exchangeable cartridge. Cartridges that can be used for the defendant's inkjet printers of a specific type number cannot be used for another company's inkjet printers, and they may not be used for the defendant's inkjet printers of another type number.

b. There are the following types of cartridges that can be used for the defendant's inkjet printers, or that can be refilled, and for which the plaintiffs sell compatible cartridges.

(a) Authentic cartridges

Cartridges that are produced and sold by the defendant itself.

2 Sec. 2(9)(vi)(c) AMA and item 10 of the Designation: unjustly inducing or coercing the customers of a competitor to deal with oneself; sec. 2(9)(vi)(f) and item 14 of the Designation: unjustly interfering with a transaction between an enterprise in competition with oneself.

(b) Recycled cartridges

Cartridges that are sold by filling compatible ink after collecting and cleaning used, authentic cartridges.

(c) Refill

Ink for refilling of a used, authentic cartridge.

(d) Compatible cartridges

Cartridges that are designed, produced and sold as usable for the defendant's printers by suppliers other than the defendant.

(3) How the defendant's inkjet printers are sold

a. At the latest from September 2018, the defendant has sold inkjet printers numbered "DCP-J577N", "MFC-J898N" and "DCP-J978N" (hereafter referred to as "printers 1 to 3").

b. At the latest from March 2019, the defendant has sold inkjet printers numbered "MFC-J998DN" and "MFC-J998DWN" (hereafter referred to as "printers 4 and 5", while printers 1–5 are referred to as the "defendant's printers").

(4) Circuit design and change of the defendant's printers

a. Each of the defendant's printers has a function that applies a voltage of 3.3V to a circuit between the printer and the cartridge when the latter is inserted and the information of the cartridge is read (hereafter referred to as the "authentication function" and the "3.3V circuit").

b. The defendant has subsequently introduced a new circuit (hereafter referred to as the "1.5V circuit") in each of its printers produced after around December 2018 (hereafter referred to as the "defendant's new printers") that causes the display to show the error message "ink cannot be detected 01" when a current over a certain current (hereafter referred to as the "standard current") is detected by applying a voltage of 1.5V to the 1.5V circuit when inserting a cartridge before activating the authentication function and without applying a current to the 3.3V circuit (hereafter referred to as the "circuit design change").

(5) How the plaintiffs' and the defendant's cartridges are sold

a. The defendant sells authentic cartridges of the "LC3111" series that can be used for the defendant's printers.

b. The plaintiffs sold compatible cartridges that could be used for the defendant's printers 1 to 3 before the circuit design change, and after March 2019 they have sold compatible cartridges that can be used for the defendant's new printers.

REASONS:

1. Findings

In addition to the above facts, we find as follows:

(1) Features of cartridges

a. The production and sales amount of recycled cartridges are limited up to the amount of collected used authentic cartridges, because the collected used authentic cartridges are needed to produce the recycled cartridges. And there is an inconvenience in refilling ink, such as smudge on one's hands, when printer users themselves refill the ink. It thereby becomes necessary to purchase devices for the filling.

b. Authentic cartridges have a high reliability, because printer manufacturers themselves produce them, yet they are also expensive. On the other hand, compatible cartridges have no limit in production or sales amount, there is no need for refill and they are cheaper than authentic cartridges.

When manufacturers of printers and authentic cartridges sell new printers or change their specifications, compatible cartridge manufacturers have to obtain them, to analyse change points, and to develop and produce compatible cartridges which can be used for the above printers.

c. In cases of inkjet printers where exchangeable cartridges are inserted and used, after a while repurchase costs for cartridges become higher than for the printers themselves.

(2) Workings of the circuit of the defendant's old printers

a. When the defendant's printers are switched on, a current of 3.3V is applied to the 3.3V circuit, and the printers read the information from the cartridges (the authentication function).

b. When the defendant's printers make a print, a current is applied to a circuit which applies a current to a printer head through an ASIC (Application Specific Integrated Circuit). In addition thereto, each time the printing of a paper sheet is finished, a current is applied to the 3.3V circuit, to the cartridge's IC chip and to the printer's ASIC; the information on the remaining ink on the IC chip is rewritten and the information on the remaining ink is sent to the ASIC.

(3) History of the circuit design change

a. The defendant in November 2017 was notified of bad connections caused by the attachment of an adhesive to the cartridge's IC chips for the printers of some types (without circuit design change) older than the defendant's printers at issue, and until around the middle of November 2018, there were reports of problems of no connection to the IC chips due to dust or impurities.

b. The defendant in February 2018 decided to change the circuit design and added the 1.5V circuit to the defendant's printers (the circuit design change).

c. The defendant at first considered a circuit design change using a $1,000\Omega$ resistor in the 1.5V circuit. But around May 2018, it was found that a voltage of the 1.5V circuit was too low and the defendant changed it to about 470Ω . After that, the defendant decided on a standard current of 0.169mA by applying a voltage of 1.5V to the defendant's IC chip.

d. The defendant in September 2018 started to sell off its old printers and after December 2018 started to sell the defendant's printers 1 to 3 with the circuit design change. In March 2019, defendant's printers 4 and 5 went on sale.

(4) Substance of the circuit design change

When the defendant's new printers are switched on and cartridges are exchanged, due the circuit design change a voltage of 1.5V is applied to the 1.5V circuit. And an error message "ink cannot be detected 01" is displayed if the current at that time goes beyond the standard current (about 0.169mA)

(5) Circumstances after the circuit design change

As a result of the circuit design change, the error message is displayed on the defendant's new printer when inserting two or more compatible cartridges which can be used for the defendant's old printers.

Because of this, from March 2019 the plaintiffs have developed and sold cartridges which can be used also for the defendant's new printers.

(6) Experimental results for the circuit design change

a. In the experiment, the plaintiff Color Creation inserted an artificially short-circuited cartridge into the defendant's old printer (without the circuit design change), and an error message "ink cannot be detected" was displayed on all combinations of short-circuited points, yet a test print could be properly made after resolving the short-circuit and reinserting the cartridge. In the defendant's comparative experiment, the same result was obtained.

