

Date	July 27, 2016	Court	Intellectual Property High Court, Fourth Division
Case number	2016 (Ne) 10028		
– A configuration of goods does not constitute an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act if said configuration stems from an inevitable structure for which a producer has no choice but to use said configuration in order to achieve the goods' technical functions and effects.			

References: Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act
Numbers of related rights, etc.:

Summary of the Judgment

In this case, the appellant alleged that the configuration of the training chopsticks sold by the appellant under the product name "Ejison-no-ohashi (Edison's chopsticks)" (the "plaintiff's product") is widely recognized by consumers as the appellant's indication of goods or business and that the configuration of the chopsticks produced and sold by the appellee under the product name "Derakkusu torēningu hashi (deluxe training chopsticks)" (the "defendant's product") is identical to that of the plaintiff's product. Based on these grounds, the appellant alleged that the appellee's act of selling the defendant's product creates confusion between the plaintiff's product and the defendant's product, which constitutes an unfair competition as provided under Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. The appellant sought against the appellee an injunction of the production and sale of the defendant's product and the destruction thereof and the payment of damages.

The judgment in prior instance dismissed all of the appellant's claims by holding as follows: [1] the appellant is not found to fall under the category of an "another person" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act; and [2] the configuration of the plaintiff's product, which is explained as "so-called connected chopsticks, meaning a pair of chopsticks connected to each other at their top or somewhere in their upper half, of which one has two rings for insertion of the index and middle fingers respectively and the other has one ring for insertion of the thumb" (the "configuration of the plaintiff's product"), is not found to constitute an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act.

Dissatisfied with the judgment in prior instance, the appellant filed this action.

The issues of this case were [1] whether the appellant falls under the category of an "another person" as provided in Article 2, paragraph (1), item (i) of the Unfair

Competition Prevention Act, [2] whether the configuration of the plaintiff's product constitutes an "indication of goods or business" as provided in said item, and [3] whether there was any damage to the appellant and the amount thereof.

The court dismissed the appeal by finding as follows in summary with respect to Issue [2].

(1) Whether the configuration of goods constitutes an "indication of goods or business"

A. The purpose of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act is to ensure fair competition among companies, which is the object of the Act, through preventing the act of acquiring customers by misleading consumers or causing confusion between one's own business reputation and another person's business reputation that is represented by a well-known indication of goods or business, so as to protect the source-indicating function of a well-known indication of goods or business.

An "indication of goods or business" provided in Article 2, paragraph (1), item (i) of the Act means "a name, trade name, trademark, mark, container or packaging for goods pertaining to a person's operations, or any other indication of a person's goods or business." Unlike trademarks, etc., the configuration of goods is not aimed at indicating the source of goods, in principle. However, the configuration of goods itself may acquire a secondary meaning as the indication of a certain source of goods. In order for the configuration of goods itself to acquire a secondary meaning as the indication of a certain source of goods and to constitute an "indication of goods or business," it must satisfy both of the following requirements: [1] the configuration is objectively found to have distinctive features that are different from those of other products in the same genre (special distinctiveness); and [2] the goods that have said configuration have come to be recognized by consumers as a source identifier of a certain company as a result of the long, exclusive use of the configuration or extremely active advertisement or explosive sales, etc. by said company (well-knownness).

B. However, when the configuration of goods stems from an inevitable structure for which a producer has no choice but to use said configuration in order to achieve the goods' technical functions or effects, the sale of any other goods that have said configuration is bound to be prohibited, should the configuration of goods itself be deemed to constitute an "indication of goods or service." This would result in allowing a certain company to monopolize the sale of goods that achieve the technical functions and effects brought about by said configuration without depending on the industrial property right system that includes the patent rights. Furthermore, said state of monopoly would, in effect, last permanently, as there is no limit on the duration of the

prohibition on an act of unfair competition. For this reason, the results of acknowledging such indication of goods as an "indication of goods or business" would not merely end with the protection of the source-indicating function of a well-known indication of goods or business, which is the purpose of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act; rather, such acknowledgment would result in preventing a third party from using the goods' technical functions and effects of goods in one's own goods. This is nothing less than a constraint on fair competition among companies regarding said goods, which would lead to a result contrary to the purpose of the Unfair Competition Prevention Act.

