

Date	June 27, 2003	Court	Tokyo District Court
Case number	2002 (Wa) 10522		46th Civil Division
– A case in which the court determined whether or not a monopolistic nonexclusive licensee of a registered trademark is entitled to claim damages against a third party who uses the registered trademark without authorization.			

Reference: Article 38, paragraph (2) of the Trademark Act, Article 103 of the Patent Act as applied mutatis mutandis pursuant to Article 39 of the Trademark Act

Number of related rights, etc.:

Summary of the Judgment

A nonexclusive licensee has made an agreement with the trademark right holder or the exclusive licensee thereof (hereinafter referred to as the "trademark right holder, etc.") to the effect that the trademark right holder, etc. shall not exercise its trademark right against the use of the registered trademark by the nonexclusive licensee. A nonexclusive licensee can be considered to have the right to make claims against the trademark right holder, etc. based on said agreement. A monopolistic nonexclusive licensee also made an agreement, in addition to the aforementioned agreement, with the trademark right holder, etc. to the effect that the trademark right holder, etc. shall not grant a license for the registered trademark to any other party.

Although a monopolistic nonexclusive licensee only holds the right to make claims against the trademark right holder, etc. based on a contract, the Trademark Act guarantees that the trademark right holder, etc. has the exclusive right to use the registered trademark (Articles 25 and 36 of the Trademark Act). Under a contract, the trademark right holder, etc. is obliged to protect, against third parties, the status of the monopolistic nonexclusive licensee to exclusively use the registered trademark. Thus, it can be found that, thanks to this protection, the monopolistic nonexclusive licensee is in a position to exclusively gain the profits from the sale of the goods bearing the registered trademark in the market.

On the premise that there are circumstances where a contract permits the monopolistic nonexclusive licensee to hold an exclusive right to use the registered trademark, it would be reasonable to provide certain legal protection for the profits gained by the monopolistic nonexclusive licensee under such circumstances. In the case where a monopolistic nonexclusive licensee sells goods bearing the registered trademark in the market as the only party that has obtained a license from the trademark right holder, etc., if a third party sells competing goods bearing the registered trademark in the market without authorization, the monopolistic nonexclusive licensee is entitled to exercise an

inherent right to demand payment of damages from the third party. In such case, if the third party could have been aware that the monopolistic nonexclusive licensee has been selling the aforementioned goods in the market, it would also be presumed that the third party committed an act of negligence against the monopolistic nonexclusive licensee under Article 39 of the Trademark Act.

Needless to say, Article 38, paragraphs (1) to (3) of said Act were established for the purpose of making it easier for a trademark right holder, etc. to exercise the trademark right on the premise that a trademark right holder, etc. has an exclusive right to use the registered trademark as a right in rem and is entitled to exercise such right against any person. Therefore, these provisions cannot be applied by analogy to the damage suffered by a monopolistic nonexclusive licensee. Thus, a monopolistic nonexclusive licensee is entitled to demand payment of only the amount of damages that has a proximate causal relationship with a third party's act of infringement.

Judgment rendered on June 27,2003

2002 (Wa) 10522 Case of Seeking Injunction, etc. against Infringement of Exclusive License for Trademark

(Date of conclusion of oral argument: April 22, 2003)

Judgment

Plaintiff: Kabaya Foods Corporation

Defendant: SAKUMA CONFECTIONERY Co., Ltd.

Main text

1. The defendant shall not affix any of the marks presented in the attached Defendant's Mark Lists 1 to 3 to any candies such as throat lozenges manufactured and sold by the defendant and to the packages thereof.
2. The defendant shall not sell or exhibit for the purpose of sale any candies such as throat lozenges and such products in packages on which any of the marks presented in the attached Defendant's Mark Lists 1 to 3 is affixed.
3. The defendant shall not exhibit or distribute any product advertisements of candies such as throat lozenges by affixing any of the marks presented in the attached Defendant's Mark Lists 1 to 3.
4. The defendant shall destroy all of the candies such as throat lozenges owned by the defendant and the packages thereof as well as the product advertisements bearing any of the marks presented in the attached Defendant's Mark Lists 1 to 3.
5. The defendant shall pay the plaintiff 506,291 yen, as well as delay damages accrued on 505,636 yen out of the aforementioned amount from May 25, 2002, and on 655 yen out of the first mentioned amount from May 30, 2002, until the date of full payment at a rate of 5% per annum.
6. Any other claims of the plaintiff shall be dismissed.
7. The court costs shall be divided into three portions, one of which shall be borne by the plaintiff with the remaining two borne by the defendant.
8. The paragraphs 1 to 5 of this judgment may be provisionally executed.

Facts and reasons

No. 1 Claims

1. The defendant shall not affix any of the marks presented in the attached Defendant's Mark Lists 1 to 3 to any candies or throat lozenges manufactured and sold by the

defendant or to the packages thereof.

2. The defendant shall not sell or exhibit for the purpose of sale any candies or throat lozenges or such products in packages on which any of the marks presented in the attached Defendant's Mark Lists 1 to 3 is affixed.
3. The defendant shall not exhibit or distribute any product advertisements of candies, throat lozenges, etc. by affixing any of the marks presented in the attached Defendant's Mark Lists 1 to 3.
4. The defendant shall destroy all of the candies or throat lozenges owned by the defendant and the packages thereof as well as the product advertisements bearing any of the marks presented in the attached Defendant's Mark Lists 1 to 3.
5. The defendant shall pay the plaintiff six million yen as well as delay damages accrued thereon at a rate of 5% per annum from May 25, 2002 (the date following the date of the service of a statement of claim) until the date of full payment.

