

Judgment rendered on September 26, 2002

2001 (Ne) 6316, 2002 (Ne) 1980, Appeal Case of Seeking Payment of Damages for Infringement of Trademark Right, Incidental Appeal Case (Court of prior instance: Tokyo District Court, 2000 (Wa) 15912)

Date of conclusion of oral argument: July 16, 2002

Judgment

Appellant (Appellee in the incidental appeal case and the plaintiff in the first instance): TANABE INTERNATIONAL Co., Ltd. (the "plaintiff in the first instance")

Appellee (Appellant in the incidental appeal case and the defendant in the first instance): JTB Traveland Trading, Inc. (the "defendant in the first instance")

Supporting intervener of the defendant in the first instance: Kabushiki Kaisha Musu (the "supporting intervener")

Main text

1. This appeal filed by the plaintiff in the first instance shall be dismissed.
2. Based on the incidental appeal filed by the defendant in the first instance, the judgment in prior instance shall be modified as follows.
 - (1) The defendant in the first instance shall pay the plaintiff in the first instance 252,162 yen and money accrued thereon at the rate of 5% per annum for the period from August 23, 2000, until the date of full payment.
 - (2) Any other claims of the plaintiff in the first instance shall be dismissed.
3. Any other part of the incidental appeal filed by the defendant in the first instance shall be dismissed.
4. The court costs shall be divided into ten portions in the first and second instances. Nine of those ten portions shall be borne by the plaintiff in the first instance, while the remaining one portion shall be borne by the defendant in the first instance. The costs generated as a result of supporting intervention shall be borne by the plaintiff in the first instance.
5. This judgment may be provisionally executed as far as paragraph 2 (1) is concerned.

Facts and reasons

No. 1 Judicial decision sought by the parties

1. Plaintiff in the first instance

(1) Paragraphs 1 and 2 of the judgment in prior instance shall be modified as follows.

"The defendant in the first instance shall pay the plaintiff in the first instance 10,216,800 yen and money accrued thereon at the rate of 5% per annum for the period from August 23, 2000, until the date of full payment.

(2) The court costs for both the first and second instances shall be borne by the defendant in the first instance.

(3) This judgment may be provisionally executed.

2. Defendant in the first instance and the supporting intervener

(1) The judgment in prior instance with respect to the part for which the defendant in the first instance lost the case shall be dismissed.

(2) The claims of the plaintiff in the first instance shall be dismissed.

(3) The court costs for both the first and second instances shall be borne by the plaintiff in the first instance.

No. 2 Outlines of the case

1. The defendant in the first instance used an image of maple syrup made in Canada (the "defendant's goods") bearing the mark presented in the attached "List of Defendant's Mark" (the "defendant's mark") in the mail-order catalogs of the defendant in the first instance (the "Catalogs"). The plaintiff in the first instance alleged that such act of the defendant in the first instance constitutes infringement of a trademark right for a trademark held by the plaintiff in the first instance (Trademark Registration No. 2377063) (the "Trademark"), and demanded that the defendant in the first instance pay damages for infringement of the trademark right. The judgment in prior instance recognized the occurrence of infringement of the trademark right and partially accepted the claim of the plaintiff in the first instance for payment of damages.

As shown in the attached "List of Plaintiff's Trademark," the Trademark consists of a designed figure of a maple leaf against the background circle (the "Figure") and the characters "Canadian Maple Syrup" and "カナディアンメープルシロップ" written horizontally in two lines below the figure. The defendant's mark, which was used for the defendant's goods, consists of the Figure against the background circle and the characters "Canadian Maple Syrup" on the slightly lower central part of the Figure. The defendant's goods were manufactured by a Canadian company, Turkey Hill Sugarbush Ltd. ("Turkey"), which used to be a business partner of the plaintiff in the first instance. The supporting intervener or a non-party Yugen Kaisha X ("Company X") imports those

goods and sells them to the defendant in the first instance, which then sells them to customers through a mail-order system called "海外宅配便・おみやげおまかせ" (Kaigai takuhaibin, Omiyage omakase) (Overseas souvenir delivery service) (the goods sold in FY1996 were delivered by the supporting intervener, while the goods sold in FY1999 were delivered by Company X).

(omitted)

No. 3 Court decision

(omitted)

2. Amount of damage

(1) Whether it is reasonable to calculate the amount of damage under Article 38, paragraphs (1) and (2) of the Trademark Act

In this respect, this court upheld the judgment in prior instance because it should be found unreasonable to calculate the amount of damage suffered by the plaintiff in the first instance under Article 38, paragraph (1) of the Trademark Act or to presume the amount of profits gained by the defendant in the first instance as the amount of damage suffered by the plaintiff in the first instance under paragraph (2) of said Article.

