

Date	February 14, 2012	Court	Intellectual Property High Court, First Division
Case number	2010 (Ne) 10076		
<p>– A case in which, with regard to the infringement of a trademark right by the participating shops of an Internet-based shopping mall called “<i>Rakuten</i> market (<i>Rakuten ichiba</i>)” and whether or not it is possible to seek an injunction and damages against the appellee, a company which operates said market, the court dismissed the appeal by finding that, while operators of webpages are liable in certain cases, the appellee in this case had taken steps to rectify the infringement of the trademark right within a reasonable period from the time when it became aware of or there were reasonable grounds to find that it could have become aware of such infringement of trademark right and thus was not liable for injunction or compensation of damages.</p>			

References:

Article 2, paragraph (3), item (ii), Article 25, Article 36 and Article 37 of the Trademark Act

(Summary)

In this case, individual participating shops of an Internet-based shopping mall called “*Rakuten Ichiba*” which is operated by the appellee, displayed goods carrying a mark similar to the trademark in question (hereinafter referred to as the “Trademark”) on each shop’s page, for sale. Therefore, the appellant, who is the holder of the Trademark, sought an injunction and damages against the appellee, by alleging that the display and sales of the abovementioned goods constituted infringement of the abovementioned trademark right of the appellant (hereinafter referred to as the “Trademark Right”).

The judgment of the court of first instance dismissed the claim of the plaintiff of the first instance (the appellant) by holding that the involvement (act) of the defendant of the first instance (the appellee) in the display and sales of the abovementioned goods on each participating shop’s page may not be found to fall under the “display for...assignment” or “assignment” as provided for in Article 2, paragraph (3), item (ii) of the Trademark Act.

This court dismissed the appeal by making the following determination and finding that the judgment in prior instance can be upheld in its conclusion.

“Where multiple participating shops can each open their webpage (shop’s page) on a website and display their goods in their virtual shops on the shop’s page, and customers who visit such webpage can purchase the goods from any of the participating shops through prescribed procedures, as in this case’s defendant’s website,

when the goods displayed on the abovementioned webpage infringe the trademark right of a third party, it is obvious that the holder of the trademark right may seek an injunction against infringement to delete the display of the relevant goods from the webpage and claim damages directly against the participating shop that is making the abovementioned display, on the grounds of infringement of the trademark right. Moreover, it is reasonable to construe that, under the following conditions, such holder of the trademark right may also seek an injunction and damages against the operator of the webpages, as in the case of seeking an injunction and damages against the participating shops, on the grounds of infringement of the trademark right, after the reasonable period mentioned below has elapsed: the operator of the webpages is not only developing an environment, etc. for the participating shops to open their webpages but also managing and controlling such matters as the provision of the operating system, permission or denial of the applications for participation filed by the applicants for participating shops, temporary suspension of the service provision to participating shops and decision on the discontinuance of certain shops' operation, and thereby earning profits from the receipt of basic participation fees or system fees from participating shops, and when such operator becomes aware of or there are reasonable grounds to find that such operator could be aware of the fact of infringement of the trademark right by any of the participating shops but the contents constituting infringement are not deleted from the webpage within a reasonable time period.

Based on the abovementioned viewpoint, in this case, the display of the goods infringing the Trademark Right was deleted from the website within eight days from the time when the plaintiff of the first instance pointed out the fact of infringement or filed an action, etc., and thus, it is reasonable to find that the defendant of the first instance who operates the website in question took steps to rectify the infringement of the Trademark Right within a reasonable time period from the time when it became aware of or there were reasonable grounds to find that it could have become aware of such infringement.

Judgment rendered on February 14, 2012

2010 (Ne) 10076 Appeal Case of Seeking an Injunction against Infringement of Trademark Rights, etc. (Court of prior instance: Tokyo District Court, 2009 (Wa) 33872)

Date of conclusion of oral argument: November 14, 2011

#### Judgment

Appellant (plaintiff of the prior instance): Perfetti Van Melle S.p.A  
Societa Per Azioni

Counsel attorney: TANAKA Shinichiro

Same as above: WATANABE Akira

Same as above: OKUMURA Naoki

Counsel patent attorney: HIGASHITANI Yukihiro

Appellee (defendant of the prior instance): Rakuten, Inc.

Counsel attorney: KITAMURA Yasuo

Same as above: KURASHINA Manami

Same as above: KAKITA Norihiro

Same as above: ARASE Yoko

Same as above: OGATA Nobuyasu

#### Main text

1. This appeal is dismissed.
2. The cost of appeal shall be borne by the appellant.
3. An additional 30-day period shall be given for filing a final appeal against this judgment and a petition for acceptance of the final appeal.

#### Facts and reasons

No. 1 Judicial decision sought by the appellant

1. The judgment in prior instance shall be revoked.
2. The appellee shall not assign, deliver, or display for the purpose of assignment or delivery any of the goods stated in the list of goods attached to the judgment in prior instance (1. Baby bib, 2. Cap, 3. Cell-phone charm, 4. Overnight bag, 5. Mug, 6. Lunch box).
3. The appellee shall pay one million yen to the appellant and delay damages accrued thereon at a rate of 5% per annum for the period from October 21, 2009 until the date of

full payment.

4. The court costs shall be borne by the appellee for both the first and second instances.
5. A declaration for provisional execution shall be made.

No. 2 Outline of the case (abbreviated names are the same as those in the judgment in prior instance unless otherwise noted)

1. The appellant, which was the plaintiff of the first instance, is a company founded under the laws of Italy and a corporation in charge of the management, etc. of the following trademark rights (the details are stated in the "Plaintiff's Trademark List" attached to the judgment in prior instance).

#### Information

(Trademark) [The same for Trademark Rights 1 to 3 ("Trademark Rights")]



Trademark Right 1

Registration No. 4296505

Application filing date: August 17, 1998

Registration date: July 16, 1999

Designated goods: Class 25

Clothing, coat (the rest is omitted)

Trademark Right 2

Registration No. 4371802

Application filing date: August 17, 1998

Registration date: March 31, 2000

Designated goods: Class 9

Scientific apparatus (the rest is omitted)

Trademark Right 3

Registration No. 5188082

Application filing May 27, 2008

Registration date: December 12, 2008

Designated goods: Class 18

Handbag frames (the rest is omitted)

2. The appellee, which was the defendant of the first instance, is a company engaged in the course of trade, in various marketing and retailing activities and consulting and mail-order sales business. Since before April 2009, the appellee has been operating an online shopping mall called "Rakuten Ichiba" on its website at <http://www.rakuten.co.jp/> ("defendant's site") (the details are explained later) where customers can purchase various goods from multiple shop owners.

Within the Rakuten Ichiba, each shop owner makes its webpage (shop page) available to the public and displays and sells goods at its shop (virtual shop) on the shop page.

3 (1) Since before August 10, 2009, the shop owners named below have concluded an agreement for participation in the aforementioned shopping mall with the defendant of the first instance and have, for the purpose of sale, displayed on the aforementioned shop page in the Rakuten Ichiba operated by the defendant of the first instance, the following goods bearing Marks 1 to 4 listed in the List of Marks attached to the judgment in prior instance ("Marks 1 to 4" or "Marks").

#### A. Baby bib (Product 1)



Mark 1

Shop owner: Yugen Kaisha Tiki Tiki Company

#### B Cap (Product 2)



(the rest is omitted)

Mark 2

Shop owner: Kabushiki Kaisha SHELBY

C. Cell-phone charm (Product 3)



(the rest is omitted)

Mark 3

Shop owner: Yugen Kaisha Datalink

D. Overnight bag (Product 4)



Mark 4

Shop owner: Kabushiki Kaisha S.G. Nonfactory

E. Mug (Product 5)



Mark 1

Shop owner: Yugen Kaisha Tiki Tiki Company

F. Lunch box (Product 6)



Mark 1

Shop owner: A (M's Store)

(2) Marks 1 to 4 are as follows.



Mark 1



Mark 2



Mark 3



Mark 4

4. In this lawsuit, the appellant, who was the plaintiff of the first instance, alleged against the appellee, who was the defendant of the first instance, that the act of selling Products 1 to 6 ("Products") in the online shopping mall (Rakuten Ichiba) operated by the defendant of the first instance constitutes an act of infringing the aforementioned trademark rights of the plaintiff of the first instance or an act of unfair competition (Article 2, paragraph (1), items (i) and (ii) of the Unfair Competition Prevention Act) that involved the use of the indications "チュッパ チャブス" and "Chupa Chups," which are well-known and famous as an indication of the goods of the plaintiff of the first instance. Based on this allegation, the appellant sought an injunction under Article 36, paragraph (1) of the Trademark Act or Article 3, paragraph (1) of the Unfair Competition Prevention Act and demanded the payment of damages and the delay damages accrued thereon under Article 709 of the Civil Code or Article 4 of the Unfair Competition Prevention Act.

5. In the judgment in prior instance handed down on August 31, 2010, the court dismissed the claim of the plaintiff of the first instance by holding that it was not the defendant of the first instance but the shop owners on respective shop pages that sold the goods registered on the shop pages on the defendant's site.

Dissatisfied with this dismissal, the plaintiff of the first instance filed this appeal.

### No. 3 Allegations of the parties

The allegations of the parties concerned are the same as those stated in the judgment in prior instance as cited below except for the parts added and corrected as follows.

#### 1. Allegations of the plaintiff of the first instance in this instance

(1) The judgment in prior instance erred in holding that the defendant of the first

instance is required to have "displayed for the purpose of assignment" or "assigned" goods

A. The judgment in prior instance simply examined whether the act of the defendant of the first instance constitutes an act of "displaying for the purpose of assignment" or "assigning" goods and found that, unless the defendant's act constitutes such an act, it is impossible to make the defendant of the first instance liable for infringement of the trademark rights or violation of the Unfair Competition Prevention Act.

B. However, the plaintiff of the first instance did not simply allege that the act of the defendant of the first instance itself constitutes an act of "displaying for the purpose of assignment" or "assigning" goods. It is not the case that infringement of a trademark right may not be recognized unless the trademark was "used" as specified in Article 2, paragraph (3) of the Trademark Act.

In other words, regarding a trademark right for a registered trademark, Article 25 of the Trademark Act specifies that the holder of a trademark right shall have an exclusive right to use the registered trademark in connection with the designated goods or designated services. The right exclusively granted to the holder of a trademark right authorizes the holder to use the registered trademark for the designated goods or designated services. Any act of preventing the holder from doing so constitutes infringement of a trademark right. Therefore, it is clear that, typically, an act of using a trademark without the consent of the holder of a trademark right for the trademark constitutes infringement of the trademark right. Any other similar act could also be recognized as infringement of a trademark right and be subject to an injunction as long as the act damages the distinctiveness of the registered trademark to such an extent that the trademark can no longer perform its source-identifying function for the designated goods or services. It is also clear that, if an act of infringement was committed either intentionally or negligently, the actor of infringement shall be liable for paying damages (please refer to the Annotations on the Trademark Act).

C. Therefore, even if the act of the defendant of the first instance in this case constitutes neither an act of "displaying for the purpose of assignment" or "assigning" goods nor an act of "using" a mark as specified in Article 2, paragraph (3) of the Trademark Act, it would be necessary to examine whether the defendant's act has damaged the distinctiveness of the registered trademarks.

In this respect, as described in D. and E. below, it is clear that the act of the defendant of the first instance constitutes infringement of the trademark rights and that the defendant of the first instance committed the infringement either intentionally or negligently in this case.

D. In this court case, the defendant of the first instance does not contest the fact that, regarding the display and sale of the products in the Rakuten Ichiba as described in the section 2 (5) of "No. 2 Background" of "Facts and reasons" of the judgment in prior instance, the act of the shop owner constitutes infringement of the trademark rights.

Meanwhile, regarding the display and sale of goods in the Rakuten Ichiba, the defendant of the first instance was involved in the following sense. The defendant of the first instance has been engaged in the operation of the Rakuten Ichiba as an online department store or general merchandise store. Any customer visiting the Rakuten Ichiba can consider it as one big shop, can use the search tool available on the website to find the goods they need to purchase, regardless of which goods are sold by which shop owner, and can then order them online. The defendant of the first instance, the operator of the Rakuten Ichiba, has the authority to select shop owners and take measures such as suspending the mall participation by any shop or deleting any content.

As described above, while each shop owner is the actor of assigning an ownership right in connection with selling goods, the situation where "the goods were displayed and sold in the Rakuten Ichiba" would not exist if the defendant of the first instance did not operate the Rakuten Ichiba designed to provide shop owners with a platform to display and sell goods. Consequently, the source-identifying function of the registered trademark exclusively owned by the plaintiff of the first instance would not have been damaged.

In the case where the defendant of the first instance, who operates the Rakuten Ichiba, let a shop owner "display or sell in the Rakuten Ichiba the products" that are not genuine, these acts would constitute infringement of the trademark rights because such acts damage the source-identifying function of the registered trademarks exclusively owned by the plaintiff of the first instance. In other words, damage is caused to the distinctiveness of those trademarks, even if those acts constitute neither an act of "displaying for the purpose of assignment" or "assigning" goods, nor an act of "using" a mark as specified in Article 2, paragraph (3) of the Trademark Act.

It is clear that the judgment in prior instance erred in interpreting that the infringement of a trademark right may not be recognized unless an act of "using" a mark as specified in Article 2, paragraph (3) of the Trademark Act has taken place. Based on this interpretation, the court made an erroneous legal decision.

The defendant of the first instance made allegations such as that "under the business model of the Rakuten Ichiba, the defendant of the first instance has no authority to offer goods in or delete goods from the Rakuten Ichiba on a product-by-product basis. Furthermore, the system of the Rakuten Ichiba does not allow the defendant of the first

instance to delete goods on a product-by-product basis." However, as far as "authority" is concerned, since it is a matter of contractual conditions, the defendant of the first instance could solve the issue of "authority" by concluding with each shop owner an agreement that gives such authority to the defendant of the first instance. As far as the system is concerned, the defendant of the first instance could solve this issue by designing and creating a system that allows the defendant of the first instance to delete any individual webpage or to prohibit access to a certain webpage.

The "Yahoo! shopping store system" operated by Yahoo Japan Corporation is an online shopping mall similar to the Rakuten Ichiba. Since Yahoo has the authority to delete goods on a product-by-product basis and has established such a system, it would also be possible for the defendant of the first instance to retain similar authority and create a similar system.

E. The plaintiff of the first instance notified the fact that the defendant of the first instance committed infringement of trademark rights (and violation of the Unfair Competition Prevention Act) by e-mails in English dated April 3 and 6, 2009 and by content-certified postal mail dated April 16, 2009 to demand discontinuation thereof (Exhibits Ko No. 34 and No. 35). In response, the defendant of the first instance replied that shop owners are liable for any infringement. While the goods in question of the shop owners directly pointed out by the plaintiff of the first instance were deleted from the website of the Rakuten Ichiba, the Rakuten Ichiba continued displaying the goods bearing marks that are presented in the list of marks and that are clearly identical or similar to the disputed registered trademarks.

Any person who conducts a search by inputting such keywords as "Chupa Chups" into the search box on the website of the Rakuten Ichiba could instantly find out that such goods are displayed and sold in the Rakuten Ichiba. Therefore, it is clear that the defendant of the first instance could have discovered them instantly. Nevertheless, the Rakuten Ichiba continued displaying and selling the goods infringing the trademark rights even after a warning was sent from the plaintiff of the first instance. Therefore, it is clear that the act of the defendant of the first instance was intentional or negligent.

Meanwhile, the defendant of the first instance alleged that the request for an injunction against the defendant of the first instance was unreasonable because "the plaintiff of the first instance was given sufficient, practical, easy-to-use remedial measures that the plaintiff of the first instance could independently have taken against infringement of the trademark rights." However, the laws do not require the adoption of the remedy that is the most easy-to-use, if there are multiple remedies available for infringement of a real right, unlike the case of a contract of guarantee (Articles 452 and

453 of the Civil Code).

Therefore, the fact that it was easy for the plaintiff of the first instance to demand an injunction directly against the shop owner does not provide grounds for precluding the exercise of the right to demand an injunction against the defendant of the first instance.

Furthermore, since the disputed goods are prohibited goods, which are not permitted to be sold, the act of gaining profits from the sale of those goods is impermissible because such profits are gained by infringing the interests of the right holder. The contract concluded between the defendant of the first instance and a shop owner selling prohibited goods should be regarded as a violation of the public policy and therefore invalid on the grounds that the shop owner is obliged to pay the defendant of the first instance a "system usage fee" based on the sales of the prohibited goods. Such profits gained by the defendant of the first instance should be considered to have no legal grounds. In either case, inaction against the defendant of the first instance, which was gaining such unjust profits, would surely cause unreasonable damage to the interests of the right holder.

F. There are some court precedents where the court decided to accept or refuse a request for an injunction depending on whether an injunction is sought against an actor of "assignment." In short, the court determined whether the issuance of an injunction against the act in question would be effective for discontinuation or prevention of infringement.

In this court case, the defendant of the first instance, as the operator of the Rakuten Ichiba, provides shop owners with a platform to display and sell goods, through which "goods are displayed and sold in the Rakuten Ichiba." If the defendant of the first instance, as the operator of the Rakuten Ichiba, had not provided shop owners with a platform to display and sell goods, "goods" would not be "displayed or sold in the Rakuten Ichiba." Therefore, an injunction against the act of the defendant of the first instance is truly effective for discontinuation or prevention of infringement of the trademark rights.

G. Judgment of the First Petty Bench of the Supreme Court of January 20, 2011 (Minshu Vol. 65, No. 1, at 399, hereinafter "Rokuraku II judgment")

Needless to say, a legal evaluation is made based on the facts found in each case. On the other hand, legal provisions are normative. Since specific facts are examined from a normative perspective, it is natural that a normative evaluation is conducted on those facts.

In the Rokuraku II case, the Supreme Court clarified that the actor that reproduced a work should be determined by conducting a normative evaluation on "reproduction,"

which is an act that has a legal effect without explicit intention.

If the same approach is applied to the act of infringing the Trademark Rights in this court case, it may be found that the defendant of the first instance selects information to be provided to customers, and provides search results in its unique format, provides product information for goods sold in the Rakuten Ichiba, and orders each shop owner to prepare data in such form as is suitable for these activities. Since the defendant of the first instance carries out these activities by using its management and control system, the defendant of the first instance may be considered to be playing a central role in displaying goods in the Rakuten Ichiba. These acts are completely different from the hosting service that simply rents a part of the server capacity.

Therefore, it is clear that the defendant of the first instance is the actor of displaying the Products.

In addition to the act of displaying the Products, the defendant of the first instance conducts various acts such as receiving a purchase order from a customer for goods, accepting it, transferring it to the shop owner, sending "order confirmation mail" to the customer, transferring the shipment information to the shop owner, and carrying out a credit card settlement by directly sending credit card information to the relevant credit card company, and obtaining approval from the credit card company. Since the assignment of the Products would be impossible without these acts, these acts may be regarded as indispensable for the assignment of goods in the Rakuten Ichiba.

Therefore, the defendant of the first instance should also be regarded as the actor of assigning the Products.

H. As described above, it is clear that the court in prior instance erred in making the judgment that denied the liability of the defendant of the first instance by holding that the defendant of the first instance did not play a role as an "actor" when conducting acts.

(2) Error in the judgment in prior instance, which states that the defendant of the first instance must be an actor of the assignment in order to determine that the act in question constitutes "display for the purpose of assignment or delivery"

In the Rakuten Ichiba, which is an online website operated by the defendant of the first instance, the parties concerned have achieved a consensus that photographs of goods bearing the disputed registered trademarks were displayed for sale of the goods infringing the trademark rights and violating the Unfair Competition Prevention Act. The defendant of the first instance pointed out that, specifically speaking, it was the shop owners that uploaded the photographs of goods bearing the disputed registered trademarks despite the fact that those goods infringe the trademark rights and violate the

Unfair Competition Prevention Act. However, since the photographs were uploaded to a website called Rakuten Ichiba, which was operated and managed by the defendant of the first instance, it should be regarded that it was the defendant of the first instance that displayed the photographs regardless of who uploaded them.

(3) Error in the judgment in prior instance, which states that it may not be regarded that "the defendant played a role as an actor in assigning the Products through each of the disputed shop owners or jointly with the disputed shop owners"

A. The judgment in prior instance refused the allegation of the plaintiff of the first instance to the effect that "the defendant played a role as an actor in assigning the Products through each of the disputed shop owners or jointly with the disputed shop owners" on the eight grounds stated from line 11 of page 47 to line 11 of page 48 (each of the grounds shall be hereinafter referred to as "Holding 1" to "Holding 8").

However, none of the aforementioned facts provides sufficient grounds for denying either the role of the defendant of the first instance as an actor or the liability of the defendant of the first instance, and overlooks important facts.

(A) Holding 1

Holding 1 states that "the system (RMS) operated by the defendant in the Rakuten Ichiba registers and stores all the information about the goods presented on the shop pages of the shop owners. The defendant's system is designed to allow each product to be registered solely through the input procedure followed by a shop owner. Each shop owner is permitted to register goods on its shop page without obtaining the defendant's consent in advance. In practice, the defendant does not examine the details of the goods before the registration thereof." However, this practice simply means that the defendant of the first instance decided to operate the system in this way based on its business decision and does not provide sufficient grounds for denying the role of the defendant of the first instance as an actor and the liability of the defendant of the first instance.

Each shop owner cannot display and sell goods in the Rakuten Ichiba without being checked by the defendant of the first instance and concluding a contract with the defendant of the first instance in advance. Each shop owner must obtain approval from the defendant of the first instance as a shop owner by concluding a contract and follow the procedure to register goods with the system before engaging in specific sales activities in the Rakuten Ichiba. Therefore, it is possible for the defendant of the first instance to take measures such as deleting certain content (cancellation of the registration of goods) or suspending the mall participation by a specific shop under certain conditions. While each shop owner is responsible for the registration of goods,

an act of registration may be conducted only under the supervision of the defendant of the first instance.

As described above, Holding 1 does not provide sufficient grounds for denying the role of the defendant of the first instance as an actor.

(B) Holding 2

Holdings 2 states that "each shop owner stocks goods and registers them on its shop page. The defendant is not involved in this process. Each shop owner decides the sales conditions such as the sales prices of goods. The defendant does not have the authority to decide those conditions." This is reasonable as approved by the judgment in prior instance. However, it may be said that the defendant of the first instance displays goods and solicits purchase orders because the details of goods and the sales conditions thereof such as sales prices are stored in the server of the defendant of the first instance and it is the defendant of the first instance that conducts a search by using its server upon a customer's request, lists up multiple goods based on the search results in an easily understandable manner to present them to the customer, and sends information about specific goods and the sales conditions thereof to the customer.

