

|  |                   |       |   |
|--|-------------------|-------|---|
| Date   | December 25, 2017 | Court | Intellectual Property High Court,<br>Third Division |
| Case number  | 2017 (Ne) 10053   |       |   |
| – A case in which a lawsuit to seek an injunction, etc., against trademark right infringement (appeal) was filed and the court prohibited the exercise of trademark rights by holding that there are grounds for invalidation of those rights as specified in Article 4, paragraph (1), item (vii) of the Trademark Act. |                   |       |   |

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

Numbers of related rights, etc.: Trademark Registrations No. 5207705, 5207706, 5284760, 5362507, 5490938, and 5551479

### Summary of the Judgment

#### 1. Background

This is a case where the appellees, which hold six Kyokushin karate-related trademark rights (the "Trademark Rights"), alleged against the appellant (corporation) and the representative thereof, which operate dojos in Fukushima prefecture, that their act of using marks for their dojo buildings, etc. constitutes infringement of the Trademark Rights and sought an injunction against their use of those marks and demanded payment of damages.

The court of prior instance (Tokyo District Court, 2015 (Wa) 22521, 2016 (Wa) 9187) partially accepted the appellees' claims against the appellant. Dissatisfied with said judgment with respect to the part for which the appellant lost the case, the appellant filed this appeal.

#### 2. Content of this judgment

In this judgment, the court accepted the appeal by holding that, since there are grounds to invalidate the registrations of the Trademark Rights as specified in Article 4, paragraph (1), item (vii) of the Trademark Act, the appellees may not exercise the Trademark Rights. The court revoked the judgment in prior instance with respect to the part for which the appellant lost the case and found that all of the claims of the appellees regarding said part shall be dismissed (Regarding one of those six trademark rights, the court held that, since the JPO decision to invalidate the trademark registration was already finalized, the claim made based on said trademark right may be considered to be groundless without having to examine any other factors.).

The court determination concerning the applicability of Article 4, paragraph (1), item (vii) of the Trademark Act is as follows.

"(1) According to the facts found above, it can be said as follows.

A. As of the time of death of ●● in April 1994, Kyokushin-related marks including the

Trademarks had already become important assets and symbols closely related to the operations of the IKO (International Karate Organization Kyokushinkaikan) led by ●●. Those marks were widely known as the source-indicating marks of a single organization, namely, the IKO, at least among those who were interested in karate and combat sports. During the time from 2003 to 2012, in which the appellees filed applications for registration of the Trademarks (the 'Applications'), these Kyokushin-related marks still had strong customer appeal in the IKO's operations such as teaching karate.

B. The IKO led by ●● was divided into multiple organizations after the death of ●●. Those organizations are not identical with the IKO that existed prior to the death of ●●. The appellees are merely one of those organizations and the representative thereof. ... Thus, any of the organizations or the representatives thereof including the appellees was not in a position to claim against other organizations the legitimate right to succeed to the operations of the IKO and to own the Kyokushin-related marks.

C. As far as the Kyokushin-related marks are concerned, ▲▲ filed trademark applications for registration of multiple marks and received trademark registrations under ▲▲'s name. In response, Appellee ■■ requested an invalidation trial concerning those trademark registrations on the grounds of violation of Article 4, paragraph (1), item (vii) of the Trademark Act. Consequently, a JPO decision was made to invalidate those trademark registrations. Said JPO decision of invalidation was finalized as a result of a lawsuit filed by ▲▲ to seek rescission of the JPO decision (note: Intellectual Property High Court 2005 (Gyo-Ke) 10028). ... the judgment handed down in the aforementioned lawsuit to seek rescission of the JPO decision states that the trademark registrations made by ▲▲ can be considered to violate the public order and morals, etc. on the grounds that, ... it would be detrimental to the order to be established under the Trademark Act ... It must be said that the Trademarks share the same issues as pointed out by the aforementioned judgment such as the issue of the absence of proper internal procedures at the Kyokushinkaikan (such as negotiations with other organizations after the split of the IKO) and the issue of granting trademark rights based on the applications to the representative of an organization that is not identical with the IKO (or a company managed by the representative).

D. In the process of registering the Trademarks, the appellees sent ... In this way, after filing the Applications, the appellees clearly tried to put more pressure on other organizations of Kyokushinkaikan and the representatives thereof. It would be inevitable to interpret that such act of the appellees can be objectively considered to be an act of taking advantage of the rights for Kyokushin-related marks, which are

important assets of Kyokushinkaikan, and also an act of pursuing self-interest.

