Unfair Competition	Date	March 23, 2023	Court	Intellectual Property High Court, Second Division
	Case number	2022 (Ne) 10095, 2022 (Ne) 10112		
- A case in which, concerning an act of unfair competition as stipulated in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act over an indication of goods or business pertaining to a shape, the court calculated the amount of damages pursuant to Article 5, paragraph (1) of the same Act.				

Case type: Compensation

Result: Modification of the prior instance judgment

References: Article 2, paragraph (1), item (i), Article 4, and Article 5, paragraph (1) of the Unfair Competition Prevention Act

Judgment of the prior instance: Tokyo District Court 2020 (Wa) 17626; Judgment rendered on August 4, 2022

Summary of the Judgment

1. In the present case, X argued that Y's act of selling Y's Product (portable, disposable, continuous low-pressure suction device) is an act that creates confusion with X's Product and falls under an act of unfair competition as stipulated in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act (Act), and demanded against Y, pursuant to Article 4 of the Act, for payment of damages in the amount of 31,464,427 yen, calculated pursuant to Article 5, paragraph (1) or (2) of the Act, as well as relevant delay damages. The indication of goods or business of the present case has the shape of X's Product, and Y was selling Y's Product which has a shape closely resembling that of X's Product. In a separate suit between X and Y, the court ruled that the shape of X's Product falls under a well-known indication of goods or business, and that Y's act of selling Y's Product falls under an act of unfair competition as stipulated in Article 2, paragraph (1), item (i) of the Act. In the judgment that was finalized in said separate suit, the court approved an injunction against the sale of Y's Product pursuant to Article 3, paragraph (1) or (2) of the Act (Intellectual Property High Court 2019 (Ne) 10002; Judgment rendered on August 29, 2019), and in the present case, whether or not the shape of X's Product is an indication of goods or business is not a point of dispute.

2. In the judgment of the prior instance, the prior court reasoned that it is unlikely for the entirety of the quantity of Y's Product sold to have been attributable to the consumers' misunderstanding or confusion with X's Product, and determined that there were circumstances due to which X was unable to make sales with regard to 40% of the quantity transferred by Y, and deducted said 40% from the amount of

damage calculated pursuant to Article 5, paragraph (1) of the Act, and thus partially approved the claim made by X. Y was dissatisfied with the partial defeat in the case and filed an appeal, and X also filed an incidental appeal.

3. Y argued that Y's Product is often sold via a sales channel in which Y or the distributor explains the product to a medical institution beforehand by presenting the actual product or catalogue, and the product is subjected to trial use by the medical institution, after which orders are placed for the product. In this sales channel, no consumer would purchase Y's Product with the misunderstanding or confusion that the product is X's Product, and there is no specific risk of misunderstanding or confusion, so that the sale does not fall under an act of unfair competition. In addition, Y argued that there are "circumstances that would have prevented the infringed party from selling", as stipulated in Article 5, paragraph (1) of the Act.

In the judgment of the present case, the court determined as described below, that Y's sale of Y's Product falls under an act of unfair competition irrespective of the sales channel, and that even if there was actually no confusion, the sale does not fall under "circumstances that would have prevented the infringed party from selling", as stipulated in Article 5, paragraph (1) of the Act. The court also held that there are no grounds for which the presumed amount calculated under the same paragraph should be overcome, and modified the judgment of the prior instance.

(1) Applicability of act of unfair competition

Y sells Y's Product, which has a shape closely resembling the shape of X's Product, a well-known indication of goods or business, and which is used by the same method of use as X's Product for the same purpose as X's Product, to the same consumers as those for X's Product. It is assumed that consumers received explanations about Y's Product from Y or its distributor by being shown the actual product, or by looking at photographs and the like of Y's Product which are posted in catalogues and on online shops, and recognized that Y's Product has the same or nearly the same shape as X's Product, and the motivation for purchase was formed by X's business reputation, which is embodied in the shape of X's Product. When these circumstances are considered as a whole, it should be said that there were specific risks, namely the risk of the consumers, who recognized the shape of Y's Product, confusing Y's Product with X's Product, and the risk of the same consumers wrongfully believing that there is some kind of close business relationship between X, who is the agent for X's Product, and Y. Whatever manner of sales channel was taken for Y's Product, consumers were able to recognize the shape of Y's Product, which closely resembles the shape of X's Product, a well-known indication of goods

or business, so that there was a risk of confusion, and this does not differ depending on the sales channel.