In an experiment where the plaintiff Color Creation for 4 hours applied a voltage of 3.3V without resistor to the above printer's transistor that was same as contained in each of the defendant's printers, a test print could be properly made after the above voltage application, and there was no damage to the printer.

In the plaintiffs' experiment of applying various voltages to each of the plaintiffs' 20 IC chips and the defendant's 20 IC chips, when applying a

voltage of 1.5V, an average of about 0.0027mA current was applied to the defendant's IC chips, and an average of 0.077mA current to the plaintiffs' IC chips. And when applying a voltage of 3.3V, an average current of about 0.71mA was applied to the defendant's IC chips, and an average current of 0.81mA to the plaintiffs' IC chips.

In the defendant's experiment of applying a voltage of 1.5V to each of the defendant's IC chips, there were individual differences, yet all of them were lower than 0.05mA.

[...]

2. Dispute point 1 (whether there is a justification for the circuit design change)

(1) Necessity of the circuit design change

Even without the circuit design change, the defendant's printers, including the defendant's old printers, already displayed an error message when inserting a short-circuited cartridge. There is no report of cases of damage to the defendant's printers caused by an excessive current. And when a voltage of 3.3V was applied to the transistor without a resistor for 4 hours, there was no damage. From these facts, we cannot acknowledge any specific necessity for a circuit design change in regard of the defendant's old printers after only a couple of months into their sale.

For this point, the defendant argues that there were cases where impurities were found around the IC chip and caused a bad connection. The defendant was thus concerned with a risk of an excessive current caused by the presence of conductive impurities and made the circuit design change. But such necessity as argued by the defendant is a rather abstract one. In addition thereto, as the defendant has stated, there was no design change related to a bad connection caused by non-conductive impurities, even though there were cases of a bad connection caused by non-conductive impurities as well. Only making a circuit design change for the presence of conductive impurities that did not actually occur appears rather strange, and the defendant has not furnished a reasonable explanation. And despite the circuit design change for the defendant's old printers several months after the start of sales, in the explanation to customers (the "FAQ" on its homepage) there was no mention of the presence of impurities that supposedly cause an error. We thus do not find the argument on this point convincing.

(2) About the substance of the circuit design change

The standard current is defined as about 0.169mA after the circuit design change. There is no reason for this in relation to potential damage to the defendant's old printers, and we cannot acknowledge that a cartridge causes damage to the printer when a current over the standard current is applied to

the 1.5V circuit. Further, after the circuit design change, there were cases where for the defendant's authentic cartridge an error message was displayed when a current over the standard current was applied. On the other hand, when a voltage of 1.5V was applied to the 1.5V circuit when the plaintiffs' compatible cartridges were inserted before the circuit design change, due to the characteristics of IC chips in the compatible cartridges the current which was applied to the circuit went beyond the standard current and an error message was displayed as a result. From these facts, we cannot see any reasonable ground for the definition of the standard current for the purpose of preventing an excessive current caused by the presence of conductive impurities.

(3) Other circumstances affirming the intention to exclude compatible goods

a. The defendant on its homepage explained the use of a compatible cartridge as a possible reason for the error message being displayed due to the circuit design change. We can acknowledge that the defendant was clearly aware that compatible cartridges could be excluded.

b. To begin with, printer/authentic cartridge manufacturers and compatible cartridge manufacturers are in competition with each other in regard of reputation and price. In such a situation, by changing a printer's specification the printer/authentic cartridge manufacturers can create a situation whereby the compatible cartridge manufacturers have to obtain a printer to analyse the change in specification and to develop and produce new compatible cartridges. In addition thereto, when inkjet printers are used for a certain period of time, the repurchase costs of cartridges generally become higher than for the printers as such. Manufacturers of printers and authentic cartridges in Japan until now have often used a business model of keeping down their printers' prices in order to increase the amount of sales of printers only to then continue selling cartridges at a relatively high profit ratio, thus obtaining substantial profits in total. An increasing amount of sales of compatible cartridges, which are often sold cheaper than authentic cartridges, has thus a big financial impact on the above manufacturers and may even jeopardise the above business model. Therefore, there exists a structural competition beyond the mere competition related to price and the reputation of cartridges.

c. The circuit design change was made to the defendant's printers 1 to 3 just several months after their sale had started.

(4) Thus, (α) the circuit design change was made in a situation of structural competition between the plaintiffs and the defendant, without any concrete necessity, and for the defendant's printers 1 to 3 just several months after

their sales had started, and (β) there was no reasonable ground for the standard current defined by the circuit design to be changed in light of the purpose as alleged by the defendant; the change effectively functioned to exclude compatible cartridges. In addition, considering the above circumstances of (3)a., we can acknowledge that the circuit design change was made on purpose to make the sale of compatible cartridges difficult by creating a situation where manufacturers of compatible cartridges, including the plaintiffs, had to develop and produce new compatible cartridges suitable for the changed circuit design.

Therefore, there is no justification for the change in circuit design.

3. Disputed point 2 (whether the change in the circuit design is an act of tying)

(1) For affirming an unfair trade practice of “unjustly inducing or coercing the customers of a competitor to deal with oneself” (sec. 2(9)(vi)(c) AMA, item 10 of the Fair Trade Commission’s General Designation of Unfair Trade Practices), it is necessary that tied goods need to be purchased together with the tying goods. This concerns conduct that requires the purchase of specific goods in the market of supplementary goods (tied goods) after the purchase of the tying goods. In a case where a number of customers by purchasing goods are objectively required to purchase tied goods, it can be said that they are obliged to purchase these tied goods.

We apply the provision to this case. From the above facts and arguments, it can be established that cartridges usable for the defendant’s printers are supplementary goods which become necessary after the purchase of the defendant’s printers. And we can acknowledge that due to the circuit design change, cartridges other than the defendant’s authentic cartridges became unusable in the defendant’s new printers and the purchasers of the defendant’s new printers were obliged to purchase the defendant’s authentic cartridges when purchasing cartridges for use in the defendant’s new printers.

Therefore, the circuit design change should fall under the act of “unjustly inducing or coercing the customers of a competitor to deal with oneself”.