No. 2 Outline of the case

In this case, the plaintiff, who obtained, from the trademark holder, a monopolistic nonexclusive license for the registered trademark and subsequently exclusive license for said trademark, alleged that the defendant's act of affixing the marks presented in the attached Defendant's Mark Lists 1 to 3 (" Defendant's Mark 1," etc.; collectively referred to as the "defendant's marks") to throat lozenges and selling, or exhibiting, or otherwise handling them constitutes infringement of the plaintiff's exclusive or monopolistic non-exclusive licenses. The plaintiff sought an injunction against the defendant's act of sale, exhibition, etc., and the destruction of the goods bearing any of the defendant's marks, and demanded payment of damages based on the plaintiff's exclusive license (including the damages for the period during which the plaintiff was the holder of a monopolistic non-exclusive license).

In response, the defendant alleged that the plaintiff's act of exercising rights against the defendant constitutes abuse of rights in light of the facts that [i] the defendant's marks are not similar to the registered trademark, [ii] since the defendant's marks are marks indicating the efficacy, intended purpose, etc. of goods in a common manner, a trademark right shall have no effect on the defendant's marks, and [iii] in light of the background against which the plaintiff came to obtain the exclusive license, the plaintiff's act of exercising rights against the defendant constitutes abuse of rights. By making these allegations, the defendant has been disputing the plaintiff's claims.

1. Facts not disputed by the parties concerned

(1) Parties concerned

Both the plaintiff and the defendant are stock companies established for the purpose of manufacturing and selling confectionery products.

(2) Plaintiff's rights

A. Registered trademark

Non-party Shinshu Hachimitsu Honpo ("Shinshu Hachimitsu Honpo") holds the following trademark right (the "Trademark Right"; the registered trademark shall be hereinafter referred to as the "Registered Trademark").

Registration No.: 1650420

Registered trademark: As presented in the attached Registered Trademark List

Application date: December 24, 1980

Registration date: January 26, 1984

Designated goods: Confectionery, bread and buns

B. Grant of a monopolistic nonexclusive license (Exhibit Ko 2)

On August 1, 2001, the plaintiff concluded the following license agreement (the "License Agreement") with Shinshu Hachimitsu Honpo concerning the Registered Trademark.

Trademark: 花粉のど飴 (throat lozenges for hay fever)

Goods: Candies

Area of use: Throughout Japan

Duration of use: Two years from December 1, 2001

Type of license: Monopolistic nonexclusive license

Royalties: 200,000 yen per year (400,000 yen for the initial two years shall be paid in advance within one month of the execution date of the License Agreement)

C. Registration of the exclusive license (Exhibits Ko No. 1-1, 1-3, and 1-4)

On April 1, 2002, the plaintiff concluded the following exclusive license agreement with Shinshu Hachimitsu Honpo concerning the Registered Trademark and had said license registered on April 23, 2002.

Area: Throughout Japan

Duration: Until January 26, 2004 (the expiration date of the duration of the Trademark Right)

Goods: Part of the designated goods, namely, "throat lozenges and other candies"

(3) Defendant's act

From November 2001 at the latest, the defendant started advertising throat lozenges (candies; the "defendant's goods") contained in the packages bearing the mark presented in the attached Defendant's Mark Lists 1 or 2 and started selling them from around December 2001.

The brochure of the defendant's goods contains Defendant's Mark 3 and a photograph of the external surface of the package of the defendant's goods bearing Defendant's Mark 1 in large size.

2. Issues in this case

- (1) Whether the defendant's marks are similar to the Registered Trademark (Issue 1)
- (2) Whether the defendant's marks can be regarded as "trademark indicating, in a common manner, the common name, (omitted) efficacy, intended purpose, (omitted), the (omitted) time of (omitted) use" (Article 26, paragraph (1), item (ii) of the Trademark Act) (Issue 2)
- (3) Whether the plaintiff's claim in this action is an impermissible abuse of rights or whether the exclusive license was granted to the plaintiff in violation of Article 11 of the Trust Act and is therefore invalid in light of the background against which the exclusive license for the Registered Trademark was granted to the plaintiff (Issue 3)
- (4) Details and the amount of the damage suffered by the plaintiff (Issue 4)

No. 3 Allegations of the parties concerning the issues

(omitted)

No. 4 Court decision

1. Issue 1 (Whether the defendant's marks are similar to the Registered Trademark)

(1) Structure of the Registered Trademark

The Registered Trademark consists of two Chinese characters "花粉" (kafun) (pollen) vertically written in gothic letters in one line with hiragana characters "かふん" (kafun) (pollen) on the right side in small gothic letters to show how it is read.

The large Chinese character part, "花粉" of the Registered Trademark visually attracts viewer's attention. Said part can be associated with the pronunciation "kafun" and the concept of "male gametophyte of seed plants."