(C) Holding 3

Holding 3 states that "A decision as to whether to accept a purchase order for goods from a customer and establish a sales agreement is made by the shop owner selling those goods. The defendant is not involved in this decision-making process at all." Even if this is true, it is the defendant of the first instance who receives the purchase order for the goods from the customer and transfers the order to the shop owner. This act of the defendant of the first instance is indispensable for the establishment of a sales agreement.

Furthermore, the defendant of the first instance not only transfers the purchase order from the customer to the shop owner but also notifies the customer that the defendant of the first instance received his/her purchase order and transfers it to the shop owner by sending the customer "purchase order confirmation mail." Such notification promotes not only the establishment of a sales agreement but also the customer's subsequent purchase from the defendant of the first instance and the shop owner.

(D) Holding 4

As stated in Holding 4, "After the establishment of a sales agreement, necessary procedures such as the shipment of the goods and the payment for the purchase are carried out directly by the customer and the shop owner." However, the information necessary for the shipment of goods (address, name, phone number, etc.) is provided to the shop owner through the defendant of the first instance. If the customer purchases

those goods by credit card, the credit card information will be sent directly from the defendant of the first instance to the credit card company and will not be notified to the shop owner.

Any customer who has completed membership registration with the defendant of the first instance does not have to input his/her home address, etc. Simply by designating his/her home, all the necessary delivery information will be retrieved from the server of the defendant of the first instance and sent to the shop owner. Moreover, in cases where a customer has registered his/her credit card information, such as the credit card number, in advance, this information will also be retrieved from the server of the defendant of the first instance and directly sent to the credit card company, saving the customer the trouble of typing in his/her credit card information every time he/she makes a purchase.

As described above, the information necessary for the conclusion and performance of a sales agreement will be retrieved from the data stored in the server of the defendant of the first instance and provided to the relevant shop owner or sent to the relevant credit card company. In this way, the defendant of the first instance increases the customer appeal of the shop owners by saving customers the trouble of typing in their customer information.

(E) Holdings 5 and 6

a. Holding 5 of the judgment in prior instance acknowledges that "the defendant does not receive any part of the proceeds from the sale of goods sold by shop owners." However, as acknowledged in Holding 6, the defendant of the first instance collects 2 to 4% of the sales of shop owners under the name of "system usage fee," based on a sales-based charging principle. In this way, the defendant of the first instance actually receives a certain part of the proceeds from the sale of goods sold by shop owners.

The "system usage fee" might literally sound like remuneration for the use of the system. However, it is actually the payment of a part of the sales. If it is remuneration for the use of the system, the fee should be calculated based on the burdens on the system such as the server, in other words, the amount of data stored in the server of the defendant of the first instance and the communications traffic volume. However, the "system usage fee" for the defendant of the first instance is determined without paying much attention to the burdens on the system.

b. Since the system usage fee is calculated based on the sales-based charging principle as acknowledged by Holding 6 in the judgment in prior instance, it is actually a part of the proceeds from the sale of goods.

The judgment in prior instance recognized that the defendant of the first instance did not obtain "the profits equivalent to those gained by shop owners." However, this is an

extremely unfair interpretation. In contrast to shop owners, which have to face inventory risks, the defendant of the first instance does not have to face any such risk. Moreover, the defendant of the first instance can receive a fixed rate basic mall participation fee as well as 2 to 4% of the sales of shop owners. The defendant of the first instance should be considered to be receiving profits in the same way as shop owners.

The participation of shop owners and their sale of goods in the shopping mall would attract the attention of many customers, increasing the customer appeal of the mall operated by the defendant of the first instance, and thereby increasing the gross sales or the numbers of shop owners participating in the mall, and further increasing the revenue of the defendant of the first instance.

As shown in the File Rogue case (Judgment of the Tokyo District Court on December 17, 2003, Judgment of the Tokyo High Court on March 31, 2005), it is clear that a court may recognize the receipt of benefits even if the court cannot recognize the receipt of a "part of the proceeds from the sale of goods" or "the profits equivalent to those of shop owners."

In the judgment of the appeal trial of the aforementioned case, although it is clear that an advertisement fee for banner advertisements on the website is not compensation for downloads, the court recognized that "the appellant company directly received profits in the form of an advertisement fee" by receiving an advertising fee for the banner advertisement on the website. Furthermore, the court held that "it is clear that an increase of users may raise the commercial value of the service in the future thanks to the prospects for charging a fee for the service and using the service as a medium for advertisement."

c. As described above, when determining whether the defendant of the first instance receives profits or not, such issues as who owns the profits from the sale of the Products and on whose accounts the Products are sold are not directly related to the determination of who is the "actor."

(F) Holding 7

Holding 7 of the judgment in prior instance states that "When a customer follows the procedure to purchase goods at a shop in the Rakuten Ichiba, the defendant's system will automatically send a "purchase order confirmation mail" to the customer and, at the same time, automatically send the same "purchase order confirmation mail" to the owner of the relevant shop. Since this mail is sent mechanically and automatically, neither decision nor evaluation is involved on the part of the defendant." However, these facts all indicate that the defendant of the first instance is an actor of selling goods.

The act of sending a "purchase order confirmation mail" to a shop owner is

indispensable for the sale of goods because it communicates the customer's purchase decision to the shop owner, who is the seller. The system could be designed in such a way that the purchase orders from customers are sent directly to the shop owners without intermediation by the defendant of the first instance. However, the defendant of the first instance chose to design the system in such a way that the defendant of the first instance sends "purchase order confirmation mails" to shop owners in order to closely monitor the sales of shop owners. Therefore, the defendant of the first instance should be regarded as an actor of the sale. This means that the defendant of the first instance directly receives profits from the sale.

As described in (C) above, the defendant of the first instance sends customers "purchase order confirmation mails," which contain information that is commonly exchanged between the parties to a sales agreement. This practice proves the role of the defendant of the first instance as an actor and indicates that the defendant of the first instance receives profits from the sale.

Moreover, sending such mails "mechanically and automatically" has become a practice only because the defendant of the first instance decided to send such mails in advance for the purpose of achieving cost reduction (personnel cost, system cost, etc.) and speeding up procedures, and has designed and established a system therefor.

#### (G) Holding 8

Holding 8 of the judgment in prior instance states that "the defendant's provision, etc. of the RMS function, the point system, advice, consulting service, etc. to shop owners may not be considered to have a direct effect on the shop owners' success in the conclusion of individual sales agreements." However, this holding is incorrect. The RMS function is necessary for shop owners to participate and sell goods in the mall. Without the RMS, no shop owner can participate and sell goods in the mall. In particular, the page for each product can be regarded as a display of the product itself and a solicitation for purchase orders, and it should be regarded as "having a direct effect on the success of the conclusion of individual sales agreements."

The point system is a system under which the defendant of the first instance pays for goods on behalf of customers. This means that the defendant of the first instance fulfills payment obligations that arise from individual sales agreements.

As shown in the judgment of the Supreme Court for the "karaoke" case (Judgment of the Third Petty Bench of the Supreme Court of March 15, 1988, Minshu Vol. 42, No. 3, at 199), it is clear that the "existence or non-existence of a direct effect on the successful conclusion of individual sales agreements" is not directly related to whether the defendant of the first instance received profits or not.

(H) In sum, the above reasons 1 to 8, which were presented in the judgment in prior instance, do not provide grounds for denying the role of the defendant of the first instance as an actor.

B. While the judgment in prior instance denied the role of the defendant of the first instance as an actor without taking into consideration the facts pointed out by the plaintiff of the first instance, it is clearer that the defendant of the first instance played the role as an actor if the following factors are taken into account.

(A) It is the defendant of the first instance that stored information on the Products (webpages), conducted searches, provided search results to customers, and solicited purchase orders from customers.

The fact that the URL, which indicates the addresses of the pages of the Products on the Internet, starts from "http://item.rakuten.co.jp" or "http://www.rakuten.co.jp" (the upper right of Exhibits Ko No. 7 to No. 20) clearly shows that the information about the Products was provided from the server of the defendant of the first instance.

Furthermore, the search function of the defendant of the first instance is different from the common search function of Google, Yahoo, etc. in that searches are conducted only on the shops and goods presented in the Rakuten Ichiba and the obtained search results are provided to customers. Moreover, goods are searched out even with only vague keywords and the obtained search results are presented in such a way that customers can easily select goods, etc.

(B) The defendant of the first instance stores customer-identifying information such as the name, address, etc. of each customer, information for delivery of goods, and credit card information and provides such information to shop owners.

(C) Before placing a purchase order, a customer has to place goods in a "shopping cart." This information is all stored on the server of the defendant of the first instance. On the screen of the customer's computer, the goods of each shop are indicated separately. Nevertheless, all the information is stored on the server of the defendant of the first instance. If a customer wants to check the goods in his/her shopping cart, the defendant of the first instance will, upon request from the customer, send the customer the information stored on the server of the defendant of the first instance without any involvement from the shop owners. While the website of each shop owner provides a link to the shopping cart, it is made available for the purpose of providing information stored on the server of the defendant of the first instance and not for the purpose of providing information stored by the shop owner. Moreover, the defendant of the first instance centrally stores information about the purchase history of each customer.

(D) The trademark, etc. of the defendant of the first instance is always displayed on every webpage of each shop owner including the pages for individual products (Exhibits Ko No. 7 to No. 20), the page for a shopping cart (Exhibits Ko No. 44 and No. 45), the pages for purchase procedure (Exhibits Ko No. 46 and No. 47), and the statement of delivery (Exhibits Ko No. 48 to No. 52). Moreover, all shopping cart or purchase procedure pages are managed and operated by the defendant of the first instance and are presented in an identical form regardless of the shop owner from whom the goods are purchased (Exhibits Ko No. 44 to No. 48). These pages are seemingly identical. Each shop owner simply receives from the defendant of the first instance the input data together with the data stored by the defendant of the first instance. A uniform form is used for the statement of delivery as well.

Furthermore, the defendant of the first instance sends "campaign news" and advertises goods under its own name (Exhibit Ko No. 43).

(E) Like many other shop owners, the shop owners of the Products are obscure. Even if they independently created their own websites, it would be extremely unlikely that they would attract customers' attention. However, by participating in the Rakuten Ichiba, they benefit from the search function of the Rakuten Ichiba, through which a customer's inputting of either a vague or relevant keyword brings up any of the shop owners or their goods on the computer screen.

Furthermore, at the shops participating in the Rakuten Ichiba, customers feel they can shop securely based on the business reputation of the defendant of the first instance. In order to enhance its reputation even further, the defendant of the first instance provides the "Rakuten Anshin Shopping Service" (Exhibits Ko No. 39 to No. 42) to compensate for the purchase amount in case of non-delivery.

Without such support from the defendant of the first instance, customers would not have purchased the Products. Therefore, the act of the defendant of the first instance has a direct effect on the conclusion of sales agreements for the Products.

(F) According to the explanation (Exhibit Ko No. 55) provided by the Ministry of Economy, Trade and Industry about the term "seller" used in the Act on Specified Commercial Transactions ("Specified Commercial Transactions Act"), the Specified Commercial Transactions Act presumes an act of selling goods under a "sales contract" to be an act of not only indicating an intention for replacing the holder of rights but also conducting a series of acts in order to bring about the legal effect thereof. It should not be interpreted that only the parties to a sales agreement, and the obligee and the obligor of ownership transfer and delivery can be regarded as the right holders.

In this court case, a sale, etc. is conducted under the system called Rakuten Ichiba

established by the defendant of the first instance. It can be said that a sale as a whole consists of a series of acts including the act of searching for the information upon a customer's request, sending the search results to the customer, receiving the customer's purchase decision and the customer's delivery information, transferring these to the shop owner, as well as receiving the credit card information from the customer, in the case of credit card settlement, and sending this to the credit card company for confirmation procedure.

(g) In view of these facts, etc., the defendant of the first instance should be directly regarded as an actor.

C. Furthermore, based on the fact that the defendant of the first instance is involved in managing the website and receiving profits, the defendant of the first instance should be recognized as an actor from a normative perspective.

D. Based on the aforementioned facts, the defendant of the first instance should be straightforwardly recognized as an actor. If the defendant of the first instance cannot be recognized as such, since the defendant of the first instance and each shop owner have a very strong relationship of mutual exploitation, in other words, one party exploits the assets and acts of the other party for its own benefits, the defendant of the first instance should be regarded as selling the Products jointly with the shop owners.

(4) The act of the defendant of the first instance is not limited to the provision of a platform

A. The defendant of the first instance considers its own act as "the provision of service and convenience as a neutral provider of a 'platform.'" For example, the role of an agent of a seller is to convey a purchase decision from one party to another, as far as the act of the agent is concerned. However, if the act of the agent is evaluated from an overall perspective including the relationship with the seller, the act is not a neutral act but an act on the part of the seller. An act that would be conducted by a seller or an act conducted for a seller on behalf of a seller provides grounds for recognizing that the defendant of the first instance sells goods jointly with or via shop owners.

B. The defendant of the first instance made allegations such as that, on the grounds that the Rakuten Ichiba is similar to other existing services as far as individual functions are concerned and on the grounds of other facts, the Rakuten Ichiba merely provides a platform, and that the Rakuten Ichiba shall not be regarded as a seller or regarded to be

subject to an injunction. However, the act of the defendant of the first instance should not be discussed in the same manner as that for a common shopping mall or other online services for the following reasons.

(A) Difference between the Rakuten Ichiba and a shopping mall

Unlike a so-called shopping mall, the defendant of the first instance is involved in a specific sale, etc. of goods to customers. A regular shopping mall is not involved in a specific sale, etc. by any tenant and may not be liable for infringement of a trademark right in connection with a sale, etc. conducted by a shop owner. However, the defendant of the first instance plays a different role in the Rakuten Ichiba.

(B) Comparison with hosting service

In the case of a hosting service, which rents a part of the server capacity, each user can freely decide whether to use the hosting service or not, and, if the user decides to use the service, it decides which hosting service to use, how to use the hosting service, which structure to adopt for its website, and what URL to use.

On the other hand, the defendant of the first instance requires users to store all the information on the server designated by the defendant of the first instance. Moreover, users are required to create websites and webpages in accordance with the standards set by the defendant of the first instance and to use the designated URLs. Users are given no options to use any other hosting services.

(C) Comparison with other search services

In order to provide a search service, the defendant of the first instance stores all the product information on the server of the defendant of the first instance in accordance with the "standards set by Ko (the defendant of the first instance)." The scope of search is limited to this product information. As a result, a search can be conducted on [i] all of the goods sold in the Rakuten Ichiba excluding any goods sold outside the Rakuten Ichiba, [ii] in a category-specific manner, [iii] The search results are compiled into a list containing such information as photographs, prices, consumption tax, whether a shipping charge is included or not, and whether credit-card payment, etc. is accepted or not. In this way, the search service of the defendant of the first instance provides users with search results for easy comparison between products and allows customers to shop efficiently in the Rakuten Ichiba as if it were one single store.

(D) Comparison with telecommunications companies

Telecommunications companies and postal service providers handle various correspondences and personal letters. These organizations would not know the content of the correspondences and personal letters, unless they chose to find out. Both sellers and purchasers are completely free to decide which correspondence method or

telecommunications company to use.

On the other hand, in the case of the Rakuten Ichiba operated by the defendant of the first instance, customers can place purchase orders only on the purchase page provided by the defendant of the first instance (Exhibit Ko No. 22). A purchase order is always transferred to a shop owner via the defendant of the first instance. No customer or shop owner can send or receive a purchase decision by using the data communication method and telecommunications company of their choice without intermediation by the defendant of the first instance. Moreover, the defendant of the first instance calculates the sales of a shop owner based on the information input to the purchase page and sent to the shop owner and requests the shop owner such as the plaintiff of the first instance to pay a system usage fee. In this sense, the defendant of the first instance actively acquires the content of the correspondence.

Therefore, it is impossible to treat the defendant of the first instance as a common telecommunications company or postal service provider by only focusing on the function of "conveyance" with regard to the act of the defendant of the first instance of conveying customers' decisions to purchase goods, etc.

(E) System usage fee charged by the defendant of the first instance

a. The defendant of the first instance alleged that the fee charged by the defendant of the first instance for the service in the Rakuten Ichiba is close to or even lower than the rate of rent applied to a lease contract concluded for a real shopping mall and, therefore, that the fee may not be regarded as a margin rate set on the presumption that the defendant of the first instance will be held liable as a seller. However, it is unreasonable to make a simple comparison between a real shopping mall and a virtual online mall because the operator of a real shopping mall has to face many issues such as the enormous cost of acquiring and developing real estate, the payment of a fixed asset tax, and deterioration, whereas a virtual online mall does not have to face these issues nor any other physical restrictions and can expand and downsize the mall very easily.

In the case of a hosting service provider or a telecommunications company, the compensation to be paid to the provider or the company should be determined based not on a sales-based charging system but on a volume-based charging system, depending on the capacity of the rented region or the volume of telecommunication data, and should be lower as an absolute amount.

b. The defendant of the first instance alleged as follows: "For example, many of the real-estate agents that lease store spaces conclude a lease contract that requires the payment of sales-based rent. If the argument of the plaintiff of the first instance applied to the real estate agents in such cases, they would be considered to be actors of

assigning goods infringing a trademark right." This allegation is unreasonable because the plaintiff of the first instance did not necessarily allege that infringement of a trademark right may be found based simply on the acquisition of profits or the existence of any conditional relationship with an act of infringement of a trademark right by a third party. The plaintiff of the first instance alleged that, if the service and act of the defendant of the first instance are examined as a whole, the act of the defendant of the first instance of displaying and selling goods constitutes an "objectively illegal" act that infringes the Trademark Rights.

C. It is unreasonable to isolate each individual function that is a part of this service provided by the defendant of the first instance and compare it with a common service provided by a third party. The service of the defendant of the first instance is an organic and synergistic combination of multiple functions. Since these functions are used in an integrated fashion in order to provide service to shop owners, it would be meaningless to isolate each function individually and make comparisons with any other service.

(5) Judgments in other countries, etc.

A. In the U.S. and Europe, regarding the display and sale of trademark-infringing goods on an auction site, there have been several lawsuits filed by the holder of a trademark right against the operator of an auction site.

The relationship between the provider of auction goods and the operator of an auction site is temporary, unlike the continuous relationship between the defendant of the first instance and a shop owner, which requires the conclusion of a mall participation agreement. The operator of an auction site simply provides a platform. The ownership right would be transferred from the providers of auction goods to customers. However, in the lawsuits in Western countries against the operators of auction sites, the main issue is how much caution the operator of an auction site should have taken in order to be exempted from liability for willfulness or negligence. It was not the case in any of these lawsuits that the court refused the claim of the holder of a trademark right, nor did the judgment in prior instance, on pro forma grounds, more specifically, on the grounds that the operator of an auction site is not a party to a sale.

B. (A) Judgment of the Second Circuit Court of Appeals for the case of Tiffany v. eBay (The judgment of April 1, 2010)

In this judgment, the court denied the liability of eBay after hearing an argument about the liability of eBay for contributory infringement, but did not deny the role of eBay as an actor.

In consideration of the facts related to said case, it seems inevitable that eBay was

not aware of any specific incident of the infringement of a trademark right. However, this case is completely different from the aforementioned case. In this case, even after receiving a warning from a right holder, i.e., the plaintiff of the first instance, the defendant of the first instance failed to take any measures in order to remove infringing goods, other than sending a notice to the shop owners indicated in the warning.

(B) South Korea

On August 5, 2008, the Seoul Central District Court handed down a judgment (pages 3 and 4 of Exhibit Ko No. 54) for a case similar to this court case. After the holder of a trademark right sent a warning, the display and sale of the goods indicated in the warning were suspended in an online shopping mall. However, having seen the same infringing goods sold in the mall, the holder of a trademark right for the trademark filed a lawsuit against the operator of the online shopping mall. The court recognized the liability of the operator for the infringement of a trademark right and issued an injunction by holding that the operator of the online shopping mall committed an act of facilitation because the operator was in a position to be able to suspend the act of infringement of a trademark right.

(C) France

a. Judgment of the Troyes Court for *Hermes v. eBay*, June 4, 2008

b. Judgment of the Commercial Court of Paris for *Louis Vuitton v. eBay*, June 30, 2008 (The liability was recognized not for infringement of a trademark right case but for a general civil case.)

c. The above-mentioned two judgments in France found that, regarding the goods presented by the providers of auction goods, eBay (the operator of an online auction site) should not be regarded as a mere service provider or technical intermediary and should be held liable for any damage caused to a third party by negligence, regardless of whether the liability is for the infringement of a trademark right case or for a general civil case.

(D) Germany

a. Judgment of the German Federal Court for *Rolex v. Ricardo*, March 11, 2004

This judgment was handed down for a case where infringing goods bearing a trademark of Rolex were displayed clearly as infringing goods and sold on the auction site operated by the defendant.

In the judgment above, the court held that, if the defendant notices any third party's act that clearly infringes any right on the auction site, the defendant should not simply refuse access to that specific offer but also provide a warranty that every effort is being made to minimize infringement of a trademark right.

b. Judgment of the German Federal Court for Rolex v. eBay, April 19, 2007

The court demanded that the provider of auction goods shall take any technically feasible measures to prevent the offering of infringing goods.

c. Judgment of the Hanseatic Higher Regional Court for Stokke v. eBay, July 24, 2008

In this judgment, the court held that, in order to prevent the sale of any infringing goods, eBay shall take not only reactive measures but also proactive measures and found that the VeRO program of eBay was insufficient to fulfill this obligation.

d. The defendant of the first instance alleged that the case mentioned in b. above was remanded to the Dusseldorf Higher Court, which ultimately denied the liability of eBay (Judgment of February 24 2009). However, this does not mean that the principles presented in the judgments mentioned in a. and c. above were negated. It means that the case was remanded on the grounds that eBay was taking technically feasible measures to prevent the offering of infringing goods.

(E) Judgment of the High Court of Justice for L'Oreal v. eBay, May 22, 2009

In this judgment, the court denied an act of tort jointly committed by eBay and the providers of auction goods, but did not deny the role of eBay as an actor.

Article 11 of the EU Directive dated April 29, 2004 (2004/48/EC) (the third sentence) states that Member States shall establish a domestic law to ensure that right holders are entitled to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right. Based on this Article, L'Oreal sought an injunction against eBay's act of offering infringing goods on an auction site. The High Court of Justice requested the European Court of Justice (ECJ) to determine whether such a request for an injunction should be accepted even in the case where the intermediary in question is the operator of a website.

In response, the ECJ handed down the judgment presented in (F) below.

