

Date	December 22, 1999	Court	Tokyo High Court
Case number	1998 (Gyo-Ke) 185		
<p>– A case in which, with respect to a registered trademark consisting of the alphabetic characters, etc. "DUCERAM," the court found that it does not only damage the fair transactional practices but also goes against the international good faith and damages the public order.</p>			

Reference: Article 4, paragraph (1), item (vii) of the Trademark Act

Number of related rights, etc.: Registration No. 2151351

### Summary of the Judgment

1. The defendant, who is engaged in the manufacturing and sale of "materials for artificial teeth" under the tradename "DUCERA" in Germany, filed a request against the plaintiff for a trial for invalidation of the registration of the plaintiff's registered trademark (the "Trademark") consisting of *katakana* characters "ドゥーセラム" and alphabetic characters "DUCERAM" horizontally written in two lines, which was registered for the designated goods, Class 1 "Materials for artificial teeth and other goods that can be classified as such." The JPO determined that the Trademark was registered in violation of the provisions of Article 4, paragraph (1), item (vii) of the Trademark Act and thus its registration should be invalidated. In this case, the plaintiff sought rescission of such JPO decision.

2. In this judgment, the court mainly held as follow and dismissed the plaintiff's claim.

(1) When the representative of the plaintiff visited the defendant in Germany in February 1986, the representative of the plaintiff learned that the defendant, whose trade name is "DUCERA," was using the defendant's trademark consisting of alphabetic characters "DUCERAM" for the defendant's goods such as materials for artificial teeth and not only selling the goods bearing the defendant's trademark in Germany but also exporting and selling them in other countries. The representative of the plaintiff also received a detailed explanation concerning the product, "DUCERAM." After returning to Japan, the representative of the plaintiff sent the defendant a request for documents necessary to follow the approval procedure for importing the product to Japan and started making concrete preparations for importing the product. On the other hand, the representative filed an application for registration of the Trademark containing the alphabetic characters "DUCERAM" and obtained a registration without saying anything to the defendant.

Since the Trademark was registered as a result of the aforementioned act of the plaintiff, it is clear that such act of the plaintiff would not only violate international

business morals and damage the fair transactional practices but also go against the international good faith and damage the public order.

(2) The application of Article 4, paragraph (1), item (vii) of the Trademark Act should not be limited to the case where the indication of a trademark itself suggests a risk of damaging the public order or good morals to a certain extent or where the use of a trademark would go against the public interests.

As of the time of the filing of an application for the Trademark in Japan, the defendant was affixing the defendant's trademark, which was claimed in the pending application filed by ZFE, to the defendant's goods and using said trademark not only to sell the goods in Germany but also to export and sell the goods to other countries and thus, it is reasonable to protect such trademark within the framework of fair transactional practices and international good faith.

Furthermore, it can be found that there is no direct relationship between the fact that the Trademark falls under neither Article 6bis of the Paris Convention nor Article 4, paragraph (1), items (x) and (xix) of the Trademark Act and the fact that the Trademark registered as a result of the plaintiff's act as described above could disturb fair transactional practices and go against the international good faith and damage the public order.

Judgment rendered on December 22, 1999

1998 (Gyo-Ke) 185 Case of Seeking Rescission of JPO Decision (oral argument concluded on November 15, 1999)

#### Judgment

Plaintiff: Daishin Trading Co., Ltd.

Representative and Representative Director: A

Defendant: Ducera Dental GmbH

Representative: D

#### Main text

The plaintiff's claim shall be dismissed.

The plaintiff shall bear the court costs.

#### Facts and reasons

No. 1 Judicial decision sought by the parties

1. Plaintiff

The JPO decision made on April 27, 1998, concerning Invalidation Trial No.1994-3450 shall be rescinded.

The defendant shall bear the court costs.

2. Defendant

The same as the main text.