Based on these grounds, it is relevant to find that the configuration of goods does not constitute an "indication of goods or business" if the configuration stems from an inevitable structure for which a producer has no choice but to use said configuration in order to achieve the goods' technical functions and effects.

C. On the other hand, even when the configuration of goods stems from the goods' technical functions and effects, adverse effects explained in [B] above would not arise if a producer is allowed to choose another configuration, because a producer in such case can sell goods that achieve the same functions and effects by modifying the configuration even if the configuration of goods in question is deemed to constitute an "indication of goods or business" and the sale of goods that have the same configuration is prohibited.

Therefore, even when the configuration of goods stems from the goods' technical functions and effects, it may constitute an "indication of goods or business" when a producer is allowed to choose another configuration, provided that the configuration of goods in question is found to have the special distinctiveness and well-knownness explained in [A] above. However, it should be noted that, when the configuration of goods stems from the goods' technical functions or effects, it is a rare case that such configuration is objectively found to have distinctive features that are different from those of other products in the same genre. Therefore, it is considered that such configuration of goods is found to be ordinary in comparison with that of other products in the same genre in most cases, and thus its special distinctiveness is often denied.

(2) It is apparent that the configuration of the plaintiff's product stems from the technical functions and effects of the plaintiff's product as training chopsticks intended for training in the use of chopsticks in a generally accepted proper way. On the other hand, the configuration of the plaintiff's product is not found to stem from an inevitable structure for which a producer has no choice but to use said configuration in

order to achieve the goods' technical functions or effects. However, the configuration of the plaintiff's goods is found to be ordinary in comparison with that of other goods in the same genre and thus its special distinctiveness is denied.

Judgment rendered on July 27, 2016; the original was delivered on the same day; court clerk

2016 (Ne) 10028 Case of appeal against an injunction demand for an act of unfair competition, etc.

(Court of prior instance by Tokyo District Court, 2014 (Wa) 29417)

Date of conclusion of oral argument: June 1, 2016

Judgment

Appellant: Believe Co., Ltd.
Appellee: The Skater Co., Ltd.

Main text

1. The appellant's claims shall be dismissed.
2. The appellant shall bear the court costs.

Facts and reasons

No. 1 Object of the appeal

1. The judgment in prior instance shall be revoked.
2. The appellee shall not engage in the manufacture and sale of the products that are numbered 1 through 20 on the List of Defendant's Products attached to the judgment in prior instance.
3. The appellee shall destroy the products that are numbered 1 through 20 on the List of Defendant's Products attached to the judgment in prior instance.
4. The appellee shall pay to the appellant a sum of 1,000,000 yen together with an amount thereon at the rate of 5% per annum from December 9, 2014 until full payment of such sum shall have been made.
5. The appellee shall bear the court costs in the first and second instances.
6. This judgment may be provisionally executed.

No. 2 Outline of the case

1. Outline of the action (except as noted otherwise, abbreviations which were used in the judgment in prior instance shall be used herein)
 - (1) In the present case, the appellant alleged against the appellee that the configuration of the training chopsticks sold under the product name "エジソンのお箸 (Ejison-no-ohashi: Edison's chopsticks)" (the "plaintiff's product") having the configuration of the products that are sold by the appellant and are numbered 1 through 34, as indicated in the top part of Attachment 1 of the

