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Date of the judgement

1984.05.29

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Case Number

1981(O)1166

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Reporter

Minshu No. Vol.38, at 920

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Title

Judgment upon the case concerning the criterion to determine whether a commodity label or business label falls under "similar item" described in Article 1, Paragraph 1, Item 1 of the Unfair Competition Prevention Law

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Case name

Case to seek an injunction against unfair competition, etc., Counterclaim to seek damages

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Result

Judgment of the Third Petty Bench, dismissed

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Court of the Second Instance

Osaka High Court, Judgment of July 28, 1981

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Summary of the judgement

1. Concerning whether or not a particular commodity label falls under "an item similar to a label representing a third party's commodity" described in Article 1, Paragraph 1, Sub-paragraph 1 of the Unfair Competition Prevention Law; it is appropriate to determine as the criterion whether

traders or consumers are likely to accept these two labels as similar overall in terms of impression, memory, association, and the like by external appearance, naming, or notion, in the context of the actual business.

2. A group united for the common purpose of protecting and enhancing the function of identifying the origin of the goods, the function of guaranteeing the quality, and the customer appeal embodied by a particular commodity label or business label under a merchandising agreement on a particular commodity label or business label is included in the "third party" described in Article 1, Paragraph 1, Sub-paragraph 1 and 2 of the Unfair Competition Prevention Law.

3. "An act of causing confusion" described in Article 1, Paragraph 1, Item 1, and Item 2 of the Unfair Competition Prevention Law includes the act of using a label identical or similar to the commodity label or business label belonging to the group conducting the business of merchandising the same label, thereby causing misidentification of the user thereof as belonging to the said group, but for an act of causing confusion to be established, there is no prerequisite for assuming the existence of a competing relationship between the two parties as a premise.

4. A party whose interests in the business are likely to be undermined as described in the main body of Article 1, Paragraph 1 of the Unfair Competition Prevention Law includes a party who is engaged in the business of merchandising the well-known label as the Licensor or the Licensee of the same label, and this is likely to result in the management and control of the Sublicensee, as well as indication of the origin of the goods, the function of guaranteeing the quality, and the customer appeal embodied by the same label being undermined.

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References

(With regard to 1 to 4)

Article 1, Paragraph 1, Sub-paragraph 1 of the Unfair Competition Prevention Law

When there is a party whose action falls under any of the following categories, another party whose interests in the business are likely to be undermined due to the said act may take action to stop the said act:

1. The act of using an item which is identical or similar to a label representing a third party's commodity such as the third party's name, trade name, trademark, commodity container or packaging, and the like widely recognized in the territory where this law is enforced, or selling, distributing or exporting a commodity bearing such label, thereby causing confusion with the third party's commodity.

(With regard to 2 to 4)

Article 1, Paragraph 1, Sub-paragraph 2 of the Unfair Competition Prevention Law

If there is a party whose act falls under any of the categories described in the following categories, another party whose interests in the business are likely to be undermined due to the said act may take action to stop the said act.

2. The act of using an item which is identical or similar to a label representing a third party's business such as the third party's name, trade name, trademark, mark, and the like widely recognized in the territory where this law is enforced, thereby causing confusion with the third party's business facilities or activities.

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Main text of the judgement

This Jokoku-appeal is hereby dismissed.

The litigation cost incurred in this Jokoku-appeal shall be borne by the appellants.

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Reasons

Regarding points 1 and 2 in the Statement of Reasons for Jokoku-Appeal presented by Attorney KURAHASHI Haruo:

We uphold as proper the ruling of the court below on the said points in light of the facts cited in the original judgment and sustain that the process thereof is free from illegality opposed to the argument. To the contrary, the Appellant's case in this respect merely criticizes the selection of evidence, the fact-finding belonging exclusively to the competence of the court below, or otherwise fails to understand the original judgment correctly but unreasonably refutes the original judgment. Thus, it cannot be accepted.

Regarding point 3 in the said Statement:

Concerning whether or not a particular business label is similar to the business label of a third party described in Article 1, Paragraph 1, Sub-paragraph 2 of the Unfair Competition Prevention Law, it is held appropriate to determine as the criterion whether traders or consumers are likely to accept these two labels as similar overall in terms of impression, memory, association, and the like by external appearance, naming, or notion, in the context of the actual business, and the holding is consistent with the precedent relied on by this Court (see the Judgment of the Second Bench upon Case 1982 (O) No. 658 rendered on October 7, 1983, to appear in Minshu Vol. 37, No. 8), and in determining whether or not a particular commodity label is similar to the commodity label of a third party described in the said item, it is held appropriate to rest on the same criterion as the case with the above-mentioned determination on the similarity of business

labels.