No. 2 Facts undisputed by the parties

1. Developments in procedures at the JPO

The plaintiff holds a trademark (Trademark Registration No. 2151351 filed on March 14, 1986, and registered on July 31, 1989; the "Trademark") consisting of *katakana* characters "ドゥーセラム" and alphabetic characters "DUCERAM" horizontally written in two lines registered for the designated goods, Class 1 "Materials for artificial teeth and other goods that can be classified as such" (according to the classification specified in the Order for Enforcement of the Trademark Act prior to the amendment by Cabinet Order No. 299 of 1991; hereinafter the same).

The defendant filed a request against the plaintiff for a trial for invalidation of the registration of the Trademark on February 21, 1994.

The JPO examined said request as Invalidation Trial No. 1994-3450 and made a decision on April 27, 1998, to the effect that "The registration of a trademark (Trademark Registration No. 2151351) shall be invalidated." A certified copy of the

decision was served on the plaintiff on May 18, 1998.

## 2. Reasons for the JPO decision

The JPO decision stated that the registration of the Trademark should be invalidated under Article 46, paragraph (1) of the Trademark Act (prior to the amendment by the Act No. 65 of 1991) because the Trademark can be considered to have been registered in violation of Article 4, paragraph (1), item (vii) of said Act in view of the fact that the Trademark could not only disturb fair business practices but also go against the international good faith and damage the public order as pointed out in the attached copy of the JPO decision.

(omitted)

## No. 5 Court decision

1. There is a consensus between the parties with regard to the fact that the Trademark consists of *katakana* characters "ドゥーセラム" and alphabetic characters "DUCERAM" horizontally written in two lines registered for the designated goods, Class 1 "Materials for artificial teeth and other goods that can be classified as such" and also with regard to the process of registering the defendant's trademark consisting of alphabetic characters "DUCERAM" (lines 3 to 15 of page 15 of the JPO decision)

Also, there is no dispute between the parties with regard to the following facts.

(1) The defendant is a company engaged in the manufacturing and sale of materials for artificial teeth under the tradename "DUCERA" in Germany. The term "DUCERAM" is a word coined from the company name of the defendant and used as the product name for the dental therapy ceramic (materials for artificial teeth) sold by the defendant.

(2) The defendant is registered the defendant's trademark "DUCERAM" consisting of alphabetic characters in Germany and with the World Intellectual Property Organization ("WIPO") for the designated goods such as materials for artificial teeth.

(3) ZFE filed an application for registration of the defendant's trademark in Germany on December 4, 1985 for the designated goods such as materials for artificial teeth and obtained a registration thereof on September 11, 1986.

ZFE assigned its business to the defendant on May 31, 1989.

(4) On April 2, 1985, the defendant presented goods bearing the defendant's trademark prior to the aforementioned filing of an application on a price list for the defendant's goods such as materials for artificial teeth and started using the defendant's trademark. In August 1985, the defendant started selling materials for artificial teeth bearing the defendant's trademark for the first time in Germany. In February 1986, the defendant

exported these goods to foreign countries including Thailand.

The defendant placed an advertisement for its goods bearing the defendant's trademark on March 12, 1986, in the international comprehensive professional journal titled "Shikakenkyu" (Dental research) covering dental techniques, etc.

(5) The representative of the plaintiff (Representative A) visited the defendant in Germany in mid-February 1986 and listened to the defendant's detailed explanation about the then only existing product of the defendant, namely, a material for artificial teeth "DUCERAM." After that, the representative continued contacting the defendant and made preparations for importing the product to Japan.

After coming back to Japan, Representative A sent the Letter dated March 5, 1986, to the defendant and requested documents necessary to obtain permission for importing the material for artificial teeth "DUCERAM." In this way, Representative A started making concrete preparations necessary to import the product.

(6) Against this background, the plaintiff filed an application for registration of the Trademark on March 14, 1986. The application filing date was immediately after the return to Japan of Representative A, who had listened to the detailed explanation about the material for artificial teeth "DUCERAM."

