Unfair Competition	Date	October 23, 2018	Court	Intellectual Property High Court, First Division
	Case number	2018 (Ne) 10042		
- A case in which, concerning Appellant's act of assigning, or exhibiting for assignment, the Appellant's (Defendant's) Products, the court held that said act uses an indication of goods, etc. which is similar to the Appellee's famous indication of goods, etc., and that it falls under an act of unfair competition pursuant to Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act.				

Case type: Compensation

Result: Appeal dismissed

References: Article 2, paragraph (1), item (ii), Article 4, and Article 5, paragraph (2) of the Unfair Competition Prevention Act

Summary of the Judgment

1. The present case is one in which, concerning the Appellant's act of assigning, and exhibiting for assignment, the Appellant's (Defendant's) Products, the Appellee requested for payment of compensation for lost profits, damage to credit, and attorney's fees, as well as delinquency charges, pursuant to Article 709 of the Civil Code or Article 4 of the Unfair Competition Prevention Act (alternative claim), by asserting that [i] the Appellant's act infringes, or is deemed to infringe, the Appellee's (Plaintiff's) trademark rights (Article 25 and Article 37, item (i) of the Trademark Act), and that [ii] said act uses an indication of goods, etc. which is identical or similar to the Appellee's well-known or famous indication of goods, etc. and thus falls under an act of unfair competition pursuant to Article 2, paragraph (1), item (i) or (ii) of the Unfair Competition Prevention Act.

2. In the prior instance judgment (Tokyo District Court 2017 (Wa) 5423; judgment rendered on March 26, 2018), the court partially approved the Appellee's claims by determining that the Appellant's assignment and the like of the Appellant's (Defendant's) Products constitute an act of unfair competition as prescribed in Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act.

3. In the judgment of the present case, the court dismissed the appeal by determining as follows.

(1) Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act differs from item (i) of the same paragraph, according to which applicability of the provision does not require that the act concerned involve "creation of confusion with another person's goods or business." This is because the purport of item (ii) of the same paragraph is to prevent free riding of a famous indication of goods, etc. by using

its customer attracting power, in addition to preventing harm which may arise from dilution of the source-identifying function and the quality guarantee function. For this reason, in the case where an indication of goods, etc. which is identical or similar to another person's famous indication of goods, etc. is used in a manner that indicates the source of the goods and fulfills the function of distinguishing the goods concerned from those of other persons, such use is acknowledged as the use as an indication of goods, etc., and whether or not it creates confusion as to the source does not immediately influence this point….

Based on the above, it is acknowledged that the Appellant's (Defendant's) Marks are being used in a manner that maintains the source-identifying function, regardless of whether or not the trademarks are recognized as designs ...

(2) The Appellee's (Plaintiff's) Mark concerns an indication of goods, etc. which has acquired fame, and it is acknowledged that the Appellee has made considerable efforts in maintaining and controlling the quality and brand image of the goods concerned. On the other hand, it is acknowledged that the Appellant's (Defendant's) Products include some products, like the Appellant's (Defendant's) Product 4, which should be called "badly made" when compared with the Appellee's (Plaintiff's) Products in terms of quality, and furthermore, the Appellant him/herself asserts that the Appellant's (Defendant's) Products are "cheap products" created and sold "with the intention of poking fun at and satirizing the luxurious image" of the Appellee's (Plaintiff's) Products, by taking advantage of the fame of the Appellee's (Plaintiff's) Mark (or the Appellee's (Plaintiff's) monogram sign). Even objectively, it can easily be said, based on the structure and other factors, that these products are created and sold with said intention and the like.

It is obvious that the existence of the Appellant's (Defendant's) Products in the market, as described above, can be harmful to the quality and brand image of the Appellee's (Plaintiff's) Products.

Given the foregoing, it can be said that the Appellant's act of unfair competition benefits from unfair use of the fame of the Appellee's (Plaintiff's) Mark which the Appellee has acquired through corporate efforts over the years, as well as of the resultant customer attracting power, thereby substantively diminishing the fruit of the Appellee's corporate efforts, and contaminating the Appellee's (Plaintiff's) Mark, which is famous, let alone diluting the same. Consequently, it is acknowledged that the credit and value which customers felt towards the Appellee's (Plaintiff's) Products or the Appellee's (Plaintiff's) Mark have been damaged, and that the Appellee incurred intangible damage.