(2) The conduct of above (1) was “unfair” in that there was a danger of hindering fair competition by such conduct. For the hinderance of fair competition, the competition in the market of the tied goods should be evaluated, and it should be taken into account also whether there is a justification for such conduct.

Regarding the latter point, as stated in the above facts under 2.(2), cartridges which can be used for a specific printer are limited by certain specifications. Therefore, from the viewpoint of substitutability as perceived by

consumers, it can be said that the tied goods market is the market for those cartridges which can be used for the defendant's new printers.

Then, we consider whether there is a danger of hindering fair competition in the above market. Due to the circuit design change, compatible cartridges became unusable for the defendant's new printers. Therefore, the circuit design change created the danger of excluding compatible cartridge suppliers from the above market. In addition thereto, in this case, the tying goods are those that the defendant produces and sells, and compatible cartridge suppliers including the plaintiffs have an appreciable market share in the tied goods market. And, as stated under above 2., there is no justification such as a technical necessity for the circuit design change. Therefore, we can acknowledge that the circuit design change gives rise to the danger of hindering fair competition in the above market.

(3) Accordingly, the circuit design change should qualify as a tying and should be deemed unlawful conduct against the plaintiff Elecom as damaging a competitor by hindering fair competition as defined under the AMA.

In addition, there is no need to consider the disputed point 3 (whether the circuit design change is obstructing the trade of a competitor) because the circuit design change is unlawful conduct, as stated above.

4. Disputed point 4 (whether the circuit design change created a danger of significant damage to the plaintiffs)

(1) "Significant damage or a danger thereof" under sec. 24 AMA requires unlawful conduct with a higher level of unlawfulness than a case where damages can be acknowledged. The circumstances and extent of the unlawful conduct and damages inflicted should thus be considered.

(2) In the case at issue, the circumstances of the defendant's unlawful conduct under the AMA are that by newly installing the 1.5V circuits in the defendant's new printers, the defendant made cartridges unusable that were sold by compatible cartridge suppliers, including the plaintiffs. As we state in 5., below, even if the plaintiff was monetarily damaged, the plaintiff after about three months (around March 2019) took measures accounting for the circuit design change and started selling compatible cartridges which could be used in the defendant's new printers. The plaintiffs thus only for a short period of time could not sell compatible cartridges to be used in the defendant's new printers. And it cannot be held that the amount of monetary damages could not be recovered by a subsequent claim for damages.

And while after three months the exclusionary effect caused by the circuit design change disappeared, there is no evidence that the defendant

made yet another a specification change in its new printers after the circuit design change at issue. The standard current is defined by the current applied to the defendant's IC chips. As the defendant notified the plaintiff Color Creation of the defendant's decision to renew the damage prevention function for the defendant's new printers, including a definition of the standard current and a specification change accompanying it, and of the possibility that this would be implemented, we cannot immediately acknowledge that the defendant also in the future would breach the AMA by making cartridges unrecognisable in the defendant's new printers through the detection of a certain current when installing a new current detection mechanism.

In this regard, the plaintiffs argue that the reputation of compatible cartridges has been impaired by the circuit design change and thus that there is a danger of excluding cartridges from the market which can be used with the defendant's new printers. But, as we state in 5.(3) below, there is no evidence that the plaintiffs were continuously excluded from the above market by the circuit design change and/or that their reputation was impaired to the extent that it was impossible to subsequently recover.

Therefore, we cannot acknowledge that there is "significant damage or a risk thereof" for the plaintiffs caused by the circuit design change, and the plaintiffs' request for the injunction under sec. 24 AMA against the circuit design change is groundless.

5. Dispute point 5 (Damages of the plaintiff Elecom)

(1) Refund for retail shops in the amount of 1,361,574 Yen

The total refund of 1,361,574 Yen that the plaintiff Elecom was obliged to provide to the retail shops should count as damages suffered by the plaintiff Elecom.

(2) Refund for the purchasers: 14,684 Yen

With regard to the fact that the circuit design change made the plaintiff Elecom's cartridges unusable for the defendant's new printers, it would normally be supposed that the plaintiff Elecom was obliged to collect the compatible cartridges and to refund the purchase price when there were complaints that the compatible cartridges were unrecognisable in the defendant's new printers. Compatible cartridges are designed and produced for each specific printer type of a specific manufacturer. Then, for the collected cartridges that were inserted by the purchasers once and thereby became used goods, the total amount to be refunded was 14,684 Yen, which should count as damages of the plaintiff Elecom.

[...]

(3) Damages for impairment of reputation 0 Yen

The circuit design change made the plaintiff Elecom's compatible cartridges unusable for the defendant's new printers. We cannot deny the possibility of damage to the plaintiff Elecom's reputation. But, as we hold under (4) below, there is no evidence that the plaintiff Elecom's sales decreased due to the circuit design change. Even if we consider all evidence, we cannot acknowledge that the circuit design change caused intangible damage to an extent that must be compensated by a damages payment.

(4) Lost profits 0 Yen

The plaintiff Elecom argues that it had to reduce its sales amount of compatible cartridges and claims as a payment figure the difference in compared sales profits of the amount of the compatible cartridge prior to the "LC3111" series and of the "LC3111" series.

The circuit design change made the plaintiff Elecom's compatible cartridges unusable for the defendant's new printers. About three months were needed for the development and marketing of compatible cartridges which could be used in the defendant's new printers. There was a situation that the sale of compatible cartridges usable in the defendant's old printers could not be promoted at least for these three months. For the damages in regard of the above compatible cartridges, the defendant's liability is acknowledged under above (1) and (2). In addition, the above compatible cartridges could be used in the defendant's old printers, they were not collected at once after the circuit design change and there is no evidence that their sale was stopped. Further, for the compatible cartridges for which sales started about three months after the circuit design change and which could be used in the defendant's new printers, there is no evidence that the sales amount was reduced. Therefore, we cannot acknowledge that the circuit design change caused damages in the form of lost profits to the plaintiff Elecom beyond the scope of above (1) and (2).