(7) Regarding the aforementioned product, the plaintiff and the defendant concluded a temporary agency agreement designed to be effective until the conclusion of the Contract by signing the Agreement dated April 22, 1989. In October 1990, the two parties concluded the Contract as a token of their mutual agreement on exclusive supply.

(8) On April 30, 1987, ZFE filed an application in Japan for registration of a trademark similar to the Trademark for the designated goods that were identical or similar to the designated goods of the Trademark (Trademark Application No. 1987-48669) and received a notice of reasons for refusal dated June 30, 1989. From this notice, ZFE learned about the existence of the Trademark, which was presented as a cited trademark.

Subsequently, while the defendant requested the plaintiff to assign the Trademark, the plaintiff refused the request.

## 2. Grounds for rescission

(1) According to the evidence (Exhibits Ko 5 to 8, Otsu 1 to 3, 5, and 10), both ZFE and the defendant were established on April 1, 1985. ZFE and the defendant are identical in terms of location and representative. The defendant is the holding company of ZFE, which was in charge of research and development. On May 31, 1989, ZFE assigned to the defendant all of its business including all of its assets and liabilities.

Based on the facts found above and the facts undisputed by the parties as described above, when the representative of the plaintiff visited the defendant in Germany in

February 1986, the representative of the plaintiff learned that the defendant, whose trade name is "DUCERA," was using the defendant's trademark consisting of alphabetic characters "DUCERAM" for the defendant's goods such as materials for artificial teeth and exporting and selling the goods bearing the defendant's trademark not only in Germany but also in other countries. After listening to the detailed explanation about the product "DUCERAM" and returning to Japan, the representative sent the defendant a request for documents necessary to follow the approval procedure for importing the product to Japan and started making concrete preparations for importing the product. On the other hand, the representative filed an application for registration of the Trademark containing the alphabetic characters "DUCERAM" and obtained a registration without saying anything to the defendant. Since the Trademark was registered as a result of the aforementioned act of the plaintiff, it is clear that such act of the plaintiff would not only violate international business morals and damage the fair transactional practices but also go against the international good faith and damage the public order. The determination presented in the JPO decision that goes in line with this observation (line 12 of page 16 to line 18 of page 17 of the JPO decision) should also be considered to be reasonable.

(2) In light of the aforementioned determination, it is clear that the plaintiff filed an application for registration of the Trademark in order to affix the Trademark to the designated goods of the Trademark, import them to Japan, and sell them in Japan and that, under the Japanese Trademark Act, which has adopted the principle of first-to-register principle, such act can be considered to be an attempt to obtain protection for the trademark used for the goods pertaining to its business. Thus, the allegation that such act is legal and reasonable is unacceptable.

The plaintiff alleged that the Trademark has become well known among consumers and traders as a result of its advertisement activities and sincere effort over a long period of time and that invalidation of the Trademark could be socially impermissible because it would ruin the plaintiff's long-term effort. However, even if it is true that the Trademark has become well known as a result of the plaintiff's act after the registration, it would have nothing to do with the illegality in the aforementioned application filing and registration. Since the former fact would not eliminate the illegality, the plaintiff's allegation is completely unacceptable.

Furthermore, the plaintiff alleged that a trademark would be considered to fall under Article 4, paragraph (1), item (vii) of the Trademark Act only if the indication of the trademark itself suggests a risk of damaging the public order or good morals to a certain extent or if the use of a trademark would go against the public interests and that said provision would not apply to any trademark such as the Trademark that does not incur

such risks as mentioned above.

However, the application of Article 4, paragraph (1), item (vii) of the Trademark Act should not be limited to the case where the indication of a trademark itself suggests a risk of damaging the public order or good morals to a certain extent or where the use of a trademark would go against the public interests as alleged by the plaintiff. Since it is clear that the Trademark, which was registered as a result of the plaintiff's act as described above, would disturb fair transactional practices and go against the international good faith and damage the public order, the plaintiff's allegation is unreasonable in itself and completely unacceptable.