(2) As described above, as of the time of the filing of the Applications, the appellees were in a position to naturally recognize that Kyokushin-related marks are important assets and symbols of those related to Kyokushinkaikan and that none of the organizations after the split of the IKO was entitled to claim the legitimate right to succeed to the operations of the IKO. The acquisition of the Trademark Rights by the appellees can be considered to be an act of a single organization (the representative thereof or the company managed by the representative), which is merely one of the multiple breakaway factions that are not identical with the IKO, of going ahead of others and filing trademark applications for Kyokushin-related marks, which are extremely important assets and symbols of Kyokushinkaikan, and trying to monopolize the rights. This situation can be considered to be the same as the case where the aforementioned judgment for the lawsuit to seek rescission of the JPO decision pointed out that such monopolization of rights would be detrimental to the order to be established under the Trademark Act. Therefore, the appellees' act in relation to the Applications should also be considered to be detrimental to the order to be established by the Trademark Act. In particular, in the case of the appellees, they had the registrations of the trademarks claimed in ▲▲'s applications invalidated on the grounds that those registrations violate the public order and morals and, then, acquired trademark rights for its own benefit in a manner that can be objectively considered to be the same as the ▲▲'s manner of trademark right acquisition. Thus, the appellees' act should be found to be even more unreasonable. From this perspective, the trademark registrations should not be accepted.

Therefore, the Trademarks claimed in the Applications can be found to be trademarks that are 'likely to negatively affect public policy' as specified in Article 4, paragraph (1), item (vii) of the Trademark Act in light of the purpose and the filing process of the Applications."

Judgment rendered on December 25, 2017

2017 (Ne) 10053 Appeal Case of Seeking Injunction, etc. against Trademark Right Infringement (Court of prior instance: Tokyo District Court 2015 (Wa) 22521, 2016 (Wa) 9187)

Date of conclusion of oral argument: October 13, 2017

### Judgment

Appellant (Defendant in the first instance): Kyokushin Karate Monma Dojo, N.P.O.

Appellee (Plaintiff in the first instance): Y

Appellee (Plaintiff in the first instance): Mas Oyama Enterprise Co., Ltd.

### Main text

1. The court revoked the judgment in prior instance with respect to the part for which the appellant lost the case.
2. All of the appellees' claims concerning the part mentioned in 1 above shall be dismissed.
3. The appellees shall bear the court costs for the first and second instances.

### Facts and reasons

#### No. 1 Objects of the appeal

The same as stated in the main text above.

#### No. 2 Outline of the case (the abbreviations, etc. used herein are the same as those in the prior instance)

##### 1. Summary of the case

(1) This is the case where Appellee Y (plaintiff in the first instance), who holds trademark rights for the registered trademarks 1 to 3 ("Trademark 1" to "Trademark 3") as shown in an attachment to the judgment in prior instance, and another appellee (plaintiff in the first instance), namely, Mas Oyama Enterprise Co., Ltd. (the "Appellee Company"), which hold the trademark rights for the registered trademarks 4 to 6 ("Trademark 4" to "Trademark 6") as shown in an attachment to the judgment in prior instance (Trademarks 1 to 6 shall be hereinafter collectively referred to as the "Trademarks"), made the following claims against the appellant (defendant in the first instance) and Defendant X in the first instance ("Defendant X in the first instance"; Defendant X in the first instance and the appellant shall be hereinafter collectively

referred to as the "defendants in the first instance").

A. Appellee Y alleged against the defendants in the first instance that the following acts of the defendants in the first instance, i.e., [i] their act of affixing Marks 1, 2-1, 2-2, and 3, which are similar to Trademarks 1 to 3 to the signs, doors, indication boards, etc. of the buildings, [ii] their act of affixing those Marks to the karate uniforms provided for use by those who are taking karate lessons and teaching karate, and [iii] their act of affixing those Marks to the website in question (the "Website"), constitute infringement of Trademark Rights 1 to 3 owned by Appellee Y. Appellee Y demanded against the defendants in the first instance an injunction against the use of Marks, 1, 2-1, 2-2, and 3 under Article 36, paragraph (1) of the Trademark Act.

B. The Appellee Company alleged against the defendants in the first instance that the following acts of the defendants in the first instance, i.e., [i] their act of affixing Marks 4-1, 4-2, 5, and 6, which are similar to Trademarks 4 to 6 to the signs, doors, indication boards, etc. of the buildings, [ii] their act of affixing those Marks to the karate uniforms provided for use by those who are taking karate lessons and teaching karate, and [iii] their act of affixing those Marks to the Website, constitute infringement of Trademark Rights 4 to 6 owned by the Appellee Company (Trademark Rights 1 to 6 shall be hereinafter collectively referred to as the "Trademark Rights"). The Appellee Company demanded against the defendants in the first instance an injunction against the use of Marks, 4-1, 4-2, 5, and 6 under Article 36, paragraph (1) of the Trademark Act.