(2) Structure, etc. of the defendant's marks

A. Structure of the defendant's marks

Defendant's Mark 1 consists of the Chinese characters and hiragana characters "花粉のど飴" (kafun nodoame) (throat lozenges for hay fever) vertically written in bold gothic letters in one line against the black, vertically long square-shape background. Defendant's Mark 2 consists of the Chinese characters and hiragana characters "花粉のど飴" horizontally written in bold gothic letters in one line against the black,

horizontally long square-shape background. Defendant's Mark 3 consists of the characters "花粉のど飴 2" horizontally written in bold gothic letters in one line.

B. Manner of using the defendant's marks

From around December 2001 at the latest, the defendant has been selling the defendant's goods, namely throat lozenges (candies), as new goods for the spring and summer of 2002. The defendant's marks have been used for the defendant's goods in the following manner.

The defendant's goods are sold in the form of a large bag containing a certain number of candies individually packaged in small bags. On the middle part of the front side of each small bag, a black or dark brown vertically long rectangle is painted, on which Defendant's Mark 1 is indicated in white gothic letters (Exhibits Ko 6-3 and 6-4). On the middle part of the front side of the large bag containing small individual bags, a black or dark brown vertically long rectangle is painted, on which Defendant's Mark 1 is indicated in white gothic letters. On the upper part of the backside of the bag, a black or dark brown horizontally long rectangle is painted, on which Defendant's Mark 2 is indicated in white gothic letters (Exhibits Ko 6-1, 6-2, and 6-4). In the brochure (Exhibit Ko 6-5) of the goods for the spring and summer of 2002, which was prepared by the defendant and distributed to traders, Defendant's Mark 3 was indicated as the name of the defendant's goods.

C. Essential feature of the defendant's marks

In light of the fact that the defendant's goods are throat lozenges, the "のど飴" part of the defendant's marks should be considered to be a generic name that indicates the nature and attribute of the goods bearing the mark and therefore cannot be considered to have a source-indicating function. In the case of Defendant's Mark 3, the "2" part at the end of the mark is a figure, which sometimes attached to the end of a product name, indicating that it is a sequel or an improved version, etc. Such figure per se does not have any source-indicating function.

On the other hand, the "花粉" part of the defendant's marks usually cannot be considered to be a word that indicates the raw materials, efficacy, or intended purpose of goods in the field of throat lozenges and candies.

Thus, in the case of the defendant's marks, the "花粉" part, which remains after excluding the "のど飴" and "のど飴 2" parts should be considered to have a source-indicating function and attract viewers' attention.

As described above, the "花粉" part should be considered to be an essential feature of the defendant's marks.

(3) Similarity or dissimilarity between the Registered Trademark and the defendant's

marks

A. In the case of the Registered Trademark, the part consisting of the Chinese characters "花粉" vertically written in one line comprises a large part of the trademark. In comparison with the small hiragana characters "かふん" on the right of those Chinese characters, the Chinese characters can be considered to attract viewer's attention.

On the other hand, as mentioned above, the defendant's marks consist of characters "花粉のど飴" or "花粉のど飴 2" written vertically or horizontally in one line. The essential feature, namely the "花粉" part, is different between the Registered Trademark and the defendant's marks. More specifically, Defendant's Marks 1 and 2 are different from the Registered Trademark in that the "花粉" part is written in a different font and in white letters against a dark colored background. Defendant's Marks 2 and 3 are different from the Registered Trademark in that the "花粉" part is horizontally written in one line. However, the defendant's marks are identical with the Registered Trademark in the aspect that all of them include the characters "花粉."

As mentioned above, in the case of the defendant's marks, the "花粉" part can be considered to be the essential feature, which has a source-indicating function. As far as said part is concerned, the defendant's marks are identical with the Registered Trademark in terms of pronunciation and concept.

On these grounds, the defendant's marks are similar to the Registered Trademark in terms of appearance. The essential feature of the defendant's marks is identical with that of the Registered Trademark in terms of pronunciation and concept. Therefore, all of the defendant's marks should be considered to be similar to the Registered Trademark.

B. Regarding this point, the defendant alleged that [i] since the "花粉" part and the "のど飴" part of the defendant's marks are written in the same size and font and placed with equal intervals in between, the "花粉" part and the "のど飴" part should not be interpreted separately, but should be interpreted as a whole and [ii] based on this understanding, the defendant's marks can be associated with the concept that "throat lozenges good for hay fever" or "throat lozenges effective against hay fever symptoms."

However, an essential feature of a trademark cannot be determined based solely on the appearance. In this case, as mentioned above, since the "のど飴" part does not have any source-indicating function, it would be inevitable to find that the "花粉" part has a source-indicating function. Moreover, since the defendant's marks do not have any particularly visually conspicuous parts other than the "花粉" part, there is no factor that prevents the "花粉" part from being recognized as the essential feature of the defendant's marks.

Furthermore, according to the evidence (Exhibits Otsu 17, 55, 64 to 67, 69 to 75,

and 81), some information magazines such as "SPA!" and "ぴあ" (pia) published articles from around 1998 to provide information about masks, eye drops, and other hay fever remedies as well as functional foods such as candies (throat lozenges), gums, and other confectionery products serving as quick remedies against hay fever symptoms. Since then, information magazines published around the hay fever season of February and March every year have always published articles about candies and other goods serving as measures against hay fever bearing such marks as "花粉シャット" (kafun shatto) and "花粉本舗" (kafun honpo). However, the word "花粉のど飴" cannot be considered to have been generally used as an independent term with the meaning of "throat lozenges good for hay fever" or "throat lozenges effective against hay fever symptoms."