(3) Attorney's fees: 137,626 Yen

The plaintiff Elecom instigated the lawsuit and its corresponding procedures via its attorneys. With regard to the substance of this case and the amount of damages acknowledged above in (1) and (2), the appropriate attorneys cost bearing a causal relation to the defendant's unlawful conduct amounts to 137,626 Yen.

(6) Total damages 1,513,884 Yen

From the above, the total amount of the damages of the plaintiff Elecom due to the defendant's unlawful conduct of making the circuit design change should be 1,513,884 Yen.

RICOH I Decision

Patent Law, Antimonopoly Law

Patent Act secs. 1, 100, 102, Antimonopoly Act secs. 2(9)(vi), 19, 21, Civil Code sec. 1(3) – Patent Infringement – Abuse of Rights (affirmed) – RICOH Toner Cartridge I

*Headnotes by Translator:**

1. In a case where the enforcement of patent rights conflicts with the Antimonopoly Act and goes beyond the purpose of the Patent Act, such enforcement should be denied as an abuse of right.
2. In order to protect the free circulation of patented products after their first marketing by the patent right holder, measures taken by the patent right holder to restrict the further circulation of such products must be necessary and reasonable so as to justify such restriction.

Tōkyō District Court, 22 July 2020, Case No. 2017 wa 40337

*RICOH v. DS Japan & DS Logico & Okumino Produce*¹

FACTS:

1. Outline of this Case

In this case, the plaintiff, holder of patent 1 (No. 4886084) with the title “Information Storage device, Exchangeable Device, Developer Agent Container and Image Forming Device” and patents 2 and 3 (Nos. 5780375, 5780376) with the title “Information Storage Device and Exchangeable Device”, argues that the defendants dismantled the electronic parts from the plaintiff’s toner cartridges designed for the plaintiff’s printers, replaced the electronic parts with those of the defendants, refilled toner and sold the cartridges as recycled toner cartridges. As the above electronic parts produced by the defendants fall within the scope of the above patents, the plaintiff claims injunctive relief and disposal of the toner cartridges that

* Translated from the original by Atsuhiko FURUTA.

1 Published on the website of the courts https://www.courts.go.jp/app/files/hanrei_jp/899/089899_hanrei.pdf.

contain these electronics parts, and further claims damages in the amount of 44 million Yen under sec. 102(2) or (3) Patent Act plus attorneys' fees, etc.

2. Facts

(1) Parties

a. Plaintiff

The plaintiff is a stock company whose business is the production, sale, import, export, research and development of office image devices, such as copiers, printers and multiple function printers, and related goods.

b. Defendants

DS Japan is a stock company whose business is the sale of toner cartridges, ink ribbons, BJ (Bubble Jet) ink, PPC (Plain Paper Copier) toners, magnetic products, PPC paper, special paper, various printers, multiple function printers, personal computers, peripheral devices in general, collection and data erase of used OA devices, repair of used printers.

DS Logico is a stock company whose business is the production of recycled toner cartridges.

Okumino Produce is a stock company whose business is the production of recycled toner cartridges.

[...]

(3) Scopes of the patents

a. Patent 1

(a) Claim 1

“An information storage device mounted in an exchangeable device which is exchangeable for an image forming device body, characterised in that the information storage device comprises an information storage part which stores information transmitted between the above information forming device body and the above exchangeable device, terminals which contact body side terminals mounted in the above image forming device body and transmit the above information to and from the image forming device body, and a board which holds the above information storage part and the above terminal parts that are mounted and in which a hole part is formed as adapted to a bump part of the above image forming device body, in that the terminals are plural metal plates which are parallelly placed with a gap in a transverse direction, whereby a ground terminal is formed to the above hole part formed in the above board for contact with a body side ground terminal which is formed in the above bump of the above image forming device, and

the above hole part is placed in a position between 2 metal plates of the above plural metal plates.”

[...]

(7) Rewrite restrictions by the plaintiff

a. The plaintiff's printers display the remaining toner amount in a stepwise manner such as “toner will soon run out”, “please check toner for exchange” as an alert notice when the toner level becomes low, and “toner has run out”, “please supply toner” when the toner finishes up.

b. When refilling toner in the plaintiff's used products and inserting them into the plaintiff's printers, the remaining toner amount is displayed as “?”, a yellow malfunction light blinks and “an unauthentic toner bottle has been inserted” is displayed. In this case, a print can be made without trouble when a print operation is made, but there is no alert message such as “toner will soon run out” or “please check toner for exchange”. When the toner finishes up, the messages “toner has run out”, “please supply toner” is displayed and a red lamp blinks.

c. The information storage devices which are used as the plaintiff's electronic parts are a type of non-volatile memories. Without a rewrite restriction, data erase or rewrite can be made by a voltage operation. Therefore, suppliers of recycled goods, including the defendants, sell recycled toner cartridges after rewriting the memories of the electronic parts and allow the display of the remaining toner amount. The toner cartridges are usable in those of the plaintiff's printers without the rewrite restriction.

d. The plaintiff has implemented the data rewrite restriction measures for the electronic parts of the toner cartridges for the C830 series printers and the successor C840 series.

While sales of the above C830 have ceased, the rewrite restriction measures actually apply to five types of colour laser printers, e.g. RICOH SP C840ME5 and so on.

e. The design of the electronic parts of the toner cartridges suitable for the plaintiff's C830 and C840 series with the rewrite restriction measures is same as the design of the patented inventions. And the design of the toner cartridges suitable for other types is different from the design of the patented inventions.