C. Appellee Y alleged against the defendants in the first instance that the act of the defendants in the first instance described in A above constitutes joint tort, i.e., infringement of Trademark Rights 1 to 3 owned by Appellee Y, and demanded joint payment of 12 million yen as damages under Article 709 of the Civil Code and Article 38, paragraph (2) of the Trademark Act as well as delay damages accrued thereon at the rate of 5% per annum for the period from April 2, 2016, which is the day following the date of the service of the final statement of claim on the defendants in the first instance (following the date of the service of a statement of claim in Case Otsu of the first instance) to the date of completion of the payment.

D. The Appellee Company alleged against the defendants in the first instance that the act of the defendants in the first instance described in B above constitutes joint tort, i.e., infringement of Trademark Rights 4 to 6 owned by the Appellee Company and demanded joint payment of 2.25 million yen as damages under Article 709 of the Civil Code and Article 38, paragraph (3) of the Trademark Act as well as delay damages accrued thereon at the rate of 5% per annum for the period from April 2, 2016, which is the day following the date of the service of the final statement of claim on the

defendants in the first instance (following the date of the service of a statement of claim in Case Otsu of the first instance) to the date of completion of the payment.

(2) In the judgment in prior instance, the court [i] partially accepted the appellees' claims against the appellant for payment of damages and dismissed any other claims of the appellees (the remaining claims for payment of damages and the claim for an injunction) and [ii] dismissed all of the claims of the appellees against Defendant X in the first instance.

(3) Only the appellant was dissatisfied with the judgment in prior instance with respect to the part for which the appellant lost the case and filed this appeal.

## 2. Facts on which the decision is premised

The facts on which the decision is premised are as stated in the section "Facts and reasons" of No. 2, 2 (page 3, line 19 to page 8, line 26 of the judgment in prior instance) in the judgment in prior instance, except for the parts that should be amended as follows. Thus, the facts stated therein are cited in this judgment.

(1) The term "the court" used from lines 25 to 26 of page 8 in the judgment in prior instance should be replaced with "the Tokyo District Court."

(2) At the end of line 26 of said page, new lines should be placed to add the following sentences.

"(9) Extinguishment, etc. of Trademark Right 3

Regarding Trademark Right 3, in the trial for invalidation of the trademark registration (Invalidation Trial No. 2014-890093) held on May 11, 2017, upon request of So-Kyokushin, the JPO decision was made to invalidate the registration under Article 46, paragraph (1), item (i) of the Trademark Act on the grounds that said registration was made in violation of Article 4, Paragraph (1), item (vii) of said Act. This JPO decision was finalized on June 19, 2017. On July 13, 2017, said registration was rescinded (Exhibits Otsu 128 and 156).

On August 22, 2017, So-Kyokushin requested a trial for invalidation of trademark registrations for Trademark Rights 1, 2, and 4 to 6 as well. The examination is still pending at the JPO (Exhibits Otsu 157 to 161)."

(omitted)

## No. 3 Court decision

Unlike the judgment in prior instance, in this judgment, the court found that all of the appellees' claims made based on the Trademark Rights against the appellant should be dismissed in view of the facts that one (Trademark 3) of the Trademarks was already

invalidated by a JPO decision and that the rest of the Trademarks (Trademarks 1, 2, and 4 to 6) can be considered to fall under a trademark that "is likely to negatively affect public policy" as specified in Article 4, paragraph (1), item (vii) of said Act in light of the background against which the applications (the "Applications") were filed for registration and should therefore be invalidated under Article 46, paragraph (1), item (i) of the Trademark Act. The grounds for the judgment are as follows.

#### 1. Claim made based on Trademark Right 3

Regarding Trademark 3, a JPO decision was already finalized to the effect that said trademark should be invalidated under Article 46, paragraph (1), item (i) of the Trademark Act on the grounds of the violation of Article 4, paragraph (1), item (vii) of said Act. Thus, Trademark Right 3 can be considered to have been nonexistent from the beginning (the main text of Article 46-2, paragraph (1) of said Act). Among the appellees' claims against the appellant, the appellees' claim made based on said trademark right against the appellant to demand payment of damages and seek an injunction should be dismissed without having to examine any other factors.

Therefore, the following section examines the claims made based on the rest of the Trademark Rights.

#### 2. Facts found by the court

In addition to the facts found above, in accordance with the facts found based on the evidence (Exhibits Ko 8, 9, and 15 to 20, Otsu 64 to 66, 68, 70, 71, 74, 75, 79, 95, 100, 112, 113, 117, 119, 122, 123, 127 to 130-1 and 130-2) and the entire import of the oral argument, also the facts that became obvious to this court in the course of the performance of its duties, the following facts can be found.