Furthermore, according to the evidence (Exhibits Otsu 4, 34, 49, 50, and 51), from around August 2002, on a website for hay fever sufferers, there were some cases where the word "花粉のど飴" was used to refer to "throat lozenges effective against hay fever symptoms." There were also some cases where hay fever sufferers posted some comments on such website, using the word "花粉のど飴" in that sense. However, according to the evidence (Exhibits Otsu 46 to 48), hay fever sufferers in all generations account for only 15 to 16% of the population. In light of these facts, it cannot be found that the word "花粉のど飴" is generally interpreted to refer to "throat lozenges effective against hay fever symptoms."

Thus, it is impossible to accept the defendant's allegation that the word "花粉のど飴" should be interpreted as a whole and should determine whether "花粉のど飴" is similar to the Registered Trademark in terms of appearance, pronunciation, and concept.

Furthermore, the defendant alleged that, since some marks with the structure of "花粉 XX" had been registered as trademarks, the defendant's marks should not be found to be similar to the Registered Trademark. Each of those registered trademarks with the structure of "花粉 XX" as alleged by the defendant has such word in the place of XX as "にミント" (ni minto) (mint for), "の季節" (no kisetu) (season of), "STOP," "ブロック" (burokku) (block), "あめのち晴れ" (ame nochi hare) (rain, later sunny ("ame" in Japanese has two meanings, candy and rain)), "注意報" (chūihō) (warning), "警報" (keihō) (alarm) or "前線" (zensen) (front), which has no meaning or has a meaning only if it is connected with the word "花粉" or which has nothing to do with the nature of the goods to which it is affixed. Therefore, the fact such registered trademarks exist at all does not preclude a judgment that the defendant's marks consisting of the word "花粉" followed by "のど飴," which specifically refers to the type of goods to which those marks are affixed, are similar to the Registered Trademark.

C. On these grounds, none of the defendant's allegations are acceptable.

2. Issue 2 (Whether the defendant's marks can be regarded as a trademark indicating, in a common manner, the common name, efficacy, intended purpose, and the time of use)

As found in 1, (3) B. above, some information magazines such as "SPA!" and "ぴあ" published articles from around 1998 to provide information about functional foods such as candies (throat lozenges), gums, and other confectionery products serving as quick remedies against hay fever symptoms. Since then, information magazines published around the hay fever season of February and March every year have always published articles about candies and other goods serving as measures against hay fever bearing such marks as "花粉シャット" and "花粉本舗." Also, from around August 2002, on a website for hay fever sufferers, there were some cases where the word "花粉のど飴" was used to refer to "throat lozenges effective against hay fever symptoms." However, it cannot be found that the word "花粉のど飴" is generally recognized and used as a word referring to "throat lozenges good for hay fever" or "throat lozenges effective against hay fever symptoms."

Moreover, in light of the manner of using the defendant's marks as found in 1. (2) A. above, Defendant's Marks 1 and 2 are indicated in a big size in conspicuous areas, i.e., the middle part of the front side of the large bag of the defendant's goods and the upper part of the backside thereof, and said marks cannot be found to be indicated "in a common manner."

On these grounds, it is impossible to accept the defendant's allegation (defense) that the defendant's marks ("花粉のど飴") and the "花粉" part thereof can be considered to be a "trademark indicating, in a common manner, the common name, efficacy, intended purpose, etc." (Article 26, paragraph (1), item (ii) of the Trademark Act).

3. Issue 3 (Whether the plaintiff's claim in this action constitutes abuse of rights or whether the exclusive license was granted to the plaintiff in violation of Article 11 of the Trust Act)

(1) Based on a comprehensive evaluation of the aforementioned facts not disputed by the parties concerned (No. 2, 1), the evidence (Exhibits Ko 3, 5-1, 5-2, 7-1, 7-4 to 7-9, 8, 9-1 to 9-2, Otsu 1, 2, 13 to 16, and 20), and the entire import of the oral argument, the following facts can be found.

A. The plaintiff sold "花粉注意報キャンディ" (kafun chūihō kyandei) as goods for the spring of 2000 and 2001 (Exhibits Otsu 1, 2, and 20)

On the other hand, the defendant sold goods named "花粉のど飴" as goods for the spring and summer of 2001 (the mark affixed to the goods was different from the defendant's marks in terms of font; Exhibits Otsu 15 and 16). From around December

2001, the defendant started to sell the defendant's goods as goods for the spring and summer of 2002.

B. On July 12, 2001, the plaintiff filed an application for registration of a trademark "Kabaya/花粉のど飴" with the help of Patent Attorney B (Exhibit Otsu 14).

C. On August 1, 2001, the plaintiff concluded an agreement with Shinshu Hachimitsu Honpo for the grant of a monopolistic nonexclusive license from said company, which held a trademark right for the Registered Trademark (Exhibit Ko 2).

D. On November 22, 2001, Shinshu Hachimitsu Honpo sent the defendant a warning prepared by the counsel (Patent Attorney B mentioned above) in that the goods for which the defendant had been making preparations to launch would infringe the Trademark Right (the "warning from Shinshu Hachimitsu Honpo").

E. In around December 2001, the plaintiff started selling "花粉のど飴" (the "plaintiff's goods") as a successor product of "花粉注意報" (kafun chūihō).