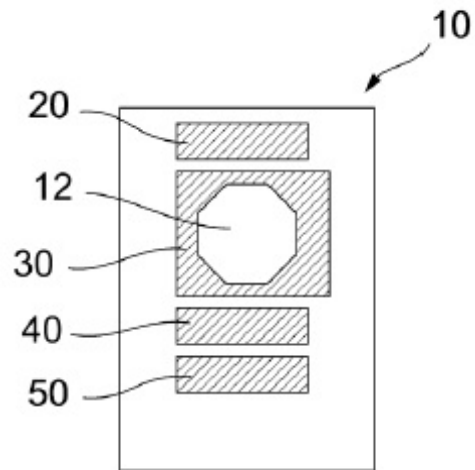


Fig. 1. The defendants' electronic part

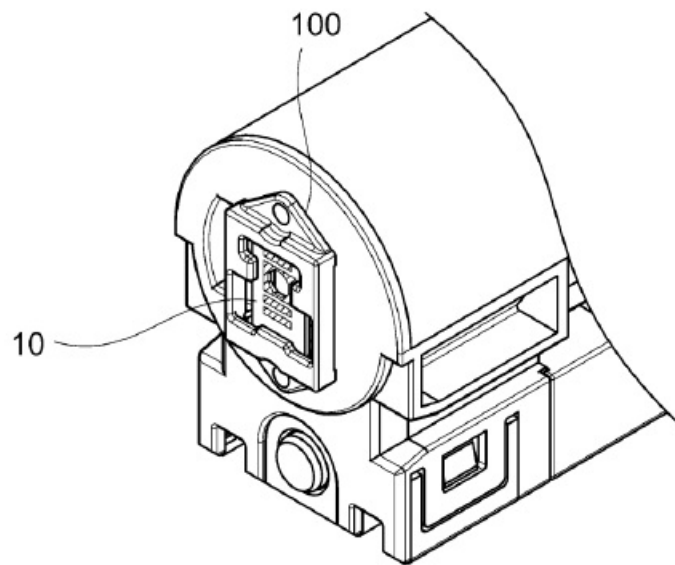


Fig. 2. The defendants' electronic part mounted in the toner cartridge

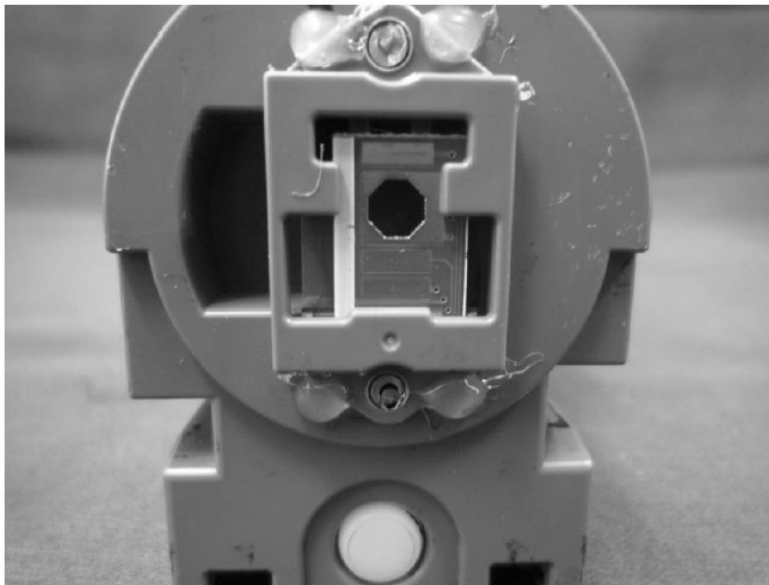


Fig. 3. Photo of the defendants' electronic part mounted in the toner cartridge

REASONS:

4. Dispute point 5 (Abuse of rights)

[...]

(2) Considerations

The plaintiff argues that the defendants have sold the defendants' products by replacing the plaintiff's electronic parts with the defendants' electronic parts, and that the defendants have infringed the plaintiff's patents. The plaintiff now claims an injunction against the production and sale of the defendants' products. As a defence, the defendants argue that the rewrite restriction measures and the enforcement of the patents as a whole are meant to exclude the defendants' recycled toner cartridges for the plaintiff's printers from the market. Further, they argue that enforcement goes beyond the purpose of exhaustion, prevents fair competition as stipulated under the Antimonopoly Act (AMA), and should not be allowed as an abuse of rights.

Sec. 21 AMA provides that "the provisions of this Act shall not apply to a conduct which can be acknowledged as the enforcement of a right under the Patent Act". In a case where given the impact on competition in regard of

modality and size, an enforcement of patent rights goes against the purpose of the Patent Act (sec. 1 Patent Act) or deviates from the purpose of the patent system, this should not be “a conduct which can be acknowledged as enforcement of a right” under sec. 21 AMA and the AMA should apply.

Given the purpose, necessity and reasonableness of an enforcement of patent rights, and in light of various circumstances such as modality and the extent of restraints of competition by such conduct, if an enforcement of patent rights combined with other acts of the patent holder amounts to an unfair hinderance of trade between a competitor and third parties under item 14 of the General Designation of Unfair Trade Practices (Designation No. 15 of 1982 of the Fair Trade Commission), and there is a risk that fair competition is impeded, such case may in light of the above purpose of sec. 21 AMA amount to an abuse of rights (sec.1(3) Civil Code) as it goes against the purpose of the Patent Act to promote “industrial development” or deviates from the purpose of the patent system.

Item 14 of the Designation No. 15 of 1982 (unjustly interfering with the business of a competitor) designates “Unjustly interfering with a transaction between another entrepreneur who is in a domestic competitive relationship with oneself, and its transacting party, by preventing the effecting of a contract, or by inducing the breach of a contract, or by any other means whatsoever” as an unfair trade practice. In the previous *Canon* case,² the FTC presented its view that item 14 encompasses a case where a printer manufacturer obstructed the rewrite of an IC chip and made the recycle of cartridges impossible without good reason (such as technical necessity) or beyond the necessary scope, or where it recorded data of cartridge toner runs in an IC chip and disabled part of the laser printer functions when inserting recycled goods.