A. Article 38, paragraph (1) of the Trademark Act specifies that the amount of damage sustained by the holder of a trademark right may be presumed to be equivalent to the amount of profit per unit of goods which would have been sold by the holder of trademark right if there had been no such act of infringement, multiplied by the quantity of goods assigned by the infringer: the maximum of which shall be the amount attainable by the holder of the trademark right in light of the capability of the holder of the trademark right. This provision was newly established in the 1998 revision of the Trademark Act (enforced on January 1, 1999). This provision was established in view of the fact that, even if there are circumstances that provide grounds to presume a correlation between the sale of goods infringing a trademark right and the reduction in the sales of goods of the holder of the trademark right (a substitution potential in the market: If no goods bearing an infringing trademark had been sold, consumers would have been attracted to and purchased goods from the holder of a trademark right for the genuine trademark), it would be difficult in reality to prove the amount of reduction in the sales volume of the holder of the trademark right due to the sale of the goods infringing the trademark right. The purpose of the newly established provision can be

interpreted as providing a remedy to a person facing such difficulty in providing proof. In consideration of such purpose of this provision, the amount of damage should be calculated under Article 38, paragraph (1) of the Trademark Act, only if there is such substitution potential between the goods bearing an infringing trademark and the trademark holder's goods bearing a trademark protected by a trademark right. It would be unreasonable to calculate the amount of damage under paragraph (1) of said Article in the absence of a substitution potential that can be described as "if the infringement had not occurred, the holder of a trademark right could have sold its own goods."

Meanwhile, a trademark right is unique in that a trademark itself does not naturally have a product value and that a certain value arises only if a trademark represents the goodwill of a company that is the source of the trademarked goods. A substitution potential that "if the infringement had not occurred, the holder of the trademark right could have sold its own goods" could arise, only if the trademark of the holder of a trademark right has a certain level of customer appeal. Without such customer appeal, it cannot be said that there will naturally be a substitution potential between the goods bearing an infringing trademark and the goods of the holder of a trademark right for the infringed trademark. In some cases, the goods bearing an infringing trademark are different from the goods of the holder of a trademark right for the infringed trademark in terms of the function, effect, etc. of the goods themselves. In such cases, it cannot be said that such substitution potential naturally exists, i.e., the potential that "if the goods bearing an infringing trademark had not been sold, consumers would have been attracted to and purchased the goods of the holder of a trademark right for the registered trademark."

Thus, a decision as to whether Article 38, paragraph (1) of the Trademark Act specifying that "goods which would have been sold by the holder of trademark right if there had been no such act of infringement" is applicable or not should be made based on a comprehensive evaluation of various factors such as whether the holder of a trademark right for the trademark sells goods identical with the goods bearing the infringing trademark (including the case where the trademark holder has a third party sell identical goods), and, if yes, how the trademark holder markets its goods, and to what extent the trademark is associated with the goodwill of the company that is the source of the trademarked goods.

B. An analysis of this case from the aforementioned perspectives has revealed that, according to the evidence mentioned in the judgment in prior instance and the entire import of the oral argument, the business of the plaintiff in the first instance and the sale of the defendant's goods by the defendant in the first instance can be found as stated in

No. 3, 5 (1) B. of the section titled "Facts and reasons" in the judgment in prior instance (from line 17 of page 15 to the end of page 16 of the judgment in prior instance). Therefore, there has been no substitution potential that, if there had been no infringement of the trademark right by the defendant in the first instance, the plaintiff in the first instance could have sold its goods.

Thus, in this case, it is not reasonable to calculate the amount of damage suffered by the plaintiff in the first instance under Article 38, paragraph (1) of the Trademark Act. For the same reason, it is not reasonable to calculate the amount of damage suffered by the plaintiff in the first instance under Article 38, paragraph (2) of said Act, which specifies that the amount of profits obtained by the infringer as a result of an act of infringement shall be presumed to be equivalent to the amount of loss suffered by the right holder who has been prevented from selling goods as a result of the infringement (lost profits).

(2) Calculation of the amount of damage under Article 38, paragraph (3) of the Trademark Act

The amount that the holder of trademark right would have been entitled to receive for the use of the registered trademark (the amount of royalties) shall be calculated under Article 38, paragraph (3) of the Trademark Act.