(F) Judgment of the ECJ for the case No. C-324/09, July 14, 2011 ("ECJ judgment")

a. Regarding the issue of under what circumstances the operator of an online marketplace should be held liable for the infringement of a trademark right committed in the online marketplace and the issue of whether to accept a request for an injunction against the operator of an online marketplace in order to prevent future infringement on the online marketplace, the ECJ handed down the following judgment (Exhibit Ko No. 73) on July 14, 2011.

b. Since the act of the defendant of the first instance may not be regarded as "hosting" specified in Article 14 (1) of the EC Directive (2000/31/EC), the defendant of the first instance may not be exempted from liability under said provision.

The ECJ found that the operator of an online marketplace may not be exempted

from liability under said provision when the operator may be considered to be playing an active role in the case where the operator provides assistance including the optimization of the presentation of the offers for sale in question and the promotion thereof.

Regarding this point, the ECJ further stated that "(the operator) must be considered not to have taken a neutral position between the customer-seller concerned and potential buyers but to have played an active role of such a kind as to give it knowledge of, or control over, the data relating to the offers for sale, when it provides assistance which entails, in particular, optimizing the presentation of the online offers for sale or promoting those offers" (paragraph 116).

In consideration of the facts that the defendant of the first instance provides shop owners with various types of support, in particular, that the defendant of the first instance advertises specific shops or goods on a webpage of the Rakuten Ichiba and by email (Exhibit Ko No. 43), that the defendant of the first instance conducted activities to increase customers' willingness to purchase goods by providing such information as "Rankingu Ichiba" (Ranking Ichiba), "Okaimino rebyū" (Purchase reviews), and "Shousen karendā" (Business competition calendar) (Exhibit Ko No. 24), and that the shops and goods may be considered to be elements of the marketplace called Rakuten Ichiba, the defendant of the first instance must be considered not to have taken a "neutral position between the customer-seller concerned and potential buyers" but as playing an active role of such a kind as to give it knowledge of, or control over, the data relating to the offers for sale.

Any organization like the defendant of the first instance that monitors the information of each sale every time the sale is conducted and obtains a commission, should be regarded as being the same as a department store, etc. that lets shops sell their goods in an exhibition space, etc. based on the consignment buying system.

Therefore, the act of the defendant of the first instance can never be regarded as providing a platform but should be considered as operating the Rakuten Ichiba, where goods are sold. Such an act would never be exempted from liability in Europe.

c. The operator of an online marketplace should take measures to prevent similar infringement of rights

The third sentence of Article 11 of the 2004/48/EC Directive clarifies that each Member State should require the operator of an online marketplace to take measures to prevent similar infringement of IP rights in the future. The operator of an online marketplace is obliged to take these measures because there has been a call that, if an illegal act is once conducted in an online marketplace, preventive measures should be

taken since such an act is likely to be repeated. Any organization, such as the defendant of the first instance, that operates an online marketplace and receives profits is naturally required to take such measures on the principle of good faith.

In this court case, the Products are sold in the Rakuten Ichiba. Since such a sale could be repeated, the defendant of the first instance is required to prevent the sale or offer for sale of the Products in the Rakuten Ichiba, or, if the Products are posted on the website of the Rakuten Ichiba, to remove them immediately or take any other necessary measures.

Exhibits Ko No. 74 and No. 75 show that it is easy to detect the Products by conducting a search.

#### d. Holding 5 of the ECJ judgment

The defendant of the first instance cited the holding (Holding 5 of the ECJ judgment) that the operator of an online marketplace does not 'use' signs identical with or similar to trademarks which appear in offers for sale displayed on its site. In Japan, however, as shown in the Yahoo judgment presented in (6), B., (D) below, whether the role as an actor has been played or not is determined from a normative viewpoint. The role as an actor should not be denied just because the defendant of the first instance is the operator of an online marketplace. The interpretation presented in the aforementioned Holding 5 clearly contradicts the court precedents in Japan and therefore may not be adopted in Japan.

### C. Analysis of the aforementioned overseas court judgments

The values shared by the aforementioned overseas court judgments may be summarized as follows. While auction sites, etc. are useful, infringement committed on these sites should not be overlooked. Therefore, the operators of these sites should be obliged to take measures to minimize infringement to such an extent that is reasonably feasible. If any illegal act that takes place on an auction site, etc. is caused by the negligence of the operator of that site, the operator shall be held liable. In sum, if the operator of a website does not prevent infringement of a trademark right even though it is reasonably possible to prevent such infringement, the operator of the website would be held liable for the infringement of a trademark right, tort, etc. on the presumption that the operator should naturally be held liable as an accomplice of the infringement of a trademark right.

#### (6) Relationship between the Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure

of Identification Information of the Senders ("Provider Liability Limitation Act") and the liability of the operator of a website for online defamation, etc.

A. The purpose of the Provider Liability Limitation Act is to limit the liability of a specified telecommunications service provider ("provider"). Even in a case that falls under any item of Article 3, paragraph (1) of said Act, the liability of the provider would not be automatically recognized. However, the fact that said provision specified the cases where the liability of a provider shall be limited indicates the assumption that it is natural for a provider to be held liable unless said provision is applied. Said provision specifies that the liability of a provider would not be limited in the case where the provider was aware of the infringement (item (i)) or if the provider is reasonably presumed to have been aware of the infringement (item (ii)). This provision is in line with the overseas court precedents described in (5) above.

Under said Act, the limitation of liability will be applicable only to "a specified telecommunications service provider," i.e., "a person who relays others' communications with the use of specified telecommunications facilities, or provides specified telecommunications facilities to be used for others' communications (Article 2, item (iii) of said Act). On the other hand, the defendant of the first instance not only relays "communications" of others, but also treats shop owners as shops that exist in the Rakuten Ichiba and make up the Rakuten Ichiba operated by the defendant of the first instance. The defendant of the first instance introduces shop owners as such to customers, treats the product data uploaded by shop owners to the server of the defendant of the first instance as goods that comprise the Rakuten Ichiba, and sends such data to consumers. In other words, the communications of product data carried out by the defendant of the first instance should be regarded not as "communications of others" but as communications of the defendant of the first instance itself.

B. The defendant of the first instance alleged that it should be regarded as "a specified telecommunications service provider" and that, since it merely provides a platform, it should be held liable, only to a very limited extent, for transactions conducted in that platform.

However, this allegation is unreasonable.

(A) First of all, the service of the defendant of the first instance is not an online service designed to provide Internet connectivity and simply relay information. Also, the service called Rakuten Ichiba built by the defendant of the first instance is completely different from a service designed to manage and operate a server, store contents therein, and send information from the server upon a user's request (storage service).

The service provided by the defendant of the first instance in the Rakuten Ichiba is

beyond the scope of the storage service because the defendant of the first instance receives product information from shop owners in the form designated by the defendant of the first instance, stores the information on the server managed by the defendant of the first instance, provides such information to customers, prepares a shopping cart available when providing customers with product information, makes customers fill in a purchase form, obtains information about the purchase, stores the relevant information, and sends the information to the relevant shop owners in the Rakuten Ichiba. These acts of the defendant of the first instance may be regarded as the same as the series of acts carried out by an intermediary that has concluded an agreement with a seller, more specifically, an intermediary that advertises goods of the seller to customers, receives purchase orders from customers by the phone and writes them down, and faxes the written orders to the seller.

Other acts conducted by the defendant of the first instance, which operates the Rakuten Ichiba, that are different from the storage service include the act of actively soliciting shop owners who are interested in opening a virtual shop in the marketplace, increasing the number of goods provided by shop owners in the marketplace by providing various types of support, advertising the Rakuten Ichiba as one of the top marketplaces in terms of the number of shops and goods, advertising certain shops and goods on a webpage of the Rakuten Ichiba and by email (Exhibit Ko No. 43), and conducting activities to increase customers' willingness to purchase goods by providing such information as "Rankingu Ichiba" (Ranking Ichiba), "Okaimino rebyū" (Purchase reviews), and "Shousen karendā" (Business competition calendar) (Exhibit Ko No. 24).

(B) These acts should be regarded not as "relaying others' communications" (Article 2, item (iii) of the Provider Liability Limitation Act) but as intermediation of transactions.

Moreover, the acts of sending a customer a purchase form for the goods designated by that customer, sending the defendant of the first instance the information input by the customer, sending confirmation mail from the defendant of the first instance to the customer, and sending the details of the purchase order from the defendant of the first instance to the shop owner should all be regarded as one-on-one communication and cannot be regarded as "transmission of telecommunications with the aim of reception thereof by unspecified persons" (Article 2, item (i) of the Provider Liability Limitation Act) (Exhibit Otsu No. 18).

The defendant of the first instance cannot be regarded as "a specified telecommunications service provider," which provides "specified telecommunications service" because the defendant of the first instance performs a marketplace function called Rakuten Ichiba. For this reason, there are no grounds for denying the liability of

the defendant of the first instance under the Provider Liability Limitation Act.

(C) The practice of not applying liability limitation to the content provider's act of providing content under the Provider Liability Limitation Act is based partially on the interpretation that "in most cases, content providers send their own information, which causes them to fall under the category of a 'sender'" (please refer to line 8, page 6, Exhibit Otsu No. 18 and thereafter).

In other words, in light of the aforementioned acts of the defendant of the first instance related to the Rakuten Ichiba and the fact that the defendant of the first instance charges "a basic mall participation fee" on the flat-rate system and "system usage fees" on the sales-based charging system, the information about the shop owners and goods in the Rakuten Ichiba are all sent as the content of the defendant of the first instance itself. Therefore, the act of the defendant of the first instance is not limited to the provision of a "platform."

In this respect, the judgment of the Intellectual Property High Court, 2009 (Ne) 10078 (Judgment of September 8, 2010, Hanrei Jihou No. 2115, at 102) recognized that the company engaged in the management of a video-posting service "recorded or input" the information (video) posted by users on the server, which is equivalent to "the recording media of specified telecommunications facilities used by a specified telecommunications service or the transmission device of such specified telecommunications facilities.

This judgment recognized the appellant of the case (the company engaged in the management of a video-posting service) as a "sender" on the grounds that the appellant solicited and promoted posting of video files by users and downloading of those files by users and that the appellant gained profits (advertising revenue). This judgment clarified that a decision as to whether the role of an actor or a "sender" has been played or not should be made mostly from a normative perspective.

In this respect, in this court case, in view of the facts that the shops and goods of shop owners are indispensable elements of the Rakuten Ichiba as described above, that the defendant of the first instance solicits shop owners' participation and display of goods in the Rakuten Ichiba (posting of information), and that the defendant of the first instance directly gains profits from these activities, the control of the defendant of the first instance over the shops and goods in the Rakuten Ichiba is much stronger than the control of the management company of the video-posting website in the aforementioned case. Therefore, the defendant of the first instance may be regarded as a "sender."

(D) Meanwhile, there was a case where the bereaved family of Mr. B, who was detained in Saipan as a suspect in the so-called Miura case and killed himself in a jail, demanded

damages from Yahoo and the Sankei Shimbun for the emotional distress that the family suffered from the article and photograph in the Sankei Shimbun posted on the website of Yahoo. Regarding the emotional distress caused by the posting of the photograph, the court recognized the tort of the Sankei Shimbun and recognized the liability of Yahoo for a joint tort (Judgment of Tokyo District Court, 2010 (Wa) 5613 of June 15, 2011, "Yahoo judgment").

In the aforementioned case, with regard to Yahoo, which is a so-called "provider," no discussions were conducted on the issue of liability limitation under the Provider Liability Limitation Act. This suggests that both Yahoo and the court recognized that Yahoo does not fall under a "specified telecommunications service provider" or, at least, that Yahoo is not subject to liability limitation under the Provider Liability Limitation Act as far as this case is concerned.

In this court case, the virtual shops and goods in the Rakuten Ichiba comprise a part of the Rakuten Ichiba. The defendant of the first instance uses them as a part of the Rakuten Ichiba. Therefore, liability limitation under the Provider Liability Limitation Act should not be applied to the defendant of the first instance.

In the aforementioned case, the data selected and posted by the information provider was automatically publicized on the website of Yahoo as "Yahoo! News" without any selection or approval by Yahoo. This configuration is completely the same as the one adopted by the defendant of the first instance for the display of goods. In the Yahoo judgment, despite the absence of the "possibility of recognition," which was alleged by the defendant of the first instance in this court case, regarding the content of the article posted by the information provider, the court recognized the role of Yahoo as an actor.

Therefore, the defendant of the first instance should be interpreted at least as an actor of displaying goods in the Rakuten Ichiba.

In the Yahoo case, whether the posting of the photograph is "unreasonable" or not may not be determined unequivocally. Furthermore, in consideration of the possibility that the bereaved family agreed to the posting of the photograph and the possibility that all of the bereaved family members had already passed away, it is difficult to determine whether or not the posting of the photograph offends the bereaved family. On the other hand, in this court case, in light of the fact that the holder of the trademark rights for the trademarks sent a notice with the awareness that, if this were not the case, the holder of the trademark rights for the trademarks would be held liable under the Unfair Competition Prevention Act, it may be considered "easy for ordinary people to realize" that the display and sale of the Products would infringe the trademark rights.

C. In the cases as to whether the operator of "2 Channel," which is a online message

board, has the obligation to delete messages (Animal hospital case (Judgment of the Tokyo High Court of December 25, 2002), the Female Mahjong Player case (Judgment of the Tokyo District Court of June 25, 2003), etc.), the court accepted a request for a court order against the operator of the aforementioned site for deletion of messages that may be considered as defamation or insult and also accepted a request for the payment of damages on the grounds of violation of the obligation for deletion.

In the 2 Channel cases, since it is extremely difficult to identify the person who posted a certain message, these cases might be considered to be exceptional. However, in the Sanno University case (Judgment of the Tokyo District Court of October 1, 2008), the court recognized the obligation of the operator of an online message board to delete messages, while the court did not address the difficulty in identifying the person who posted a certain message. As described above, it is clear that the fact that the operator of a website is not the person who posted the message would not justify denying the obligation of the operator to delete the message, nor would the fact that the obligation to delete the message has not been satisfied justify denying the obligation to pay damages for a tort.

Therefore, also in a trademark right infringement case, a person who is neither an owner nor a party to a sale agreement is to be naturally subject to an injunction against an act of infringing a trademark right, such as an act of selling or displaying goods, and to be held liable for damages.

#### (7) New acts of infringement

##### A. Dream Closet (or C)

On March 24, 2010, Dream Closet (or C), opened a virtual shop named "Dream Closet" in the Rakuten Ichiba (Exhibit Ko No. 57-1). Subsequently, it started displaying Product 2 (Cap) bearing Mark 2. After the date of delivery of the complaint for this lawsuit (October 20, 2009), Dream Closet sold at least a total of two items of Product 2 (1,380 yen each, 2,760 yen in total) on around July 30, 2010 and August 30 2010 (Exhibit Ko No. 57-2). The display of Product 2 continued during the period from July 30, 2010 to April 8, 2011 at least.

##### B. Candy Tower (or D)

Candy Tower (or D) displayed Product 3 (Cell-phone charm) bearing Mark 3 in the Rakuten Ichiba and sold 12 items of Product 3 (Two sets were sold. Each set (1,200 yen) contains six items. 2,400 yen in total) on around October 16, 2010 and December 27, 2010 (Exhibit Ko No. 58). The display of Product 3 continued during the period from January 30, 2009 (Exhibit Ko No. 58) to April 8, 2011 at least.

##### C. Yugen Kaisha AICAMU

Yugen Kaisha AICAMU displayed Product 3 (Cell-phone charm) bearing Mark 3 until around April 8, 2011. It is not absolutely certain when said company started displaying Product 3. However, in light of the fact that items in five colors out of a total of six have been sold out with only one item in the remaining color left (Exhibit Ko No. 59), it is clear that Product 3 has been displayed for a considerable time. It is presumed that the company started displaying the product before the delivery of a complaint in connection with this lawsuit (October 20, 2009).

#### D. Kabushiki Kaisha Nakaya

Kabushiki Kaisha Nakaya displayed Product 5 (Mug) bearing Mark 5 until around April 8, 2011. It is not absolutely certain when said company started displaying Product 5. However, in light of the fact that all items in three colors, namely, pink, orange, and light blue, have been sold out (Exhibits Ko No. 60 to No. 62), it is clear that Product 5 has been displayed for a considerable time. It is presumed that the company started displaying the product before the delivery of a complaint in connection with this lawsuit (October 20, 2009).

#### (8) Supplementation of the allegation concerning the existence of the right to seek an injunction

It is possible to seek an injunction against infringement of a trademark right or violation of the Unfair Competition Prevention Act even if the actor committed an act neither intentionally nor negligently (Article 36 of the Trademark Act, Article 4 of the Unfair Competition Prevention Act).

Even though the defendant of the first instance received the delivery of the complaint in connection with this case and came to the realization that the Products were infringing goods, the defendant of the first instance denied its obligation to prevent the display or sale of the Products, continued the use of the Trademark Rights in bad faith, or continued the violation of the obligation of action. It is highly likely that the defendant of the first instance will continue infringing the Trademark Rights and violating the obligation of action.

Therefore, regarding the display and sale of the Products, a request for an injunction against the defendant of the first instance should be accepted.

The defendant of the first instance alleged that there is a possibility that the right of prior use may separately be recognized for "any similar goods newly displayed in the Rakuten Ichiba." However, the possibility could be confirmed or eliminated only if it is checked with shop owners, etc.

The counterargument of the defendant of the first instance misses the point because the plaintiff of the first instance was not seeking an injunction against the display and sale of goods infringing a trademark right of the plaintiff of the first instance in general, but seeking deletion of the webpages for, prohibition of access to, and prohibition of sale of the specific goods that were found to be infringing the trademark rights in this lawsuit.

(9) Supplementation of the allegation regarding the liability for damages

A. In this court case, in the complaint delivered in connection with this lawsuit, the plaintiff of the first instance specified goods (the Products) and notified the defendant of the first instance that the acts of the defendant of the first instance, such as the assignment and the display for assignment of the Products, constitute infringement of the trademark rights of the plaintiff of the first instance. Since the time of the notification, the defendant of the first instance has been aware that the assignment, etc. of the Products constitute infringement of the trademark rights of the plaintiff of the first instance. Therefore, if the Products are subsequently displayed, sold, or otherwise handled in the Rakuten Ichiba, the defendant of the first instance should be held liable for the damages, etc. for the infringement of the trademark rights of the plaintiff of the first instance since the defendant of the first instance was involved in the sale, etc.

B. In this court case, infringement of a trademark right should be recognized regardless of who offered or otherwise handled the Products. Since the plaintiff of the first instance detected infringement for certain products, even if the Products are sold or otherwise handled by any person other than the shop owners in charge of the webpages submitted by the plaintiff of the first instance as evidence, the defendant of the first instance could and should recognize the infringement of the trademark rights.

The defendant of the first instance displayed and sold the Products in the Rakuten Ichiba by storing information about the Products on its server, conducting a search upon a customer's request, and providing search results. Therefore, it cannot be denied that the defendant of the first instance has recognized and noticed the existence of the Products from a normative perspective as well.

Since, the defendant of the first instance has been aware that the Products were displayed and sold in the Rakuten Ichiba and that the Products are infringing goods, it should be interpreted that the defendant of the first instance has been aware of the infringement of the trademark rights committed as a result of the display, sale, etc. of the Products in the Rakuten Ichiba.

C. Even if the defendant of the first instance is considered to have no recognition about

the infringement of the trademark rights, since the defendant of the first instance has been at least aware that the Products are infringing goods, the defendant of the first instance could have easily conducted a search and identified the Products, regardless of who offered the Products in the Rakuten Ichiba. This means that the defendant of the first instance was in a position to be able to find out about the infringement committed as a result of the display, sale, etc. of the Products. In either case, the defendant of the first instance should be held liable for damages for the infringement of the trademark rights.

#### D. Liability for joint tort

(A) The defendant of the first instance not only provides a platform for infringement of a trademark right but also gets deeply involved in the assignment and the display for assignment of the Products by establishing and managing an online shopping mall called Rakuten Ichiba by itself. Moreover, the defendant of the first instance collects about 2 to 4% of the sales generated by infringing a trademark right as compensation for the services. It is extremely easy for the defendant of the first instance to stop an act of infringement if it finds such an act.

Furthermore, Article 3, paragraph (2) of the Provider Liability Limitation Act exempts a provider from the liability for any damage suffered by the sender of information as a result of the provider's implementation of measures against the transmission of the information, if there are sufficient grounds to believe that the distribution of the information would unreasonably infringe any right of others. The purpose of said provision is to promote the implementation of appropriate measures to prevent infringing goods from spreading through the Internet.

In light of these facts and the purpose of law, under the rule of reason, the defendant of the first instance is considered to have the obligation to take measures to prevent infringement of the trademark rights from being committed as a result of the sale, etc. of the Products in the Rakuten Ichiba. The defendant of the first instance shall be held liable for damages on the grounds that it at least negligently committed a joint tort in the form of an act of facilitation.

(B) One of the cases where the court recognized the liability for damages on the grounds that a joint tort was negligently committed in the form of an act of facilitation is the Videomates case (Judgment of the Second Petty Bench of the Supreme Court of March 2, 2001, Minshu Vol. 55, No. 2, at 185).

In the aforementioned case, on the grounds that [i] karaoke equipment is likely to cause copyright infringement, [ii] copyright infringement is a criminal act, [iii] a lease company for karaoke equipment gains profits by leasing such karaoke equipment, [iv]

since it is a publicly known fact that the likelihood of the conclusion of a copyright license agreement by the operator of a karaoke bar is not necessarily high, the karaoke lease company should anticipate the high probability of copyright infringement unless the lease company can confirm that the lessee has concluded a copyright license agreement, and [v] it was possible for the lease company for karaoke equipment to take measures to prevent copyright infringement, the court held that the lease company for karaoke equipment has a duty of care to prevent karaoke bar operators from committing copyright infringement.

In sum, by pointing out that the aforementioned grounds may be summarized as [i] the probability of the consequence, [ii] the significance of the consequence, [iii] the receipt of profits, [iv] the predictability (the obligation of prediction) and [v] the possibility of preventing the consequence, the court recognized the obligation to prevent the consequence on the grounds [i] to [v].

While situations are different in terms of [i] and [iv] in this court case, it should be recognized that the defendant of the first instance has the obligation to prevent the consequence when it comes to the infringement of the trademark rights as a result of the display and sale of the Products in the Rakuten Ichiba.