Furthermore, there is no ground based on which the scope of what constitutes an act of unfair competition should be understood differently in the case of demanding for an injunction or in the case of demanding for payment of damages.

(2) Whether the presumption according to Article 5, paragraph (1) of the Unfair Competition Act should be overcome

If, concerning the quantity corresponding to the entirety or part of the quantity transferred by an act of unfair competition, there are "circumstances that would have prevented the infringed party from selling" as stipulated in the proviso of Article 5, paragraph (1) of the Act, the presumed amount of damages according to the same paragraph shall be overcome within the extent of the amount corresponding to such quantity. It is interpreted that the "circumstances that would have prevented the infringed party from selling" as stipulated in Article 5, paragraph (1) of the Act refer to the circumstances which interfere with the legally sufficient cause between the act of unfair competition and the decrease in the sale of the product of the infringed party.

Even if the court acknowledges that a person in charge at a medical institution or the like, which is a consumer, actually did not misunderstand or confuse Y's Product with X's Product, there are the following circumstances, namely, that Y's Product and X's Product are strongly competitive in the market, and that Y or its distributor was selling Y's Product by encouraging the person in charge at a medical institution or the like, which is a consumer, to switch from X's Product to Y's Product. Given these circumstances, it is reasonable to assume that, had there been no sale of Y's Product, the same quantity of X's Product as the quantity of Y's Product sold would have been sold, so that it is reasonable to acknowledge that X suffered lost profits resulting from the inability to sell X's Product in the same quantity as the quantity of Y's Product sold, as a result of the act of unfair competition of Y's sale of Y's Product.

In that case, the nonexistence of misunderstanding or confusion as described above does not constitute the circumstances which interfere with the legally sufficient cause between Y's sale of Y's Product, or the act of unfair competition, and the decrease in the sale of X's Product, so that it does not fall under the "circumstances that would have prevented the infringed party from selling".

Judgment delivered on March 23, 2023
2022 (Ne) 10095 Appeal case of seeking compensation
2022 (Ne) 10112 Incidental appeal case for the above
(Prior court: Tokyo District Court 2020 (Wa) 17626)
Date of conclusion of oral argument: February 7, 2023

Judgment

Appellant and Incidental Appeal Appellee (Defendant in the first instance):
Cardinal Health K.K.
(hereinafter referred to as "Appellant")

Appellee and Incidental Appeal Appellant (Plaintiff in the first instance):
Sumitomo Bakelite Co., Ltd.
(hereinafter referred to as "Appellee")

Main Text

1. Appellant's appeal of the present case shall be dismissed.
2. Based on the incidental appeal filed by Appellee, the judgment of the prior court shall be changed as follows.
(1) Appellant shall pay to Appellee a sum of 22,522,848 yen and the money accrued thereon at the rate of 5% per annum for the period from August 29, 2019 until completion of payment.
(2) The rest of Appellee's claim shall be dismissed.
3. Court costs (including the cost of the appeal and the cost of the incidental appeal) throughout the first and second instances shall be divided into four parts, three of which shall be borne by Appellant, and the remaining part shall be borne by Appellee.
4. Only the above paragraph 2 (1) of this judgment may be provisionally executed.

Facts and Reasons

The abbreviations of the terms used herein and the meanings of the abbreviations shall be as per the judgment of the prior court in addition to what is described herein, and "Plaintiff" according to the judgment of the prior court shall be read herein as "Appellee", and "Defendant" according to the judgment of the prior court shall be read herein as "Appellant", as is appropriate. Also, all "attached/Attachment" as used herein in the parts quoted from the judgment of the prior court shall be corrected to "attached/Attachment to the judgment of the prior

court".

No. 1 Object of the appeal, etc.

1. Object of the appeal

(1) In the judgment of the prior court, the part which was against Appellant shall be revoked.

(2) Concerning the above part to be revoked, Appellee's claim shall be dismissed.

(3) Court costs throughout the first and second instances shall be borne by Appellee.

2. Object of the incidental appeal

(1) The judgment of the prior court shall be changed as follows.

(2) Appellant shall pay to Appellee a sum of 31,464,427 yen and the money accrued thereon at 5% per annum for the period from August 29, 2019 until completion of payment.

(3) Court costs throughout the first and second instances shall be borne by Appellant.