judgment in prior instance, and of chopstick cases accompanying the above products, as indicated in Attachment 2, is widely recognized by consumers as the appellant's indication of goods or business, and that the configuration of the chopsticks that are manufactured/sold by the appellee under the product name of "デラックストレーニング箸 (Derakkusu torēningu hashi: deluxe training chopsticks)" (the "defendant's product"), as numbered 1 through 20 on the List of Defendant's Products attached to the judgment in prior instance, is identical to that of the plaintiff's product above. Based on these grounds, the appellant alleged that the appellee's act of selling the defendant's product creates confusion between the plaintiff's product and the defendant's product, which constitutes unfair competition as provided under Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. The appellant sought against the appellee an injunction of the production/sale of the defendant's product and the destruction thereof as well as payment of damages, including the amount of 1,000,000 yen as well as delay damages accrued at the rate of 5% per annum, as provided in the Civil Code, from December 9, 2014, which is the day following the date of service of complaint, until completion of the payment.

- (2) In the judgment in prior instance, the appellant's claims were entirely dismissed because [1] the appellant does not fall under the category of "another person" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act, and because [2] the configuration of the plaintiff's product, which is explained as "so-called connected chopsticks, meaning a pair of chopsticks connected to each other at their top or somewhere in their upper half, of which one has two rings for insertion of the index and middle fingers respectively, and the other has one ring for insertion of the thumb" (the "configuration of the plaintiff's product"), is not found to constitute an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act.

Dissatisfied with the judgment in prior instance, the appellant filed an appeal.

2. Findings

Other than the additions and amendments indicated below, the findings are as described in No. 2-2 of the judgment in prior instance under "Facts and reasons."

(omitted)

3. Issues

- (1) Whether the appellant falls under the category of an "another person" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act
- (2) Whether the configuration of the plaintiff's product constitutes an "indication of goods or business" as provided in said item
- (3) Whether there was any damage to the appellant and the amount thereof

(omitted)

No. 4 Judgment of this court

In light of the nature of the present case, the issue (2) (whether the configuration of the plaintiff's product constitutes an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act) shall be determined first.

1. Issue (2) (Whether the configuration of the plaintiff's product constitutes an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act)

- (1) Whether the configuration of a product constitutes an "indication of goods or business"

A The purpose of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act is to ensure fair competition among companies, which is the object of the Act, through preventing the act of acquiring customers by misleading consumers or causing confusion between one's own business reputation and another person's business reputation that is represented by a well-known indication of goods or business, so as to protect the source-indicating function of a well-known indication of goods or business.

An "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Act means "a name, trade name, trademark, mark, container or packaging for goods pertaining to a person's operations, or any other indication of a person's goods or business." Unlike trademarks, etc., the configuration of goods is not aimed at indicating the source of goods, in principle. However, the configuration of goods itself may acquire a secondary meaning as the indication of a certain source of goods. In order for the configuration of goods itself to acquire a secondary meaning as the indication of a certain source of goods and to constitute an "indication of goods or business," it must satisfy both of the following requirements: [1] the configuration is objectively found to

have distinctive features that are different from those of other products in the same genre (special distinctiveness); and [2] the goods that have said configuration have come to be recognized by consumers as a source identifier of a certain company as a result of the long, exclusive use of the configuration or extremely active advertisement or explosive sales, etc. by said company (well-knownness).

B However, when the configuration of goods stems from an inevitable structure for which a producer has no choice but to use said configuration in order to achieve the goods' technical functions or effects, the sale of any other goods that have said configuration is bound to be prohibited, should the configuration of goods itself be deemed to constitute an "indication of goods or business." This would result in allowing a certain company to monopolize the sale of goods that achieve the technical functions and effects brought about by said configuration without depending on the industrial property right system that includes the patent rights. Furthermore, said state of monopoly would, in effect, last permanently, as there is no limit on the duration of the prohibition on an act of unfair competition. For this reason, the results of acknowledging such configuration of goods as an "indication of goods or business" would not merely end with the protection of the source-indicating function of a well-known indication of goods or business, which is the purpose of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act; rather, such acknowledgment would result in preventing a third party from using the goods' technical functions and effects of goods in one's own goods. This is nothing less than a constraint on fair competition among companies regarding said goods, which would lead to a result contrary to the purpose of the Unfair Competition Prevention Act.