In other words, although infringement of a trademark right is not so frequent in the Rakuten Ichiba, due to the nature of the Internet, which does not involve face-to-face transactions, it is easy to commit infringement of a trademark right. It is certain that some kind of infringement of a trademark right is taking place and left undetected in the Rakuten Ichiba. In the case of the Products, they were actually displayed and sold in Rakuten Ichiba. Consequently, infringement of the trademark rights took place in the Rakuten Ichiba. Having recognized this fact, the defendant of the first instance, which operates the Rakuten Ichiba and receives profits from the operation, is required to take measures to prevent recurrence of such infringement. Moreover, it is easy to anticipate that the same products could be offered in the Rakuten Ichiba in the future and cause infringement of the trademark rights again. In fact, it is a likely scenario.

In the case of karaoke equipment, the lease company would not be involved in copyright infringement itself because the karaoke bar is in charge of the management and control of the equipment. In this court case, however, the server operated by the Rakuten Ichiba and the Rakuten Ichiba itself are under the management and control of the defendant of the first instance. The defendant of the first instance displays and sells goods in the Rakuten Ichiba by using the server to conduct a search for certain goods upon a customer's request, send product information to the customer, send a purchase order to the shop owner, and request approval from a credit card company. Due to the

fact that the Rakuten Ichiba is under the management and control of the defendant of the first instance, shop owners can conduct business by taking advantage of the reputation of the defendant of the first instance. In short, the defendant of the first instance is much more deeply involved in the trademark right infringement than the lease company for karaoke equipment.

In view of the facts that the Products have been identified as infringing goods and that there are no other goods that could be confused with the Products, it is possible to automatically and easily detect the Products by using a filtering function. This is easier than confirming that "the other party to a lease agreement has concluded a copyright license agreement."

Therefore, it should be recognized that the defendant of the first instance has a duty of care to prevent shop owners from displaying and selling the Products once again and consequently committing infringement of the trademark rights.

#### (10) Allegations regarding the amount of damage

The defendant of the first instance displayed and sold the Products after the date of delivery of a complaint (October 20, 2009) as mentioned above.

As far as the plaintiff of the first instance knows, the defendant of the first instance sold two items of Product 2 (Cap) at 2,760 yen in total (1,380 yen for each, Exhibit Ko No. 57-2) and 12 items of Product 3 (Cell-phone charm) at 2,400 yen in total (Exhibit Ko No. 58). The total sales were 5,160 yen.

If the plaintiff of the first instance licenses a third party to use its indication for goods, the royalty rate would be no less than 10%. Therefore, the amount that the plaintiff of the first instance should receive for the use of the Marks by the defendant of the first instance may be calculated by multiplying the aforementioned sales by 10%. The calculated amount, 516 yen, may be regarded as the amount of damage suffered by the plaintiff of the first instance (Article 38, paragraph (3) of the Trademark Act). Also, the plaintiff of the first instance suffered the equal amount of damage caused by a tort where the obligation of action was violated.

Furthermore, in light of the facts that the Marks are practically identical with the indication used by the plaintiff of the first instance for goods, that the display of the Products continued for a long time, and that, due to the nature of the Internet, the number of members of the defendant of the first instance has reached 69 million, which means that an extremely large number of people saw the Products, the aforementioned act of infringement of the trademark rights significantly damaged the reputation of the plaintiff of the first instance and the trademarks of the plaintiff of the first instance. In

monetary terms, the amount of such damage would be calculated as more than one million yen.

Moreover, the plaintiff of the first instance was forced to file this lawsuit as a result of the infringement of the trademark rights, etc. by the defendant of the first instance and to bear the attorney's fee, which is more than 100,051 yen, equivalent to at least 10% of 1,000,516 yen, which is the total of the aforementioned amount of damage caused by the infringement, etc. by the defendant of the first instance.

## 2. Allegations of the defendant of the first instance in this instance

### (1) The role of the defendant of the first instance in the Rakuten Ichiba

A. The role of the defendant of the first instance in the Rakuten Ichiba is to provide shop owners with a "platform" where they can offer goods and conduct transactions with customers who visit the marketplace. Each shop owner is in charge of offering goods. The defendant of the first instance simply provides a "platform" called Rakuten Ichiba where shop owners can conduct transactions with customers. If a transaction is established, the defendant of the first instance receives a fee for the use of the platform.

While the plaintiff of the first instance alleged that the Rakuten Ichiba is the same as the shopping site operated by a department store or a general merchandise store ("department store, etc."), the mechanism of the Rakuten Ichiba is completely different from that of a department store, etc. as described below.

#### (A) In the Rakuten Ichiba, shop owners should be regarded as sellers

In the Rakuten Ichiba, shop owners should be regarded as sellers. The defendant of the first instance merely conducts searches for customers to find the shop owners that offer the goods that the customers want to purchase and provides a system that lets the customers conduct a transaction with shop owners.

On the other hand, a department store, etc. buys goods from producers, wholesalers, etc. and sells the goods as a seller. From the perspective of the relationship with customers, a department store, etc. should be regarded as a party to a sales transaction.

#### (B) Process of establishing a sales agreement.

When a customer places a purchase order in the Rakuten Ichiba, a sales agreement is established between the customer and the shop owner, if the shop owner accepts the customer's purchase order. The details of the process of establishing a sales agreement in the Rakuten Ichiba is stated in 4-1, (2), (C) (pages 43 to 45) of the judgment in prior instance.

#### (C) Fee charged by the defendant of the first instance in the Rakuten Ichiba

In the Rakuten Ichiba, the defendant of the first instance charges a fee equivalent to

2 to 4% of the sales generated based on a sales agreement established in the Rakuten Ichiba. This is almost the same as or even lower than the rate of rent (5 to 10% of the sales) charged based on a lease agreement for a real shopping mall. Such a margin rate may not be regarded as having been set on the premise that the defendant of the first instance will be held liable as a seller.

(D) In light of the facts described above, like the operator of a real shopping mall, the defendant of the first instance merely provides shop owners with a "platform." In this respect, the defendant of the first instance is different from a department store, etc.

#### B. Examination conducted upon conclusion of a mall participation agreement

When a shop owner newly opens a shop in the Rakuten Ichiba, the defendant of the first instance conducts a certain examination based on the defendant's Rules. This examination is conducted solely from the perspective of whether it is appropriate to provide the shop owner with the "platform" known as Rakuten Ichiba.

When receiving a request for participation in the Rakuten Ichiba, the defendant of the first instance first conducts an examination to determine whether to conclude a mall participation agreement or not (Article 2 of the Rules). As mentioned above, this examination is conducted to evaluate the appropriateness of the requesting party as a shop owner in the Rakuten Ichiba. Regarding the goods to be handled in the Rakuten Ichiba, an examination is conducted based on voluntary declaration, merely from the perspective of whether any types of goods to be handled are subject to any prohibition. The defendant of the first instance concludes a mall participation agreement with the requesting party that has passed this examination and approves access from the future mall participant to the RMS (Rakuten Merchant Server: a shop management system provided by the defendant of the first instance to shop owners).

After the conclusion of a mall participation agreement, the future mall participant will create a webpage to be posted on the Rakuten Ichiba by using the RMS and submit the webpage ("content") to the defendant of the first instance. The defendant of the first instance conducts a sampling test on the content and examines the appropriateness of the page for the Rakuten Ichiba (Article 6, paragraph (3) of the Rules), and, if the content passes this examination, approves "mall participation" by posting the content on a shop page. In this examination, the defendant of the first instance merely examines whether any prohibited goods are included in the content subject to the sampling test.

#### C. Offer of goods in the Rakuten Ichiba

##### (A) No prior examination is conducted on goods

If any shop owner who submitted an application for mall participation passes the

examinations described in B. above and obtains approval for mall participation, the shop owner would be able to freely post and offer any goods on its shop page simply by following a procedure that can be performed unilaterally by the shop owner without obtaining prior approval from the defendant of the first instance for each product offered.

As described in A. above, under the business model of "Rakuten Ichiba," it is shop owners that sell goods. Also, it is shop owners that offer and delete goods from the Rakuten Ichiba. Since the role of the defendant of the first instance is to merely provide a "platform," the defendant of the first instance does not have the authorization to offer goods in the Rakuten Ichiba or to delete goods from the Rakuten Ichiba.

As far as the system of the Rakuten Ichiba is concerned, it is impossible for the defendant of the first instance to prevent certain goods from being offered in the Rakuten Ichiba. Even if the defendant of the first instance tries to establish a system to prevent shop owners from offering certain goods, such a system would require an enormous amount of time and money to build and would never be perfect. The establishment of such a system is practically impossible.

(B) Difficulty in deleting goods after they are offered in the Rakuten Ichiba

The defendant of the first instance would be able to suspend mall participation of any shop owner who violates its Mall Participation Rules, etc. under Article 21 of the Rules. From the perspective of the system of the defendant of the first instance, this suspension of mall participation applies to the entire shop page posted by the shop owner on the Rakuten Ichiba. The defendant of the first instance does not have the authority to block access to or delete certain information on a product-by-product basis. Also, from the perspective of the system, it is impossible to delete a specific product.

Therefore, even if the defendant of the first instance detects a shop offering goods that infringe a trademark right in the Rakuten Ichiba, the defendant of the first instance can only take either of the following measures: [i] contacting the shop owner and request the shop owner to voluntarily suspend the offering of the goods, or [ii] suspending the posting of the entire shop page of the shop owner on the website, in other words, suspending the mall participation of the shop owner.

The suspension of mall participation means to suspend not only the offering of infringing goods but also the sale of any goods by the shop owner. This would cause great damage to the shop owner. If the defendant of the first instance makes a wrong decision and suspends mall participation, the defendant of the first instance could be held liable to the shop owner for damages. Therefore, the defendant of the first instance would face great difficulty and risk in suspending mall participation of any shop owner

unless it finds a shop owner's violation of the Mall Participation Rules and recognizes reasonable grounds for considering the violation to be major.

#### D. Summary

The business model of the Rakuten Ichiba and the status of the defendant of the first instance in the Rakuten Ichiba are as described in A. and C. above. The judgment in prior instance accurately recognized this business model of the Rakuten Ichiba and concluded that it is not the defendant of the first instance but the shop owners that "assigned" or "displayed for the purpose of assignment" the Products. Therefore, the judgment in prior instance is reasonable.

(2) Regarding the allegation (Allegation (1) of the plaintiff of the first instance) that an act of "damaging the distinctiveness of a trademark" may be regarded as infringement of a trademark right even if it may not be regarded as the "use of a trademark," the plaintiff of the first instance alleged that, even if the act of the defendant of the first instance may not be regarded as "display for the purpose of assignment" or "assignment" and therefore may not be regarded as "use" of a mark as specified in Article 2, paragraph (3) of the Trademark Act, any "act that damages the distinctiveness of a registered trademark and prevents the trademark from performing its source-identifying function for the designated goods or services" should be regarded as infringement of a trademark right and should be subject to an injunction.

However, an injunction may be sought against "a person who is infringing or is likely to infringe a trademark right" under Article 36 of the Trademark Act.

Needless to say, a trademark right is considered to be infringed by a person who has committed an act of infringing the right exclusively owned by the holder of the trademark right. As admitted by the plaintiff of the first instance, a right exclusively owned by the holder of a trademark right is specified as a "right to use a registered trademark in connection with the designated goods or designated services" in Article 25 of the Trademark Act. All of the acts that may be regarded as "use of a registered trademark" are listed in the items of Article 2, paragraph (3) of the Trademark Act, such as "to assign (omitted) goods or packages of goods to which a mark is affixed." According to the aforementioned provisions of the Trademark Act, on the grounds of infringement of a trademark right, an injunction may be sought against the act only if it may be recognized as "use of a registered trademark." In this case, such act must fall under Article 2, paragraph (3), item (ii) of the Trademark Act, i.e., "to assign (omitted) goods or packages of goods to which a mark is affixed." While the plaintiff of the first instance alleged that any act that "damages the distinctiveness of a registered

trademark" should be regarded as "infringement of a trademark right" even if the act may not be regarded as "use of a registered trademark," this allegation completely disregards the literal meaning of the provision of the Trademark Act and does not have any grounds under any existing law.

Furthermore, genericide is one of the types of act that damages the distinctiveness of a registered trademark. In the revision of the Trademark Act, on the premise that an injunction may not be sought against such an act under Article 36 of the Trademark Act, discussions were made as to whether to amend said provision in order to permit a request for an injunction against such an act. The absence of clear definition for "genericide" raised such concern that legislation would be problematic from the perspective of the principle of legality or "nullum crimen, nulla poena sine lege" and resulted in the decision not to commence the legislative process. In light of this legislative history, while the plaintiff of the first instance alleged that an injunction may be sought even if "use of a registered trademark" has not taken place, this allegation is unreasonable as an interpretation theory for the current Trademark Act.

(3) Regarding the allegation of the plaintiff of the first instance to the effect that the Products would have been neither displayed nor sold without the "provision of a platform for display and sale" of goods and that "the source-identifying function of the registered trademarks was damaged" as a result of the provision of a platform, it is interpreted that the plaintiff of the first instance alleged that, if there is an act such as "the provision of a platform for the display and sale of goods" that could lead to trademark right infringement in one way or another, such an act as a whole should be subject to an injunction because the suspension of said act would effectively remove the trademark right infringement.

However, it is clearly unreasonable to allege that the entire act may be subject to an injunction because the suspension of the act would effectively remove the trademark right infringement.

As described in (2) above, the Trademark Act limits the scope of act for which an injunction may be sought by using the concept "use of a registered trademark" and does not necessarily consider that any act shall be subject to an injunction as long as the suspension of the act would effectively remove the infringement.

As alleged by the plaintiff of the first instance, if an injunction is permitted to be sought against any act in its entirety that could lead to infringement, it could be interpreted that the service provided, for example, by a real estate agent renting a store space where goods infringing a trademark right are sold, and a telecommunications

carrier as well as a postal service provider, etc. that offer means of telecommunications necessary for the establishment of a sale of goods infringing a trademark right should be subject to an injunction, as the suspension of the provision of such service as the lease of a store space or the provision of telecommunications would prevent the sale of infringing goods and facilitate the removal of the infringement of a trademark right.

Recognizing "infringement of a trademark right" even in the case of an infrastructure service provider, etc., who merely receives profits from the conclusion of a sales agreement, and accepting a request for an injunction or a claim for damages for a tort would be equivalent to imposing the "obligation of action, more specifically, the obligation to check whether a sale of goods under a sales agreement to be established by use of the infrastructure constitutes infringement of a trademark right" on such infrastructure service provider, etc. in substance. If such obligation were imposed, any infrastructure service provider, etc. would be too afraid of the risk of being held liable for violation of the obligation of action and would no longer be able to provide smooth infrastructure service. The exemption from legal liability for the content of each sales agreement, etc. that might be established through the use of the infrastructure is indispensable for such an infrastructure service provider, etc. to provide infrastructure services in an efficient and smooth manner. The allegation of the plaintiff of the first instance could result in significantly and broadly hindering the operation of the infrastructures that provide a basis for social life.

(4) The defendant of the first instance does not have the obligation of action to prevent the offering of goods infringing a trademark right in the Rakuten Ichiba

As described in (1) above, it is shop owners that are authorized to offer or delete goods in and from the Rakuten Ichiba. The defendant of the first instance does not have such authority. Also from the perspective of the system, only shop owners are capable of offering specific products. Therefore, it is impossible for the defendant of the first instance to prevent shop owners from offering goods in the Rakuten Ichiba.

Nevertheless, the plaintiff of the first instance alleged that the failure of the defendant of the first instance to prevent offering of specific products should be regarded as a mere consequence of the business decision of the defendant of the first instance and should be considered unreasonable and that the defendant of the first instance should examine the goods offered in the Rakuten Ichiba and delete goods infringing a trademark right. In other words, the plaintiff of the first instance alleged that the defendant of the first instance should undertake the obligation of action to remove any goods infringing a trademark right before they are offered in the Rakuten Ichiba. However, for the following reasons, the defendant of the first instance does not

have to undertake such obligation of action.

A. The defendant of the first instance cannot determine whether certain goods offered in the Rakuten Ichiba infringe any third party's right or not. The defendant of the first instance merely rents a "platform" to shop owners in the Rakuten Ichiba and is not involved in the shop owners' act of stocking goods, etc. to offer them in the Rakuten Ichiba nor does the defendant have any information about the manufacturing, stocking, etc. of the goods. Therefore, the defendant of the first instance does not have sufficient information to determine whether certain goods offered in the Rakuten Ichiba infringe any third party's right or not.

For example, in the case of brand-name goods or in the case of any goods bearing a specific indication, such as "Chupa Chups" in this case, the defendant of the first instance would not be aware whether the goods have been licensed by the right holder or not because the defendant of the first instance is not involved in the manufacturing or stocking of the goods. As in this case, in the case where a trademark right is registered long after the commencement of the use of the trademark in Japan, the right of prior use could have been already established. Furthermore, the defendant of the first instance has no capability to distinguish authentic-looking brand-name counterfeit goods from genuine goods. The only person who has such capability would be the right holder himself/herself or any specialist who received sufficient information from the right holder.

Therefore, it is impossible for the defendant of the first instance to determine whether certain goods offered in the Rakuten Ichiba infringe any third party's right or not. Also, it is impossible for the defendant of the first instance to conduct "examination" on the goods to be offered in the Rakuten Ichiba in advance in order to prevent the offering of any goods infringing a trademark right.

The plaintiff of the first instance alleged that, if appropriate keywords are selected, it is "extremely easy" to conduct a search by using the search function of the Rakuten Ichiba and find the Products. The very fact that the plaintiff of the first instance made such allegation indicates that the logic of the plaintiff of the first instance is illogical. The plaintiff of the first instance stated that the defendant of the first instance could "easily detect the Products by conducting a search." However, this statement may be interpreted as an admission by the plaintiff of the first instance that the defendant of the first instance "cannot detect infringing goods without conducting a search," in other words, "the defendant of the first instance is not aware of the offering of the Products in the Rakuten Ichiba at the time when those goods are offered in the Rakuten Ichiba." While the plaintiff of the first instance alleged that the defendant of the first instance

should be regarded as an actor of infringement of a trademark right, it is clear that there is no such person as an actor of sale (the actor of infringement of a trademark right) who is not aware of the existence of the goods for sale before the sale of the goods takes place.

In practice, it is not easy for the defendant of the first instance, who is not familiar with the types, functions, characteristics, etc. of the goods, to select appropriate keywords.

As alleged by the plaintiff of the first instance, if the defendant of the first instance is held responsible for determining whether it is appropriate to delete parody goods as infringing goods, it would impose excessive burdens on the defendant of the first instance because it is difficult to detect such goods and even more difficult to determine whether those goods are infringing or not.

B. On the other hand, the plaintiff of the first instance, who is the right holder of the disputed registered trademarks, could detect goods suspected of infringing the trademark rights by using the "convenient" search function provided by the defendant of the first instance. Also, the plaintiff of the first instance could determine whether the detected goods infringe the trademark rights or not. In other words, if the plaintiff of the first instance is serious about exercising its rights, it would not be difficult to conduct a search in the Rakuten Ichiba by using the search word "chupa chups," and look for the goods bearing the disputed registered trademarks, and detect the goods bearing the trademarks without due authorization that are sold in the "Rakuten Ichiba." Each shop participating in the Rakuten Ichiba publicizes on the webpage its address, the name of its representative, its telephone number, etc. as an indication of "seller or service provider" under Article 11 of the Act on Specified Commercial Transactions and Article 8 of the Ordinance for Enforcement of the Act on Specified Commercial Transactions. Therefore, it would not be difficult for the plaintiff of the first instance to send a written warning to the shop owners selling the goods in question, i.e., the infringers of the trademark rights. It is also possible for the plaintiff of the first instance to contact the infringers by telephone or e-mail or to visit the workplaces of infringers to demand the discontinuation of the infringement. As the last resort, the plaintiff of the first instance could file a lawsuit or a request for provisional disposition.

In reality, on July 9, 2009, which was prior to the filing of this lawsuit against the defendant of the first instance, the plaintiff of the first instance filed a lawsuit against Rice Field (Tokyo District Court, 2009 (Wa) 23652) to seek an injunction against the assignment and display of goods, and also seek disposal of those goods and the payment of damages, by alleging that Rice Field displayed and sold goods infringing the

trademark right of the plaintiff of the first instance on its website. Regarding this lawsuit, a settlement was reached on September 10, 2010.

In this way, the plaintiff of the first instance directly exercised its rights against an actor of assignment who is not a participant in the Rakuten Ichiba and settled the case in an effective manner. Therefore, there seem to be no legitimate reasons why the plaintiff of the first instance cannot take similar measures against an actor of assignment that is a participant in the Rakuten Ichiba.

### C. Summary

The plaintiff of the first instance failed to take the measures that it should have taken as the holder of the trademark rights, such as detecting the goods infringing the trademark rights, confirming that those goods are infringing the trademark rights, and removing the goods infringing the trademark rights, despite the fact that it was easy for the plaintiff of the first instance to exercise its rights against shop owners. Since the shop owners were participants in the Rakuten Ichiba, the plaintiff of the first instance took advantage of this situation and demanded that the defendant of the first instance should prevent the offering of goods that infringe the trademark rights. It can be said that this demand of the plaintiff of the first instance is equivalent to requesting the defendant of the first instance to perform an act and role that are simply impossible.

The allegation of the plaintiff of the first instance is completely unreasonable because it greatly lacks fairness from the perspective of equal sharing of obligation and also lacks reasonable grounds for obliging the defendant of the first instance to remove goods in the situation where the trademark rights are infringed, and also because the allegation of the plaintiff of the first instance obliges the defendant of the first instance to conduct an act that is simply impossible.

(5) The act of the defendant of the first instance is neither intentional nor negligent.

If infringement of a trademark right is recognized for certain goods offered by a certain shop owner, it does not necessarily mean that infringement of a trademark can be automatically recognized for similar goods newly offered in the Rakuten Ichiba, including the goods offered by other shop owners (please refer to (4) A. above). Therefore, the allegation of the plaintiff of the first instance would be completely incorrect if the plaintiff of the first instance is trying to say that sending a notice of infringement concerning a specific act of infringement of a trademark right would be enough to prove that the defendant of the first instance is "intentional or negligent" for any subsequent act suspected of infringement of a trademark right regardless of which shop owner offered the goods in question.

As described in (4) above, the defendant of the first instance may not be considered negligent because the defendant of the first instance does not have the obligation of action to examine goods in advance to prevent the offering of any goods that infringe a trademark right.

First of all, most of the goods offered in the Rakuten Ichiba operated by the defendant of the first instance do not infringe any trademark right. In this respect, these goods are very different in nature from the exchanged files disputed in the File Rogue case, which was referred to by the plaintiff of the first instance. It cannot be said that the operation of the Rakuten Ichiba itself involves a high probability of infringement of a trademark right.