(3) The plaintiff also alleged that, as of the time of the filing of the application for the Trademark, the defendant's product "DUCERAM" was completely unknown and faced difficulty in increasing its presence in the Japanese market that, under such circumstances, it is the plaintiff that gradually increased the market presence of the product bearing the Trademark by spending a lot of money on advertisement activities. The plaintiff further alleged that it had no intention of gaining illicit profits by using the Trademark.

However, in this case, as described above, the representative of the plaintiff visited the defendant in Germany and learned that the defendant was using the defendant's trademark for the defendant's goods such as materials for artificial teeth and exporting and selling the goods bearing the defendant's trademark not only in Germany but also in other countries. After returning to Japan, the representative sent the defendant a request for documents necessary to follow the approval procedure for importing the product to Japan and started making concrete preparations for importing the product. Meanwhile, the plaintiff filed an application for registration of the Trademark, which contains alphabetic characters "DUCERAM." Since the plaintiff failed to obtain consent from the defendant in advance, the plaintiff's act was considered to be problematic. It is found that the Trademark registered as a result of such act could disturb fair transactional practices and go against the international good faith and damage the public order. The JPO decision did not find that, based on the premise that the defendant's goods were famous or the defendant's trademark was well known as of the time of the filing of an application for the Trademark, the plaintiff had the intention of gaining illicit profits by using the Trademark, which was similar to the defendant's trademark. Therefore, the plaintiff's allegation itself should be considered to be unreasonable. Moreover, the plaintiff alleged that, while the defendant could have obtained a trademark right by filing an application for the trademark "DUCERAM" by claiming priority in Japan, which has adopted the first-to-file principle, the defendant abandoned the opportunity to

obtain such trademark registration.

However, in fact, the plaintiff learned that, in Germany, the defendant was affixing the defendant's trademark to goods such as materials for artificial teeth and exporting and selling the goods in other countries as well. While requesting documents necessary to follow the approval procedure for importing the product to Japan, the plaintiff filed an application for registration of the Trademark without consent from the defendant. Under such circumstances, it cannot be said that the defendant or any affiliated company thereof should have predicted such act of the plaintiff and filed an application by claiming priority. In reality, ZFE, which held the defendant's trademark under the control of the defendant in practice, filed an application for registration of a trademark similar to the Trademark in Japan for the designated goods that were identical or similar to the designated goods of the Trademark, but received a notice of reasons for refusal due to the existence of the Trademark as described above. Thus, the aforementioned criticism of the plaintiff has to be considered to be ignoring the illegality of its own act and missing the point.

(4) The plaintiff alleged that, as of the time of the filing of an application for the Trademark, the application for registration of the defendant's trademark filed by ZFE was still pending and was not yet registered as a trademark in Germany. The plaintiff further alleged that whether the trademark claimed in a pending application has been registered or not is one of the important factors to take into consideration when determining whether protection is necessary or not.

However, as mentioned above, as of the time of the filing of an application for the Trademark in Japan, the defendant was affixing the defendant's trademark, which was claimed in the pending application filed by ZFE, to the defendant's goods and using said trademark not only to sell the goods in Germany but also to export the goods to other countries. Since it is reasonable to protect such trademark within the framework of fair transactional practices and international good faith, the plaintiff's allegation is completely unacceptable.

The plaintiff also alleged that ZFE is a company that is independent from the defendant and that the stock ownership arrangement and the existence or nonexistence of a trademark license agreement between the two companies is unclear. The plaintiff also alleged that there is no sufficient evidence to prove that the plaintiff had business transactions with the defendant as of the time of the filing of an application for the Trademark.

However, as mentioned above, it is clear that the defendant is the holding company of ZFE and that the defendant and ZFE had a close relationship because they have the

same address and the same representative. As described above, the plaintiff held negotiations with the defendant to start importing and selling the defendant's product. Thus, the plaintiff's allegations stated above are unacceptable.