In considering this case in this context, according to the facts established legally under the court below, it is found that (1) the appellee, P1 (hereinafter referred to as "the appellee P1") is a company incorporated on February 20, 1963 with the object of managing 30 different labels consisting of the names and symbol marks of member professional football teams of the National Football League of the U.S. described in Lists (2)-1 and (2)-2 attached to the first-instance judgment (hereinafter referred to as "the said labels") for commercial use, and has the right to use the said labels exclusively and the right to license a third party to use the said labels; (2) the appellee P1, on October 2, 1973, entered into a licensing agreement with the appellee P2 (hereinafter referred to as "the appellee P2"), under which the appellee P1 granted the appellee P2 the right to run the business of merchandising the said labels as the sole licensee in this country, namely, the right to run the business of affixing the said labels on specified goods and putting such goods on the market, and the right to sub-license a third party to use the said labels, and at the same time obligated the appellee P2 to submit to quality control over such goods by the appellee P1, to undertake rigorous quality control over any sublicensee where the appellee P2 sublicenses a third party to use the said labels and so on; (3) later on, the appellee P2 gave an extensive press release to the effect that they had reached agreement with the appellee P1 to roll out the business of merchandising the said labels in a business tie-up, and also placed advertisements on the said business tie-up in various newspapers and magazines and put bags and miscellaneous goods bearing the said labels on the market; (4) the appellee P2, from January 1, 1974 and on, entered into a sublicensing agreement with non-litigant Q Amimono Co., Ltd. and other companies on a "one company per category of business" basis, under which the appellee P2 granted a sublicense to use the said labels, obligated these sublicensees to submit to quality control over such goods by the appellee P2, to affix on goods certificate stamps indicating in English letters the trade names of the appellees and their identification as licensed goods, to make known to the public that they were parties engaged in the said merchandising business and so on; (5) as of the end of 1976, the number of sublicensees amounted to 19 as described in List (3) attached to the first-instance judgment, and each of them agreed to assign one mark to one item and accordingly affixed the said labels on such products as T-shirts, sweat suits, sweaters, socks, aprons, ties, shoes, watches, pennants, umbrellas, report paper, notebooks, piggy banks, and the like and put them on sale at department stores and specialty stores, while they placed advertisements in various newspapers and magazines on a number of occasions to the effect that they were sublicensed by the appellee P2 to be engaged in the business of merchandising the said labels; (6) the appellee P2 and sublicensees set up an organization called the R and held a meeting every month to discuss how

to implement the business of merchandising the said labels successfully and to exchange opinions and information about the modalities of PR and marketing, and published the said labels and the names of member companies of the R in various newspapers and magazines to advertise the business of merchandising the said labels, and general newspapers, trade papers, and magazines frequently carried feature articles reporting that the business of merchandising the said labels was growing dramatically through a business tie-up between the appellee P1 and the appellee P2; (7) the appellee P2 managed and controlled the way and manner in which the sublicensees used the said labels, the specification and quality of the licensed goods, advertising methodology, and the like and promoted the business of merchandising the said labels by taking a core position in the group comprising itself and the sublicensees; (8) in Japan, by the beginning of 1975 at the latest, the said labels had risen higher than mere marks representing American football teams and came to be widely recognized as the commodity labels or business labels of the appellees as well as the group of sublicensees centering on the appellees (hereinafter referred to as "the appellees and the group of sublicensees"); (9) the Appellant, in a period from mid-November of 1975 to October 6, 1976, sold box-shaped sectional lockers, with the front frame and both side frames coated with vinyl sheets printed with many marks of seven of the teams on the said labels in a houndstooth check (hereinafter referred to "the said locker"); (10) the appellees are likely to cause the management and control over sublicensees, the function of identifying the origin of the goods, the function of guaranteeing the quality, and the customer appeal embodied by the said labels to be undermined due to the Appellant's act of marketing the said locker. Judging from the said facts, each mark on the said 30 separate labels is different in pattern and team name but each has a common pattern in the shape of an American football helmet, and in the above-mentioned context of the actual business, it is obvious that traders or consumers, observing the labeling of the said locker as a whole, would perceive many marks identical or similar to the individual marks on the said labels in terms of external appearance and notion as used in the said labeling. In light of the above-mentioned criterion, it should be concluded that the labeling of the said locker uses items identical or similar to the said labels. Hence, we uphold as proper the court below ruling to the same effect and sustain that the original judgment is free from illegality opposed to the argument. The argument in this respect cannot be accepted.

Regarding point 4 in the said Statement:

It is appropriate to construe that "a third party" stipulated in Article 1, Paragraph 1, Sub-paragraph 1 and 2 of the Unfair Competition Prevention Law includes a group which can be regarded as united for the common purpose of protecting and enhancing the function of identifying the origin of the goods, the function of guaranteeing the quality, and the customer

appeal embodied by the same label, like the group of the Licensor, the Licensee and Sublicensees of the same label, united under a merchandising agreement on a particular commodity label, and it is appropriate to construe that "an act of causing confusion" stipulated in each of the said items includes not only an act by a person using an item identical or similar to a widely-known third-party commodity label or business label that causes misidentification with the original commodity or original business, but also an act that causes a misunderstanding that there is a relationship between the person and the said third party that consists of them belonging to a group running the same merchandising business, and for an act of causing confusion to be established, there is no prerequisite for assuming the existence of a competing relationship between the two parties as a premise.