On the basis of the above considerations, it can be established that the plaintiff (patentee) has set the display of the remaining toner amount at “?” for the plaintiff’s used goods and has implemented rewrite restrictions on the plaintiff’s electronic memory parts (that is, the patented products), without this being necessary or reasonable, and thereby has restricted the production and sale of recycled goods which could display the remaining toner amount by rewriting the plaintiff’s electronic memories without in-

2 The Japanese FTC published a press release for the case on 21 October 2004. This *Canon* case was ended at the examination stage because *Canon* stopped the measures in question at that time before any order of the FTA or a court decision. This case is different from the Supreme Court’s famous *Canon Ink Cartridge* case for patent exhaustion: Supreme Court, 8 November 2007, Case No. 2006 ju 826, Minshū 61-8, 2989 = Hanrei Jihō 1990, 3 = Hanrei Taimuzu 1258, 62 – *Canon Ink Cartridge*. English translation in IIC 37 (2006) 867 and C. HEATH/A. FURUTA (eds.), *Japanese Patent Law – Cases and Comments* (2019) 321 w. comment MOHRI.

fringing the plaintiff's patents. If on such basis the plaintiff has created a situation whereby the suppliers of recycled goods would suffer a significant disadvantage in the toner cartridge market unless they infringed the plaintiff's patents, the enforcement of such patents by the plaintiff should not be allowed as an abuse of rights.

We hereafter consider whether the enforcement of the patents is an abuse of rights.

(3) Extent of competition limitation resulting from displaying the remaining amount of toner as “?”

[...]

c. In this case, as stated above, when authentic cartridges are inserted in the plaintiff's printers, the remaining toner amount is displayed in a step-wise manner. On the other hand, when recycled goods are inserted, the remaining toner amount is displayed as “?” and there is no alert message.

The display of the remaining toner amount is a function which is generally provided in a printer. If the remaining toner amount is displayed as “?”, the user cannot anticipate when the toner will run out and always has to prepare spare toner cartridges lest a cartridge runs out of toner [...] Therefore, a user who sees such display would hesitate to use recycled cartridges because of the concern that there would be a problem with the quality of recycled toner cartridges, that the display function of the remaining toner amount of the printer would not properly work, or that the printer could not properly read information recorded in the toner cartridge.

Also the plaintiff itself as printer manufacturer recommends the use of authentic goods for reasons of quality, and the share of recycled goods is still low despite the price difference. After all, it is not easy to gain the trust of consumers in regard of the quality of recycled goods in Japan. Under such circumstances, it would be difficult to assume that the recycled cartridges displaying the remaining toner amount as “?” is widely accepted by users in the toner cartridge market in Japan due to concerns of quality, maintenance or care.

d. Actually, there is no evidence that recycled cartridges displaying the remaining toner amount as “?” have been produced and sold in Japan. The same can be said not only for the plaintiff's printer types that allow a rewrite of the electronic part memories, but also for the plaintiff's printer types with the rewrite restriction measures (the C830 and C840 series). The suppliers of recycled goods, including the defendants, have incurred expenses for rewriting or replacing the plaintiff's electronic part memories and have sold the recycled goods by allowing the display of remaining toner amount.

These facts also show the low acceptance amongst users when selling toner cartridges displaying the remaining toner amount only as “?”.

e. In addition, as stated above, some bids of public institutions for colour laser printer toner cartridges make it conditional for recycled toner cartridges other than those of the printer manufacturers that information on IC chips mounted in toner cartridges should be securely rewritten with each recycle, or the recycled goods should have the same functions as authentic goods. From this fact we assume that the possibility that the recycled goods fulfil the bid conditions imposed by public institutions is low unless the plaintiff’s electronic parts with the rewrite restriction measures were replaced with the defendants’ electronic parts and the recycled goods were produced and sold as correctly displaying the remaining toner amount rather than as “?”.

[...]

f. From the above, we hold that the rewrite restriction measures would cause the defendants to suffer significant disadvantage in competition when selling toner cartridges that display the remaining toner amount as “?”

(4) Whether the defendants could take alternative measures that avoid infringement without suffering a disadvantage in competition.

[...]

c. The plaintiff argues that [...] infringement of the patent could be avoided by other means such as designing a different configuration of electronic parts. [...] However, the configuration or form of the defendants’ electronic parts must match the configuration or form of the plaintiff’s printer to adapt.

Actually, the electronic parts are replaced in all recycled goods which are sold by the suppliers of recycled goods, and there is no evidence of products whose structure was changed without infringement of the patents. Although the defendants changed the design of their electronic parts in order to avoid infringement, even after the design change their electronic parts still fell within the technical scope of the patents. And there is no other evidence to indicate that infringement of the patent could be avoided by other means.

[...] Thus, if the injunctive relief were granted, [...] the defendants would have no other choice but to produce and sell recycled goods displaying the remaining toner amount as “?”, amounting to a significant competitive disadvantage in the toner cartridge market.

(5) Necessity and reasonableness of the rewrite restriction measures

The plaintiff argues that the rewrite restriction measures (α) guarantee the accuracy of the remaining toner amount display, (β) allow use of data rec-

orded in the electronic part memories for product development, quality management and improvement, (γ) (*omission*), and such measures are necessary and reasonable. We hereafter consider these points.

a. Necessity and reasonableness of the rewrite restriction measures in general

(a) The printers first sold among the plaintiff's printers with the write restriction measures (the C830 and C840 series) are the C830 series, and it is likely that at the time of their development, recycled toner cartridges suitable for the plaintiff's other printer types were already in the market.

However, there is no evidence that, at the time of the development of the plaintiff's C830 series printers, concrete damage was being done by the recycled goods whose memories were re-written, or that this point was taken into consideration in the development of the printers. [...]

(b) [...] Such measures are not taken in other printer types but those of the C830 and C840 series. [...]

(c) In addition, the rewrite restriction measures are not directly necessary for inserting authentic cartridges in the plaintiff's printers and making a print, but they have affected the suppliers of recycled goods that need to rewrite the electronic part memories for the production and sale of the recycled goods. I.e., it can be said that the rewrite restriction measures restrict the free circulation or use of the toner cartridges in which the electronic parts, that is, the patented parts, are mounted. For these, compensation has been obtained by putting them on the market.

[...] Exhaustion does not apply to the exchange of the "information storage devices" as such, as these are the patented products.

In order to protect the free circulation of goods on the market after the patentee has been compensated for their first marketing, measures by which the patent right holder restricts the smooth circulation or use of used toner cartridges in which the patented products are mounted must be necessary and reasonable to justify such restriction on the free circulation of goods. We examine this point.

b. Guaranty of accuracy of the remaining toner amount display
[...]