Based on these grounds, it is relevant to find that the configuration of goods does not constitute an "indication of goods or business" if the configuration stems from an inevitable structure for which a producer has no choice but to use said configuration in order to achieve the goods' technical functions and effects.

C On the other hand, even when the configuration of goods stems from the goods' technical functions and effects, adverse effects explained in [B] above would not arise if a producer is allowed to choose another configuration, because a producer in such case can sell goods that achieve the same functions and effects by modifying the configuration even if the configuration of goods in

question is deemed to constitute an "indication of goods or business" and the sale of goods that have the same configuration is prohibited.

Therefore, even when the configuration of goods stems from the goods' technical functions and effects, it may constitute an "indication of goods or business" when a producer is allowed to choose another configuration, provided that the configuration of goods in question is found to have the special distinctiveness and well-knownness explained in [A] above. However, it should be noted that, when the configuration of goods stems from the goods' technical functions or effects, it is a rare case that such configuration is objectively found to have distinctive features that are different from those of other products in the same genre. Therefore, it is considered that such configuration of goods is found to be ordinary in comparison with that of other products in the same genre in most cases, and thus its special distinctiveness is often denied.

(2) Findings

If the evidence described later and the entire import of the oral argument are summarized, the following facts are acknowledged.

A The plaintiff's product consists of training chopsticks which mostly target young children who are not yet proficient in the use of chopsticks and which allow these children to practice the use of chopsticks by holding them in a manner that is commonly considered to be correct. The appellant claims that the plaintiff's product has the configuration of "so-called connected chopsticks, meaning a pair of chopsticks connected to each other at their top or somewhere in their upper half, of which one has two rings for insertion of the index and middle fingers respectively, and the other has one ring for insertion of the thumb."

B A number of other training chopsticks that achieve the same functions and effects as those achieved by the plaintiff's product are available, and some of them are not connected chopsticks (Exhibit Ko 4, 13), and some others are equipped with protruding parts or members for placing the thumb, etc. thereon or for supporting the thumb, etc., instead of rings, as a means for securing certain fingers (Exhibits Ko 5 and 12).

C As far as the evidence of the present case shows, there is no product that is equipped with the entire configuration of the plaintiff's product, other than the plaintiff's product and the defendant's product.

However, a number of training chopsticks that achieve the same functions and effects as those achieved by the plaintiff's product and that are connected

chopsticks are available (Exhibit Ko 5 to 12). Also, of the training chopsticks that have the aforementioned functions and effects, some that are available are not connected chopsticks, and some are equipped with a ring-shaped member for insertion of the ring finger on one of the paired chopsticks (Exhibits Ko 4, 13). In addition, Japanese Unexamined Utility Model Application Publication No. S59-8682 (Exhibit Ko 15), which was published considerably earlier than September 2003, which is when the sale of the plaintiff's product began, indicates chopsticks in which one of the paired chopsticks has two rings for insertion of the index and middle fingers respectively, with the other chopstick having a one ring for insertion of the ring finger. Japanese Unexamined Utility Model Application Publication No. S61-170377 (Exhibit Ko 16) indicates chopsticks in which one of the paired chopsticks has a ring for insertion of the index finger, with the other chopstick having a ring for insertion of the ring finger. Japanese Unexamined Utility Model Application Publication No. S57-136963 (Exhibit Otsu 11) and Japanese Unexamined Patent Application Publication No. H10-137101 (Exhibit Ko 14) indicate chopsticks in which one of the paired chopsticks has two rings for insertion of the index and middle fingers respectively, and the other chopstick having two rings for insertion of the thumb and ring finger respectively.