(4) Declaration of provisional execution

No. 2 Background

1. Summary of the case

In the present case, Appellee argued that Appellant's act of selling the product (Appellant's Product) indicated in the Record of Appellant's Product attached to the judgment of the prior court is an act which creates confusion with Appellee's Product and falls under an act of unfair competition as stipulated in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act, and demanded against Appellant, pursuant to Article 4 of the Unfair Competition Prevention Act, for payment of damages in the amount of 31,464,427 yen (although the amount claimed is the revised amount of 31,442,347 yen), calculated pursuant to Article 5, paragraph (1) or (2) of the Unfair Competition Prevention Act, as well as relevant delay damages accrued thereon at the rate of 5% per annum as prescribed in the Civil Code before the revision by the Act No. 44 of 2017 (hereinafter referred to as "Pre-Revision Civil Code") for the period from August 29, 2019, which is the day of the latest act of unfair competition, until completion of payment.

In the judgment of the prior court, the court reasoned that it is unlikely for the entirety of the quantity of Appellant's Product sold to have been attributable to the consumers' misunderstanding or confusion with Appellee's Product, and determined that there were circumstances due to which Appellee was unable to make sales with regard to 40% of the quantity transferred by Appellant, and deducted said 40% from the amount of damage calculated pursuant to Article 5, paragraph (1) of the Unfair

Competition Prevention Act, and thus partially approved Appellee's claim within the extent of payment of a sum of 13,583,708 yen, including attorney's fees, along with relevant delay damages, and dismissed the rest of the claim.

In response, Appellant, who was dissatisfied with its partial defeat in the case, filed an appeal, and Incidental Appeal Appellant, who was also dissatisfied with its partial defeat in the case, filed an incidental appeal.

2. Basic Facts (facts over which there is no dispute between the parties, and facts which can be acknowledged from evidence (hereinafter, documentary evidence numbers shall include branch numbers unless specified otherwise) and the entire import of the oral argument; hereinafter referred to as "Basic Facts") as well as the point of dispute and the parties' claims concerning the points of dispute shall be corrected as follows. Other than the addition of the parties' supplementary claims in this court, as described later in Paragraph No. 3, the content of the judgment of the prior court under paragraphs 2 to 4 of "No. 2 Background" in "Facts and Reasons" shall be applicable and quoted herein.

(1) In [the Japanese original of] the judgment of the prior court, in line 5 on page 3, the words, "in other words", shall be followed by the insertion of "as of said point in time".

(2) In [the Japanese original of] the judgment of the prior court, at the end of line 24 on page 3, enter a line break and insert "(1) Applicability of sale of Appellant's Product to act of unfair competition (Issue 1)", and at the beginning of line 25 on the same page, correct "(1)" to "(2)", and in the same line, correct "Issue 1" to "Issue 2", and at the beginning of line 26 on the same page, correct "(2)" to "(3)", and in the same line, correct "Issue 2" to "Issue 3".

(3) In [the Japanese original of] the judgment of the prior court, by entering a line break at the end of the first line on page 4, insert the following.

"(1) Applicability of sale of Appellant's Product to act of unfair competition (Issue 1)

(Appellee's claim)

Appellant's act of selling Appellant's Product falls under an act of unfair competition irrespective of the sales channel, and this is as per the court's finding in a finalized judgment rendered in a separate action. Appellant argues that, in the judgment of the separate action, the court ruled that an act of unfair competition shall be established only for the sales made via catalogues for medical instruments and online shopping sites from among Appellant's acts of selling Appellant's Product. However, in the judgment of the separate action, the court brought up the instance of coming in contact with the shape of Appellant's Product via catalogues for medical

instruments and online shopping sites as an example of a case which has a possible risk of causing misunderstanding or creating confusion, and the example does not indicate the court's determination that only the sales made through these channels have a risk of creating confusion with Appellee's Product. As such, Appellant is twisting the judgment of the separate action.

Appellant's claim is based on the belief that Appellee does not have part of the right to seek injunction against the act of selling Appellant's Product and is clearly in discrepancy with the judgment of the separate action, and it substantively drags up an issue which was carefully examined and determined in a separate action. As such, Appellant's claim is unjust.