(c) As stated above, [...] we cannot acknowledge any concrete necessity that would justify the rewrite restriction measures. [...]

c. Quality management and improvement

[...] The plaintiff argues that it has used the data recorded in the electronic part memories for the development of products or for quality management and improvement. The rewrite restriction measures were necessary to prevent a mix-up of data with products other than authentic goods.

(a) But even the information recorded in the electronic part memories of toner cartridges is useful for improving the quality and performance of

products or for developing new products; this purpose can be achieved by analysing the information recorded in the authentic goods. The restriction of rewriting for third parties is thereby not justified. For acknowledging that the rewrite restriction measures are necessary and reasonable, it is necessary that there otherwise exists a problem for the improvement of products or the development of new products [...], yet the restriction on rewriting the memories by the suppliers of recycled goods appears neither necessary nor reasonable.

[...]

(6) Whether the plaintiff's claims are an abuse of rights

a. Claim for the injunctive relief

From the above (1) to (5), the plaintiff (patentee) configured its used products such that the remaining toner amount was displayed as “?” by implementing rewrite restriction measures for the plaintiff's electronic part memories. This is deemed neither necessary nor reasonable and restricts the defendants, suppliers of recycled goods, from producing and selling the recycled goods in a manner allowing the display of the remaining toner amount by rewriting the plaintiff's electronic part memories without an infringement of the plaintiff's patents. [...]

The plaintiff's conduct thereby hinders the sale of the products that display the remaining toner amount, unfairly obstructs the trade between the defendants and their users and thereby conflicts with the Antimonopoly Act (secs. 19, 2(9)(vi) AMA, item 14 of the General Designation of Unfair Trade Practices No. 15 of 1982) by preventing fair competition.

[...] The claim for injunctive relief against the sale, etc. of the defendants' products thus qualifies as an abuse of rights (sec. 1(3) Civil Code) as a hinderance of “industrial development” contrary to the purpose of the patent system.

b. Claim for damages

Even if the injunction is not granted as an abuse of rights, we have to consider the claim for damages[...] If the defendants in the absence of any rewrite restriction measures could sell the recycled goods by rewriting the electronic part memories of the toner cartridges without infringing the patents, it is appropriate that the claim for damages in this case should also qualify as an abuse of rights just as the claim for injunctive relief.

c. Therefore, the plaintiff's claims for injunctive relief and for damages in relation to the production and sale of the defendants' products are denied as an abuse of rights.

RICOH II Decision

Patent Law, Antimonopoly Law

Patent Act secs. 1, 100, 102, Antimonopoly Act secs. 2(9)(vi), 19, 21, Civil Code sec. 1(3) – Patent Infringement (affirmed) Abuse of Rights (denied) – RICOH Toner Cartridge II

*Headnote by Translator:**

Where rewrite restriction measures for toner cartridges have a certain technical justification and do not affect the printing function as such, where the missing indication of the remaining toner amount does not disqualify for public bids, where patent infringement can be avoided by redesigning the form of the electronic parts, the defendants cannot rely on the antitrust defence (unduly obstructing the business of a competitor for the purpose of excluding competition) against a claim of patent infringement.

Intellectual Property High Court, 29 March 2022, Case No. 2020 ne 10057

*RICOH v. DS Japan & DS Logico & Okumino Produce*¹

REASONS:

[...]

5. Dispute point 4 (whether exhaustion applies in this case)

The defendants argue as follows: The patents are exhausted for the electronic parts mounted in the recycled goods in a case where the defendants recycled the plaintiff's used products by rewriting the plaintiff's electronic parts (IC chips). The plaintiff obliges the defendant to dismount the plaintiff's electronic parts mounted in the plaintiff's products and to replace them with the defendants' electronic parts by measures restricting the rewrite, making it technically difficult to rewrite the plaintiff's electronic parts (IC chips) without good reason or necessity. The plaintiff thus prevents patent exhaustion of these products. But it would be inappropriate for the plaintiff to make a double gain. The exhaustion of patents should thus be applied to the defendants' electronic parts.

* Translated from the original by Atsuhiko FURUTA.

1 Published on the website of the courts https://www.courts.go.jp/app/files/hanrei_jp/227/091227_hanrei.pdf.

We consider this point. In a case where a patent right holder puts the patented products on the market in Japan, the patent right is exhausted for the patented products as its purpose has been achieved, and the effect of the patent no longer extends to acts of use, marketing, rental, etc. of the patented products, and the patent right holder should not be allowed to enforce its patent for the patented products (see Supreme Court, 1 July 1997, Case No. 1995 o 1988,² 51-6 Minshū 2299; Supreme Court, 8 November 2007,³ Case No. 2006 ju 826, 61-8 Minshū 2989).

The purpose of this exhaustion is to avoid a double gain through marketing the patented products because the chance of obtaining compensation for the publication of the patented invention is already guaranteed by putting the patented products on the market in Japan. However, circulation of the patented products on the market would be hindered if the authorisation of the patent right holder were necessary for each act of marketing. Therefore, patent enforcement should not extend to products which the patent right holder has marketed in Japan and which maintain their identity.

Regarding this point in the case at issue, the defendants' products are those from which the defendants have dismounted the plaintiff's electronic parts. In other words they have replaced patented inventions 1 to 3, which originate from the plaintiff's used products originally marketed by the plaintiff, with their own electronic parts. Then, the defendants refilled toner and sold the products as recycled goods. Therefore, the defendants' electronic parts are not identical to the plaintiff's electronic parts which were fitted to the plaintiff's products and marketed by the plaintiff.

Rather, the products in regard of which the defendants argue obstruction by patent law are the plaintiff's electronic parts which, otherwise, would hypothetically be fitted to the recycled goods and which are not actually being marketed. Therefore, it is clear that the plaintiff's electronic parts are not identical to the defendants' electronic parts.

Therefore, we cannot acknowledge an exhaustion of patent rights in regard of the defendants' electronic parts. The defendants' above argument is groundless.