Judgment rendered on October 23, 2018
2018 (Ne) 10042 Case of appeal against demand for compensation
Court of prior instance: Tokyo District Court 2017 (Wa) 5423
Date of conclusion of oral argument: September 20, 2018

Judgment

Indication of the parties: The same as indicated in the attached List of Parties.

Main text

The appeal shall be dismissed.
The cost of the appeal shall be borne by the Appellant.

Facts and reasons

No. 1 Object of the appeal

1. Of the prior instance judgment, the part in which the Appellant lost shall be revoked.
2. The Appellee's claims shall be dismissed.

No. 2 Background, etc. (Abbreviations shall conform to the usage in the prior instance judgment)

1. The present case is one in which the Appellee, in regards to the Appellant's act of assigning, and exhibiting for assignment, the products numbered 1 through 8 as indicated on the List of Appellant's (Defendant's) Products attached to the prior instance judgment (the Appellant's (Defendant's) Products), asserted that the Appellant's act [i] infringes, or is deemed to infringe, the Appellee's trademarks numbered 1 and 2 as indicated on the List of Appellee's (Plaintiff's) Trademarks attached to the prior instance judgment (the Appellee's (Plaintiff's) Trademarks) (the Appellant's (Defendant's) Products 1, 2, and 5 through 8 infringing the Appellee's (Plaintiff's) Trademark 2, and the Appellant's (Defendant's) Products 3 and 4 infringing the Appellee's (Plaintiff's) Trademark 1) (Article 25 and Article 37, paragraph (1) of the Trademark Act), and that, [ii] since the Appellant's act uses an indication of goods, etc. which is identical or similar to the Appellee's well-known or famous indication of goods, etc., it falls under an act of unfair competition

pursuant to Article 2, paragraph (1), item (i) or (ii) of the Unfair Competition Prevention Act, and requested, pursuant to Article 709 of the Civil Code or Article 4 of the Unfair Competition Prevention Act (alternative claim), for payment of damages in the total amount of 2,379,278 yen along with delinquency charges accruing at an annual rate of 5% as prescribed in the Civil Code for the period from March 1, 2017 (the day following the day of service of complaint), which is the day following the act of tort or the act of unfair competition, until completion of payment.

In the prior instance judgment, the court held that the Appellant's act of assignment, etc. of the Appellant's (Defendant's) Products constitutes an act of unfair competition pursuant to Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act, approved the payment of 1,731,490 yen in compensation along with delinquency charges, and dismissed other points. The Appellant was dissatisfied with the decision and appealed the case.

(omitted)

No. 4 Judgment of this court

This court finds that the appeal filed by the Appellant in the present case shall be dismissed for the following reasons.

1. Citation of the prior instance judgment

In regards to the findings, Issue 2 (whether or not the Appellant's act falls under an act of unfair competition (Article 2, paragraph (1), item (i) or (ii) of the Unfair Competition Prevention Act), and Issue 3 (amount of damages payable by the Appellee), the following corrections shall be made, and as described below in No. 2, additions shall be made to the claims made by the parties in the present examination. The remainder is as indicated under the "Facts and reasons" in No. 4, 1 through 3 of the prior instance judgment (from line 22 on page 9 to line 22 on page 19 of the prior instance judgment), which shall be cited accordingly.

(1) On line 12 on page 11 of the prior instance judgment, change "at least" (written entirely in Hiragana characters) to "at least" (written using Kanji and Hiragana characters), and in line 14 on the same page, change "137,000,000 yen in Heisei Era" to "137,000,000 yen in 2013 of the Heisei Era."

(2) On line 21 on page 15 of the prior instance judgment, change "Defendant's Marks" to "Plaintiff's Mark."

(3) On line 24 on page 15 of the prior instance judgment, change "not use as

an indication of goods, etc." to "not the use as an indication of goods, etc."

(4) On line 13 on page 19 of the prior instance judgment, change the incorrect Kanji character used as the second character of the Kanji word for "Summary" to the correct Kanji character.

2. Claims made by the parties in the present examination

(1) Applicability of Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act

A. While the Appellant agrees that the Appellant's (Defendant's) Products bear the Appellee's famous indication, the Appellant asserts, among other points, that consumers are able to recognize that the source of the products is the Appellant and not the Appellee, and that, since the famous indication is merely used as a product design, it cannot be said that the famous indication is used as an "indication of goods, etc."

However, Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act does not, unlike item (i) of the same paragraph, require an act of unfair competition to be the "creation of confusion with another person's goods or business." This is because the purport of item (ii) of the same paragraph is in preventing free riding by use of the customer attracting power of a famous indication of goods, etc., as well as in preventing the source-identifying function and the quality guarantee function from being harmed due to dilution. As such, if an indication which is identical or similar to another person's famous indication of goods, etc. is used in a manner that accomplishes the functions of indicating the source of goods and of distinguishing said goods from the goods of other persons, such use is acknowledged as the use as an indication of goods, etc., and whether or not confusion is created among consumers as to the source shown by said indication does not directly affect this point.

Also, as described above, the Appellee's (Plaintiff's) Mark is famous and has a highly effective source-identifying function, is used in the manner of usage of placing only a part of the Appellee's (Plaintiff's) monogram sign according to products, and does not necessarily require the word mark which consists of the letters, "LOUIS VUITTON" ("Facts and reasons" in No. 4, 2(1) and 2(2), of the prior instance judgment pertaining to the citation). On the other hand, it can be said that the Appellant's (Defendant's) Marks 1 through 7 consist of the same symbols as the Appellee's (Plaintiff's) symbols numbered "a" through "d," which make up

the Appellee's (Plaintiff's) Mark, and that the arrangement, too, is a part of the same pattern which is used in the Appellee's (Plaintiff's) Mark. Furthermore, while it can be said that the Appellant's (Defendant)'s Mark 8 is different from the Appellee's (Plaintiff's) Mark because of the presence of the Appellant's (Defendant's) symbol numbered "e" and of the coloring, in terms of the pattern in arrangement, the Appellant's (Defendant)'s Mark 8 comprises a part of the same arrangement which is used in the Appellee's (Plaintiff's) Mark. When consideration is given to the famous nature of the Appellee's (Plaintiff's) Mark as well as the commonality between the Appellee's (Plaintiff's) Mark and the Appellant's (Defendant's) Marks in terms of components and manner of usage, it is obvious that the Appellant's (Defendant's) Marks easily evoke the recognition, among those who see the Appellant's (Defendant's) Marks, of the Appellee's (Plaintiff's) Mark, which is a famous indication. This remains unchanged even after considering factors such as the presence of "REMAKE," "VINTAGE fabric of LOUIS VUITTON ... applied to," "CUSTOM" (written using Katakana characters), and "CUSTOM" found on the website, and the presence of the indication of the trade name, "JUNKMANIA," as pointed out by the Appellant as the conditions of business.

As described above, it is acknowledged that the Appellant's (Defendant's) Marks are used in a manner that has a source-identifying function, irrespective of whether or not it can be recognized as a design, and thus the Appellant's claim shall not be accepted in this regard even if the circumstances pointed out by the Appellant in this regard are taken into consideration.

B. Furthermore, the Appellant asserts that, in order for the provision of Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act to be applicable, the infringement must be of such scale that the business interests of the entity, to which the famous indication belongs, are infringed.

However, as described below, it is acknowledged that the Appellant's act is currently causing damage to the Appellee, also from the perspectives of dilution of indication and contamination of indication, and even in the case of being premised on the Appellant's claim, this point does not lead to the denial of applicability of Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act.

C. Accordingly, the Appellant's act falls under an act of unfair competition pursuant to Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act.

(2) Amount of damages

A. The Appellant asserts, among other points, that while consumers are aware that the Appellant's (Defendant's) Products are not sold by the Appellee, they still purchase the Appellant's Products, and that this is not in a correlation with the likelihood that the Appellee would have benefited had there been no act by the Appellant of exhibiting the Appellant's (Defendant's) Products.

However, in light of the level of similarity between the Appellee's (Plaintiff's) Mark and the Appellant's (Defendant's) Marks, the common route of distribution between the Appellee's (Plaintiff's) Products and the Appellant's (Defendant's) Products, and the probability of consumer demographics overlapping, the context in which the Appellee would have benefited had there been no act of infringement by the Appellant can be acknowledged, as described above ("Facts and reasons" in No. 4, 3 (1) of the prior instance judgment pertaining to the citation).