(Appellant's claim)

Not all of Appellant's acts of selling Appellant's Product fall under an act of unfair competition. In the judgment of the separate action, the court determined that when medical service workers come in contact with the shape of Appellant's Product, which is very similar to the shape of Appellee's Product, through product images and the like shown in catalogues for medical instruments and online shopping sites, there is a risk of causing the misunderstanding that the source of the product is the same as that of Appellee's Product. In other words, the court determined that an act of sale via certain sales channels (when consumers come in contact with Appellant's Product, which is very similar to the shape of Appellee's Product, through product images and the like shown in catalogues for medical instruments and online shopping sites) has a risk of causing misunderstanding or creating confusion, and the determination is not directed to all of Appellant's acts of selling Appellant's Product.

The court's ruling in the judgment of the separate action to uniformly approve an injunction against the sale of Appellant's Product is an excessive injunction. However, since cutting out only the manners of transaction, which have a risk of creating confusion, and identifying them in the main text of a judgment is too difficult, technically speaking, the determination of approving an injunction for all acts based on a risk that pertains to some of the acts can be affirmed, to a certain degree, in an action for injunction. On the other hand, a claim for compensation on the ground of tort is made for the accumulation of cases of tort taking place on a daily basis in different manners of sale. As such, it is not permissible to grant recapitulative approval as to an act being an act of unfair competition without going through the fact-finding process for individual manners of sale. Nevertheless, in the judgment of the prior court, the court did not make an assessment on whether or not each manner of sale falls under an act of unfair competition, but instead, granted recapitulative

approval for Appellant's sale of Appellant's Product, so as to determine that all acts of sale fall under unfair competition. As such, the court's judgment is unjust."

(4) In [the Japanese original of the judgment], "(1)" at the beginning of line 2 on page 4 shall be changed to "(2)", and "Issue 1" in the same line to "Issue 2", and "(2)" at the beginning of line 9 on the same page to "(3)", and "Issue 2" in the same line to "Issue 3", and each of "Defendant's Product" in lines 4 to 5 on the same page and in line 15 on the same page to "Appellant's Product".

(5) In [the Japanese original of] the judgment of the prior court, "Plaintiff submitted" in line 1 on page 5 shall be changed to "As per B of [Appellant's claim] described later, Appellant argues that many of Appellee's Product is sold in a set with a catheter, and that, despite the reality of transaction which is that the sales price is different according to each sales destination, only secondary sources which indicate the allocating method pertaining to the set sales and the total of sales performance for each sales destination have been submitted, but Appellee submitted".

(6) In [the Japanese original of] the judgment of the prior court, "process pertaining to Defendant's claim" in line 21 on page 5 shall be changed to "process pertaining to Appellant's claim in D (A) under [Appellant's claim] described later", and "Defendant's Product" in line 5 on page 6 to "Appellant's Product pertaining to Appellant's claim in D (B) under [Appellant's claim] described later", and "had acquired" in line 13 on the same page to "had acquired, and", and in line 14 on the same page, insert "in Appellant's Product" after "considering that", and in the same line, change "give to Defendant's Product" to "give to consumers", and in line 18 on the same page, change "in regard to the sales quantity of Defendant's new model of product" to "in regard to the fact that the sales quantity of a new model which came after Appellant's Product pertaining to Appellant's claim in D (E) under [Appellant's claim] described later and which changed significantly in shape from Appellant's Product greatly outnumbered the sales quantity of Appellant's Product".

(7) In [the Japanese original of] the judgment of the prior court, "no damage, or" in line 18 on page 7 shall be changed to "no damage occurred. Furthermore,", and in line 13 on page 8, "as a result of repeated improvements," shall be followed by the insertion of "[1] a safety lock function which securely fastens a catheter with the joint part of Appellant's Product is fixed, [2] a valve for preventing the backflow of discharged fluids, which accumulated in a fluid discharging bottle once, into the patient's body, is placed, [3] a cap is placed on a connecting tube for discharging the air inside the bottle to the outside by displacing the tube without taking out a catheter from the bottle, and [4] the fluid-collection port is shaped into Y, so that two catheters

can be connected simultaneously".

(omitted)

No. 3 Judgement of this court

1. Issue 1 Applicability of sale of Appellant's Product to act of unfair competition

The present court acknowledges that Appellant's sale of Appellant's Product falls under an act of unfair competition as stipulated in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. The reasons thereof are, other than the corrections below, as indicated in No. 3-1 of "Facts and Reasons" of the judgment of the prior court, which shall be quoted herein.