D KJC, the manufacturer of "エジソンのお箸 (Ejison-no-ohashi: Edison's chopsticks)", which include the plaintiff's product, filed an action, together with the patent holder for an invention having the name of "training chopsticks for developing children's intellectual abilities," with the Osaka District Court against the appellee, demanding an injunction of manufacture/sale of the deluxe training chopsticks, which include at least a part of the defendant's product (Osaka District Court, 2013 (Wa) 2464).

In the same action, KJC and the above patent holder made respective claims, with KJC arguing that the plaintiff's products numbered 1, 2, 4 to 10, and 12 to 17, having the configuration of "(a) a first chopstick member having a ring for insertion of the thumb, (b) a second chopstick member having two rings for insertion of the index and middle fingers, and (c) training chopsticks having a decoration (d) arranged to the upper part of the first chopstick member and second chopstick member, constitutes an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Act, that the configuration of the above deluxe training chopsticks creates confusion with the plaintiff's product above, and the patent holder arguing that the

manufacture/sale of the above deluxe training chopsticks infringe on the above patent right. However, the Osaka District Court determined, on October 31, 2013, that [1] the configuration of the plaintiff's product above cannot constitute an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Act, and [2] the deluxe training chopsticks above do not satisfy a part of the requirements for the structure for the aforementioned invention, thereby entirely dismissing the claims made by KJC, et al.

Dissatisfied with the judgment above, KJC, et al. filed an appeal with the Intellectual Property Court. Said court, however, rendered a judgment on April 24, 2014 to the effect of entirely dismissing the appeal by KJC, et al., and said judgment became final and binding (Exhibits Otsu 4-1 to 4-3, 9, 15).

(3) Whether the configuration of the plaintiff's product constitutes an "indication of goods or business"

According to [(2)A] above, it is evident that the configuration of the plaintiff's product stems from the goods' technical functions and effects, as training chopsticks that allow users to practice using chopsticks by holding them in a manner that is commonly considered to be correct. On the other hand, according to [(2)B] above, it cannot be said that the configuration of the plaintiff's product stems from an inevitable structure for which a producer has no choice but to use said configuration in order to achieve the above functions and effects. However, in light of [(2)C] above, it must be said that the configuration of the plaintiff's product is ordinary in comparison with that of other products in the same genre, and thus its special distinctiveness is denied.

(4) Summary

Accordingly, the configuration of the plaintiff's product does not constitute an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Act.

2. Conclusion

As described above, the appellant's claims made against the appellee are groundless without the need to determine other points. Accordingly, the judgment in prior instance dismissing these claims is accurate in its conclusion.

In light of [1(2)D] above concerning the separate action filed by KJC against the appellee, the appellant's demand of injunction, etc. of manufacture/sale of the defendant's product, based on the reasoning that the manufacture/sale of the defendant's product creates confusion with the plaintiff's product and thus

constitutes unfair competition as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Act, while claiming that the appellant and KJC belong to a group which was formed with the common purpose of protecting and developing the source-identifying function and customer attraction capability, etc. of the configuration of the plaintiff's product, is problematic from the perspective of principle of faith and trust in an action if the following factors are taken into consideration; namely, that [1] the plaintiff's products, including the one pertaining to the separate action and the one pertaining to this action, concern "エジソンのお箸 (Ejison-no-ohashi: Edison's chopsticks)" that are manufactured/sold by KJC as a series, and that [2] while in a separate action, KJC made claims that are basically similar to the claims made by the appellant in the present case, which is that the targeted configuration of the plaintiff's product constitutes an "indication of goods or business" as provided in Article 2, paragraph (1), item (i) of the Unfair Competition Act, said claims were rejected in the judgment of the first instance, with the appeal that was filed against the judgment being dismissed, and the aforementioned judgment being made final and binding.

Therefore, the present appeal shall be dismissed, and the judgment shall be rendered as per the main text.

Intellectual Property High Court, Fourth Division

Presiding judge:	TAKABE Makiko
Judge:	SUZUKI Wakana
Judge:	KATASE Akira