In sum, the defendant of the first instance is not aware of a high probability that the operation of the Rakuten Ichiba would cause infringement of a trademark right.

(6) Regarding the allegation of the defendant of the first instance that the display and sale of certain goods by shop owners constitute infringement of a trademark right, the plaintiff of the first instance alleged that "both parties have achieved a consensus" that the display and sale of certain goods by shop owners in the Rakuten Ichiba constitute infringement of the trademark rights of the plaintiff of the first instance and violation of the Unfair Competition Prevention Act. However this allegation is incorrect.

The defendant of the first instance consistently stated that the defendant of the first instance has "no idea" as to whether the display and sale of certain goods by shop owners constitute infringement of the trademark rights of the plaintiff of the first instance.

The defendant of the first instance merely provides a "platform" called Rakuten Ichiba, i.e., a type of infrastructure, and is in a position where it is impossible to recognize the attributes of specific products displayed and sold in the Rakuten Ichiba.

On the other hand, an evaluation as to whether each product infringes a trademark right of a third party or violates the Unfair Competition Prevention Act can be made only by the holder of the trademark right who is in charge of managing the conclusion of licensing agreements, etc. or the person who manufactured or stocked that product because other people cannot make an accurate evaluation due to the lack of information about the existence of a license and the right of prior use.

As described above, the defendant of the first instance is not in a position to "evaluate" whether specific products displayed by shop owners in the Rakuten Ichiba infringe the trademark rights of the plaintiff of the first instance or not and has "no idea" regarding this point.

Meanwhile, regarding the allegation of the plaintiff of the first instance related to the Unfair Competition Prevention Act, the plaintiff of the first instance has yet to prove the well-knownness or famousness of the trademarks and the timing of when the trademarks became well-known or famous.

(7) Regarding the allegation of the plaintiff of the first instance that the defendant of the first instance should be regarded as the "actor of assignment" of the goods stated in the Product List submitted in this court case, while the judgment in prior instance (page 47 and subsequent pages) recognized Holdings 1 to 8 as the grounds for denying the role of the defendant of the first instance as an actor of assignment and as an actor that collaborated with shop owners, the plaintiff of the first instance alleged that the facts described in those Holdings are incorrect. However, there are no grounds for the allegation of the plaintiff of the first instance, as explained below.

#### A. Holding 1

First, regarding specific products uploaded by shop owners, the plaintiff of the first instance alleged that the defendant of the first instance can delete relevant content. However, as described above, under the business model of the Rakuten Ichiba, the defendant of the first instance does not have the authority to offer or delete specific products in and from the Rakuten Ichiba in the first place. Moreover, the system does not permit the defendant of the first instance to delete specific products. As mentioned earlier, if the defendant of the first instance suspends mall participation of any shop owner before examining and confirming the alleged infringement of a trademark right or if the defendant of the first instance recognizes that some of the goods offered by a shop owner infringe a trademark right and suspends the mall participation of the entire shop without investigating the reason why those goods were offered, the defendant of the first instance would face a risk. Also, as described above, the defendant of the first instance does not have the obligation of action to prevent the offering of the goods that infringe a trademark right by conducting an examination of a specific product in advance.

#### B. Holding 2

The plaintiff of the first instance alleged that "the defendant of the first instance displays goods and solicits purchase orders" on the grounds that the information about sales conditions such as sales prices is stored on and sent from the server of the defendant of the first instance and that the server of the defendant of the first instance allows a search to be conducted on the goods offered in the Rakuten Ichiba.

However, it is unclear why the plaintiff of the first instance concluded that "the defendant of the first instance displays goods and solicits purchase orders" solely on the grounds that the defendant of the first instance offers a search function to find goods and that the defendant of the first instance automatically sends "customers" the description and sales conditions of the goods offered in the Rakuten Ichiba, even though the defendant of the first instance is not involved in the process of determining the types, prices, and sales conditions, etc. of the goods.

The service of storing information on a server is one of the common services provided by many operators including the hosting service. Furthermore, the search function provided by the Rakuten Ichiba is designed to merely indicate search results in a mechanical and automatic manner based on the general, objective, predetermined indexes in response to the keywords typed in by users. This means that the defendant of the first instance merely provides a search service that is equivalent to the service provided by general search engines. A service provided by combining product information and a search function is offered by product comparison sites such as "Kakaku com" as well. Moreover, intermediation service to relay communications between a customer and a shop owner with regard to the conclusion of an agreement for sale of goods is provided not only by the defendant of the first instance but also by various telecommunications carriers.

### C. Holding 3

Solely on the grounds that the system of the defendant of the first instance automatically sends a customer's purchase order to a shop owner and notifies the customer of the transfer of the purchase order to the shop owner, the plaintiff of the first instance alleged that "the act is indispensable for the establishment of a sales agreement" and that "the act promotes not only the establishment of a sales agreement but also the customer's subsequent purchase from the defendant of the first instance and the shop owner."

However, conducting any act related to the establishment of a sales agreement or promoting subsequent purchase after the establishment of a sales agreement would not necessarily make the defendant of the first instance the "actor of assignment" who is a party to the sales agreement.

Under the system of the defendant of the first instance, "purchase order confirmation mail" is automatically sent to the relevant shop owner and customer. The defendant of the first instance merely relays communications between a shop owner and a customer and is not intentionally involved in a transaction at all.

A person who automatically sends information concerning a product purchase order

on behalf of both the customer and the shop owner, who are the parties to a sales agreement, can be regarded as neither seller nor purchaser.

Moreover, as described above, various infrastructures (real estate agents that rent store space, telecommunications carriers, and postal service providers) contribute to the establishment of a sales agreement. Without such contribution, a sales agreement could not be established. However, these entities may not be regarded as actors of the establishment of a sales agreement at each shop.

#### D. Holding 4

The plaintiff of the first instance pointed out that [i] the information necessary for delivery of goods is sent to the relevant shop owner via the defendant of the first instance, [ii] the credit card information is sent to the relevant credit card company from the defendant of the first instance and is not sent to the relevant shop owner, and alleged, most importantly, that [iii] the membership registration with the defendant of the first instance would save customers from the trouble of inputting customer information such as his/her address and credit card number, and the defendant of the first instance is thus trying to increase the customer appeal of shop owners.

However, regarding point [i], since the defendant of the first instance provides a data processing system as an Application Service Provider (ASP), it is natural that information is sent via the defendant of the first instance. Regarding point [ii], this is a measure taken based on the customers' request for extremely limited disclosure of credit card information due to security concerns. Finally, regarding point [iii], this is a service provided upon request of a customer for the convenience of the customer. This service is provided not to shop owners, but directly to customers.

As explained above, just because the defendant of the first instance provides services to customers, the defendant of the first instance should not be interpreted as an assignor. This clearly indicates the neutral role of the defendant of the first instance as the provider of infrastructure, i.e., "a platform."

#### E. Holdings 5 and 6

The plaintiff of the first instance alleged that, in view of the fact that the system usage fee of the defendant of the first instance is determined based on the sales of each shop owner, "the defendant of the first instance gained large profits not only from the sales of specific products but also from the mall participation and sales of shop owners as a whole" and cited the File Rogue case concerning copyrights (in the judgment for this case, the court took the advertising revenue into consideration, when recognizing the role as an actor of the infringement of a copyright).

However, it is inappropriate to refer to the court case concerning a copyright, for

which no provisions concerning indirect infringement exist, in a case concerning trademark right infringement.

With regard to receiving profits in accordance with the sales, a real estate agent that rents a storage space, for example, is likely to conclude a lease agreement based on which a rent is calculated based on the sales. With the logic of the plaintiff of the first instance, the real estate agent in such a case would also be regarded as an actor of assignment of the goods infringing a trademark right sold at the store. This idea is nothing but absurd.

In addition, in the File Rogue case, the court made a judgment based on the findings that the electronic file exchange service that allows exchanges of MP3 electronic files "causes certain types of illegal act of infringing copyrights with concrete, realistic prospects" and that the defendant "provided the disputed service, while anticipating such consequences." On the other hand, the Rakuten Ichiba is not a breeding ground for infringement of a trademark right. Needless to say, most of the goods offered in the Rakuten Ichiba are completely legal. Therefore, the system known as Rakuten Ichiba may not be regarded as causing "certain types of illegal act of infringing trademark rights with concrete, realistic prospects" and the defendant of the first instance may not be regarded as "providing service, while anticipating such consequences." In the File Rogue case, it was difficult to identify the persons who uploaded infringing files and directly infringed rights and to hold them liable. In contrast, as described in (4), B. above, in the case of the Rakuten Ichiba, it is easy for right holders to identify the shop owners and hold them liable. Even if the difference between copyrights and trademark rights in terms of legal system is disregarded, the File Rogue case is not useful as a precedent for this case.

#### F. Holding 7

The act of conveying a customer's purchase decision from the orderer, i.e., the customer, to the relevant shop owner may be regarded as an act of assisting the customer to transmit his/her purchase decision. Such an act of relaying information can be conducted only by a person other than the "shop owner," who receives a purchase order under a sales agreement.

When determining the role of a person as an actor of assignment, the court examines whether the person was involved in a decision-making process or an evaluation process in the course of determining the content and acceptability of a specific sales agreement.

In this regard, the defendant of the first instance is not at all involved in such a process.

## G. Holding 8

In the judgment in prior instance, the court found that the RMS, etc. merely provides an infrastructure to allow the establishment of a sales transaction and provides assistance to facilitate the establishment of a sales transaction, and does not "have any direct effect on whether a sales agreement is established or not," and thereby the court pointed out that the involvement as the provider of infrastructure, etc. would not provide sufficient grounds for recognition as an actor of assignment. While the plaintiff of the first instance alleged that the provision of the RMS, etc., which is essential for mall participation and the offering of goods, "has a direct effect on whether a specific sales agreement is established or not," it is not surprising that the RMS is essential for the mall participation and the offering of goods because the RMS is the software used for mall participation.

Furthermore, regarding the points system, the plaintiff of the first instance alleged that this system allows the defendant of the first instance to make a payment on behalf of a purchaser and perform the obligations under a sales agreement. However, the defendant of the first instance should not be held liable in this case as in the case where the issuer of prepaid cards would not be recognized as an actor of selling goods at retail shops and would not be held liable for infringement of a trademark right, etc.

## (8) Relationship between the Copyright Act and the Trademark Act

A. It would be against the purpose of the Trademark Act to apply to trademark rights the principle of copyright protection through normative expansion of the definition of the actor of infringement of a copyright.

Under the Copyright Act, infringement of a copyright is limited to a direct act of infringement in principle. Therefore, in order to offer remedies such as an injunction to the victim of so-called indirect infringement and an "act of facilitation," the normative expansion of the definition of an actor of copyright infringement would be inevitable. Since it is not clear whether the Copyright Act aims to limit, to a certain extent, the scope of remedies such as an injunction against an "act of facilitation," it could be interpreted that the availability of such remedies depends on the normative expansion of the definition of an actor of copyright infringement.

However, unlike the Copyright Act, the Trademark Act offers some remedies for so-called indirect infringement, etc. and any act that is deemed to be infringement of a trademark right, etc. as an "act of facilitation." Article 37 of the Trademark Act lists all of those remedies. In other words, the Trademark Act specifies that the holder of a trademark right may exercise his/her right such as seeking an injunction, etc. against

any person who conducts any of the acts defined in each item of Article 2, paragraph (3) of the Trademark Act as the "use" of a trademark or any other act that is deemed to constitute infringement as listed in Article 37 of the Trademark Act. Therefore, permission for the exercise of rights such as seeking an injunction beyond such scope specified in the Trademark Act should be considered disrespectful to and not in line with the purpose of the Trademark Act, which explicitly specifies the extent to which the scope of protection may be expanded.

B (A) Rokuraku II judgment (judgment of the Supreme Court of January 20, 2011) and the judgment of the Third Petty Bench of the Supreme Court of January 18, 2011 (Minshu Vol. 65, No. 1, at 121, hereinafter "Maneki TV judgment") are not useful as precedents for this court case.

In the Rokuraku II judgment, the court considered the question of who should be regarded as an actor of "reproduction" as a key to determine "whether the disputed act should be regarded as reproduction for private use and therefore does not constitute infringement of a copyright or should not be regarded as reproduction for private use and therefore constitutes infringement of a copyright."

Similarly, in the Maneki TV case, the issue lay in "whether infringement took place or not." If the service provider may not be regarded as an actor of "making works transmittable" and "public transmission," the disputed act should be interpreted as mere use of content by service users for private use.

In other words, the Rokuraku II judgment and the Maneki TV judgment should be regarded as court precedents where the existence or absence of a direct infringer of a copyright was at issue. In these precedents, the court did not examine the issue of the scope of the act of facilitation that should be subject to the exercise of rights on the premise that a direct infringer of a copyright exists. Therefore, these cases are not useful as precedents for this court case where "on the premise that Actor A of Infringement (shop owner) exists," the court has to determine "whether B (the defendant of the first instance) should also be regarded as an actor of infringement."

(B) Furthermore, in the Rokuraku II judgment and the Maneki TV judgment, the court determined who was the actor of copyright infringement based on who "input" the content.

In the Rokuraku II judgment and the Maneki TV judgment, the court evaluated "whether the holder of a copyright should be regarded to have been deprived of opportunities to gain profits as compensation for the content" and made a judgment based on the evaluation. Furthermore, in the Rokuraku II judgment and the Maneki TV judgment, the court also paid attention to an act of "input," which may be regarded as

equivalent to an act of "stocking or transferring" content, and recognized the service provider as an actor of reproduction, an actor of making works transmittable, or an actor of public transmission. In fact, in the Rokuraku II judgment, the court stated that the recognition of an actor was made on the grounds of the act of "input," which is equivalent to an act of "stocking" content, and that an actor may not be recognized solely on the grounds of an act of merely providing an infrastructure such as a certain environment where an act of reproduction can be easily committed.

Now, let us consider this court case again. The defendant of the first instance merely provided a "platform" and did not "stock" goods that allegedly infringe a trademark right.

In the Rokuraku II case and the Maneki TV case, the "reproduction device" (Rokuraku base unit), "base station," which was managed, controlled, and used for "input" of content by the service provider, was used 100% for the purpose of copyright infringement. On the other hand, the infrastructure called Rakuten Ichiba managed by the defendant of the first instance is used to distribute legal goods most of the time and only very rarely used to sell goods infringing any trademark right.

In other words, the Rokuraku II judgment and the Maneki TV judgment recognized an actor of infringement based on an "essential" act that is equivalent to the "input" of content. However, in this court case, the defendant of the first instance did not commit such an act. First of all, the Rakuten Ichiba does not "provide a certain environment, etc. to facilitate" infringement of a trademark right. Therefore, due to the complete absence of "essential act," which is considered to be, at least, necessary to recognize the defendant of the first instance, who merely provides a "platform" and is not involved in an act of "stocking" goods, as an actor of "assignment," etc. under the legal principle presented in the Rokuraku II judgment and the Maneki TV judgment, it is clearly impossible to recognize the defendant of the first instance as an actor of "assignment," etc.

(C) Since it is much more difficult to determine the existence or nonexistence of infringement of a trademark right in comparison with the case of infringement of a copyright for the content of a TV program, the recognition of an actor of infringement of a trademark right should be made extremely carefully.

In other words, in the case of the content of a TV program, the existence and ownership of a copyright and the absence of a defense for reproduction, public transmission, etc. are usually obvious. In this respect, a trademark right is very different from a copyright. It is difficult to determine the existence and ownership of a trademark right and the existence of a defense. In other words, when it comes to the persons

involved in the content (or goods), as far as a copyright for a TV program is concerned, it is instantly clear what kind of act infringes whose copyright. In contrast, in the case of goods suspected of infringing a trademark right, it is not instantly clear what kind of act infringes whose trademark right.

Therefore, when recognizing an actor of infringement of a trademark right, no person should be recognized as such an actor unless that person has more deeply and extensively been involved with the relevant goods than the level required in the case of a copyright.

#### (9) Relationship with the Specified Commercial Transactions Act

The plaintiff of the first instance alleged that one of the grounds for recognizing the defendant of the first instance as an actor of sale is the following statement included in the "Explanation of the Act of Specified Commercial Transactions (clause-by-clause explanation)" (Exhibit Ko No. 55) issued by the Ministry of Economy, Trade and Industry (METI): "For example, in the case of a joint lease sale where many persons engage in solicitation, sale, etc. under a certain system, such as a 'person concluding an agreement and providing goods or services' and a 'person soliciting the conclusion of an agreement by visiting potential customers,' as long as their activities may be considered to constitute a single act of door-to-door sale as a whole, all of these persons may be regarded as sellers."

However, the aforementioned statement was added to a circular notice of the METI titled "Enforcement of the Act of Specified Commercial Transactions, etc.," when said circular notice was amended on December 6, 2005. This amendment was made for the purpose of offering remedies for victims of a malicious telephone lease business model, which was rampant at that time (Exhibit Otsu No.16-1). In the case of a joint lease transaction, a lease company originally plays the role of service provider, while a supplier is solely engaged in an act of solicitation and an act of following the procedure for conclusion of an agreement. Therefore, the supplier's involvement in the conclusion of a lease agreement is significant.

As mentioned in the aforementioned statement, a person who is not involved in a sale of goods or provision of services may be deemed to be a seller, etc. "even if many persons engage in solicitation, sale, etc. under a certain system, as long as their activities may be considered to constitute a single act of door-to-door sale as a whole." In this way, the recognition of a seller, etc., is made based on the presumption that the level of involvement is as deep as that of a seller, etc.

On the other hand, in this court case, the defendant of the first instance merely

provides an infrastructure or a "platform" called "Rakuten Ichiba." The solicitation for purchase of goods and the conclusion of a sales agreement are conducted by each shop owner, i.e., seller, directly with a user. Therefore, in the case of a sale of goods in the "Rakuten Ichiba," the defendant of the first instance should never be recognized as a seller under the Specified Commercial Transactions Act.

For this reason, the aforementioned statement does not provide sufficient grounds for recognizing the defendant of the first instance as an actor of sale. The interpretation of the aforementioned statement was made by expanding the scope of the definition of seller or service provider, who is subject to the Specified Commercial Transactions Act, from the perspective of protecting purchasers, i.e., consumers, which is the purpose of said Act (Article 1 of said Act). Needless to say, this does not directly apply to the issue of the recognition of an actor of infringement under the Trademark Act.

(10) The defendant of the first instance does not and cannot recognize infringement of a trademark right.

It may be interpreted that the plaintiff of the first instance alleged that, if the defendant of the first instance is notified that certain "goods" are infringing goods, [i] the defendant of the first instance would and should recognize not only the specific products offered in the Rakuten Ichiba but also such "goods" in general (all of the same type of goods, for example) as infringing goods and [ii] the defendant of the first instance would and at least should recognize any subsequent offering of the same goods by any shop owner (not only by the shop owners in question but also by any other shop owner) as infringement at that stage.

However, the defendant of the first instance, a mere shopping mall operator, should not be held liable unless the defendant of the first instance has the recognition of a specific act of infringement, in other words, the recognition of certain goods posted on a certain webpage (URL) operated by a certain shop owner as infringing goods.

Since the plaintiff of the first instance indicated the following as grounds for its allegation: [i] overseas court cases, [ii] the Provider Liability Limitation Act, and [iii] court cases concerning the liability of website operators for online defamation, etc., the counterargument for each of these items is presented below.

#### A. Overseas court cases

(A) First of all, due to the great difference between Japan and other countries in terms of the legal system and remedy system concerning infringement of a trademark right, it is almost meaningless to refer to the overseas court cases to examine this court case.

Meanwhile, in most of the court precedents in the U.S., the U.K., etc., the court

denied the legal liability of eBay, which is an operator of an auction site, for the sale of goods infringing trademark rights on the auction site.

(B) Regarding overseas court cases concerning infringement of trademark rights in online markets, etc., it should be pointed out that these court cases concerning infringement of trademark rights were about extremely famous brands such as Tiffany, Hermes, Rolex, and Louis Vuitton, for which a wide range of people are aware of the existence of trademark rights, the owners thereof, and the licensing policy of the holders of those trademark rights. Furthermore, most of those cases were about the legal liability of the operator of an online market, etc. for the sale of counterfeit goods that infringe trademark rights and that look almost identical to the authentic goods. In this respect, those court cases are different from this court case.

In the Tiffany judgment of the Second Circuit court of April 1, 2010, despite the fact that Tiffany is an extremely famous brand, the court denied the liability of eBay by holding that no person may be held liable for contributory infringement unless the person has "a realistic recognition that a certain product list actually does and will infringe a trademark right." While the holder of the trademark right filed an appeal for this case, the U.S. Supreme Court dismissed the appeal on November 29, 2010. Consequently, the Second Circuit judgment on Tiffany became final and binding.

This precedent in the U.S. clarified that no person may be held liable for contributory infringement without the realistic, concrete "recognition of infringement." This is the currently dominant precedent in the U.S.

Meanwhile, regarding this precedent, the plaintiff of the first instance alleged that, since it was difficult for eBay, which operates an auction site, to recognize infringement by authentic-looking counterfeits, which were specified goods, it was "inevitable" for eBay to have failed to have the realistic, concrete recognition of infringement. As a matter of fact, the existence and ownership of a trademark right are not clear until they are checked. In this case, other possibilities such as parallel import and the right of prior use were quite high, especially in consideration of the facts that the brand in question was not so famous or not necessarily familiar to the public and that the brand policy (licensing policy) and the past licensing activities were unclear. In such cases, it is difficult to determine whether infringement took place or not regardless of whether the goods in question were specified goods or authentic-looking goods. If the allegation of the plaintiff of the first instance is adopted, it should be considered "inevitable" for the defendant of the first instance in this court case to have failed to have the realistic, concrete recognition of infringement of a trademark right.

In the U.K., the judgment of the High Court of May 22, 2009 concerning L'Oréal

denied the liability of eBay, by holding that eBay may not be held liable in the current situation where no national law has been established with regard to a request for an injunction against the operator of a website.

In a court precedent in South Korea, as in the case with the aforementioned U.S. court precedent, the court held that the recognition of at least the "fact of realistic, concrete infringement" is required in order to hold the operator of an online market liable. Moreover, on May 10, 2010, the Seoul High Court examined infringement of a trademark right in an open market by a sale, etc. of counterfeit goods, etc. and handed down a judgment to the effect that the operator of the open market does not have the obligation of proactive action, under any rule of law or reason, to prevent such infringement in a general, comprehensive manner in advance (Exhibit Otsu No. 17).

In some court precedents in Germany and France, the court ordered implementation of a specific level of technological measures in order to remove infringement to extremely famous brands such as Hermes and Louis Vuitton. However, these court precedents vary in terms of the level of technological measures that should be taken in order to remove infringement. At least, it is clear that no court held that the operator of a website shall be held "liable and accountable as an actor of 'assignment' for any infringement that has not been removed," as the plaintiff of the first instance alleged in this case.