B. The Appellant asserts, among other points, that the profit it gained from selling the Appellant's (Defendant's) Products is 123,442 yen, and that the level of contribution by the Appellee's (Plaintiff's) Mark to this amount of profit remains at 50% of the entire amount.

It should be understood that the amount of damages pursuant to Article 5, paragraph (2) of the Unfair Competition Prevention Act is the marginal profit calculated by deducting, from the amount of sales by the infringer, the price for purchasing raw materials and other fluctuating expenses, and that, in principle, the selling cost which will arise regardless of the size of the amount of sales, and overhead costs are not deducted. Meanwhile, concerning the deduction of expenses, the Appellant only makes an assertion as to the deduction of the entire amount of the items being allocated as "expenses" on financial statements without categorizing them by items, and there is no specific proof for the claim concerning the amount of fluctuating expenses.

As for the claim concerning the case of annihilation of presumption, the Appellant should provide proof in this regard. However, since there is not enough evidence to confirm the degree of contribution by the

Appellee's (Plaintiff's) Mark to the sale of the Appellant's (Defendant's) Products, as asserted by the Appellant, the Appellant's claim in this regard shall not be accepted, either.

C. The Appellant asserts, among other points, that it is unlikely that the exhibition and sale of the Appellant's (Defendant's) Products are damaging to the Appellee's credit.

However, as described above ("Facts and reasons" in No. 4, 3 (2) of the prior instance judgment pertaining to the citation), since the Appellee's (Plaintiff's) Mark is an indication of goods, etc. which has acquired fame, it is acknowledged that the Appellee has made significant efforts to maintain and control the product quality and the brand image. On the other hand, it can be acknowledged that some of the Appellant's (Defendant's) Products, like the Appellant's (Defendant's) Product 4, should be called "badly made" when compared with the Appellee's (Plaintiff's) Products, and the Appellant him/herself asserts that the Appellant's (Defendant's) Products are "cheap products" created and sold "with the intention of poking fun at and satirizing the luxurious image" of the products of the Appellee by taking advantage of the fame of the Appellee's (Plaintiff's) Mark (or the Appellee's (Plaintiff's) monogram sign). Even objectively, it can easily be said, based on the structure and other factors, that these products are created and sold with said intention and the like.

It is obvious that the presence of the Appellant's (Defendant's) Products, as described above, can be harmful to the quality and brand image of the Appellee's (Plaintiff's) Products.

Given the foregoing, it can be said that the Appellant's act of unfair competition benefits from unfair use of the fame of the Appellee's (Plaintiff's) Mark which the Appellee has acquired through corporate efforts over the years, as well as of the resultant customer attracting power, thereby substantively diminishing the fruit of the Appellee's corporate efforts, and contaminating the Appellee's (Plaintiff's) Mark, which is famous, let alone diluting the same. Consequently, it is acknowledged that the credit and value which customers feel towards the Appellee's (Plaintiff's) Products or the Appellee's (Plaintiff's) Mark have been damaged, and that the Appellee incurred intangible damage.

D. Accordingly, the Appellant's claims regarding this point shall not be accepted, and the amount of damages pursuant to Article 5, paragraph (2)

of the Unfair Competition Prevention Act shall not fall below 1,081,490 yen, and the amount of intangible damages, including damage to the credit, shall not fall below 500,000 yen, and the amount equivalent to the attorney's fees shall not fall below 150,000 yen.

3. Conclusion

As described above, the Appellant's (Defendant's) Products are the products which the Appellant assigned, and exhibited for assignment, by placing thereon, as the Appellant's (Defendant's) own indication of goods, etc., an indication of goods, etc. which is identical or similar to the Appellee's famous indication of goods, etc. As such, the Appellee's claim against the Appellant is, pursuant to Article 4 of the Unfair Competition Prevention Act, legitimate within the extent of demanding damages in the total amount of 1,731,490 yen and the delinquency charges accruing at an annual rate of 5% for the period from March 1, 2017 (the day following the day of service of complaint), which is the day following the act of tort or the act of unfair competition, until completion of payment. The prior instance judgment whose content is the same is thus reasonable, and the appeal of the present case is groundless.

Therefore, the judgment shall be rendered as per the main text.

Intellectual Property High Court, First Division

Presiding judge: TAKABE Makiko

Judge: SUGIURA Masaki

Judge: KATASE Akira

(Attachment)

List of Parties

Appellant: X

Appellee: Louis Vuitton Malletier