(1) The organization, etc. of the International Karate Organization Kyokushinkaikan (IKO) before the death of E

A. E founded the IKO in 1964 and was called "chief" or "president." After the foundation, the IKO established the central headquarters in Ikebukuro, Tokyo and the Kansai headquarters, and also branches in various places throughout Japan. He also established the headquarters and branches in other countries. He expanded the scale of the IKO by holding various championships such as All Japan Championships and World Championships. As of the time of the death of E in April 1994, the IKO had the central headquarters, the Kansai headquarters, 55 branches, 550 dojos (training halls), and 500,000 members in Japan. Globally, the IKO had 12 million members in 130 countries.

B. Before the death of E, the branch chiefs of the IKO including F signed an agreement (the "Agreement") with the IKO when they were appointed as branch chiefs. The Agreement specifies that, as executives of the headquarters of the IKO, the IKO shall

appoint president/chief, honorary chairperson, chairperson, vice chairperson, director, committee members, advisor, general counsel, grand master, and instructor (Article 1), that the appointment of a branch chief shall be approved by the chairperson or president after getting approved in a committee meeting held at the headquarters (Article 7), that each branch chief shall renew the Agreement every five years and could be dismissed from the position of branch chief if he/she lacks dignity or has any other problem (Article 17), and that, if a branch or a branch chief violates the Agreement, the committee at the headquarters or the board of directors at the headquarters could adopt a resolution to cancel the approval for the branch or impose a fine (Article 34). Furthermore, the Agreement has a provision concerning the use of Kyokushin-related marks by branches stating that "A branch shall not use any of the already registered Kyokushin marks (Kanku mark, union mark, Kyokushin badge, etc.) without approval of the committee" (Article 15). The Agreement does not have any provisions concerning the appointment and succession of the position of president/chief of the IKO. In reality, however, in dojos and championships, etc., branch chiefs were freely using Kyokushin-related marks without independently obtaining approval from E or the headquarters of the IKO. Such use of Kyokushin-related marks by branch chiefs has never been prohibited by E or the headquarters.

(2) Activities, etc. of Defendant X in the first instance and F, etc. before the death of E  
A. Activities, etc. of Defendant X in the first instance

Defendant X in the first instance joined the dojo operated by the Fukushima branch of the IKO in 1980 and became a pupil of the IKO. However, his/her worsening relationships with the dojo manager gradually prevented him/her from going to the dojo. He/she completely stopped going to the dojo after he/she established a construction and engineering company.

B. Activities, etc. of F, etc.

(A) F joined the IKO in 1967 and got promoted to the first level only 13 months after becoming a member of the IKO. This was the fastest promotion to the first level in the history of the IKO at that time. In 1969, F participated in the first All Japan Championship for the first time and ranked third and won a championship at the second All Japan Championship held in 1970. F was appointed as the branch chief of the IKO branch in Tokushima prefecture in January 1971. In October 1977, F doubled as the branch chief of the branch in Aichi prefecture. In these branches and in the sub-branches of those branches, F used the Marks in accordance with the rules stated in (1) B above in the course of teaching karate. As of the time of the death of E, i.e., April 26, 1994, F had established 11 dojos of the IKO in Tokushima prefecture and Aichi prefecture in



order to teach karate.

(B) G joined the IKO in 1969 and ranked third at the third All Japan Championship held in 1971 and ranked fourth at the first World Open Karate Tournament held in 1975. G was appointed as the branch chief of the IKO branch in Yamanashi prefecture in 1976 and doubled as the branch chief of the branch in Shizuoka prefecture in 1977. In these branches and in the sub-branches of those branches, G used the Marks in accordance with the rules stated in (1) B above in the course of teaching karate. As of the time of the death of E, i.e., April 26, 1994, G had established 70 dojos of the IKO in Yamanashi prefecture and Shizuoka prefecture in order to teach karate.

(3) Death of E

A. E died on April 26, 1994, without officially appointing his successor. However, a will (the "Will") dated April 19, 1994 had been prepared just in case. The Will states that B would be the successor of E.

B. B was appointed as the chief of the IKO after obtaining approval at the meeting of branch chiefs held in May 10, 1994. However, subsequently, the IKO had an internal dispute and was split into many organizations to teach Kyokushin karate (the split continued and resulted in the current situation where many organizations and dojos under the name "Kyokushin" or "IKO" exist throughout Japan).

