Date	March 16, 2005	Court	Tokyo High Court, 3rd Intellectual Property Division
Case number	2004 (Ne) 2000		
– A case in which the court determined the entity to which the indication of goods or business belong after the breakup of group companies.			

Reference: Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act

Number of related rights, etc.:

Summary of the Judgment

The plaintiff in the first instance claimed against the defendants in first instance an injunction against the manufacture and sale of cosmetics bearing the indications in question (the "Indications") alleging that the Indications are well known among consumers as the indication of goods or business pertaining to the plaintiff in the first instance. In the prior instance, the court partially upheld the claims made by the plaintiff in the first instance by finding that the Indications are indications of well-known goods of the plaintiff in the first instance.

In this judgment, the court revoked the determinations made by the court of prior instance by finding that the Indications do not fall under the category "another person's" indication of goods or business specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. The reasons are as follows.

The plaintiff in the first instance and First Instance Defendant P had been playing their roles as the sales department and the manufacturing department respectively in the same group, namely, Azare group, and had been internally and publicly recognized as main companies in the group and had been making unique contributions to the development of the group as a whole. If the plaintiff in the first instance and First Instance Defendant P, both of which had been playing major roles in the same group internally and publicly, decided to break up, causing a breakup of the entire group including the affiliated shops, the Indications, which had become well-known as the indications of goods or business pertaining to the Azare group, should be interpreted to still belong to the plaintiff in the first instance and First Instance Defendant P, both of which used to play major roles in the same group, even after the breakup of the group. Thus, it should be interpreted that, between the plaintiff in the first instance and First Instance Defendant P, the indications for their goods or business, i.e., the Indications, do not fall under "another person's" indications of goods or business specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act and therefore that neither of them may allege that the other party's use of the Indications after the breakup

of the group constitutes an act of unfair competition.

The purpose of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act is to define and prohibit, as an act of unfair competition, an act of using an indication identical or similar to another person's well-known indication of goods or business and causing confusion to consumers in an attempt to take free ride on the reputation of said other person embodied in the well-known indication, and to thereby contribute to maintaining and forming a fair competitive environment. In this case, the plaintiff in the first instance and First Instance Defendant P had been playing major roles as the sales department and the manufacturing department in the same group and making contribution to raise the public recognition of the Indications. Therefore, it should be recognized that the reputation of both parties is embodied in the Indications. Even after the breakup of the group, the reputation of each party embodied in the Indications would not be lost. Thus, either party should not be considered to be free-riding another person's reputation by using the Indications.

On these grounds, First Instance Defendant P's act of manufacturing and selling the defendants' products bearing the Indications would not constitute an act of unfair competition specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act.

Judgment rendered on March 16, 2005

2004 (Ne) 2000 Appeal Case of Seeking Injunction, etc. against Act of Unfair Competition (Judgment in prior instance: Judgment of the Tokyo District Court, 2001 (Wa) 21187)

Date of conclusion of oral argument: January 17, 2005

Judgment

Appellant/appellee: (Plaintiff in the first instance, simply the "plaintiff in the first instance") Azare International Co., Ltd.

Supporting intervener of the plaintiff in the first instance: X2

Supporting intervener of the plaintiff in the first instance: X3

Appellant (Defendant in the first instance, simply a "defendant in the first instance") Azare Tokyo Kabushiki Kaisha

Appellant (Defendant in the first instance, simply a "defendant in the first instance") Azare Alfa Corp. (Former trade name: Azare Azetto Kabushiki Kaisha)

Appellant (Defendant in the first instance, simply a "defendant in the first instance") Azare Uingu Yugen Kaisha

Appellant (Defendant in the first instance, simply a "defendant in the first instance") Azare Musashino Kabushiki Kaisha

Appellee/appellant (Defendant in the first instance, simply a "defendant in the first instance") Azare Products Co., Ltd.

Appellee/appellant (Defendant in the first instance, simply a "defendant in the first instance") Kyowa Cosmetics Industry Co., Ltd.

Appellee (Defendant in the first instance, simply a "defendant in the first instance") Y

Main text

1. Based on the appeals filed by the defendants in the first instance (excluding Y, which is one of the defendants in the first instance ("First Instance Defendant Y"));

(1) the judgment in prior instance with respect to the part for which the defendants in the first instance lost the case shall be revoked;

(2) the claims of the plaintiff in the first instance against the defendants in the first instance shall be dismissed;

2. the appeal filed by the plaintiff in the first instance and the claims expanded in this instance shall be dismissed; and

3. The court costs for the first and second instances shall be borne by the plaintiff in the first instance except for the costs caused by participation of supporting interveners, which shall be borne by the supporting interveners.

Facts and reasons

No. 1 Judicial decision sought by the parties

1. The plaintiff in the first instance

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

(2) First Instance Defendant Y shall not manufacture, ship, or sell any cosmetics, soaps, or perfume and flavor materials bearing the indications shown in Indication Lists 1 to 3 attached to the judgment in prior instance.