2 Supreme Court, 1 July 1997, Case No. 1995 o 1988, Minshū 51-6, 2299 = Hanrei Jihō 1612, 3 = Hanrei Taimuzu 951, 105 – *BBS Car Wheels III*. English Translation in IIC 29 (1998) 331 and C. HEATH/A. FURUTA (eds.), *Japanese Patent Law – Cases and Comments* (2019) 337 w. comment HEATH.

3 Supreme Court, 8 November 2007, Case No. 2006 ju 826, Minshū 61-8, 2989 = Hanrei Jihō 1990, 3 = Hanrei Taimuzu 1258, 62 – *Canon Ink Cartridge*. English translation in IIC 37 (2006) 867 and HEATH/FURUTA (eds.), *supra* note 2, 321 w. comment MOHRI.

6. Dispute point 5 (whether there is an abuse of rights)

[...]

(2) Disadvantage in competition because of the rewrite restriction

The defendants argue as follows: (α) The consumers of toner cartridges consider the remaining toner amount display as an important element in product selection; recycled products not displaying the remaining toner amount are not accepted by the consumers and considered mediocre recycled goods which are not the same as authentic goods even if their prices are cheap. (β) When refilling the toner without rewriting the IC chips, not only is there the inconvenience that the remaining toner amount is always displayed as “?” and the remaining toner amount becomes unknown, but users also suffer the inconvenience that the need for a resupply of toner will suddenly be displayed and the printer will stop because a cartridge exchange alert message in a case of toner shortage is not displayed. This causes a big disadvantage for the supplier of recycled goods. (γ) It is clear from the survey of the defendants that products that display no remaining amount and instead show “?” are not accepted by users. And a display not showing the remaining amount clearly does not fulfil the bidding conditions of public offices. This is supported by the survey result and the written answer of the Tōkyō Bureau of Taxation.⁴ (δ) To successfully circumvent the rewrite restrictions, it is necessary that mass-sold recycle toner cartridges can be stably used in printers for a long time. And circumventing the rewrite restrictions is substantially impossible or significantly difficult at a practical level. (ε) Therefore, the rewrite restrictions cause a significant disadvantage in competition to the defendants as suppliers of recycled goods. We hereafter consider these points.

a. As to the above (α) to (γ)

(a) When comparing the functions of the plaintiff’s printers in which the plaintiff’s electronic parts/the rewrite restriction measures have been inserted with the plaintiff’s printers where refilled and recycled goods of the plaintiff’s used products have been inserted, the latter are different in that the remaining toner amount is shown as “?” and no remaining amount or alert message is displayed. But even when inserting the recycled goods, the function of a print stop for lack of toner and the corresponding indication “toner has run out” are the same as when inserting authentic goods, and the printing function is not compromised. When inserting recycled goods, the plaintiff’s printers display the remaining toner amount as “?” and “a print can be made”, and it is easy to recognise when no remaining toner amount

⁴ Tōkyō Kokuzei-kyoku.

is displayed. We thus cannot acknowledge that users are concerned with troubles with the printing function. Users can stock spare toner cartridges for the event that no remaining toner amount is displayed, and the inconvenience to users is not significant.

In addition, the suppliers of recycled goods can take countermeasures by explaining that in cases of recycled goods, a print can be made even where no remaining toner amount is displayed so as to alleviate user concerns about such display.

[...]

The defendants have also submitted survey evidence to support that the products lacking a remaining amount display and displaying “?” are not accepted by users.

[...]

However, [...] there is room to hold that negative answers have been induced by the given choices. With regard to these, it is difficult to see that the answers accurately reflect the actual mindset of persons who selected copier or printer types or equipment/consumable goods.

Therefore, the results of the survey do not support that products displaying “?” instead of the remaining toner amount are not accepted by the users. [...]

(b) The bid conditions of the Tōkyō Bureau of Taxation in January 2017 for colour laser printer toner cartridges, including the defendants’ products, and the bid conditions of the Tōhoku Agricultural Administration Office⁵ in February 2017 for toner cartridges for Fuji Xerox printers define the conditions for recycled goods. But they do not state that goods do not fulfil the bid conditions unless they display the remaining toner amount.

[...]

(c) From the above, we cannot agree with the above arguments (α) to (γ) that the rewrite restriction measures cause a significant competitive disadvantage to the defendants as suppliers of recycled goods.

b. For the above (δ)

From the facts established above, it is technically possible to avoid the patents and to fit a remaining toner amount display by designing and producing electronic parts which do not fall within the technical scope of the patented inventions 1 to 3, and by replacing the plaintiff’s electronic parts with these. We thus cannot agree with the defendants’ argument (δ) that circumventing the rewrite restriction measures is substantially impossible or significantly difficult at a practical level.

c. The previous *Canon* case is thus different and not applicable to this case.

5 Tōhoku Nōzei-kyoku.

d. Consequence

From the above, the defendants' argument that the rewrite restriction measures cause a significant disadvantage in competition to the defendants as suppliers of recycled goods is groundless.

(3) *Summary*

[...]

The plaintiff argues that there are good reasons for the rewrite restriction measures. If rewrite restriction measures were not implemented in the plaintiff's electronic parts, the remaining toner amount in third party recycled goods (whose quality the plaintiff itself cannot control) would be displayed on the plaintiff's printers, an indication the accuracy of which it cannot control. Rewrite restriction measures were implemented to avoid such harmful effect. For commercial reasons, these measures were implemented in electronic parts of high-end printers, that is the C830 and C840 series. This argument carries some force. As mentioned above, the production of electronic parts that do not infringe the plaintiff's patents is technically possible. All in all, we cannot acknowledge that the plaintiff mainly for the purpose of excluding recycled goods from the market enforces its patents against the defendants replacing the plaintiff's electronic parts with their own.

[...]

Patent enforcement in this case thus does not conflict with the Antimonopoly Act (secs. 19, 2(9)(vi) AMA, item 14 of the Designation No. 15 of 1982) as obstructing trade of a competitor. Neither does it hinder "industrial development" as the purpose of the Patent Act nor deviate from the purpose of the patent system in other respects. Therefore, we cannot acknowledge an abuse of rights.