(5) The plaintiff alleged that, in another JPO decision, the JPO made a decision to dismiss a request for rescission of the registration of the Trademark under Article 53-2 of the Trademark Act by holding that the defendant's trademark was still pending and cannot be considered to be protected by any right equivalent to a trademark right. The plaintiff further alleged that, from the perspective of equilibration in connection with the determination regarding the aforementioned provision, it should be interpreted that the Trademark does not fall under Article 4, paragraph (1), item (vii) of the Trademark Act either. Since it is clear that there is no direct relationship between the aforementioned determination made in another JPO decision and the allegation that the Trademark registered as a result of the plaintiff's act as described above would disturb fair transactional practices and go against the international good faith and damage the public order. Thus, the aforementioned allegation is completely unacceptable.

Furthermore, the plaintiff alleged that, if an agent, etc. of a foreign trademark holder registers a trademark without due authorization, a request for rescission of the registration of the trademark should be made in accordance with Article 6 septies of the Paris Convention and Article 53-2 of the Trademark Act concerning the registration and use of a trademark by the agent or representative and that, even though such request would be subject to the five-year statute of limitation starting from the time of registration and would merely achieve revocation, which takes effect only proactively, it would be extremely harmful to the balance and stability of the legal framework if any trademark like the Trademark is invalidated retroactively under Article 4, paragraph (1), item (vii) of said Act without being subject to any statute of limitation even though it does not even satisfy the requirement specified in Article 53-2 of said Act.

However, Article 53-2 of the Trademark Act is different from Article 4, paragraph (1), item (vii) of said Act in terms of purpose, requirements, effects, etc. Regardless of whether the Trademark registered as a result of the aforementioned plaintiff's act satisfies the requirement specified in Article 53-2 of said Act or not, the Trademark should be invalidated under Article 4, paragraph (1), item (vii) of said Act as long as the Trademark disturbs fair transactional practices and goes against the international good faith and damages the public order. It is clear that it cannot be said that the Trademark does not fall under the latter just because it does not fall under the former. Therefore, it has to be said that the aforementioned allegation is also unreasonable.

(6) The plaintiff alleged that, since the defendant's trademark was not well known in and

outside Japan as of the time of the filing of an application for the Trademark, invalidation of the Trademark, which is similar to such trademark that was not well known, is not required under the Paris Convention for the Protection of Industrial Property, which provides protection for well-known trademarks. The plaintiff further alleged that, since the Trademark falls under neither Article 6 bis of said Convention nor Article 4, paragraph (1), items (x) or (xix) of the Trademark Act, it should be interpreted that the Trademark does not fall under Article 4, paragraph (1), item (vii) of said Act either from the perspective of equilibration in connection with the determination regarding the aforementioned provisions.

However, it can be found that there is no direct relationship between the fact that the Trademark falls under neither Article 6bis of the Paris Convention nor Article 4, paragraph (1), items (x) or (xix) of the Trademark Act and the fact that the Trademark registered as a result of the plaintiff's act as described above could disturb fair transactional practices and go against the international good faith and damage the public order. The JPO decision stated that the Trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act without determining whether the Trademark was well known or not. Thus, it has to be said that the plaintiff's allegation is unreasonable and is therefore completely unacceptable.

3. On these grounds, it was reasonable that the JPO decision stated that "Since it is reasonable to find that the Trademark was registered in violation of Article 4, paragraph (1), item (vii) of the Trademark Act, the registration of the Trademark should be invalidated under Article 46, paragraph (1) of said Act" (lines 19 to 22 of page 17 of the JPO decision). There are no other possible defects that would provide sufficient grounds for rescission of the JPO decision.

Therefore, the plaintiff's claim in the principal action can be found to be groundless and shall therefore be dismissed. Under Article 7 of the Administrative Case Litigation Act and Article 61 of the Code of Civil Procedure, the judgment shall be rendered in the form of the main text with regard to the payment of court costs.

Tokyo High Court, 13th Civil Division

Presiding judge: TANAKA Yasuhisa

Judge: ISHIHARA Naoki

Judge: SHIMIZU Misao