F. On January 11, 2002, in response to the warning from Shinshu Hachimitsu Honpo, the defendant sent a reply to Shinshu Hachimitsu Honpo to the effect that the indication "花粉のど飴" affixed to the defendant's goods does not infringe the Trademark Right (Exhibit Ko 7-4). Subsequently, opinions were exchanged in writing between the defendant and Shinshu Hachimitsu Honpo with regard to the issue of whether the defendant's goods infringe the Trademark Right. On around March 19, 2002, the negotiation eventually failed (Exhibits Ko 7-5 to 7-9).

G. Regarding the application for registration of a trademark "Kabaya/花粉のど飴" filed by the plaintiff (B. above), Shinshu Hachimitsu Honpo submitted to the JPO Commissioner, on February 27, 2002, various documents such as publications as well as copies of the Trademark Register and the Trademark Gazette concerning the Registered Trademark and alleged that, since the aforementioned trademark claimed in the plaintiff's application is similar to the Registered Trademark, said application should be refused under Article 4, paragraph (1), item (xi) of the Trademark Act (Exhibit Otsu 14).

In response, on March 6, 2002, a JPO examiner issued a notice of reasons for refusal to refuse the application for registration of the trademark "Kabaya/花粉のど飴" on the grounds that, since the claimed trademark has a structure containing the characters "のど飴" (throat lozenges), if said trademark is used for any of the designated goods for the claimed trademark other than "throat lozenges," it would cause confusion with regard to the quality of goods (Article 4, paragraph (1), item (xvi) of the Trademark Act) (said examiner referred to neither the identicalness nor similarity between the claimed trademark and the Registered Trademark as a reason for refusal).

H. On April 1, 2002, the plaintiff concluded an agreement with Shinshu Hachimitsu

Honpo to the effect that Shinshu Hachimitsu Honpo shall grant the exclusive license to the plaintiff for the Registered Trademark (Exhibit Ko 3). The plaintiff's exclusive license was registered on April 23, 2002.

The plaintiff's Patent Attorney B withdrew the application for registration of the trademark "Kabaya/花粉のど飴" on April 24, 2002.

I. On April 30, 2002, the plaintiff's attorney issued a warning against the defendant to the effect that the defendant's act of selling the defendant's goods constitutes infringement of the plaintiff's monopolistic nonexclusive license. This warning was received by the defendant on May 1, 2002 (Exhibits Ko 9-1 and 9-2).

Subsequently, the plaintiff filed this action on May 20, 2002.

(2) A. Allegation about the abuse of rights

According to the facts found in (1) above, the plaintiff filed an application for registration of the trademark "Kabaya/花粉のど飴" on the premise that "花粉のど飴" will be used as a product name. In the process of filing the application, the plaintiff came to realize the existence of the Registered Trademark and conducted license negotiations with Shinshu Hachimitsu Honpo, which was the holder of a trademark right for the Registered Trademark, and initially obtained a monopolistic nonexclusive license and subsequently obtained the exclusive license. Then, the plaintiff sent a warning against the defendant and later filed this action. In light of this background, the plaintiff's act of filing this action can be considered to be the exercise of the rights obtained from the holder of a trademark right for the Registered Trademark and cannot be considered to be the abuse of rights.

On these grounds, it is impossible to accept the defendant's allegation (defense) that the plaintiff's act of filing this action constitutes abuse of rights.

B. Allegation that Article 11 of the Trust Act was violated

(A) The plaintiff alleged that the defendant's allegation concerning violation of Article 11 of the Trust Act had not been presented until the final phase of oral argument and should therefore be dismissed as having been advanced out of time.

It is true that the aforementioned allegation of the defendant had not been presented until the fifth date of oral argument and should be considered to have been advanced out of time. However, since a determination on the aforementioned allegation of the defendant can be easily made based on the result of the past proceedings as explained below, said allegation would not delay the completion of this lawsuit. Thus, the court will make a determination on the aforementioned allegation rather than dismissing it.

(B) Article 11 of the Trust Act prohibits a transfer of the right to manage and dispose of assets primarily for the purpose of having another person conduct any procedural act.

However, in light of the background found in (1) above, the plaintiff obtained a monopolistic nonexclusive license from Shinshu Hachimitsu Honpo by paying a reasonable amount of compensation for the use the mark "花粉のど飴" and subsequently registered the exclusive license for said mark and has actually been selling the plaintiff's goods bearing the aforementioned mark. Furthermore, in this lawsuit, the plaintiff hired a counsel attorney and had said attorney appear before court on the dates of oral argument and carry out the litigation. In light of these facts, it can never be found that the plaintiff obtained the exclusive license from Shinshu Hachimitsu Honpo primarily for the purpose of carrying out an act of litigation against the defendant on behalf of Shinshu Hachimitsu Honpo.

On these grounds, it is impossible to accept the defendant's allegation (defense) that the plaintiff's acquisition of exclusive license from Shinshu Hachimitsu Honpo violates Article 11 of the Trust Act and should therefore be invalidated.

4. Issue 4 (Details and the amount of the damage suffered by the plaintiff)

(1) Sales volume of the defendant's goods

Regarding the sales volume of the defendant's goods, the defendant admitted that it sold 276,515 bags of the defendant's goods (29,034,090 yen in sales) during the period from December 1, 2001 to the end of May 2002. According to the evidence (Exhibits Otsu 79 and 80), during the period from December 1, 2001 to May 30, 2002, the defendant can be found to have sold the defendant's goods in the aforementioned volume and sales (no evidence is available for May 31, 2002).