(C) Judgment of the ECJ of July 14, 2011 (C-324/09) (Exhibit Ko No. 73) ("ECJ judgment") clearly supports the allegation of the defendant of the first instance to the effect that the defendant of the first instance should not be recognized as an actor of assignment with regard to any of the goods offered in the Rakuten Ichiba.

a. The plaintiff of the first instance cited only Holdings 6 and 7 from the ECJ judgment. However, regarding the interpretation of paragraph 5 of the EC Directive 89/104 (which specifies that the holder of a registered trademark has the right to prohibit any third party from "using" any mark that is identical or similar to said trademark. Please refer to paragraph 12 of the ECJ judgment), Holding 5 states that "the operator of an online marketplace may not be regarded as a person who 'uses' (for any purpose stated in Article 5 of the 89/104 EC Directive or Article 9 of the 40/94 EC Rules) a mark that is identical or similar to a registered trademark indicated in the course of a sale of goods offered on the website."

Holding 5 is the very paragraph that states that the "operator of an online marketplace" is not a user of a mark attached to goods sold on the website. In other words, under the Japanese Trademark Act, the operator is not an "actor of assignment."

b. Furthermore, the plaintiff of the first instance intentionally omitted an important part

of Holding 6, which it cited, in order to intentionally distort the holding.

Holding 6 concerns the interpretation of Article 14 (1) of the 2000/31 EC Directive (the provision concerning the exemption of service providers in information society services. Please refer to paragraph 12 of the ECJ judgment.)

Holding 6 first states that [i] the provision of exemption applies only to the operator of an online marketplace that does not play an "active role" in a sale of infringing goods (limitations on the type of operator), and then states that [ii] even if the provision of exemption under [i] is applicable to the operator of an online marketplace, said provision would not apply to the operator, as long as the operator has recognized the illegality of a sale based on concrete grounds but has failed to take appropriate measures required under Article 14 (1) (b) of the 2000/31 EC Directive.

"Active role" ([i]) is interpreted as "a role that recognizes and controls the stored data." While the expression "recognizes and controls" is used here, the word "recognize" is also used to describe a requirement [ii] described below. An entity that does not "recognize" in the sense of [i], but "recognize" in the sense of [ii] is presumed to be an actor. Therefore, the word "recognize" in the sense of [i] means a type of recognition and control (in the case where the operator of a marketplace knows and controls the details of a sale by getting involved in the sale as an actor or involved in the sale in a similarly active, voluntary manner) that is more active, voluntary, and concrete than a type of recognition in the sense of [ii].

Furthermore, even if the operator has not been involved in the sale in question as an actor, the provision of exemption would not apply in the case [ii] where "the operator is aware of facts or circumstances that could be recognized as the grounds for naturally detecting the illegality of the offer for the sale, if the operator is diligent and it is economically reasonable, and where the operator neglects to take immediate measures in accordance with Article 14 (1) (b) of the 2000/31 EC Directive (despite its recognition of illegality)." Attention should be given here to the point that the economics of the operator need to be considered as a factor that should be taken into consideration. It may be interpreted that this factor is included for the purpose of indicating that, when determining whether a certain sale is "illegal" or not based on the recognition of certain facts, it is not necessary for the operator itself to conduct investigations at its own costs such as examining relevant facts and asking for expert opinions.

In this court case, the defendant of the first instance is not involved in the offering of specific products by shop owners but merely provides a "platform" for the offering of goods. In sum, in light of the interpretation presented in Holding 6, the defendant of the

first instance should be considered to be entitled to exemption under Article 14 (1) of the 2000/31 EC Directive for the following two reasons: [i] the defendant of the first instance neither knows nor controls the transactional history and details of each sale subject to this lawsuit and [ii] it is impossible to determine whether infringement of a trademark right has taken place or not because of the possibility that issues such as parallel import and the right of prior use could be involved.

c. Also, the plaintiff of the first instance intentionally omitted an important part of Holding 7, which it cited, in order to intentionally distort the holding.

Holding 7 concerns the interpretation of Article 11 of the 2004/48 EC Directive (a provision concerning the enforcement of IP rights. Please refer to paragraph 19 of the ECJ judgment) and the interpretation of the directive to the Member States concerning the establishment of a system. Holding 7 imposes a strict condition that "such injunction should be effective and proportionate to the manner of infringement and should function as a deterrent, but should never hinder legitimate business transactions."

As described above, most of the goods offered in the "Rakuten Ichiba" are not infringing goods but legitimate goods. Even in the case of a shop where infringing goods were once detected, it is extremely rare that the shop offers nothing but infringing goods. Usually, most of the goods offered by the shop are legitimate goods. Due to these characteristics of the Rakuten Ichiba, it is technologically impossible at present to take measures to specifically prevent any future offering of infringing goods. It is obvious that any judicial agency cannot force any person to do something that is simply impossible. Therefore, even if this case is examined from the perspective of Holding 7, it is currently impossible for the Rakuten Ichiba to take measures that could specifically prevent infringement without hindering any legitimate sale. Therefore, it would be unreasonable to use Holding 7 as a basis for finding that the defendant of the first instance should take concrete measures.

## B. Provider Liability Limitation Act

### (A) Overview

Regarding Article 3, paragraph (1) of the Provider Liability Limitation Act, the plaintiff of the first instance interprets that a provider should be automatically held liable unless said provision is applied. Based on this interpretation, the plaintiff of the first instance alleged that the provider should be held liable in the case where the provider has been aware that infringement has taken place (item (i)) or where the provider could have been aware of the infringement (item (ii)). However, this allegation is unreasonable because it disregards the literal meaning and purpose of the said provision.

The said provision states that "(the specified telecommunications service provider) shall not be liable for any loss (omitted) unless (omitted) such an event of infringement falls under any of the following items." It is explained that the purpose of the provision is to impose "limitations" on the liability of a specified telecommunications service provider (provider) for damages (Exhibit Otsu No. 18: "Explanation of the Act of Specified Commercial Transactions (clause-by-clause explanation)" issued by the Ministry of Internal Affairs and Communications (MIC); hereinafter "MIC Explanation"). In sum, this provision clarifies that a provider should not be held liable in any case other than the cases specified in item (i) and item (ii). However, this provision does not necessarily mean that a provider should be automatically held liable in the case specified in item (i) or item (ii) and does not stand on such "interpretation."

#### (B) Recognition of the distribution of information

In either case set forth in item (i) or item (ii), the "recognition of the distribution of information" is necessary. Such recognition may be considered to exist only if the fact that the information is distributed has actually been recognized.

The provider's "recognition of the distribution of information" would be considered to exist if the provider knows that certain information has been posted on a certain page of a website. This means that the operator of the Rakuten Ichiba needs to be aware that certain goods have been offered on a certain shop page of a certain shop owner, thanks to a notification, etc. from the right holder. Regarding this point, it is presumed that the plaintiff of the first instance construes that, if a right holder notifies a shopping mall operator, who also serves as a provider, of infringement caused by a certain type of "goods," the mall operator would or should recognize any further offering of the same type of "goods." However, such construction goes against the purpose of Article 3, paragraph (1) of the Provider Liability Limitation Act because it would require providers to conduct comprehensive monitoring.

The committee concerning the guidelines, etc. for the Provider Liability Limitation Act created the "Guidelines Concerning Trademark Rights under the Provider Liability Limitation Act" based on the Provider Liability Limitation Act for the purpose of specifying the measures that any provider (the operator of an online auction site or an online shopping mall in most cases) that receives requests for deletion, etc. of information on the basis of infringement of a trademark right can take without undertaking any liability (Exhibit Otsu No. 19, hereinafter "Guidelines Concerning Trademark Rights"). As a prerequisite for requesting a provider to consider whether to take measures to prevent data transmission, these Guidelines require any person who has suffered infringement of a trademark right to identify information about the

infringement, such as the URL of the relevant site, before notifying the provider of the infringement.

(C) Recognition of the infringement of a right

Even if the provider has the "recognition concerning the distribution of information," the provider would be held liable only in either of the following two cases from the perspective of the "recognition of the infringement of a right": [i] in the case where the provider has been aware of the infringement of another person's right caused by the distribution of the information (item (i)) or [ii] in the case where there are reasonable grounds to find that the provider could have been aware of the infringement of another person's right caused by the distribution of the information (item (ii)). The term "Reasonable grounds" means information that is objectively considered to be obtainable if an ordinary level of attention is paid. In the case where the information given to a provider is not sufficient to determine the illegality of the distribution of the information, and where it is necessary to carefully examine whether infringement has taken place or not, such a case would not be regarded as a case where "reasonable grounds" exist (Exhibit Otsu No. 18). The Guidelines Concerning Trademark Rights state that "it is desirable to cover only information that suggests high probability of right infringement and that allows the operator of an online auction site, etc. to easily detect unjust infringement of another person's trademark right." Furthermore, the Guidelines state that any product information that allows such an operator to [i] determine that the product information actually posted on the website is not about genuine goods and to [ii] detect infringement of a trademark right shall be subject to the measures to prevent data transmission (Exhibit Otsu No. 19).

In this court case, even if goods bearing the trademark "Chupa Chups" are offered in the Rakuten Ichiba, for example, they could be duly licensed products, parallel imports, or goods for which a right of prior use has been established. The defendant of the first instance, who has been involved in neither manufacturing nor stocking, cannot determine the legality or illegality of the goods. The defendant of the first instance would be able to determine, with a certain level of accuracy, the existence or absence of infringement only if [i] a reliable right holder presents reasonable grounds or [ii] in response to an inquiry from the defendant of the first instance, the shop owner checks the legitimacy of the use of the trademark in question and confirms that the goods in question are infringing goods. At least, until the defendant of the first instance falls under either of the aforementioned cases, it may be said that the defendant of the first instance has no "recognition about infringement of a right" and that there are no reasonable grounds for finding that such recognition has been achieved.

Meanwhile, it is difficult to determine whether a trademark right has been infringed or not.

(D) Role of the defendant of the first instance as a provider

The plaintiff of the first instance alleged that the role of the defendant of the first instance is not limited to relaying other people's "communications" in the Rakuten Ichiba and therefore may not be regarded as a "specified telecommunications service provider" (Article 2, item (iii) of the Provider Liability Limitation Act), i.e., a "provider." The plaintiff of the first instance is presumed to be alleging that the defendant of the first instance should be regarded not as a "provider" but as a "sender" (Article 2, item (iv) of the Provider Liability Limitation Act).

The term "sender" is defined as a person who has recorded information in recording media (limited to such recording media from which the information recorded therein is to be transmitted to unspecified persons) of specified telecommunications facilities used by a specified telecommunications service provider, or who has input information in the transmission device (limited to such a transmission device from which the information input therein is to be transmitted to unspecified persons) of such specified telecommunications facilities." In sum, the person who recorded or input information is defined as a "sender." The question of who placed information on the distribution process is related to the question of who had the intention to place the information on the distribution process.

In the Rakuten Ichiba, goods are offered when shop owners input information about the goods based on their intention. The defendant of the first instance is not involved in this process. While the plaintiff of the first instance listed all the acts of the defendant of the first instance to indicate the involvement of the defendant of the first instance, these acts are nothing but the "provision of a platform" or additional services offered to improve the platform.

Therefore, from the perspective of the Provider Liability Limitation Act, the defendant of the first instance merely sends information related to a sale of goods between the shop owner and the customer who are the parties to a sales agreement, or sales transaction, of the goods. Since the act of the defendant of the first instance does not go beyond the scope of "relay of information," the defendant of the first instance should be regarded as a "specified telecommunications service provider."

Meanwhile, the purpose of Article 3, paragraph (1) of the Provider Liability Limitation Act, which limits the providers' liability for damages, is to clarify that providers are not obliged to conduct comprehensive monitoring and is to prevent excessive burdens on providers and curtailment of services. Therefore, this provision

may be considered as the grounds for refusing a request for an injunction against a provider, like the one filed by the plaintiff of the first instance.

Moreover, the plaintiff of the first instance alleged that, since one of the functions provided by the defendant of the first instance is one-on-one communication services such as sending confirmation mail, the service provided by the defendant of the first instance may not be regarded as "specified telecommunications service." In fact, it is inevitable for the provider operating a website to perform one-on-one communication functions to a varying degree by sending or receiving forms and e-mails for the purpose of supporting customers and other purposes. However, this does not mean that providers may not be regarded as "specified telecommunications service providers."

### C. Court cases concerning defamation, etc.

(A) The plaintiff of the first instance indicated that, in some court cases concerning the liability of the operator of a website for online defamation, etc., the court recognized the obligation of the operator of an online message board to delete messages and that these court cases provide grounds for interpreting that, in the cases concerning infringement of a trademark right, a person who is neither the owner nor a party to a sales agreement can be subject to an injunction against the act of infringement of a trademark right, such as an act of selling or displaying infringing goods, and can be held liable for damages. However, the operator of a message board website should be regarded as a "specified telecommunications service provider" as specified in the Provider Liability Limitation Act, i.e., "provider" and should not be held liable either, even if a message posted on the message board is regarded as defamation, etc. unless [i] the operator has been aware of the infringement of another person's right caused by the posted message (Article 3, paragraph (1), item (i) of said Act) or [ii] the operator has been aware that the aforementioned message has been posted and there are reasonable grounds to find that the operator could have been aware of the infringement of another person's right caused by the posted message (Article 3, paragraph (1), item (ii) of said Act).

(B) While the plaintiff in the first instance referred to the Animal Hospital case (Judgment of the Tokyo High Court of December 25, 2002) and the Female Mahjong Player case (Judgment of the Tokyo District Court of June 25, 2003), both cases pertain to the online message board site "2 Channel." In the case of "2 Channel," connection information such as IP addresses is not stored. Consequently, it is practically impossible for the victim to identify the person who posted the message in question and hold that person liable. In those court cases, this characteristic of operational practices was pointed out as a rationale for recognizing the obligation of the operator of a website to

delete certain information.

However, in many of the judgments where the court adopted the principle of recognizing the broad obligation of deletion on the grounds that "the website operator is obliged to delete illegal information at the immediate point when it realized or could have realized that such information was being distributed," the court held that such a strict principle was applied because the manager of an anonymous message board assisted and promoted the posting of illegal messages by declaring that the access logs would not be recorded.

Therefore, the principle adopted in the aforementioned Animal Hospital case and the Female Mahjong Player case should never be applied to this court case where such assistance or promotion was absent. Furthermore, in the Animal Hospital case and the Female Mahjong Player case, the plaintiffs first identified specific messages that should be deleted and notified the operators to that effect by sending a warning and complaint. The recognition of the distribution of the information was found to have been made at the time of the receipt of these notifications.

The plaintiff of the first instance alleged that, in the case where the plaintiff makes a notification concerning a certain type of "goods" to the defendant of the first instance, if the same type of goods are offered thereafter, the defendant of the first instance would and should recognize the distribution of information that infringes a trademark right and should delete the information. However, it is completely impossible to accept this allegation, even if the principle applicable to "2 Channel" is applied.

(C) The Sanno University case (Judgment of the Tokyo District Court of October 1, 2008), to which the plaintiff of the first instance referred, is a unique case where the management system of a message board was changed from [i] a system under which any messages from third parties were automatically publicized (this is a system that is common among ordinary message boards) to [ii] a system under which messages were checked by the manager before they are made available to the public. In the judgment, the court recognized the obligation of the manager of the message board to delete messages only after the change to the system [ii]. On the other hand, the court held that, under system [i], it is practically impossible for the manager to constantly monitor all the messages posted on the message board and determine whether to delete any of them. The court found that it is necessary for the operator of a message board to have at least specific information about the posted messages in order to undertake the obligation to delete messages.

In the Rakuten Ichiba, shop owners can freely offer goods without undergoing product-specific examination by the defendant of the first instance. Therefore, the

Rakuten Ichiba is similar to system [i] mentioned above.

(D) In the Tokyo Metropolitan University case (Judgment of the Tokyo District Court of September 24, 1999), the court denied the obligation of the network manager to delete documents, by holding that it is often difficult for a website manager to determine whether the content of a document may be regarded as defamation, and that "Even if a network manager recognizes that the transmission of a defamation document actually took place, the network manager would be held liable to the victim for stopping said transmission only in extremely rare cases where it can be easily recognized that the document in question is a defamation document, that the act of the perpetrator was extremely malicious, and that the act caused serious damage."

(E) Regarding the judgment of the Intellectual Property High Court of September 28, 2010 ("judgment on video posting service"), the plaintiff of the first instance supported the judgment because the court found that the company managing and operating a video posting service "recorded or input" the users' posted information (video) on a server that may be regarded as "recording media of telecommunications facilities used by a telecommunications service provider, or in the transmission device of such specified telecommunications facilities" and concluded that said company may be regarded as a "sender" specified in Article 2 of the Provider Liability Limitation Act. The plaintiff of the first instance alleged that the defendant of the first instance should also be regarded as a "sender."

However, since there is a fundamental difference between a video posting service and the "Rakuten Ichiba," the conclusion of this judgment on video posting service cannot be applied to this court case.

First, in the judgment on video posting service, the court emphasized that, due to various reasons including the fact that the video posting service is operated on the premise of "anonymity," "which makes it difficult to hold a person posting certain information liable," "the service is likely to cause infringement of copyrights." The court concluded that, for this reason, "the recognition of the liability as a sender would not go against the purpose of the Provider Liability Limitation Act."

On the other hand, the shops participating in the Rakuten Ichiba are not "anonymous." On the contrary, right holders could easily obtain information such as the contact information of each shop owner. It is easy for a trademark right holder to seek a remedy such as an injunction against the shop owner who has infringed the trademark right.

Moreover, the Rakuten Ichiba, in which a massive majority of the goods offered are non-infringing goods, may not be regarded as a "service that is likely to cause

infringement of other persons' rights" and is therefore different from the service subject to the judgment on video posting service.

Second, in the judgment on video posting service, the court recognized the role of the service operator as an actor of infringement and found that the service operator may be regarded as a "sender" (Article 2, item (iv) of the Provider Liability Limitation Act) on the grounds that the service operator should be regarded as an "actor of infringement of a copyright, in other words, infringer itself." Therefore, the court did not determine the scope of the definition of "sender" specified in the Provider Liability Limitation Act.

As described above, in consideration of the great difference between this court case and the case concerning video posting service and the fact that, unlike the Copyright Act, the Trademark Act (Article 37) specifies the scope of protection against indirect infringement, there are no grounds for recognizing the role of the defendant of the first instance as an actor of infringement in this court case.

(F) In the judgment of the Tokyo District Court of June 15, 2011 ("Yahoo judgment"), the court recognized Yahoo as a joint tort-feasor (not as a person who posted a photograph (mere tort-feasor)) on the grounds that [i] Yahoo posted a photograph distributed from a newspaper company on the Yahoo news section based on a contract concerning provision of information and [ii] the size of the photograph showing an image of the deceased husband with handcuffs that was taken 20 years before occupies a large portion of the online news article section titled "Thoughts of the Bereaved Family."

The Yahoo news section is used for news distribution by Yahoo itself as a news distributor by procuring news articles from other newspaper companies, etc. A consensus has been achieved that Yahoo itself is an actor of distribution of such content. It is obviously understandable from the viewpoint of ordinary people that the "photograph showing an image of the deceased husband with handcuffs that was taken 20 years before," which was posted on the news article section titled "Thoughts of the Bereaved Family," would be considered inappropriate for such an article and would offend the bereaved family.

In other words, as far as said content is concerned, it is clear that Yahoo played the role of distributor and could have easily recognized the illegality of said content.

On the other hand, in the case of the Rakuten Ichiba, it is clearly stated that shop owners themselves function as actors of sale of goods offered therein, whereas the Rakuten Ichiba itself functions as a mere online shopping mall.

Moreover, as is the case with this lawsuit, in a case where infringement of a trademark right is suspected, it is impossible to determine whether an illegal act has

been committed or not until there has been a careful examination of whether it is possible to raise a defense, etc. against the allegation of the right holder as to right infringement. This is unlike the clear infringement in the case of the emotion of the bereaved family. In this way, the Yahoo case is very different from this lawsuit in terms of the preexisting circumstances and is almost useless as a court precedent for this lawsuit.

The Yahoo judgment shows that Yahoo did not allege that it should be subject to the limitation of liability for damages as a "specified telecommunications service provider" specified in the Provider Liability Limitation Act (Article 3, item (i) of the Provider Liability Limitation Act). Consequently, it was reasonable for the court not to make any determination on that issue in accordance with the principle of defense applied to civil lawsuits.

(G) As described above, none of the court cases referred to by the plaintiff of the first instance as the grounds for not recognizing the defendant of the first instance as a "specified telecommunications service provider" provides grounds for the allegation of the plaintiff of the first instance.

#### D. Summary

As described above, in order to recognize an act of facilitation as infringement of a trademark right, it is at least necessary for the relevant person to have recognition of a specific act of sale committed by a specific actor of sale. Any person who receives a notice of infringement related to a specific act of sale committed by a specific actor of sale would be unable to determine whether the alleged infringement has actually taken place, in the case of a trademark right, unless the person has knowledge of specific conditions, such as the existence or absence of the grant of a license and the possibilities of the right of prior use and parallel import. Therefore, regarding the goods sold in the Rakuten Ichiba, the defendant of the first instance, which is neither an owner of goods nor a party to a sales agreement, would realize the occurrence of infringement only on receipt of a notice of infringement from the right holder with regard to specific goods posted on a specific page of a specific shop owner. The defendant of the first instance would then notify the relevant shop owner to that effect, and have the shop owner, who is an actor of sale, check the allegedly infringing goods, receiving a notice to that effect from the shop owner. The defendant of the first instance can then confirm that the shop owner has voluntarily removed such goods.

Therefore, while the plaintiff of the first instance alleged that the defendant of the first instance could and should recognize infringement of the trademark rights even in the case where a sale, etc., of the goods is made by any person other than the shop

owners in charge of the webpages submitted by the plaintiff of the first instance as evidence," this allegation is unreasonable because it gives the defendant of the first instance an impossible task.

(11) Recognition of new acts of infringement (Allegation (7) of the plaintiff of the first instance in this instance)

A. The court found that the Dream Closet, C, opened an online shop "Dream Closet" in the Rakuten Ichiba on March 24, 2010 and that Product 2 bearing Mark 2 was displayed in "Dream Closet" in the Rakuten Ichiba around April 8, 2011, but has not acknowledged any other fact.

B. The court found that Candy Tower, D, displayed Product 3 bearing Mark 3 around April 8, 2011, but has not acknowledged any other fact.