C. One of the witnesses of the Will filed a request for a trial to seek court declaration concerning the Will. On March 31, 1995, the Tokyo Family Court dismissed the request by holding that it would be impossible to declare that the Will was made based on the intention of E. The Tokyo High Court also made a decision to dismiss the appeal on October 16, 1996 (subsequently, a special appeal was also dismissed).

(4) Activities, etc. of the defendants in the first instance, F, etc. and So-Kyokushin after the death of E

A. Activities, etc. of the defendants in the first instance

(A) In 1997, Defendant X in the first instance reunited with C, who was the branch chief of the IKO branch in Fukushima prefecture and obtained approval from C for the establishment of Yabuki branch as a sub-branch of C's dojo (renamed as Minami branch of Fukushima prefecture in 1998). Defendant X in the first instance became independent from C's dojo with approval from C on February 7, 2004, and signed a pledge (agreement) with International Karate Organization Kyokushinkaikan (Representative: H), which has its office in Koriyama City, Fukushima prefecture, on February 22, 2004. The pledge (agreement) stipulated that Defendant X in the first instance shall be appointed as the general manager or representative of Minami headquarters in Fukushima prefecture.

(B) On September 1, 2006, Defendant X in the first instance concluded the Agreement with IKO Sosai Kyokushinkaikan represented by Appellee Y and signed a branch contract. The Agreement specifies, among other things, that Appellee Y shall be the representative of IKO Sosai Kyokushinkaikan (Article 2); that each branch shall comply with the Agreement and follow the instructions of the headquarters and shall maintain close relationships with and accept the decisions of the headquarters (Article 8, paragraph (1)); that the rights for the trademarks "極真," "極真会," "極真会館," and "国際空手道連盟極真会館" and any other trademarks related to Kyokushin shall be managed by the headquarters and that any branch may not exercise any of those rights without a license from the headquarters (Article 13, paragraphs (1) and (2)); and that, if the approval for a branch granted under the Agreement loses effect, the branch may not use the name of the branch and any of the aforementioned trademarks, etc. licensed under the Agreement (Article 16, paragraph (2)).

On November 14, 2008, on which the branch contract concluded between Defendant X in the first instance and IKO Sosai Kyokushinkaikan was still in effect, Defendant X in the first instance established the appellant. However, the branch contract lost effect on February 2, 2009 at the latest, due to the worsening relationships, etc. with Appellee Y.

(C) Even after the termination of the branch contract, Defendant X in the first instance continued using Kyokushin-related marks including the Marks in violation of Article 16, paragraph (2) of the Agreement.

On August 1, 2011, Appellee Y alleged against Defendant X in the first instance that the act of Defendant X in the first instance of continuously using Kyokushin-related marks even after the termination of the branch contract constitutes infringement of the rights, etc. of IKO Sosai Kyokushinkaikan. Appellee Y, as the representative of IKO Sosai Kyokushinkaikan, sent notices (Exhibits Otsu 74 and 79) that requested the discontinuation of the use of the marks and demanded payment, etc. of 30 million yen as a penalty (1 million yen per month for two and a half years) (the notices stated that Defendant X in the first instance "was disaffiliated by IKO Sosai Kyokushinkaikan at the end of January 2009").

(D) On November 26, 2012, Defendant X in the first instance received, from World So-Kyokushin, which was the predecessor of So-Kyokushin established mainly by F, etc. as described in B (B) below, a written notice of approval for the establishment of an affiliated dojo. Subsequently, the appellant's dojo started providing Karate lessons, etc. as one of the affiliated dojos of So-Kyokushin (World So-Kyokushin became "So-Kyokushin" upon the registration of the establishment on April 2, 2013. World

So-Kyokushin, which existed prior to the registration, may also be referred to as "So-Kyokushin" in some cases).

(E) The appellant currently manages more than 20 dojos affiliated to So-Kyokushin. These dojos account for about 10% of the total number of dojos affiliated to So-Kyokushin.

B. Activities of F, etc. and So-Kyokushin

(A) Even after the death of E, F, etc. continued to teach Karate and conducted other operations by using Kyokushin-related marks. In January 2004, when the International Karate Organization Kyokushinkaikan Union, to which F, etc. belonged at that time, held the first Kyokushin Union Cup World Karate Championship (the first World Championship of the International Karate Organization Kyokushinkaikan Union), G managed the event as the chairperson of the executive committee and coordinated TV broadcasting.

(B) On November 26, 2012, F, etc. established World So-Kyokushin, which was the predecessor of So-Kyokushin. On April 2, 2013, upon registration of So-Kyokushin, F and G were appointed as the representative director and the director of So-Kyokushin respectively. At the time of the establishment of So-Kyokushin, not only the dojos managed by F, etc. but also the dojo owners who had been cooperating with F, etc. and the dojos operated by those owners joined So-Kyokushin.