(3) First Instance Defendant Y and First Instance Defendant Kyowa Cosmetics Industry Co., Ltd. shall destroy the cosmetics, soaps, or perfume and flavor materials bearing the indications shown in Indication Lists 1 to 3 attached to the judgment in prior instance.

(4) First Instance Defendant Y, First Instance Defendant Azare Products Co., Ltd., and First Instance Defendant Kyowa Cosmetics Industry Co., Ltd. shall jointly pay the plaintiff in the first instance a total of 2,903,784,687 yen as well as delay damages accrued thereon at a rate of 5% per annum from the following dates until the date of full payment: delay damages on the 390,536,218 yen-part of the total amount accrued from December 31, 2000; delay damages on the 721,287,706 yen-part of the total amount accrued from December 31, 2001; delay damages on the 659,027,501 yen-part of the total amount accrued from December 31, 2002; delay damages on the 679,759,957 yen-part of the total amount accrued from December 31, 2003; and delay damages on the 453,173,305 yen-part of the total amount accrued from August 31, 2004 (Any part of this claim that is beyond the payment of 1,861,217,534 yen as well as delay damages accrued thereon at a rate of 5% per annum from October 20, 2001 until the date of full payment is the part of the claim expanded in this instance).

(5) The phrase "the trade name 'Azare Azetto Kabushiki Kaisha'" in paragraph 5 of the main text of the judgment in prior instance shall be replaced with the phrase "the trade name 'Azare Alfa Corp." (Correction of the objects of claims).

(6) The court costs for the first and second instances shall be jointly borne by the defendants in the first instance.

2. Defendants in the first instance

The same as stated in the main text above.

No. 2 Outline of the case

1. This is a case where the plaintiff in the first instance alleged that the indications

shown in Indication Lists 1 to 3 attached to the judgment in prior instance (the "Indications") are widely recognized among consumers as the indications of goods or business pertaining to the plaintiff in the first instance and that the act of the defendants in the first instance of manufacturing, selling, or otherwise handling cosmetics, soaps, or perfume and flavor materials (hereinafter collectively referred to as "Azare cosmetics") bearing the Indications and the act of the defendants in the first instance of using trade names including the word "Azare" constitute an act of unfair competition specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. Based on this allegation, the plaintiff in the first instance sought an injunction against the manufacturing, sale, etc. of Azare cosmetics by the defendants in the first instance and demanded destruction thereof, requested the commencement of the procedure to register the cancellation of the trade names containing the word "Azare," and demanded payment of damages under Articles 3 and 4 of said Act.

In the judgment in prior instance, the court found as follows: [i] the Indications are the indications, etc., of widely known goods of the plaintiff in the first instance; [ii] First Instance Defendant Azare Products Co., Ltd. ("First Instance Defendant Azare Products") is an OEM-based manufacturer; and [iii] the act of the defendants in the first instance excluding First Instance Defendant Y constitutes an act of unfair competition, while the First Instance Defendant Y cannot be considered to have committed an act of unfair competition. Based on these findings, the court dismissed all of the claims against First Instance Defendant Y, a part of the demand against First Instance Defendant Azare Products for payment of damages, and a part of the requests against First Instance Defendant Kyowa Cosmetics Industry Co., Ltd. ("First Instance Defendant Kyowa Cosmetics") for destruction of goods and payment of damages respectively and accepted the rest of the claims of the plaintiff in the first instance.

Consequently, the plaintiff in the first instance and the defendants in the first instance (excluding First Instance Defendant Y) filed appeals to seek revocation of the judgment in prior instance with respect to the part for which they lost the case respectively. In this instance, the plaintiff in the first instance expanded its claims for payment of damages against First Instance Defendant Y, First Instance Defendant Azare Products, and First Instance Defendant Kyowa Cosmetics.

2. Facts on which the decision is premised (Facts and evidence undisputed by the parties (Exhibits Ko 29, 30, 78, 134 to 136, and Otsu B 1 to 3))

(1) Parties concerned

A. Azare International was founded as an individual proprietorship in around October 1977 and started selling Azare cosmetics. Subsequently, in March 1978, Yugen Kaisha

Azare International was established. On January 20, 1982, after said Yugen Kaisha was dissolved, the plaintiff in the first instance was established.

X1, who is the representative of the plaintiff in the first instance (hereinafter sometimes referred to as"X1"), was in a position of the representative of Yugen Kaisha Azare International and later the representative of the plaintiff in the first instance.

B. Azare Tokyo Kabushiki Kaisha ("First Instance Defendant Azare Tokyo") was established on September 5, 2002, by changing the organization of Azare Tokyo Yugen Kaisha (established on July 24, 2000). Azare Alfa Corp. ("First Instance Defendant Azare Alfa") was registered on April 11, 1985, as Azare Azetto Kabushiki Kaisha (the trade name was changed to Azare Alfa Corp. on August 13, 2004). Azare Uingu Kabushiki Kaisha ("First Instance Defendant Azare Uingu") and Azare Musashino Kabushiki Kaisha ("First Instance Defendant Azare Musashino") were registered on May 22, 1986, and October 8, 1982, respectively.