C. The court found that Yugen Kaisha AICAMU displayed Product 3 bearing Mark 3 around April 8, 2011, but has not acknowledged any other fact.

D. The court found that Kabushiki Kaisha Nakaya displayed Product 5 bearing Mark 1 around April 8, 2011, but has not acknowledged any other fact.

#### No. 4 Court Decision

Upholding the judgment in prior instance, this court dismisses the claim of the plaintiff of the first instance on the following grounds.

##### 1. Infringement of the Trademark Rights by shop owners

(1) There is a consensus among the parties concerned about the fact that the plaintiff of the first instance owns Trademark Rights 1 to 3 as stated in No. 2, 1 above (the designated goods are presented as "designated goods" in (1) to (3) of the plaintiff's Trademark List attached to the judgment in prior instance).

(2) Also, there is a consensus among the parties concerned about the fact that, as of August 10, 2009, which was prior to the filing of this lawsuit, the shops below displayed the following goods for sale in the Rakuten Ichiba operated by the defendant of the first instance: [i] Product 1 (Baby bib) bearing Mark 1 displayed by a shop owner, Yugen Kaisha Tiki Tiki Company, [ii] Product 2 (Cap) bearing Mark 2 displayed by a shop owner, Kabushiki Kaisha SHELBY, [iii] Product 3 (Cell-phone charm) bearing Mark 3 displayed by a shop owner, Yugen Kaisha Datalink, [iv] Product 4 (Overnight bag) bearing Mark 4 displayed by a shop owner, Kabushiki Kaisha S.G. Nonfactory, [v] Product 5 (Mug) bearing Mark 1 displayed by a shop owner, Yugen Kaisha Tiki Tiki

Company, and [vi] Product 6 (Lunch box) bearing Mark 1 displayed by a shop owner, A (M's Store).

(3) Furthermore, there is a consensus among the parties concerned about the fact that, as of April 8, 2011, while the appeal proceedings were still pending, the following shops displayed the following goods for sale in the Rakuten Ichiba operated by the defendant of the first instance: [vii] Product 2 (Cap) bearing Mark 2 displayed by a shop owner, Dream Closet, C, [viii] Product 3 (Cell-phone charm) bearing Mark 3 displayed by a shop owner, Candy Tower, D, [ix] Product 3 (Cell-phone charm) bearing Mark 3 displayed by a shop owner, Yugen Kaisha AICAMU, and [x] Product 5 (Mug) bearing Mark 1 displayed by a shop owner, Kabushiki Kaisha Nakaya.

(4) There is a consensus among the parties concerned about the fact that Marks 1 to 4 attached to Products 1 to 6 were as stated in No. 2, 3(2) above (please refer to (1) to (4) of the Mark List attached to the judgment in prior instance). The following comparison between Trademark Rights 1 to 3 and Products 1 to 6 bearing Marks 1 to 4 has revealed that Marks 1 to 4 and Products 1 to 6 are similar to Trademark Rights 1 to 3 and their designated goods. Therefore, the offering of goods in the Rakuten Ichiba by the aforementioned shop owners may be regarded as "display for the purpose of assignment or delivery of (omitted) goods (omitted) to which a mark is affixed" (Article 2, paragraph (3), item (ii) of the Trademark Act) and therefore constitutes infringement of the aforementioned trademark rights of the plaintiff of the first instance (Article 37 of said Act).

A comparison between the trademark ("Trademark") protected by Trademark Rights 1 to 3 and Mark 1 has revealed the information as follows. The Trademark consists of red English characters "Chupa Chups" written horizontally over two lines with a yellow background shaped in the form of a flower. The Trademark is associated with the pronunciation "chuppa chapusu." Mark 1, which was attached to Products 1, 5, and 6, also consists of red English characters written horizontally over two lines with a yellow background shaped in the form of a flower with a small ® mark. Mark 1 is almost identical to the Trademark in terms of appearance and pronunciation "chuppa chapusu." Therefore, it is reasonable to consider that Mark 1 is similar to the Trademark. Marks 2 to 4 may also be considered to be similar to the Trademark for almost the same reasons.

Moreover, Products 1 to 6 may be considered to be identical or similar to the designated goods of Trademark Rights 1 to 3 (for details, please refer to (1) to (3) of the plaintiff's Trademark List attached to the judgment in prior instance).

Number	Product	Designated goods
1	Product 1 (Baby bib)	Trademark Right 1 (Class 25) Pajamas, underwear, aprons,, babies' diapers of textile
2	Product 2 (Cap)	Trademark Right 1 (Class 25) Headgear for wear
3	Product 3 (Cell-phone charm)	Trademark Right 2 (Class 9) Telecommunication machines and apparatus
4	Product 4 (Overnight bag)	Trademark Right 3 (Class 18) Bags and the like, pouches and the like
5	Product 5 (Mug) Product 6 (Lunch box)	Trademark Right 3 (Class 21) Tableware

#### (5) Summary

The above analysis has revealed that the offering of goods by the shop owners stated in [i] to [x] of (2) and (3) above in the Rakuten Ichiba operated by the defendant of the first instance may be regarded as "display for the purpose of assignment or delivery" that infringed Trademark Rights 1 to 3 owned by the plaintiff of the first instance.

2. Whether the operation of the Rakuten Ichiba by the defendant of the first instance constitutes infringement of the Trademark Rights of the plaintiff of the first instance

(1) Operation of the online shopping mall by the defendant of the first instance

According to the evidence (Exhibits Ko No. 21 to No. 23, Exhibit Otsu No. 1) and the entire import of the oral argument, the defendant of the first instance operates the Rakuten Ichiba as follows.

A. On a website (defendant's site) with the homepage at "http://www.rakuten.co.jp/," the defendant of the first instance operates an online shopping mall under the name of "Rakuten Ichiba" ("Rakuten Ichiba") where customers purchase goods from multiple

shop owners.

In the Rakuten Ichiba, each shop owner makes a webpage (shop page) available to the public and displays and sells goods at the "shop" (virtual shop) on the shop page. While each shop owner handles goods in a certain genre, the Rakuten Ichiba as a whole sells an enormous range of goods (over 38 million items).

B. Under the Rakuten Ichiba Participation Rules (the defendant's Rules, Exhibit Ko No. 21), the defendant of the first instance has a contractual relationship with each shop owner who applied for participation in the Rakuten Ichiba and each shop owner whose application for participation in the Rakuten Ichiba was approved. Major provisions of the defendant's Rules are as follows (Exhibit Ko No. 21).

"Article 1. General Provision

These Rules specify a contractual relationship ("Agreement") between Rakuten, Inc. ("Rakuten"), which operates an online shopping mall ("Mall"), and each applicant for mall participation ("shop owner") for mall participation under either Standard Plan or Megashop Plan."

"Article 2. Application for Mall Participation

1. Any shop owner who wants to sell goods or provide services ("sale, etc.") in the Mall ("mall participation") shall submit an application using the method designated by Rakuten.

2. If Rakuten approves the application specified in the preceding paragraph, Rakuten shall permit the shop owner to use, in accordance with the Rules, any other rules applicable to the two parties, and agreements such as guidelines (collectively, "Rules, etc."), the shop owner's page ("shop owner's page") on the server managed by Rakuten ("server"), the website framework designated by Rakuten that is necessary for sale, etc., and the database system, as well as the software for creating the Mall and shop owners' pages (the rest is omitted)."

"Article 6. Indication of Content

1. Within a reasonable period of time after the issuance date of an account, the shop owner shall, in accordance with the specifications established by Rakuten, prepare information, etc. ("content") concerning the goods or services ("goods, etc.") to be sold or provided by the shop owner.

2. The shop owner shall comply with the following rules when preparing the content specified in the preceding paragraph.

The shop owner:

(1) shall not present any indication that is against Article 18 or any other provision of the Rules, etc.;

(2) shall not present any indication that is obscene, disgusting, or unpleasant to ordinary people;

(3) shall present the indications on the matters required under Article 11 of the Act on Specified Commercial Transactions and Article 8 of the Ordinance for Enforcement of said Act, regardless of whether said Act is applied to goods, etc. or not;

(4) shall present the indications on the following matters in addition to the indications specified in the preceding items:

A. the name, telephone number, e-mail address of the person in charge of the management of the shop page;

B. business hours, regular holidays, etc.;

C. a notice to the effect that any inquiries and complaints about goods, etc. should be sent to the shop owner;

D. the screen for user shop evaluation points designated by Rakuten; and

E. any other matters designated by Rakuten.

3. Rakuten shall examine the content prepared by each shop owner under paragraph 1. If Rakuten finds the content appropriate for the Mall, Rakuten will approve mall participation by using said content, notify the shop owner to that effect, and make the shop page available in the Mall. After receiving this notification, the shop owner may conduct sale, etc. by using the aforementioned shop page; provided, however, that the same shall not apply if Rakuten cannot acknowledge the first payment of a basic mall participation fee.

4. The shop owner may, after its mall participation, revise and indicate revised content on the shop page to the extent permitted by paragraph 2 or any other provision of the Rules, etc. The shop owner shall regularly update the content in order to provide users with the latest information.

5. If Rakuten finds the content created by the shop owner inappropriate for the Mall, Rakuten may request changes to the content and indication. The shop owner shall fulfill the request (the rest is omitted)."

#### "Article 7. Sales Method

1. If the shop owner receives a purchase order, an application for a price, or an inquiry from a person who visited its shop page or finds its shop page used in any other way, the shop owner shall follow the necessary procedures directly with that person ("customer"), such as the delivery of goods, etc. and the settlement of the payment for the purchase.

2. If a credit card is used to settle the payment from the customer, the shop owner shall follow the "Rakuten Ichiba Credit Card Settlement Rules" separately specified by Rakuten.

3. The shop owner shall clearly indicate to each customer that only the shop owner and the customer are the parties to a transaction and that any rights and obligations related to the sale, etc. would arise only between the shop owner and the customer.

4. When conducting a sale, etc., the shop owner shall comply with the Act on Specified Commercial Transactions, the Installment Sales Act, the Act against Unjustifiable Premiums and Misleading Representations, and any other relevant laws and regulations.

5. If the shop owner has a dispute with a customer with regard to non-delivery of goods, etc., a delay in delivery, a defect, or any other matter, or if the shop owner has a dispute with a third party with regard to the content related to an IP right, such as a copyright or a trademark right, or a moral right, etc., such dispute shall be settled solely on the responsibility of and at the expense of the shop owner. If Rakuten is obliged to pay damages, etc. to a customer or any other third party, the shop owner shall pay Rakuten all of the amount shouldered by Rakuten and shall also pay Rakuten the attorney's fee and any other costs required for the settlement of the dispute. (the rest is omitted)."

"Article 9. Copyrights, etc.

1. Regarding the works presented on a shop page, Rakuten shall hold copyrights to the works created by Rakuten, while the shop owner shall hold copyrights to the works created by the shop owner.

2. If the shop owner posts on the shop page any work protected by a copyright of any third party other than the shop owner, the shop owner shall obtain a license in advance from the third party for the use of the work by Rakuten and the shop owner.

3. For the purpose of promoting the Mall, the shop owner shall license Rakuten to use, free of charge, the shop owner's or third party's works specified in the preceding two paragraphs by any method considered appropriate by Rakuten, such as creating a hyperlink from the Rakuten Ichiba or any other related site and OEM provision of the Rakuten Ichiba."

"Article 12. Basic Mall Participation Fee

1. The shop owner shall pay Rakuten the amount specified in the attached list as a basic mall participation fee (\*the following plans are available: Special Light Plan, Special Premium Light Plan, and Special "Ganbare!" Plan) in accordance with the type of mall participation.

2. The shop owner shall pay six months' worth of basic mall participation fee by the due date designated by Rakuten; provided, however, that the shop owner shall pay the first six months' worth of basic mall participation fee within 20 days after the account issuance date."

"Article 13. System Usage Fee

1. The shop owner shall pay Rakuten, as a usage fee for Rakuten's database ("system usage fee"), the total amount calculated by multiplication at the rate stated in the attached list (\*the following plans are available: Special Light Plan, Special Premium Light Plan, and Special "Ganbare!" Plan), the monthly sales ("standard sales"), calculated under this Article, in accordance with the type of sales (referring to the sales methods designated by Rakuten, such as "regular goods," "auction," "joint purchase goods," "RMS all goods mobile"; hereinafter the same) conducted through the shop page.

2. The standard sales shall be calculated based on the amount of payment for the goods, etc. registered by the shop owner in a shopping cart, excluding the consumption tax and shipping fee; provided, however, that the same shall not apply to the case where the shop owner registers in a shopping cart the amount of payment for goods, etc. including the consumption tax or the shipping fee.

3. The standard sales shall be calculated on the following base date set for each type of sales for a period of one month starting from the first day of the month to the last day of the month.

(1) Regular purchase, mobile all goods commerce, mobile commerce: the date of purchase

(2) Joint purchase: the expiration date of the joint purchase period

(3) Super auction: the date on which email was sent to announce the result

4. The standard sales for each month shall be finalized on the last day of the following month ("closing date"). The shop owner may register on the server any change or cancellation of sales using the method designated by Rakuten until the closing date. If the shop owner makes such registration, the change or cancellation shall be reflected in the standard sales. The shop owner may not change the standard sales on and after the date following the closing date.

5. If Rakuten finds any suspicious change or cancellation made by the shop owner under the preceding paragraph, Rakuten may request the shop owner to submit the necessary explanations and materials.

6. If the Agreement is terminated in the middle of a month, the termination date shall be considered to be the closing date of the standard sales for the final month. No further change may be made thereafter.

7. The standard sales shall be calculated by Rakuten based on the data on the server. The shop owner shall check the standard sales at the end of each month using the method designated by Rakuten and, if the shop owner has a complaint about the sales, the shop owner shall notify Rakuten to that effect within the period designated by Rakuten using

the method designated by Rakuten. If the shop owner fails to make such a notification within the period designated by Rakuten, the amount calculated by Rakuten would be finalized as the standard sales.

8. Rakuten shall send the shop owner a bill for the system usage fee for each month calculated based on the standard sales by the last day of the month following the closing date. The shop owner shall pay Rakuten the system usage fee using the method designated by Rakuten by the last day of the month two months after the closing date.

9. In the case where the shop owner has communications with a customer on the shop page or communications that originally started on the shop page, if the shop owner proposes a transaction outside the Mall or conducts a transaction outside the Mall, the shop owner shall pay Rakuten a system usage fee for the sales generated from that transaction as well."

"Article 15. Payment of a Mall Participation Fee, etc.

1. The shop owner shall bear the expenses necessary for the payment of a basic mall participation fee, system usage fee, fee for handling a request for materials, etc., and any other payment made from the shop owner to Rakuten under the Agreement ("mall participation fee, etc.).

2. If the shop owner fails to pay a mall participation fee, etc. by the due date, the shop owner shall pay Rakuten the delay damages accrued thereon calculated at an annual rate of 14.5% for the period from the due date to the payment completion date.

3. Even if the Agreement is terminated in the middle, the mall participation fee, etc. paid by the shop owner to Rakuten shall not be returned for any reason."

"Article 16. Customer Information

1. Rakuten shall obtain consent from each customer on the following points with regard to the handling of personal customer information such as the name, address, telephone number, e-mail address, sex, age of the customer, and the name and address of the school or company to which the customer belongs ("personal information") as well as the handling of mall usage information such as the purchase history at the Mall ("usage information"; personal information and usage information shall be collectively referred to as "customer information").

(1) Rakuten and any of Rakuten group companies that have been permitted by the customer to share customer information ("Rakuten, etc.") may use customer information for the purpose of promoting its business such as sending e-mail newsletters.

(2) The shop owner may use customers' personal information and usage information about its shop page to the extent necessary for the operation of its shop page in the Mall.

2. Regarding the customer information managed by Rakuten, Rakuten may take

measures to limit the types, scope, etc., of information to be disclosed to the shop owner, which Rakuten considers appropriate from the perspective of the protection of the privacy of customers and the maintenance of reliability of the Mall.

3. The shop owner may use customer information (including the information disclosed by Rakuten and any information that the shop owner directly obtained in the course of the operation of the shop page; hereinafter the same) only to the extent approved by the Rules and permitted by customers' consent under paragraph 1 in consideration of customers' privacy and the benefit of the Mall as a whole. The shop owner may not have any third party leak, disclose, provide, or otherwise handle customer information either for free or for a fee; provided, however, that the shop owner may disclose customer information to their commissioned settlement companies and delivery companies to the extent necessary for the settlement of payments and the delivery of goods, etc. only after imposing on those companies a secrecy obligation that is equivalent to the one imposed under this Article.

4. After the termination of the Agreement, the shop owner may not use customer information without written consent from Rakuten. Upon the termination of the Agreement, the shop owner may not retrieve customer information that falls under the control of Rakuten.

5. The shop owner shall fulfill obligations, etc. as a business operator handling personal information specified in the Act on the Protection of Personal Information, regardless of whether the shop owner may be regarded as a business operator handling personal information specified in said Act.

6. The shop owner shall be fully aware that the leakage of customer information would damage the credibility of the Rakuten Ichiba or have other serious effects on the Rakuten Ichiba as a whole, and shall take necessary measures to prevent leakage of customer information to third parties, such as the establishment of the methods of proper storage and destruction of customer information, the appointment of information managers, and the implementation of employee education programs. If the shop owner leaks customer information to a third party, the shop owner shall be liable for all of the damage and expenses (including the money paid to the customer as a token of apology and the attorney's fee) caused to Rakuten, etc. by the leakage, regardless of whether the information was leaked either willfully or negligently.

7. Paragraph 4 and the preceding paragraph shall survive the termination of the Agreement."

#### "Article 18. Prohibited Acts

1. The shop owner may not conduct the following acts:

- (1) any act that violates or is likely to violate a law or regulation;
- (2) any act against the public policy;
- (3) any act that violates the voluntary standards concerning advertisements established by the Japan Direct Marketing Association;
- (4) any act that could mislead consumers;
- (5) an act of infringement of a property right (including an IP right), an act of infringement of reputation or privacy, an act of defamation, or any other act that is against the interests of Rakuten, any other shop owner, or a third party, or any act that could cause such a consequence;
- (6) an act of disclosing a shop page to third parties (including the act of advertising the shop page and giving notification of its URL) and an act of conducting sale, etc. by using the shop page before obtaining approval for mall participation as specified in Article 6, paragraph 3.;
- (7) an act of advertising the shop outside the Mall or establishing a hyperlink to an outside website, an act of inviting customers to conduct transactions outside the Mall by using various methods such as indicating preferential conditions for transactions conducted outside the website through telephone, fax, e-mail, etc.;
- (8) an act of sending, by any means other than R-Mail, any e-mail containing an advertisement to the e-mail addresses obtained through the use of the Mall;
- (9) an act of using, after the termination of the Agreement, e-mail addresses and any other customer information obtained through the operation of the shop page in the Mall (including, but not limited to, an act of invitation such as sending e-mails containing an advertisement);
- (10) an act of conducting business that is the same or similar to the business of Rakuten;
- (11) an act of hindering the operation or maintenance of the services of Rakuten;
- (12) an act of modifying information that can be used in connection with the Mall;
- (13) an act of sending or inputting any harmful computer program, e-mails, etc.;
- (14) an act of accessing Rakuten's computer such as its server without due authorization; and
- (15) any act that Rakuten separately specifies as a prohibited act.

2. The shop owner may not sell any goods, etc. that are subject to prohibition of sale under a law or regulation, any goods, etc. that are likely to infringe any third party's right, any goods that Rakuten separately notified the shop owner to the effect that the sale of the goods is prohibited, or any goods that Rakuten found to be not in line with the image of the Mall."

"Article 20. Temporary Suspension of Services

The shop owner shall acknowledge in advance that the service provided by Rakuten under Article 2, paragraph 2 ("service") could be temporarily suspended without prior notice to the shop owner for any of the following reasons and shall not demand that Rakuten return the basic mall participation fee, etc. or pay compensation, etc. for any damage after the suspension of the service:

- (1) Suspension due to checking, repair, maintenance, improvement, etc. of the server, software, etc. of Rakuten;
- (2) Suspension due to an accident, failure of a computer, telecommunications line, etc.;
- or
- (3) Suspension that Rakuten considers inevitable in order to protect the interests of Rakuten, the customer, another shop owner, or any other third party."

"Article 21. Suspension of Mall Participation, etc.

1. If the shop owner falls under any of the following conditions, Rakuten may suspend the mall participation of the shop owner, delete the content displayed by the shop owner, publicize the reason for the suspension of mall participation, or take any other necessary measures. In this case, the shop owner shall promptly follow the instructions of Rakuten and take remedial measures. This Article shall not preclude the cancellation and termination of the Agreement by Rakuten under Article 26:

- (1) in the case where any reason specified in Article 26, paragraph 1 arises;
- (2) in the case where customers who have purchased goods, etc. at the shop of the shop owner frequently complain about non-delivery, delayed delivery, or trouble related to refund; or
- (3) in the case where Rakuten found it necessary to take measures such as suspension of mall participation from the perspective of consumer protection."

- The specific amount that each shop owner shall pay to the defendant of the first instance varies depending on the contract type (plan) and the sales, etc. Each shop owner shall pay the defendant of the first instance a basic mall participation fee (fixed amount) and a system usage fee (determined according to the sales) (Articles 12 and 13 of the defendant's Rules).

The following tables are a part of the basic mall participation fees and system usage fees for the "Standard Plan" specified in the defendant's Rules (up to 10,000 items) (Exhibit Ko No. 21, page 9)

Standard Plan and Mega Shop Plan (Attached tables)

Maximum number of items for registration and monthly mall participation fee

(excluding taxes)

Type of shop	Number of goods	Monthly mall participation fee (excluding taxes)
Standard shop	10,000 items	50,000 yen
Mega shop	No limit	100,000 yen

System usage fee for regular goods and auction (excluding taxes)

Average basket unit price	Monthly sales						
	Up to 1M yen	Up to 2M yen	Up to 3M yen	Up to 5M yen	Up to 10M yen	Up to 30M yen	More than 30M yen
0-7,000	4.0%	3.0%	3.0%	2.8%	2.8%	2.6%	2.4%
7,000-15,000 (inclusive)		3.0%	2.8%	2.8%	2.6%	2.4%	2.4%
15,000-25,000 (inclusive)		2.8%	2.8%	2.6%	2.4%	2.4%	2.2%
25,000-35,000 (inclusive)		2.8%	2.6%	2.4%	2.4%	2.2%	2.2%
35,000-50,000 (inclusive)		2.6%	2.4%	2.4%	2.2%	2.2%	2.0%
50,000 -		2.4%	2.4%	2.2%	2.2%	2.0%	2.0%

\* "Average basket unit price" means the monthly amount subject to the calculation of a system usage fee. The monthly amount shall be calculated as follows.