The plaintiff alleged that, based on the sales volume, etc. of the plaintiff's goods, the defendant can be presumed to have sold a total of 700,000 bags of the defendant's goods. However, based on Exhibit Otsu 79 (List of the shipment value of each goods), which is apparently trustworthy because it is a print-out of the product management data compiled by inputting the customer's name, product name, ordered volume, quoted price, shipment date, etc. into a computer every time the relevant division of the defendant company received an order from a customer, the sales volume, etc. of the defendant's goods can be found to be as described above. In this case, there is no evidence to prove that the defendant's sales volume is actually larger than the amount mentioned above.

(2) Issue of whether a non-exclusive licensee can demand payment of damages

A. A non-exclusive licensee has obtained an agreement from the trademark right holder or the exclusive licensee thereof (the "trademark right holder, etc.") to the effect that the trademark right holder, etc. shall not exercise its trademark right against the use of the registered trademark by the non-exclusive licensee. A non-exclusive licensee can be

considered to have the contractual right to make claims based on said agreement. A monopolistic nonexclusive licensee also made an agreement, in addition to the aforementioned agreement, with the trademark right holder, etc. to the effect that the trademark right holder, etc. shall not grant a license for the registered trademark to any other party.

Although a monopolistic non-exclusive licensee only holds a contractual right to make claims against the trademark right holder, etc. based on an agreement, the Trademark Act guarantees that the trademark right holder, etc. has an exclusive right to use the registered trademark (Articles 25 and 36 of the Trademark Act). Under a license agreement, the trademark right holder, etc. is obliged to protect, against third parties, the status of the monopolistic nonexclusive licensee to exclusively use the registered trademark. Thus, it can be found that, thanks to this protection, the monopolistic nonexclusive licensee is in a position to exclusively gain the profits from the sale of the goods bearing the registered trademark in the market.

On the premise that there are circumstances where an agreement permits the monopolistic nonexclusive licensee to hold an exclusive right to use the registered trademark, it would be reasonable to provide certain legal protection for the profits gained by the monopolistic nonexclusive licensee under such circumstances. In the case where a monopolistic nonexclusive licensee sells goods bearing the registered trademark in the market as the only party that has obtained a license from the trademark right holder, etc., if a third party sells competing goods bearing the registered trademark in the market, it would be reasonable to interpret that the monopolistic nonexclusive licensee is entitled to exercise an inherent right to demand payment of damages from the third party. In such case, if the third party could have been aware that the monopolistic nonexclusive licensee has been selling the aforementioned goods in the market, it would be reasonable to presume that the third party committed an act of negligence against the monopolistic nonexclusive licensee under Article 39 of the Trademark Act.

Needless to say, Article 38, paragraphs (1) to (3) of said Act were established for the purpose of making it easier for a trademark right holder, etc. to exercise the trademark right on the premise that a trademark right holder, etc. has an exclusive right to use the registered trademark as a right in rem and is entitled to exercise such right against any person. Therefore, these provisions cannot be applied by analogy to the damage suffered by a monopolistic nonexclusive licensee. Thus, it is reasonable to interpret that a monopolistic nonexclusive licensee is entitled to demand payment of only the amount of damages that has a proximate causal relationship with a third party's act of infringement.

B. In this case, as mentioned in the aforementioned section titled "Facts not disputed by the parties concerned" (No. 2, 1. (2) B.), the plaintiff concluded a license agreement with Shinshu Hachimitsu Honpo concerning the Registered Trademark on August 1, 2001. In the agreement (Exhibit Ko 2), Shinshu Hachimitsu Honpo, which is the trademark right holder, granted a non-exclusive license to the plaintiff by designating that the trademark should be used by the plaintiff as "花粉のど飴" and also designated goods for which the trademark can be used as "candies" (Article 1 of said agreement). Since Article 5 of said agreement specifies that the trademark right holder shall not grant a license for the Registered Trademark to any third party for the aforementioned goods (candies), the plaintiff can be considered to be a monopolistic nonexclusive licensee of the Registered Trademark.

According to the evidence (Exhibits Ko 5-1 and 5-2) and the entire import of the oral argument, since December 2001, the plaintiff has been selling throat lozenges (candies; the plaintiff's goods) bearing the trademark "花粉のど飴" based on the license agreement. Thus, it can be found that the plaintiff's goods and the defendant's goods have been competing with each other as similar goods in the same market.

However, according to the evidence (Exhibits Ko 8, Otsu 44 and 45) and the entire import of the oral argument, while Kasugai Seika Co., Ltd. has been selling throat lozenges (candies) bearing the trademark "花粉のど飴" since around the beginning of 2002, Shinshu Hachimitsu Honpo granted to Kasugai Seika Co., Ltd., by April 2002 at the latest, a license for the Registered Trademark effective until the end of August 2002 in exchange for the payment of 500,000 yen as royalties in violation of the aforementioned license agreement (Article 5) concluded with the plaintiff (the plaintiff itself admitted it on page 15 of the statement of claim). Based on this license agreement, Kasugai Seika Co., Ltd. is found to have sold throat lozenges (candies) bearing the mark "花粉のど飴" in the market. In sum, although the plaintiff concluded an agreement with the trademark right holder to the effect that the trademark right holder grants a monopolistic nonexclusive license for the Registered Trademark to the plaintiff, another competing company also obtained a license for the Registered Trademark and sold goods bearing the Registered Trademark in the market before the expiration of the license granted under said agreement. In this case, the plaintiff cannot be considered to be the only party who has been licensed by the trademark right holder, etc. and sold goods bearing the Registered Trademark in the market.