Currently, So-Kyokushin operates about 200 dojos in Japan. Overseas dojos in about 60 countries have also joined So-Kyokushin. In October 2016, So-Kyokushin held a World Championship of Kyokushin Karate (the first World Championship held by So-Kyokushin). This event was broadcast by TV.

(5) Activities of the appellees after the death of E

A. Appellee Y had not been involved in the operations of the IKO at all until the death of E.

B. Based on the court settlement achieved on February 17, 1999, Appellee Y received the buildings of the central headquarters of the IKO from B, etc. and started to manage IKO's operations by using the same building (the management of dojos and the establishment of a memorial hall for E).

C. As of February 7, 2017, the appellees operated four dojos (branches) in Japan in addition to the central headquarters and taught Kyokushin karate and conducted other operations. The appellees operate several branches in other countries as well and hold a Mas Oyama Memorial Cup, which is a championship of Kyokushin karate, about once a year.

(6) Dispute, etc. concerning the Kyokushin-related marks

A. B continued using Kyokushin-related marks even after the death of E and filed trademark applications for multiple Kyokushin-related marks and received trademark registrations under his/her name from 1994 to 1995.

B. In 2002, F and other people who used to belong to the IKO before the death of E filed a lawsuit against B with the Osaka District Court in order to seek a declaratory judgment to the effect that B has no right to seek an injunction based on B's trademark rights against their use of Kyokushin-related marks in the course of teaching karate or conducting other operations (2002 (Wa) 1018).

The court accepted the request for a declaratory judgment for the nonexistence of such right by holding that B's act of exercising those rights would be an abuse of rights. Subsequently, an appeal was filed with the Osaka High Court, which dismissed B's appeal on the same grounds on September 29, 2004 (2003 (Ne) 3283).

The appeal court handed down a judgment stating that B's act of exercising those rights "should be interpreted as an abuse of rights in view of the facts that the defendant (Note: B), who is merely the leader of one of many breakaway factions, is trying to restrict the use of the Trademarks by the members of other factions and that such restriction would be beyond the scope of the restriction conventionally imposed" (Exhibit Otsu 64).

C. In 2002, G and other people who used to belong to the IKO before the death of E filed a lawsuit against B with the Tokyo District Court in order to seek a declaratory judgment to the effect that B has no right to seek an injunction based on B's trademark rights against their use of Kyokushin-related marks in the course of teaching karate or conducting other operations (2002 (Wa) 16786).

On September 29, 2003, the court accepted the request for a declaratory judgment for the nonexistence of such right by holding that B's act of exercising such rights would be an abuse of rights.

The court handed down a judgment stating that "since the defendant (Note: B) is merely the leader of one of the breakaway factions of the IKO, the defendant's act of prohibiting the plaintiffs from using the Marks based on the Trademark Rights constitutes an abuse of rights" (Exhibit Otsu 68).

D. On January 15, 2004, Appellee Y requested a trial for partial invalidation of the trademarks registered by B. The JPO made a decision to invalidate those registrations on September 22, 2004, on the grounds that the trademark registrations made by B violate Article 4, paragraph (1), item (vii) of the Trademark Act. In response, B filed a lawsuit with the Intellectual Property High Court to seek rescission of said JPO decision (2005 (Gyo-Ke) 10028). On December 26, 2006, the court handed down a judgment to

dismiss B's claims.

In the judgment, the court held that the registered Kyokushin-related trademarks are extremely important assets of Kyokushinkaikan that are closely related to its daily activities, and that the representative of Kyokushinkaikan should follow the proper internal procedures of Kyokushinkaikan in order to manage or dispose of such important assets. The court explained the grounds for its judgment by stating that, while the IKO prior to the death of E can be considered to be the legitimate owner of the Trademarks, the IKO was divided into multiple organizations after the death of E, resulting in the situation where those organizations operate dojos of Kyokushin karate and compete with each other and that, despite the fact that the plaintiff (Note: B) filed trademark applications for the Trademarks under his/her name as the representative of the IKO shortly after the death of E in material violation of the procedural obligations, if those trademarks are registered as claimed in the plaintiff's applications under the name of the plaintiff, who is the representative of an organization which was not identical with the IKO prior to the death of E as of the time of the examiner's decision of registration, it would be detrimental to the order to be established under the Trademark Act.

E. On the other hand, Appellee Y filed trademark applications for Trademark 4 on July 17, 2003 and for Trademarks 1 to 3 on October 15, 2004 respectively. The Appellee Company filed a trademark application for Trademark 5 on July 17, 2003.

