

Judgments of Tokyo District Court, 40th Civil Division

Date of the Judgment: 2006.7.26

Case Number: 2004 (Wa) No.18090

Title (Case):

A case wherein, the court, finding that the configuration of the watches manufactured and sold by the plaintiff is well-known among consumers as an indication of goods or business, and that the manufacturing and selling of similar watches by the defendants constitutes an act of unfair competition prescribed in Article 2, para.1 item 1 of the Unfair Competition Prevention Act, upheld the plaintiff's claim for an injunction against the manufacturing and selling by the defendants and for damages under para.2 and para.3 of Article 5 of the said Act

Summary of the Judgment:

The plaintiff is a famous watch manufacturer that has its head office in Switzerland, and it manufactures and sells watches with characteristic designs (the Plaintiff's Watches). The defendants are companies engaged in manufacturing and selling watches, and they manufactured and sold watches (the Defendants' Watches) that were similar to the Plaintiff's Watches.

The plaintiff demanded an injunction against manufacturing and selling the Defendants' Watches by the defendants, destruction of the watches, and payment of damages, alleging that the configuration of the Plaintiff's Watches was a well-known indication of goods or business which indicated that the Plaintiff's Watches were products provided by the plaintiff, and that the configuration of the Defendants' Watches was similar to that of the Plaintiff's Watches and therefore it might create confusion as to the source of goods. In response to these allegations, the Defendants contended as follows: (i) the configuration of the Plaintiff's Watches is not characteristic but common, and therefore it cannot be regarded as a well-known indication of goods or business; (ii) the Plaintiff's Watches and the Defendants' Watches cannot be deemed to be similar to each other; (iii) the Defendants' Watches do not create confusion as to the source of goods.

The court first presented the following general principles: Unlike a trademark, a configuration of goods is not necessarily chosen for the purpose of indicating the source of the goods. However, where a configuration of goods has become closely connected with particular goods to the extent that just by seeing the configuration, people can recognize the goods having the relevant configuration as goods provided by a particular person, it can be said that the configuration has acquired the function to indicate the source and has been well-known among consumers as an indication of goods or business

provided or conducted by a particular person. Where the configuration of goods is significantly distinctive and unique, the configuration itself can serve as an indication of goods or business, and even where the configuration of goods is not so distinctive, if it is characteristic and has been used exclusively over a long period of time in a continuous manner or has been intensively advertised even for a short period of time, there may be cases where such configuration of goods can be deemed to have acquired the function to indicate the source of goods and become an indication of goods or business. The court then addressed particularities of this case and held as follows. The overall configuration of the Plaintiff's Watches, which consists of a combination of the shape of the bezel, the layout of the clock face, the shape of the index, etc., the shape of the clock hands, the shape of the watchcase, the shape of the winding crown, the perspex crystal, and the shape of the watch strap, is not significantly distinctive or unique in itself to the extent that it can independently serve as an indication of goods or business, but it has characteristic features by which the Plaintiff's Watches can be distinguished from other products of the same type. Taking into consideration the sales of the Plaintiff's Watches and how these watches were featured in magazines, etc., the overall configuration of the Plaintiff's Watches, which consists of the combination of the elements mentioned above, can be deemed to have become well-known as an indication of goods or business provided or conducted by the plaintiff. Based on this reasoning, the court concluded that the Defendants' Watches might create confusion as to the source of goods due to their similarity to the Plaintiff's Watches, and upheld the plaintiff's claim for an injunction against the manufacturing and selling of the Defendants' Watches under Article 2, para.1, item 1 and Article 3 of the Unfair Competition Prevention Act. With regard to the claim for damages, the court applied Article 5, para.2 of the Unfair Competition Prevention Act to the Defendants' Watches that are similar to the Plaintiff's Watches currently manufactured and sold by the plaintiff, and calculated the amount of profits received by the infringers (the defendants) by deducting the expenses directly incurred only for the manufacturing and selling of the Defendants' Watches (variable expenses) from the amount of sales of the Defendants' Watches. In light of the price difference between the Plaintiff's Watches and the Defendants' Watches and the situations in sales of both products, the court determined that the presumption of profits has been partly overturned on the grounds that it has been proven that the plaintiff could not have received profits equivalent to three-fourths of the infringer's profits, and by applying the provision of Article 5, para.3 to the part of the Defendants' Watches for which the presumption has been overturned, the court calculated the plaintiff's damages as 10% of the sales of the Defendants' Watches. With regard to the Defendants' Watches that are similar to the Plaintiff's Watches which are not currently manufactured and sold by the plaintiff, the court partially upheld the plaintiff's claim for damages in accordance with Article 5, para.3.

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