As mentioned above, it is possible to find that the monopolistic nonexclusive licensee is entitled to have an inherent right to demand payment of damages, but solely based on the precondition that the monopolistic nonexclusive licensee actually has an

exclusive license to use the Registered Trademark under the terms and conditions of the agreement. However, in this case, the plaintiff failed to meet this precondition. Therefore, it is impermissible for the plaintiff to demand payment of damages on the ground of the infringement of the plaintiff's monopolistic nonexclusive license.

C. As described above, it is already found that there are no grounds for the plaintiff's request for payment of damages on the grounds of infringement of the plaintiff's monopolistic nonexclusive license. Moreover, in this case, it is impossible to determine the amount of damage suffered by the plaintiff that can be considered to have been proximately caused by the defendant's act of selling the defendant's goods in the market. The aforementioned claim of the plaintiff is groundless in this respect as well.

In sum, according to the evidence (Exhibits Ko 8, Otsu 5 to 11, 20, 23, 32, and 33) and the entire import of the oral argument, the following can be found. [i] Prior to the spring of 2002, many throat lozenges (candies) bearing a mark consisting of the characters "花粉" and other characters had been sold in the market, such as "花粉あめのち晴れ" (kafun ame nochi hare), "花粉本舗," "花粉クールアップタイム" (kafun kûru appu taimu), "花粉にミントガム" (kafun ni minto gamu), "瞬間花粉 STOP!" (shunkan kafun sutoppu!), "花粉退治" (kafun taiji) and "花粉注意報" (kafun chûihō). [ii] In the spring of 2002, goods similar to those mentioned above were sold in the market such as "花粉クールアップタイム" by Senjakuame-Honpo. Co., "シュガーレス花粉対策キャンディー" (shugāresu kafun taisaku kyandei) and "花粉本舗" by Lion Confectionery Co., Ltd., and "花粉大作戦" (kafun daisakusen) by Ribon Corporation. Also, as throat lozenges (candies) bearing the mark "花粉のど飴," apart from the plaintiff's goods and the defendant's goods, the following goods were sold: "花粉のど飴" and "ノンシュガー花粉のど飴" (non shugā kafun nodoame) by Kasugai Seika Co., Ltd. and "花粉のど飴" by Orange Jelly Honpo Co., Ltd. Many competing goods bearing the trademark containing the characters "花粉" were sold prior to or simultaneously with the plaintiff's goods and the defendant's goods. In light of the fact that the plaintiff's goods bearing the Registered Trademark were launched for the first time in December 2001 as mentioned above, in addition to all the goods mentioned above, the Registered Trademark itself cannot be considered to have a strong source-indicating function, nor can it be considered to have gained consumer confidence in the market or attracted customers' attention in the market as a result of its long, continuous use for certain goods. In consideration of the existence of the aforementioned competing goods, an insufficient source-indicating function of the Registered Trademark, and the evidence (Exhibits Ko 5-1, 5-2, 6-1, 6-2, and Otsu 45) and the entire import of the oral argument, and in light of the fact that the defendant's

goods (150 yen) were cheaper than the plaintiff's goods (200 yen) as much as by 25% although both goods are the same in nature and product weight (70g), the defendant's goods can be presumed to have been preferred by consumers due to its cheaper retail price.

Based on a comprehensive evaluation of the facts mentioned above, even if it is possible to presume that the defendant's act of selling the defendant's goods in the market had some disadvantageous effect on the sales of the plaintiff's goods, it would be completely impossible to determine the amount of loss in the sales of the plaintiff's goods proximately caused by the defendant's act.

D. Given these, there are no grounds for the plaintiff's request for payment of damages for infringement of the monopolistic nonexclusive license during the period in which the plaintiff was a monopolistic nonexclusive licensee for the Registered Trademark.

(3) Damages claimed as the exclusive licensee

On April 23, 2002, the plaintiff obtained registration of the exclusive license for the Registered Trademark that allows the use of the Registered Trademark only for "throat lozenges and candies" among its designated goods. In this case, the plaintiff demanded payment of damages by alleging that the defendant's act of selling the defendant's goods constitutes infringement of the plaintiff's exclusive license for the period from said date to the end of May 2002.

As described above, during the period from December 2001 to May 30, 2002, the defendant sold 276,515 bags of defendant's goods (sales of 29,034,090 yen). According to the evidence (Exhibit Otsu 79), during the period from April 23, 2002 to May 30, 2002, the defendant sold 7988.7 bags (sales of 838,820 yen) (This calculation was made on a per diem basis for April).