The appellees received trademark registrations for Trademark Rights 1 and 2 on February 27, 2009, for Trademark Right 3 on December 4, 2009, for Trademark Right 4 on October 22, 2010, and for Trademark Right 5 on May 11, 2012 under their names respectively (Trademark Right 4 was established and then transferred from Appellee Y to the Appellee Company.).

Furthermore the Appellee Company filed a trademark application for Trademark 6 on June 6, 2012, and received the registration of Trademark Right 6 under the name of the Appellee Company on January 25, 2013.

F. As described above, while the appellees received the registrations for the Trademark Rights, Appellee Y sent F, etc., a warning dated November 20, 2012, under the name of "the representative of IKO Sosai Kyokushinkaikan," stating that, while Appellee Y heard of a plan of F, etc. to establish a new organization, F, etc. should not make unauthorized use of the assets of IKO Sosai Kyokushinkaikan such as Trademark Rights 1 to 5, the Kanku mark, the union mark, and the name and portraits of E, and also stating that legal measures would be taken immediately against any unauthorized use (Exhibits Otsu 130-1 and 130-2).

G. In 2015, the appellees filed a lawsuit against Kyokushin International Karate Organization (Representative: B) with the Tokyo District Court to seek an injunction against the use of the marks based on the Trademark Rights and demand payment of damages.

On June 30, 2016, the court handed down a judgment to dismiss all of the claims of the appellees by holding that the appellees' act of prohibiting, based on the Trademark Rights, the defendant from using the Trademarks, which are Kyokushin-related trademarks, and any similar trademarks constitutes an abuse of rights (2015 (Wa) 20338).

Dissatisfied with this judgment, the appellees filed appeals. On May 17, 2017, the Intellectual Property High Court handed down a judgment to dismiss all of the appeals by holding that the appellees' act of alleging that another person who continues its operations as the IKO infringes the Trademark Rights can be objectively considered to be detrimental to the fair competitive environment and constitute an abuse of rights (2016 (Ne) 10076). In response, the appellees did not file a final appeal and a petition for acceptance of final appeal. Consequently, said judgment was finalized without any modifications (the facts obvious to this court).

H. In 2016, the appellees filed an action (counterclaim) against So-Kyokushin (defendant) to seek an injunction against the use of marks based on the Trademark Rights.

On November 24, 2016, the court handed down a judgment to dismiss all of the claims of the appellees by holding that the appellees' act of prohibiting the defendant from using the marks of the defendant in the counterclaim, which are Kyokushin-related trademarks, based on the Trademark Rights constitutes an abuse of rights (2016 (Wa) 16340).

Dissatisfied with this judgment, the appellees filed appeals. However, on August 30, 2017, the Intellectual Property High Court handed down a judgment to dismiss all of the appeals by holding that the appellees' act of alleging that another person who took over and continues the operations as the IKO infringed the Trademark Rights can be objectively considered to be detrimental to the fair competitive environment and constitute an abuse of rights (2017 (Ne) 10012).

In response, the appellees did not file a final appeal and a petition for acceptance of final appeal. Consequently, said judgment was finalized without any modifications (the facts obvious to this court).

### 3. Examination

(1) According to the facts found above, it can be said as follows.

A. As of the time of death of E in April 1994, Kyokushin-related marks including the Trademarks had already become important assets and symbols closely related to the operations of the IKO led by E. Those marks were widely known as the source-indicating marks of a single organization, namely, the IKO, at least among those who were interested in karate and combat sports. During the time from 2003 to 2012, in which the appellees filed applications for registration of the Trademarks (the "Applications"), these Kyokushin-related marks still had strong customer appeal in the IKO's operations such as teaching karate.

B. The IKO led by E was divided into multiple organizations after the death of E. Those organizations are not identical with the IKO that existed prior to the death of E. The appellees are merely one of those organizations and the representative thereof. While Appellee Y alleges that Appellee Y is the owner of the Kyokushin-related marks, in other words, the successor to the operations of the IKO led by E, Appellee Y, who is the heir to E, cannot be naturally considered to be the successor to the operations of the IKO because the IKO was not identical to the individual, E. In light of the facts that Appellee Y was not involved in the operations of the IKO at all as of the time of the death of E, that E did not officially appoint his successor, and that the IKO had not adopted the hereditary system, Appellee Y cannot be considered to be the successor to the operations of the IKO for any reason other than succession, either. There is no evidence to prove otherwise. Thus, any of the organizations or the representatives thereof including the appellees was not in a position to claim against other organizations the legitimate right to succeed to the operations of the IKO and to own the Kyokushin-related marks.