(Sales of regular goods + Sales of auction) divided by (Number of regular goods sold + Number of auctioned items)

C. The procedure for purchasing goods in the Rakuten Ichiba is as follows.

(A) Any customer who wants to purchase goods in the Rakuten Ichiba may use the search tool available on the defendant's site, search through all of the goods sold by shop owners in the Rakuten Ichiba, and select goods by making a comparison based on the retrieved data displayed on the screen.

When the customer decides which goods to purchase and clicks "Add to Cart" on the shop page of the shop owner, the goods will be added to the "cart."

To place a purchase order for the goods in the "cart," the customer is requested to input the necessary customer information on the page starting from "http://order.step.rakuten.co.jp/rms/mall/basket/vc." All the information input to the page such as the name, address, telephone number, etc. of the purchaser will be provided by the defendant of the first instance to the shop owner.

More specifically, if the customer is a member of the site of defendant of the first instance, the information stored by the defendant of the first instance would be provided by the defendant of the first instance to the shop owner in accordance with the Personal Information Protection Policy. If the customer is not a member of the site of the defendant of the first instance, the customer would input his/her name, address, telephone number, etc. on the defendant's site and send the information to the defendant of the first instance. Upon receipt of this information, the defendant of the first instance would provide the information to the shop owner in accordance with the Personal Information Protection Policy.

When the ordering procedure is completed, an e-mail titled "[Rakuten Ichiba] Confirmation of the purchase order (automatic mail)" is sent from the defendant of the first instance (order@rakuten.co.jp) to the customer.

Each shop owner is prohibited from providing a link from its shop page to any site outside the defendant's site and presenting its URL, and conducting any act such as "stating that a purchase order may be placed through e-mail, telephone, or fax" for the purpose of preventing a system usage fee, etc. (Exhibit Ko No. 22 [Mall Participation Guidebook], page 58, [4. Prohibited Acts]).

(B) If a customer purchases goods from a shop owner in the Rakuten Ichiba, a certain number of points calculated based on the purchase amount ("Rakuten Super Points," usually 1% of the purchase amount) would be granted to the customer. The customer may use the points to purchase goods by calculating one point as one yen.

These points are granted not by the shop owner from which a customer purchased goods but by the defendant of the first instance. Therefore, the customer may use these points to purchase goods not only from the shop from which the customer purchased goods to obtain those points but also from any other shop in the Rakuten Ichiba operated by the defendant of the first instance. The amount of money equivalent to the points used for the purchase of goods would be paid from the defendant of the first instance to the shop owner through bank account transfer (Exhibit Ko No. 21, Article 8, paragraphs 1 and 2. of the "Rakuten Super Points Usage Rules" in the defendant's Rules).

D. The system, etc., provided by the defendant of the first instance in the Rakuten

Ichiba is as follows.

(A) Provision of the operation system "RMS"

The defendant of the first instance has independently developed the Rakuten Merchant Server (RMS) and allows shop owners to use it in order to operate virtual shops in the Rakuten Ichiba.

The RMS is designed not only to function as a system to "attract customers and promote the sales necessary for operating shops but also to support shops by providing them with various settlement and delivery services." The RMS offers such functions as the "shop establishment function" (R-Storefront) to "establish a shop," the "purchase order management function" (R-Backoffice) to "operate a shop," the "sales and access analysis function" (R-Datatool) to "analyze shop data," the "e-mail distribution function" (R-Mail) to "provide follow-up services for users," and the "credit card automatic settlement function" (R-Card Plus).

a. Shop establishment function (R-Storefront)

The shop establishment function allows each shop owner to conduct "various tasks on the website such as creating a shop layout, placing products (product shelf), deciding featured products, and attaching price tags." This function allows webpage editing without advanced technical knowledge. For example, each shop owner can log in to the RMS main menu by using the given ID and password, can click "product page set menu" on the main menu and register a specific product on the shop page of the shop owner in the Rakuten Ichiba simply by inputting the specified information necessary to register the product (Exhibit Otsu No. 1).

b. Purchase order management function (R-Backoffice)

The purpose of the purchase order management function is to allow each shop owner to conduct "various tasks on the website such as receiving a purchase order, delivering goods, issuing a receipt, and compiling sales records." For instance, the function allows each shop owner to display a list of purchase orders on the defendant's site and easily send e-mails to customers to confirm purchase orders, give notification of the shipment of the purchased goods, and express its appreciation for the purchase.

It also provides the function of printing a purchase statement to be sent to the customer, an order statement to support the task of packaging and delivering goods, and an account statement to support the task of receiving payments. This function allows each shop owner to handle purchase orders from customers in a courteous and efficient manner. Thanks to this function, each shop owner can retrieve data concerning purchase order management, which allows "preparation of slips given to delivery companies, processing of delivery statements, printing of address labels, and coordination with its

sales management system."

c. Sales and access analysis function (R-Datatool)

The purpose of the sales and access analysis function is to "allow each shop owner to conduct various tasks on the website such as the task of counting the number of daily accesses (visits to the shop), calculating the sales for each time zone, calculating the sales of each product, and analyzing the types of customers." By "analyzing the strengths and weaknesses of its shop," each shop owner can "take measures to further increase its sales." To perform this function, the defendant provides each shop owner with monthly data on the business of the shop owner so that the shop owner can check "basic data necessary for the operation of the shop such as the sales, the number of accesses, and conversion rate (purchase rate)." Each shop owner can check the daily sales by looking at a graph and also the number of accesses to the shop, the number of accesses to each page (product page or product shelf page), and the methods of reaching the page of the shop owner (which search site and what keywords were used). Thanks to this function, each shop owner can distribute its e-mail newsletters, conduct sales campaigns, and select goods suitable for customers in an efficient manner.

d. E-mail distribution function

The e-mail distribution function is a "DM (direct mail) function to create communications with users." This function allows each shop owner to conduct "various tasks on the website such as introducing the shop and featured products." This function offers a "segment distribution function, which allows each shop owner to send e-mails to a specific group of customers and to easily change the content and timing of e-mails in accordance with the characteristics of users" so that the shop owner can take a strategic approach.

e. Settlement service

The purpose of the credit card automatic settlement function (R-Card Plus) is to allow "the defendant of the first instance to follow the complicated procedure of concluding a member store agreement with each credit card company on behalf of shop owners" so as to allow the shop owner to "automatically complete credit card verification procedure (authorization procedure) upon receipt of a purchase order without independently checking with credit card companies." Thanks to this function, "the complicated task can be greatly simplified." It is "safer for customers because the users' credit card numbers will not be handled by shop owners when the credit card settlement is made."

Furthermore, the defendant of the first instance provides a "settlement system (bank account transfer system), which allows shopping only after Rakuten membership

verification."

f. Services related to packaging, shipping, and distribution

As a "packaging material service," the defendant of the first instance sells on the site named "Shobai hanjo! Rakuten Hansoku Ichiba" (Prosperous business, Rakuten sales promotion marketplace) "materials necessary for online sales such as cardboard boxes, water-repellent home delivery bags, vinyl tape which carries the Rakuten's logo, etc., exclusively to shop owners, starting from a small lot size" at low prices.

Regarding delivery, the defendant of the first instance provides each shop owner with a "delivery program" prepared by each delivery company.

The defendant of the first instance also provides logistics outsourcing service "Rakuten Butsuryū" (Rakuten logistics). In this service, "logistic specialists versed in e-commerce" provide a "custom-made one-stop outsourcing service starting from receiving, storing, packaging, shipping, and delivering goods" "by responding meticulously based on their knowledge of the business conditions of shops like those participating in the Rakuten Ichiba."

(B) Provision of a function for collection of customer information

The defendant of the first instance provides the "function to hold an event of offering gifts or soliciting volunteers for trying out new products" as a "function to easily hold an event of offering gifts or soliciting volunteers for trying out new products, which is effective for collecting e-mail addresses, and to efficiently handle applications received in such event (Exhibit Ko No. 23) and provides the "function to hold an auction" as a "function most suitable for creating a list of the 'customers who are interested in that particular product'" (Exhibits Ko No. 22 and No. 23).

(C) Provision of a platform to disclose ranking and send information from customers

The defendant of the first instance "publicizes, at the 'Rankingu Ichiba' (Ranking marketplace), daily, weekly, and monthly ranking based on its own calculation with reference to the relevant data such as the sales, the number of products sold, the number of shops that handle a certain product, and information on the trends in the Rakuten Ichiba."

The "Okaimono rebyū" (Shopping review) function allows the posting of comments by customers who actually purchased goods. This function has the effect of promoting purchase by other customers because "Customers bring customers, increasing customers by word of mouth." In addition, the defendant of the first instance provides the function "Tomodachi ni meiru de susumeru" (recommending goods to friends by e-mail) and the blog function.

(D) Provision of information on know-how and trends

The defendant of the first instance provides shop owners with the service named "Rakuten Daigaku" (Rakuten University), which is designed to "systematically teach them how to operate an online shop," more specifically, the "well-structured know-how (framework) accumulated by analyzing and systematizing example cases of success and failure in the Rakuten Ichiba in such a way that would give tips to shop owners in any business field" (Exhibit Ko No. 22).

"Rankingu Ichiba" (Ranking marketplace) not only provides information to customers but also provides "trend-related information" to shop owners.

(E) Advice and consulting

The defendant of the first instance provides a service to "share a goal (vision) with the companies (shops) that have already participated or plan to participate in the Rakuten Ichiba and give advice concerning a strategy to achieve the goal" through "Shutten consalutanto" (mall participation consultant), "Shoppu adobaiza" (Shop adviser), and "EC konsarutanto" (EC consultant) (Exhibit Ko No. 22).

(F) Provision of customer information

The defendant of the first instance provides to a shop owner via the server of the defendant of the first instance "the name, address, telephone number, e-mail address, sex, and age of a customer, the name and address of the school or company to which the customer belongs, and any other personal information" (personal information of a customer). In other words, regarding every sales transaction conducted in the Rakuten Ichiba, the customer information concerning that transaction will be automatically provided to the shop owner that is involved in the transaction via the defendant's ASP server, when the customer follows the transaction procedure.

(2) Past negotiations between the plaintiff of the first instance and the defendant of the first instance

According to the evidence (Exhibits Ko No. 7-1, No. 8 to No. 20, No. 33 to No. 36, No. 57-1, No. 58 to No. 62, No. 76, No. 77, Otsu No. 10, No. 15-1 to No. 15-4) and the entire import of the oral argument, the past negotiations between the plaintiff of the first instance and the defendant of the first instance are as follows.

A. From around 2009, the plaintiff of the first instance noticed that goods infringing the Trademark Rights owned by the plaintiff of the first instance started to be displayed for sale, etc. in the Rakuten Ichiba (the defendant's site), which is an online shopping mall operated by the defendant of the first instance. Regarding the shop owners specified in 1 and 2 in the list below (Yugen Kaisha Canyon Crest and Shimokita yorozu zakkaten), the plaintiff of the first instance sent the defendant of the first instance e-mails written in

English on April 3 and April 6, 2009 (Exhibit Ko No. 33) and postal mail written in English on April 7, 2009 (Exhibit Ko No. 34), respectively, to the effect that the defendant of the first instance should suspend the advertisement and offer for sale of the relevant goods through the website. Having received no response from the defendant of the first instance, the plaintiff of the first instance sent a content-certified mail under the name of the counsel attorney to request deletion, etc. of infringing photographs displayed by the shop owner specified in 2 below (Shimokita yorozu zakkaten) on April 16, 2009. The mail arrived at the defendant of the first instance on April 20, 2009 (Exhibits Ko No. 35-1 to No. 35-3). The defendant of the first instance sent a reply dated April 20, 2009 (Exhibit Ko No. 36) to dismiss the request. The reason for the dismissal may be summarized as follows. The content of each shop page in the Rakuten Ichiba is determined at the responsibility of the shop owner. Therefore, any sales agreement established through a shop page should be regarded as an agreement between the purchaser and the shop owner. Any person who finds an image used in an advertisement, etc. problematic should have negotiations, etc. directly with the shop owner. The defendant of the first instance, who merely operates the website, should not be involved in the negotiations, etc.

B. Dissatisfied with the dismissal, the plaintiff of the first instance filed this lawsuit on September 25, 2009 (Regarding this case, a complaint was served on the defendant of the first instance on October 20, 2009). Around that time, the following shop owners displayed goods infringing the Trademark Rights on the defendant's site (Rakuten Ichiba).

No.	Date of display	Shop owner	Displayed goods
1	Around April 2, 2009	Yugen Kaisha Canyon Crest	Key chain (Exhibit Ko No. 76)
2	Around April 2, 2009	Shimokita yorozu zakkaten	Baby bib (Exhibits Ko No. 35-1, No. 35- 2, No. 77)
3	Around August 10, 2009	Yugen Kaisha Tiki Tiki Company	Same as above (Exhibit Ko No. 7-1, No. 8, Product 1)
4	Around August 10, 2009	Kabushiki Kaisha SHELBY	Cap (Exhibit Ko No. 9 to No. 11, Product 2)
5	Around August 10, 2009	Yugen Kaisha Datalink	Cell-phone charm (Exhibit Ko No. 12 to No. 14, No. 15-1, No. 16, No. 17, Product 3)
6	Around August	Kabushiki Kaisha S.G.	Overnight bag (Exhibit Ko No.

	10, 2009	Nonfactory	18, Product 4)
7	Around August 10, 2009	Yugen Kaisha Tiki Tiki Company	Mug (Exhibit Ko No. 19, Product 5)
8	Around August 10, 2009	A (M's Store)	Lunch box (Exhibit Ko No. 20, Product 6)

C. On August 31, 2010, the judgment in prior instance was made. Dissatisfied with the judgment, the plaintiff of the first instance filed this appeal on October 12, 2010. Among the shop owners who displayed goods infringing the Trademark Rights in the defendant's site (Rakuten Ichiba), the following shop owners were found to have subsequently displayed infringing goods.

No.	Date of display	Shop owner	Displayed goods
9	Around April 6, 2011	Dream Closet, C	Cap (Exhibit Ko No. 57-1, Product 2)
10	Around April 6, 2011	Candy Tower, D	Cell-phone charm (Exhibit Ko No. 58, Product 3)
11	Around April 6, 2011	Yugen Kaisha AICAMU	Same as above (Exhibit Ko No. 59, Product 3)
12	Around April 6, 2011	Kabushiki Kaisha Nakaya	Mug (Exhibits Ko No. 60 to No. 62, Product 5)

D. Thanks, in part, to the warnings sent from the plaintiff of the first instance or the measures taken by the defendant of the first instance, the information displayed by the aforementioned shop owners on the defendant's site was deleted by around April 20, 2009 with respect to the goods specified in 1 and 2 above (Exhibit Ko No. 36, the entire import of the oral argument), by around October 28, 2009 with respect to the goods specified in 3 to 8 above (Exhibit Otsu No. 10, the entire import of the oral argument), and by around April 12, 2011 with respect to the goods specified in 9 to 12 above (Exhibits Otsu No. 15-1 to No. 15-4, the entire import of the oral argument).

### (3) Examination

A. Like the defendant's site in this case, in the case where multiple shop owners establish their respective webpages (shop pages) on the website and display goods in their shops (virtual shops) on those shop pages to allow customers who visit the shops to purchase goods from the shop owners by following the specified procedure, if any of

the goods displayed on the aforementioned webpages infringe a trademark right of a third party, the holder of the trademark right would obviously be entitled to take actions directly against the shop owner who displays the aforementioned goods, i.e., seeking an injunction such as the deletion, etc. of the infringing goods from the webpage and demanding damages on the grounds that the trademark right has been infringed. Furthermore, in the case where the operator of a webpage not only merely provides a platform, etc. that allows each shop owner to establish a webpage, but also manages and controls webpages by providing a management system, determining whether to accept a request from a shop owner for mall participation, temporarily suspending services to a shop owner, and suspending mall participation of a shop owner, if the operator of the webpage, who receives profits from each shop owner such as a basic mall participation fee or a system usage fee, is aware that a shop owner has committed infringement of a trademark right or as long as there are legitimate reasons to believe so, unless the infringing information is deleted from the webpage within a reasonable period of time, it would be reasonable to interpret that, after the expiration of the aforementioned reasonable period of time, the holder of the trademark right would be entitled to seek an injunction and damages against the operator of the webpage on the grounds that the trademark right has been infringed, in the same manner that would be adopted by the holder of the trademark right in taking such action against the shop owner. In this case, the following facts (1) to (5) are found: (1) sales methods like the method using the defendant's site (Rakuten Ichiba) in this case, where customers can engage in online shopping and purchase goods from many shop owners through webpages, are convenient for both sellers and purchasers and beneficial for society as a whole. Since most of the goods displayed on the webpages do not infringe a trademark right of a third party, the method of selling goods adopted in this case is not likely to cause infringement of a trademark right in principle; (2) even if certain goods displayed by a shop owner on a webpage are suspected of infringing a registered trademark right, the display of the aforementioned goods may not be immediately recognized by the operator of the webpage as highly likely to infringe a trademark right because the shop owner might be the holder of a right of prior use or might have obtained a license from the holder of the trademark right, or might be handling parallel imports; (3) however, in view of the fact that an act of infringing a trademark right should be regarded as a violation of the Trademark Act, which constitutes a criminal act that violates penal law, the operator of the webpage could be considered as a person who has facilitated the violation of said Act if the operator of the webpage has specifically recognized and allowed infringement of a trademark right of a third party by any goods displayed by a

shop owner; (4) the operator of the webpage has concluded a mall participation agreement with each shop owner and has been gaining business profits in the form of a mall participation fee and a system usage fee through the operation of the aforementioned webpage; and (5) if the operator of the webpage recognizes infringement of a trademark right, the operator of the webpage could take preventive measures such as deletion of the infringing content, suspension of mall participation, etc. under the agreement concluded with the shop owner. Based on a comprehensive evaluation of these facts, it may be reasonable to oblige the operator of the webpage, having received a notification of trademark right infringement from the holder of the trademark right, to promptly check whether the alleged infringement has really taken place by asking for the opinions of the shop owner or taking any other measures. As long as the operator of the webpage fulfills this obligation, the operator of the webpage should not be subject to an injunction or damages on the grounds of infringement of a trademark right. If the operator of the webpage fails to fulfill this obligation, the operator of the webpage should be interpreted to be subject to these remedial measures, in the same way as the shop owner is obligated.

As far as the Trademark Act is concerned, Article 37 clarifies which acts may be regarded as infringement. Article 25 of said Act states that a trademark right is a right to "have an exclusive right to use a registered trademark in connection with the designated goods or designated services." Article 36, paragraph (1) of said Act specifies that the holder of a trademark right may "demand a person who is infringing or is likely to infringe the trademark right (omitted) to stop or prevent such infringement." Therefore, infringement of a trademark right should not be limited to the cases involving "use" of a mark as specified in Article 2, paragraph (3) of the Trademark Act. It should be permitted to identify the actor of infringement from a social and economic perspective. The aforementioned explicit provision of the Trademark Act concerning indirect infringement (Article 37 of said Act) should not be interpreted to be limiting infringement of a trademark right to any cases that fall under the aforementioned explicit provision.

B. An examination of this case from the aforementioned perspective has revealed that the defendant of the first instance operates an online shopping mall that has the system specified in (1) above and receives business profits from each shop owner such as a mall participation fee and a system usage fee, and also reveals that, regarding the display of the goods specified in (2), B., No. 1 and 2 above, while there was an 18-day gap between the date of display and the date of deletion, the date when the defendant of the first instance must have recognized the infringement of the Trademark Rights was

April 20, 2009, on which date the defendant of the first instance received a content-certified letter issued by the counsel attorney, and it was revealed that the infringing information was deleted on the same date. Furthermore, it has also been revealed that, regarding the display of the goods specified in (2), B., No. 3 to 8 above, while there was an about 80-day gap between the date of display and the date of deletion, the date when the defendant of the first instance must have recognized the infringement of the Trademark Rights was October 20, 2009, on which date a complaint for this lawsuit was served, and it was revealed that the infringing information was deleted eight days after October 20, 2009. Regarding the display of goods specified in (2), C., No. 9 to 12 above, there was a six-day gap between the date of display and the date of deletion.

In consideration of the facts mentioned above, it would be reasonable to consider that the defendant of the first instance, who operates the website, redressed the infringement of the trademark rights within a reasonable period of eight days from the time when the defendant of the first instance recognized the infringement of the Trademark Rights.

(4) On these grounds, in consideration of the facts found in this case, the operation of the Rakuten Ichiba by the defendant of the first instance may not be considered to have illegally infringed the Trademark Rights of the plaintiff of the first instance.

3. Issue as to whether the operation of the Rakuten Ichiba by the defendant of the first instance constitutes an act of unfair competition against the plaintiff of the first instance

The plaintiff of the first instance alleged that the indication, etc. of "Chupa Chups" had already become famous or well-known among consumers as an indication of the goods of the plaintiff of the first instance by 2008 at the latest, that there has been actual misunderstanding and confusion that Products carrying Marks, which are similar to the aforementioned indication, etc., have been manufactured, sold, or licensed by the plaintiff of the first instance, or there is at least a risk of causing such misunderstanding and confusion and, therefore, that an act of unfair competition specified in Article 2, paragraph (1), items (i) and (ii) of the Unfair Competition Prevention Act has been committed.

However, as described in 2 above, on the premise of the measures taken by the defendant of the first instance in this case, the operation of the Rakuten Ichiba by the defendant of the first instance may not be regarded as an act of unfair competition against the plaintiff of the first instance. Therefore, the court finds the plaintiff's

allegation as stated above groundless.

#### 4. Determination concerning other allegations of the plaintiff of the first instance

While the plaintiff of the first instance alleged that, for various reasons associated with the Rakuten Ichiba, the act of the defendant of the first instance in this case goes beyond the mere provision of a platform. However, the court took into consideration all of the circumstances surrounding this case, including the facts alleged by the plaintiff of the first instance, and made the judgment that the defendant of the first instance may not be held liable for the infringement of the trademark rights. Therefore, the court finds the plaintiff's allegation as stated above groundless.

While the plaintiff of the first instance made many other allegations, it is not necessary to make a determination on any of them.

#### 5. Conclusion

As described above, the court finds that the claims of the plaintiff of the first instance are groundless and that the conclusion of the judgment in prior instance is correct.

This appeal shall be dismissed and the judgment shall be rendered in the form of the main text.

Intellectual Property High Court, First Division

Presiding judge: NAKANO Tetsuhiro

Judge: SHOJI Tamotsu

Judge: YAGUCHI Toshiya