According to the evidence (Exhibits Ko 10-1 and 10-2) and the entire import of the oral argument, regarding the profits from the sale of the defendant's goods, the following can be found. [i] The plaintiff and the defendant are the same in that they have been manufacturing and selling confectionery products since their foundations more than 50 years ago and that their names have become well known nationwide. [ii] The plaintiff and the defendant manufacture and sell throat lozenges (candies). [iii] The profit rate of the plaintiff's goods is at least 15%, if it is calculated by subtracting, from their sales price (quoted price: 140 yen), the manufacturing costs (raw material costs, material costs, manufacturing variable costs, manufacturing fixed costs) and distribution and administration costs, which are stated in the cost accounting statements (Exhibits Ko 10-1 and 10-2). [iv] The total of the raw material costs, packaging costs, and manufacturing labor charge of the defendant's goods is not much different from the

manufacturing costs of the plaintiff's goods. Thus, there are reasonable grounds to estimate the amount of profits from the sale of the defendant's goods based on the profit rate of the plaintiff's goods. Since the defendant did not present any particular counter-evidence in this case, it is reasonable to deem that the profit rate of the defendant's goods is at least 15% as is the case with the profit rate of the plaintiff's goods (regarding this point, the defendant alleged that sale of the defendant's goods has not generated any profits, but produced only losses.)

On these grounds, during the period from April 23, 2002 to May 30, 2002, the defendant can be considered to have gained the profits of 125,823 yen from the sale of the defendant's goods ($838,820 \text{ yen} \times 0.15 = 125,823 \text{ yen}$). As mentioned above, in light of the fact that the Registered Trademark does not have a strong source-indicating function and does not have consumer confidence or customer appeal in the market, it is reasonable to find that the contribution rate of the defendant's mark to the aforementioned profits is 5%.

Thus, the amount of damage suffered by the plaintiff as a result of the defendant's infringement of the plaintiff's exclusive license can be estimated to be 6,291 yen ($838,820 \text{ yen} \times 0.15 \times 0.05 = 6,291 \text{ yen}$ (Article 38, paragraph (2) of the Trademark Act).

(4) Amount equivalent to the attorneys' fee

It is obvious to this court that the plaintiff had the plaintiff's counsel attorney file this action. Due to the nature of this case, based on a comprehensive evaluation of the past judicial proceedings and various other factors, a part of the attorneys' fee, specifically 500,000 yen, can be found to be the damage proximately caused by the defendant's act of infringement.

(5) Summary concerning amount of damage

According to (1) to (4) above, regarding the amount of damage suffered by the plaintiff as a result of the defendant's act of selling the defendant's goods during the period from December 1, 2001 to the end of May 2002, the plaintiff may not demand payment of damages for the period during which the plaintiff was a monopolistic nonexclusive licensee (from December 1, 2001 to April 22, 2002). However, for the period during which the plaintiff was the exclusive licensee (from April 23, 2002 to the end of May 2002), the amount of damages can be calculated to be 6,291 yen under Article 38, paragraph (2) of the Trademark Act. The amount of damage also include 500,000 yen as the amount equivalent to the attorneys' fee.

In this case, the plaintiff claimed delay damages accrued on the damages (at a rate of 5% per annum as specified in the Civil Code) from the date following the date of the service of a statement of claim. It is recorded that May 25, 2002 is the date following

the date of the service of a statement of claim, that, according to the aforementioned Exhibit Otsu 79, the total amount of damage calculated under Article 38, paragraph (2) of the Trademark Act during the period from April 23, 2002 to May 25, 2002 is 5,636 yen (on a per diem basis). Regarding this amount plus 500,000 yen as the attorneys' fee, i.e., 505,636 yen in total, there are grounds for the request for payment of delay damages accrued thereon since said date. Meanwhile, the total amount of damage calculated under Article 38, paragraph (2) of said Act during the period from May 26, 2002 to May 30, 2002 is 655 yen. Regarding this amount, there are grounds for the request for payment of delay damages accrued since said date, which is after the act of infringement.

5. Conclusion

On these grounds, among the plaintiff's claims made in this action, a claim for an injunction is well-grounded to the extent that the plaintiff seeks an injunction, etc. against the defendant's act of affixing the defendant's marks to "candies such as throat lozenges." In sum, said claim made by the plaintiff is well-grounded to the extent that the plaintiff seeks an injunction against the defendant's act of affixing the defendant's marks to candies such as throat lozenges or the packages thereof (paragraph 1 of the Main Text), an injunction against the defendant's act of selling or otherwise handling candies such as throat lozenges bearing the defendant's marks on their packages, etc. (paragraph 2 of the Main Text), an injunction against the defendant's act of affixing the defendant's marks to the product advertisements of candies such as throat lozenges (paragraph 3 of the Main Text), and destruction of candies such as throat lozenges, the packages, and product advertisements thereof bearing any of the defendant's marks (paragraph 4 of the Main Text). Regarding the plaintiff's claim for damages, there are grounds to the extent that the plaintiff demands payment of 506,291 yen, as well as delay damages accrued on 505,636 yen out of the aforementioned amount from May 25, 2002 and on 655 yen out of the first mentioned amount from May 30, 2002, until the date of full payment at a rate of 5% per annum (paragraph 5 of the Main Text).

Thus, the judgment shall be rendered in the form of the main text.

Tokyo District Court, 46th Civil Division

Presiding judge: MIMURA Ryoichi

Judge: AOKI Takayuki

Judge: MATSUOKA Chiho

Registered Trademark List

Registration No. 1650420

Trademark: Presented below

Application date: December 24 1980

Registration Date: January 26, 1984

Designated goods: Class 30 Confectionery, bread and buns

花 か

粉 ふん

Defendant's Mark List 1

花粉のど飴

Defendant's Mark List 2



Defendant's Mark List 3

花粉のど飴2