C. As far as the Kyokushin-related marks are concerned, B filed trademark applications for registration of multiple marks and received trademark registrations under B's name. In response, Appellee Y requested an invalidation trial concerning those trademark registrations on the grounds of violation of Article 4, paragraph (1), item (vii) of the Trademark Act. Consequently, a JPO decision was made to invalidate those trademark registrations. Said JPO decision of invalidation was finalized as a result of a lawsuit filed by B to seek rescission of the JPO decision.

As found above, the judgment handed down in the aforementioned lawsuit to seek rescission of the JPO decision states that the trademark registrations made by B can be considered to violate the public order and morals, etc. on the grounds that, while the filing of any trademark applications for Kyokushin-related marks, which are extremely important assets of the IKO, would require B (as the representative of Kyokushinkaikan at that time) to follow the proper internal procedures of Kyokushinkaikan, B filed

trademark applications in violation of those procedural obligations and that, in the situation where the IKO was subsequently divided into multiple organizations independently operating dojos of Kyokushin karate and competing with each other, it would be detrimental to the order to be established under the Trademark Act to grant trademark rights to the representative of an organization that is not identical with the IKO based on the aforementioned applications. It must be said that the Trademarks share the same issues as pointed out by the aforementioned judgment such as the issue of the absence of proper internal procedures at the Kyokushinkaikan (such as negotiations with other organizations after the split of the IKO) and the issue of granting trademark rights based on the applications to the representative of an organization that is not identical with the IKO (or a company managed by the representative).

D. In the process of registering the Trademarks, the appellees sent Defendant X in the first instance a notice stating that Defendant X in the first instance should stop using Kyokushin-related marks because such use violates the appellees' rights and the Agreement and should pay a large amount of money as a penalty. Also, the appellees sent F, etc. a warning that F, etc. must not use Kyokushin-related marks and filed a lawsuit against an organization (Representative: B) to seek an injunction against the use of the marks and demand payment of damages based on the Trademark Rights and also filed a lawsuit against So-Kyokushin to seek an injunction against the use of Kyokushin-related marks. In this way, after filing the Applications, the appellees clearly tried to put more pressure on other organizations of Kyokushinkaikan and the representatives thereof. It would be inevitable to interpret that such act of the appellees can be objectively considered to be an act of taking advantage of the rights for Kyokushin-related marks, which are important assets of Kyokushinkaikan, and also an act of pursuing self-interest.

(2) As described above, as of the time of the filing of the Applications, the appellees were in a position to naturally recognize that Kyokushin-related marks are important assets and symbols of those related to Kyokushinkaikan and that none of the organizations after the split of the IKO was entitled to claim the legitimate right to succeed to the operations of the IKO. The acquisition of the Trademark Rights by the appellees can be considered to be an act of a single organization (the representative thereof or the company managed by the representative), which is merely one of the multiple breakaway factions that are not identical with the IKO, of going ahead of others and filing trademark applications for Kyokushin-related marks, which are extremely important assets and symbols of Kyokushinkaikan, and trying to monopolize the rights. This situation can be considered to be the same as the case where the



aforementioned judgment for the lawsuit to seek rescission of the JPO decision pointed out that such monopolization of rights would be detrimental to the order to be established under the Trademark Act. Therefore, the appellees' act in relation to the Applications should also be considered to be detrimental to the order to be established by the Trademark Act. In particular, in the case of the appellees, they had the registrations of the trademarks claimed in B's applications invalidated on the grounds that those registrations violate the public order and morals, and, then, acquired trademark rights for its own benefit in a manner that can be objectively considered to be the same as B's manner of trademark right acquisition. Thus, the appellees' act should be found to be even more unreasonable. From this perspective, the trademark registrations should not be accepted.

Therefore, the Trademarks claimed in the Applications can be found to be trademarks that are "likely to negatively affect public policy" as specified in Article 4, paragraph (1), item (vii) of the Trademark Act in light of the purpose and the filing process of the Applications. On these grounds, the appellant's allegations should be considered to be reasonable to such extent. The counterargument of the appellees is unacceptable.

#### 4. Summary

As described above, there are grounds for invalidation specified in Article 4, paragraph (1), item (vii) of the Trademark Act for the Trademarks (excluding Trademark 3). Thus, the appellees may not exercise their trademark rights for those trademarks against the appellant under Article 104-3, paragraph (1) of the Patent Act applied *mutatis mutandis* under Article 39 of the Trademark Act.

#### No. 4 Conclusion

On these grounds, this appeal can be considered to be well grounded without having to examine any other points.

The judgment shall be rendered in the form of the main text.

Intellectual Property High Court, Third Division

Presiding judge: TSURUOKA Toshihiko

Judge: TERADA Toshihiko

Judge: MAGIRA Hiromitsu