A. Sales of the defendant's goods bearing the defendant's mark

The judgment in prior instance found that the sales of the defendant's goods bearing the defendant's mark was 21,898,800 yen during the period from April 1996 to March 1997 (7,821 sets; 2,800 yen per set) and 3,317,400 yen during the period from April 1999 to May 1999 (873 sets; 3,800 yen per set) and concluded that the total sales are 25,216,200 yen. This court determination presented in the judgment in prior instance can be found to be reasonable in light of the evidence.

The plaintiff in the first instance alleged that the sales should be calculated as 25,638,600 yen by multiplying 3,800 yen per set by the number of sets, i.e., 6,746 sets, handled during the period from April 1999 until the end of March 2000 and that said sales should be used as a basis for calculating the amount equivalent to the royalties. However, the allegation of the plaintiff in the first instance is unacceptable because there is no sufficient evidence to prove that the defendant's goods bearing the defendant's mark were sold after June 1999.

According to the evidence (Exhibits Ko 53-1 to 53-18, 54-1 to 54-18), some copies of the Catalogs, which includes some photographs of the defendant's goods carrying the defendant's mark, had not been collected and had been used by some of the agents until around March 2000. However, the fact that the Catalogs contain photographs of the

defendant's goods bearing the defendant's mark (it is almost impossible to recognize the characteristics of the Figure Trademark from those photographs) does not provide sufficient grounds to find that the damage equivalent to the royalties was caused.

Also, the plaintiff in the first instance alleged that the defendant in the first instance shall be held liable for payment of damages with regard to Company X's act of importing goods as a joint tortfeasor. However, since the aforementioned act of import itself cannot be considered to cause any damage, the allegation of the plaintiff in the first instance is unacceptable with regard to this point.

B. Amount equivalent to the royalties

(A) The Trademark consists of two parts: [i] a figure part depicting a designed maple leaf against a background circle and [ii] a character part consisting of the alphabetical characters "Canadian Maple Syrup" and the katakana characters "カナディアン メープル シロップ" horizontally written in two lines below the figure part. The essential feature or characteristic of the Trademark can be considered to be the figure of a maple leaf (the "Figure"). The Figure was created by modifying the shape of the "maple leaf" widely known as a design of the Canadian national flag in such a way that the leaf has a slightly rounded edge and petiole and shows lines diagonally drawn from both sides toward the center of the leaf one after another that are perpendicularly drawn in relation to each other. Although the Figure is well-designed, the Figure as a whole gives viewers a strong impression of the "maple leaf" of the Canadian national flag. This court is well aware that a figure of a maple leaf or any other figure that can be associated with a maple leaf is often used to sell goods or to hold events in order to advertise that the goods were imported from Canada. Under these circumstances, the Trademark, which contains a character part indicating that the trademarked goods are maple syrup made in Canada, gives a strong impression that the trademarked goods are made in Canada, rather than giving an impression that the trademarked goods were manufactured by a certain company. Since maple syrup is well-known local good produced in Canada, it has to be said that the Trademark itself does not have strong distinctiveness (source-indicating function).

(B) According to the evidence mentioned in the judgment in prior instance and the entire import of the oral argument, the circumstances under which the plaintiff in the first instance used the mark consisting of the Figure (the "Figure Mark") are as specified in No. 3, 5 (1) B. (A) of the section titled "Facts and reasons" of the judgment in prior instance.

In other words, even though the plaintiff in the first instance has used the Figure Mark in brochures and price lists of the goods of the plaintiff in the first instance, the

plaintiff in the first instance has merely published some photographs of the bottles of maple syrup bearing the Figure Mark in advertisements in magazines, etc. and in catalogs. The Figure Mark was rarely associated with the name of the plaintiff in the first instance. In consideration of these facts, the recognition of the Figure Mark among consumers and traders can be presumed to not be particularly high.

(C) Use of the defendant's mark by the defendant in the first instance

According to the evidence mentioned in the judgment in prior instance and the entire import of the oral argument, the use of the defendant's mark by the defendant in the first instance and the sale of the defendant's goods by the defendant in the first instance can be found as stated in No. 3, 5 (1) B. (B) of the section titled "Facts and reasons" in the judgment in prior instance. The defendant in the first instance is a group company of a large travel company (JTB) and is engaged in the mail-order business called "海外おみやげ宅配便・おみやげおまかせ" (Kaigai omiyage takuhaibin, Omiyage omakase) (Overseas souvenir delivery service) mainly targeting participants of overseas tours organized by said travel company. This mail-order service is marketed in the following way. The Catalogs, which contains information on local souvenirs, are made available at the travel agencies, etc. of the defendant in the first instance. Travelers planning to go abroad can place an order for souvenirs by using the Catalogs in advance and have them delivered to their homes or any other designated destinations at the time they come back to Japan.