In considering this case in this context, according to the facts established by the court below, it is held that the appellees and the group of sublicensees fall under the "third party" stipulated in Article 1, Paragraph 1, Sub-paragraph 1 and 2 of the Unfair Competition Prevention Law, and even in the absence of a party marketing lockers in the said group, because the Appellant's act of marketing the said locker is regarded as one of causing a misunderstanding that there is a relationship between the said group and the Appellant that consists of them belonging to a group running the same merchandising business, we are of the opinion that the said act of the Appellant should fall under an act of causing confusion with a third party's commodity or business activity stipulated in each of the said items. Hence, we uphold as proper the court below ruling to the same effect and sustain that the original judgment is free from illegality opposed to the argument. The argument in this respect cannot be accepted.

Regarding point 5 in the said Statement:

Even if the act of marketing goods protected under a design right is regarded as the formal exercising of a design right, when it constitutes an abuse of one's right, it is appropriate to construe that the said act of marketing the goods does not fall under the exercising of one's right pursuant to the Design Law described in Article 6 of the Unfair Competition Prevention Law.

In considering this case in this context, according to the facts established by the court below, it is found that (1) while the said labels came to be widely recognized as the commodity labels or business labels of the appellees and the group of sublicensees by the beginning of 1975, the Appellant, around August 1975, with the intention of making use of the strong customer appeal embodied by the said labels, requested a third party to draw up a design for the said locker and caused it to be completed and in mid-November of the same year put the said locker on the market; (2) the appellees, from the very beginning of the marketing of the said locker, obtained

a standing to take action to stop the said marketing pursuant to the Unfair Competition Prevention Law; (3) the appellee P2, around the end of November 1975, warned the Appellant to the effect that the marketing of the said locker should fall under Article 1, Paragraph 1, Item 1, or Item 2 of the Unfair Competition Prevention Law and demanded that the Appellant stop the marketing thereof; (4) the Appellant ignored the said warning and demand, and in order to avoid a reasonably anticipated action for an injunction, etc. to be brought by the appellees in accordance with the Unfair Competition Prevention Law, as a counteraction against such an action, on April 1, 1976, filed an application for a registered design covering a combined design for the shape and pattern related to the said locker, and were granted the registration thereof on September 20, 1978. Judging from the said facts, it is understood that even though the Appellant's act of marketing the said locker falls under the implementation of the said registered design, such act also falls under an abuse of their right, so it should be held that such an act does not fall under the exercising of their right pursuant to the Design Law stipulated in Article 6 of the Unfair Competition Prevention Law. Hence, we uphold as proper the court below ruling to the same effect and sustain that the original judgment is free from illegality opposed to the argument. The argument in this respect cannot be accepted.

Regarding point 6 and point 7 in the said Statement:

It is appropriate to construe that a party whose interests in the business are likely to be undermined as stipulated in the main text of Article 1, Paragraph 1 of the Unfair Competition Prevention Law includes parties who are engaged in the merchandising business for the well-known label as the Licensor and the Licensee of the same label and are likely to cause the management and control over the Sublicensee as well as the function of identifying the origin of the goods, the function of guaranteeing the quality, and the customer appeal embodied by the same label to be undermined due to an act falling under Sub-paragraph 1 or 2 of the said paragraph.

In considering this case in this context, according to the facts established by the court below, as it is found that the appellees are the Licensor and the Licensee of the widely-known labels engaged in the business of merchandising the said label as widely-known labels and are the parties who are likely to cause the management and control over the Sublicensee as well as the function of identifying the origin of the goods, the function of guaranteeing the quality, and the customer appeal embodied by the same label to be undermined due to the Appellant's act falling under Article 1, Paragraph 1, Sub-paragraph 1 or 2 of the Unfair Competition Prevention Law, it should be held that they fall in the category of a party whose interests in the business are likely to be undermined as stipulated in the main text of the said paragraph, and on this ground they have the standing to seek an injunction and claim damages in accordance with the provisions of

the said paragraph and Article 1-2 of the said law, respectively. Hence, we uphold as proper the ruling of the court below to the same effect and sustain that the original judgment is free from illegality opposed to the argument. The argument in this respect cannot be accepted.

Therefore, in accordance with Article 401, Article 95, Article 89 of the Code of Civil Procedure, the judiciary opinion is unanimously formed and the judgment is rendered as the main text.

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Presiding judge

Justice KIDOGUCHI Hisaharu

Justice YOKOI Daizo

Justice ITO Masami

Justice YASUOKA Mitsuhiro