Judgments of Osaka District Court, 26th Civil Division
Date of the Judgment: 2006.1.23
Case Number: 2003（Wa）No.13847

Title（Case）:

A case wherein:
1.the court found that the brassiere produced and sold by the defendant imitated the configuration of the brassiere produced by an American corporation and judged that the plaintiff, who was the holder of an exclusive license to sell the product in Japan, may have a standing to sue under Unfair Competition Prevention Act; and
2. the court concluded that the configuration of the brassiere produced by the American corporation cannot be recognized as a well-known indication of the product sold by the plaintiff

Summary of the Judgment:

The plaintiff was the holder of an exclusive license in Japan to sell the brassiere named "NuBra" produced and sold by an American corporation. The plaintiff demanded an injunction against and damages for the defendant's production and sales of the defendant's brassiere under Article 5, para.1, the Unfair Competition Prevention Act, based on the following grounds: (1) the configuration of the brassiere produced and sold by the defendant was an imitation of that of the said brassiere sold by the plaintiff (Article 2, para.1, item 3 of the said Act prior to the revision by Act No.75 of 2005) and (2) the defendant's brassiere, which was similar to that of the plaintiff's product in terms of configuration, might be confused with the plaintiff's product, of which the configuration was well-known or famous as an indication of the plaintiff's product (Article 2, para.1, item 1 and item 2 of the said Act).

In response, the defendant argued that (1) with regard to the plaintiff's argument under Article 2, para.1, item 3 of the said Act, (i) the configuration of the plaintiff's brassiere was common among a similar type of products, (ii) the defendant's brassiere was not an imitation of the plaintiff's brassiere, (iii) the plaintiff's brassiere has been on the market for more than three years, (iv) when the defendant imported the defendant's product, the defendant did not know that the configuration of the defendant's product was an imitation of that of the plaintiff's product and no gross negligence was found in such lack of knowledge of the defendant (Article 12, para.1, item 5 of the said Act), and (v) the plaintiff did not fall under "another person" (Article 4) whose business interests were infringed as a result of unfair competition, and (2) with regard to the plaintiff's argument under Article 2, para.1, item 1 and item 2, (i) the configuration of the plaintiff's brassiere was neither a

well-known nor famous indication of the product and (ii) the configuration of the defendant's brassiere was not similar to that of the plaintiff's brassiere, and therefore there was no risk of confusion, and further disputed (3) the amount of damage suffered by the plaintiff.

Regarding the defendant's argument (1)(i), the court determined that the entire configuration of the plaintiff's product cannot be considered as "the configuration common among a similar type of products," while the configuration of some of the already-marketed brassieres may be partially the same as the configuration of the plaintiff's brassiere as pointed out by the defendant.

Regarding the defendant's argument (1)(ii), the court concluded that the defendant's brassiere was an imitation of the plaintiff's brassiere, after finding that the configuration of the plaintiff's brassiere and that of the defendant's brassiere are virtually the same and that the defendant's brassiere was produced and sold by taking advantage of the reputation enjoyed by the plaintiff's brassiere.

Regarding the defendant's argument (1)(iii), the court found that the American corporation filed with the USPTO a trademark application for "NuBra" and submitted a photograph of a product specimen as well as application documents in which the corporation specified a date more than three years before the application as the date when the trademark was first used. As the configuration of the plaintiff's brassiere was not actually the same as that of the brassiere shown in the photograph, however, the court concluded that three years had not passed since the first release of the plaintiff's brassiere.

Regarding the defendant's argument (1)(iv), the court pointed out as follows. The plaintiff's brassiere had long been attracting public attention, and the representative of the defendant acknowledged that he/she had come to know of the plaintiff's brassiere even before the importation of the defendant's brassiere. In addition to these, since the configuration of the plaintiff's brassiere and that of the defendant's brassiere were identical, the defendant should naturally have suspected, upon importation of the defendant's brassiere, that the configuration of the defendant's product might be a copy of the plaintiff's product. The defendant also should have conducted necessary research to dispel the suspicion. Therefore, the defendant should be considered to have committed gross negligence.

Regarding the defendant's argument (1)(v), the court held that the holder of an exclusive sales right may be protected under Article 2, para.1, item 3 of the said Act by the reason that, "Item 3 is designed to protect the interests of the developer of a product with a particular configuration so that he can monopolize the market profits from the sales of the product with that configuration for a certain period of time, enabling him/her to recover the various costs he/she bore for the development of the product" and "Any person who is given an exclusive license to sell a newly developed product

will be entitled to monopolize the market profits from the sales of the product in the territory covered by the license. The exclusive licensee would be prevented from fully enjoying such exclusive status and profits if any party imitates the original product. Since such exclusive status and profits are derived from the monopolistic status of the developer protected under item 3 as mentioned above, and the exclusive licensee was granted a part of the monopolistic status of the developer, such exclusive status and profits must also be legally protected from third parties."

Based on these grounds, the court calculated the amount of damage after affirming that the sales of the defendant of the defendant's brassiere were also prohibited under Article 2, para.1, item 3 of the said Act also in relation to the plaintiff. When doing so, the court applied presumption of the amount of damages provided by Article 5, para.1 of the said Act to the calculation of the amount of damage suffered by the exclusive licensee by holding, "Although the plaintiff's status is geographically restricted to Japan, the plaintiff has the same status as the developer in that it is entitled to monopolize market profits from the sales of the plaintiff's product." Then, the court determined that the temporary shortage of the plaintiff's brassiere observed around the time of the release of the defendant's brassiere cannot be understood to demonstrate the plaintiff's inability to sell the plaintiff's product because such a shortage was soon resolved. On the other hand, however, the court held that since parallel-imported products of the plaintiff's brassiere were also on the Japanese market, 15% of the total number of the units of the defendant's product sold by the defendant should be deducted because these parallel-imported brassieres may be regarded as circumstances that would have prevented the plaintiff from selling its product.

Regarding the plaintiff's arguments related to Article 2, para.1, item 1 and item 2 of the said Act, the court denied them by saying that the plaintiff's product was not so well-known that consumers were able to recognize, based solely on the configuration of the product, that the product was originated from the plaintiff, because many similar products and parallel-imported products had been circulated before the configuration of the plaintiff's product became well-known as an indication of the plaintiff's product. With regard to this, the court pointed out as follows: while the popularity of the plaintiff's product rose rapidly within a short period of time thanks to coverage by magazines and TV programs a short while after the release of the plaintiff's brassiere, similar products started to spread. Then, parallel-imported products started to appear on the market as well. As a result, the sales of those similar products and parallel-imported products exceeded the sales of the plaintiff's brassiere.