C. First Instance Defendant Y and P ("P") were a couple married on April 20, 1993. P passed away on November 4, 1997. The supporting interveners of the plaintiff in the first instance, namely, X2 and X3, ("interveners") are children between P and his former wife, Q (divorced on March 18, 1993).

D. First Instance Defendant Azare Products is a stock company established on July 1, 1985, for the purpose of manufacturing, selling, or otherwise handling various cosmetics. First Instance Defendant Kyowa Cosmetics is a stock company established on February 25, 1959, for the purpose of manufacturing, selling, or otherwise handling various cosmetics.

(2) From around April 2000, First Instance Defendant Azare Products started manufacturing and selling cosmetics, soaps, or perfume and flavor materials bearing the Indications (the "defendants' products") without any involvement of the plaintiff in the first instance. First Instance Defendant Azare Tokyo has been purchasing those products from First Instance Defendant Azare Products and selling them to First Instance Defendant Azare Alfa, First Instance Defendant Azare Uingu, and First Instance Defendant Azare Musashino. Then, the defendants in the first instance have been independently selling the defendants' products to consumers through their own sales representatives.

(omitted)

No. 3 Court decision

(omitted)

2. Issue (1) (Whether the Indications have become widely known among consumers solely as the indications for goods or business pertaining to the plaintiff in the first instance

(5) As described above, the plaintiff in the first instance and First Instance Defendant Azare Products (prior to its establishment, First Instance Defendant Kyowa Cosmetics) had been playing their roles as the sales department and the manufacturing department respectively in the same group, namely, Azare group, and had been internally and publicly recognized as main companies in the group and had been making unique contributions to the development of the group as a whole. If the plaintiff in the first instance and First Instance Defendant Azare Products, both of which had been playing major roles in the same group internally and publicly, decided to break up, causing a breakup of the entire group including the affiliated companies, the Indications, which had become well-known as the indications of goods or business pertaining to the Azare group, should be interpreted to still belong to the plaintiff in the first instance and First Instance Defendant Azare Products, both of which used to play major roles in the same group, even after the breakup of the group (needless to say, if there is a special agreement between the companies concerned with regard to the ownership of such indications, etc. those companies shall comply with said agreement, but in this case, such special agreement cannot be considered to exist). It should be interpreted that, between the plaintiff in the first instance and First Instance Defendant Azare Products, the indications for their goods or business, i.e., the Indications, do not fall under "another person's" indications of goods or business specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act and therefore that neither of them may allege that the other party's use of the Indications after the breakup of the group constitutes an act of unfair competition.

The purpose of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act is to define and prohibit, as an act of unfair competition, an act of using an indication identical or similar to another person's well-known indication of goods or business and causing confusion to consumers in an attempt to take free ride on the reputation of said person embodied in the well-known indication, and to thereby contribute to maintaining and forming a fair competitive environment. In this case, the plaintiff in the first instance and First Instance Defendant Azare Products had been playing major roles as the sales department and the manufacturing department in the

same group and making contribution to raise the public recognition of the Indications. Therefore, it should be recognized that the reputation of both parties is embodied in the Indications. Even after the breakup of the group, the reputation of each party embodied in the Indications would not be lost. Thus, either party should not be considered to be free-riding another person's reputation by using the Indications.

On these grounds, the act of First Instance Defendant Azare Products of manufacturing and selling the defendants' products bearing the Indications would not constitute an act of unfair competition specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. The act of First Instance Defendant Azare Tokyo, First Instance Defendant Azare Alfa, First Instance Defendant Azare Uingu, and First Instance Defendant Azare Musashino of using the word "Azare" in their respective trade names and selling, as affiliated companies of First Instance Defendant Azare Products, the defendants' products bearing the Indications manufactured by First Instance Defendant Azare Products should not be considered to constitute an act of unfair competition specified in said item. In consideration of the facts found above, since First Instance Defendant Kyowa Cosmetics and First Instance Defendant Y cannot be considered to have been manufacturing and selling the defendants' products bearing the Indications as their own business, their act cannot be considered to constitute an act of unfair competition specified in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. Moreover, the act of First Instance Defendant Azare Products of manufacturing and selling the defendants' products cannot be considered to be an act of unfair competition. Therefore, the allegation of the plaintiff in the first instance that the act of First Instance Defendant Kyowa Cosmetics and First Instance Defendant Y constitutes an act of joint tort on the premise that the aforementioned act constitutes an act of unfair competition is groundless.

3. On these grounds, without needing to examine any other factors, the claims made by the plaintiff in the first instance in this action including the part expanded in this instance are groundless. Therefore, the judgment in prior instance that partially accepted the claims of the plaintiff in the first instance is unreasonable. While this appeal filed by the defendants in the first instance (excluding First Instance Defendant Y) is well grounded, since this appeal (including the claims expanded in this instance) filed by the plaintiff in the first instance is groundless, the judgment shall be rendered in the form of the main text with regard to the payment of the court costs under Articles 67, 66, and 61 of the Code of Civil Procedure.

Tokyo High Court, Third Intellectual Property Division

Presiding judge: SATO Hisao

Judge: SHITARA Ryuichi

Judge: WAKABAYASHI Tatsushige