The Catalogs of FY1996 and FY1999 (prior to the revision) contain photographs of the defendant's goods bearing the defendant's mark (Exhibits Ko 3-1 to 3-3, Ko 4-1 to 4-3, Ko 6-1). Those photographs are clear enough to barely show the shape of a maple leaf, but not clear enough to show the characteristics of the Figure, i.e., the slightly rounded edge and petiole and lines diagonally drawn from both sides toward the center of the leaf one after another that are perpendicularly drawn in relation to each other.

(D) History of the use of the defendant's mark and the trend in the sales of the defendant's goods, etc.

According to the evidence mentioned in the judgment in prior instance and the entire import of the oral argument, the background of the use of the Figure Mark as a label for the defendant's goods is as described in No. 3, 2 (1) of the section titled "Facts and reasons" of the judgment in prior instance (line 14 of page 12 to line 5 of page 13 of the judgment in prior instance). Upon request of the plaintiff in the first instance, which concluded an agency agreement with Turkey in 1988 and started importing and selling maple syrup manufactured by Turkey, Turkey started affixing labels showing the Figure Mark to the goods that Turkey exports to Japan (subsequently, to the goods sold to some

countries other than Japan as well). Turkey had not been notified of the fact that the plaintiff in the first instance filed an application for registration of the trademark on March 4, 1988 and had the trademark registered on February 28, 1992. Subsequently, the agency agreement concluded between Turkey and the plaintiff in the first instance was canceled. Since the last shipment of goods in March 1996, transactions between the two parties have been suspended. Since no agreement was made between the two parties with regard to the use of Figure Mark, Turkey continued using the Figure Mark even after the cancellation of the transactional relationship with the plaintiff in the first instance.

Furthermore, according to the evidence and the entire import of the oral argument, it can be found that Turkey received an inquiry from Company X in May 1999 and realized for the first time that the plaintiff in the first instance alleged that Turkey's act of using the Figure Mark constitutes trademark right infringement and that the defendant in the first instance removed the defendant's mark from all of the defendant's goods immediately after receiving a warning concerning trademark right infringement and stopped using the defendant's mark, and that the sales of the defendant's product remain the same even after the defendant in the first instance started selling the defendant's goods without using the defendant's mark.

(E) Based on a comprehensive evaluation of the facts found above, it is reasonable to consider that the contribution of the Figure Mark to the sales of goods had been insignificant and therefore that the economic value of the Trademark is low. In consideration of the fact that the defendant's mark is not necessarily clearly shown in the photographs of the defendant's goods published in the Catalogs, the contribution of the defendant's mark to the sales of the defendant's goods can be considered to be extremely small when customers place orders for the defendant's goods based on the Catalogs. In view of the low level of distinctiveness (source-indicating function) of the Figure Mark and the low level of recognition of the Figure Mark among consumers, it is impossible to presume that there is a demand for a license for the Trademark (this presumption can be made based on the fact that Turkey and the defendant in the first instance immediately stop using the Figure Mark after recognizing the problem of infringement of a trademark right and that the sales of the defendant's goods remained the same even after the suspension of the use of the Figure Mark). There are no special circumstances that provide grounds for presuming that the prospects for licensing the Trademark became worse due to the infringement committed by the defendant in the first instance.

In consideration of the facts mentioned above as well as all other factors such as the

history of the use of the trademark, the royalty rate for the Trademark should be considered to be 1% of the sales of the defendant's goods.

Therefore, the amount of damage equivalent to the royalties that the plaintiff in the first instance could have gained should be 252,162 yen, which was calculated by multiplying 25,216,200 yen, i.e., the total sales of the defendant's goods found in A above, by 1%.

3. Conclusion

The claim of the plaintiff in the first instance is well grounded only to the extent that the plaintiff in the first instance can demand, from the defendant in the first instance, payment of 252,162 yen and delay damages accrued thereon from August 23, 2000 until the date of full payment. Therefore, the appeal filed by the plaintiff in the first instance shall be dismissed. Since the incidental appeal filed by the defendant in the first instance is partially well grounded, the judgment in prior instance shall be modified. Therefore, the judgment has been rendered in the form of the main text.

Tokyo High Court, 18th Civil Division

Presiding judge: NAGAI Toshiaki

Judge: SHIOTSUKI Shuhei

Judge: KOJO Harumi

List of Plaintiff's Trademark

原告商標目録



Canadian Maple Syrup

カナディアン メープル シロップ

List of Defendant's Mark
被告標章目錄