In [the Japanese original of] the judgment of the prior court, "1" at the beginning of line 16 on page 9 shall be deleted, and "Basic Facts (No. 2-2 (2) above) shall be changed to "Basic Facts (2)", and line 17 of the same page shall have a line break at the end and the following shall be added.

"Appellant argues that, from among Appellant's acts of sale of Appellant's Product, an act of unfair competition is applicable only when the sale is made to consumers via certain sales channels (when consumers come in contact with Appellant's Product, which is very similar to the shape of Appellee's Product, through product images and the like shown in catalogues for medical instruments and online shopping sites).

When the above is considered, the provision of Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act, which stipulates that the use of an indication of goods or business which is identical or similar to another person's well-known indication of goods or service falls under unfair competition, has the following import: By prohibiting an act which has a specific risk of creating confusion with the product or business of another person, who is the agent of a well-known indication of goods or business, to prevent a person from acquiring consumers by causing the misunderstanding or creating the confusion that another person's goodwill, which is embodied in a well-known indication of goods or business, belongs to said person, thereby protecting the goodwill inherent to a well-known indication of goods or business and ensuring a fair competition among business operators. In order to be interpreted that the "act which creates confusion with another person's goods or business" in the same item is applicable, it is not necessary for confusion to actually occur, but it is sufficient if there is a risk of creating confusion (refer to Supreme

Court Judgment 1969 (O) No. 912 rendered by First Petty Bench on November 13, 1969 / Saibanshu (Minji) Vol. 97, page 273), and it is interpreted that said act is not only an act by a person, whose indication of goods or business is identical or similar to another person's well-known indication of goods or business, of misleading others into believing that said person and said another person are agents for the same goods or business, but also includes an act which misleads others into believing that the two parties are closely related in business, by way of so-called parent-subsidiary relationship or as affiliate companies, or belonging to a group in which they operate a commercialization business using the same indication (refer to Supreme Court Judgment 1982 (O) No. 658 rendered by Second Petty Bench on October 7, 1983; Minshu Vol. 37, No. 8, page 1082; Supreme Court Judgment 1995 (O) No. 637 rendered by First Petty Bench on September 10, 1998 / Saibanshu (Minji) Vol. 189, page 857).

When the above is considered in the present case, Appellee's Product has a shape which has been continuously and exclusively used for a long period of time of approximately 34 years, so that it has come to be recognized among medical service workers, who are consumers, as an indication of source for Appellee's Product. It is acknowledged that the shape of Appellee's Product was applicable to a well-known indication of goods or business, as stipulated in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act as of around January 2018, which is when the sale of Appellant's Product began. Appellant sells Appellant's Product, which has a shape closely resembling the shape of Appellee's Product, a well-known indication of goods or business, and which is used by the same method of use as Appellee's Product for the same purpose as Appellee's Product, to the same consumers as those for Appellee's Product. It is presumed that consumers received explanations about Appellant's Product from Appellant or its distributor by being shown the actual product, or by looking at photographs and the like of Appellant's Product which are posted in catalogues and on online shops, and recognized that Appellant's Product has the same or nearly the same shape as Appellee's Product, and the motivation for purchase was formed by Appellee's business reputation, which is embodied in the shape of Appellee's Product. When these circumstances are considered on the whole, it should be said that there were specific risks, namely the risk of the consumers, who recognized the shape of Appellant's Product, confusing Appellant's Product with Appellee's Product, and the risk of the same consumers wrongfully believing that there is some kind of close business relationship between Appellee, who is the agent for Appellee's Product, and Appellant. Whatever manner of sales channel was taken

for Appellant's Product, consumers were able to recognize, upon purchasing Appellant's Product, the shape of Appellant's Product which closely resembles the shape of Appellee's Product, a well-known indication of goods or business, so that there was a risk of confusion, and this does not differ depending on the sales channel.

Furthermore, there is no ground based on which the scope of what constitutes an act of unfair competition should be understood differently in the case of demanding for an injunction or in the case of demanding for payment of damages.

In that case, the above claim by Appellant cannot be accepted."

2. Issue 2 Intent or negligence

The present court acknowledges that Appellant was at least negligent in the act of unfair competition of the present case. The reason thereof is as indicated under No. 3-2 of "Facts and Reasons" in the judgment of the prior court, in addition to the following corrections, and shall be quoted herein.

In [the Japanese original of] the judgment of the prior court, delete line 18 on page 9, and in line 19 on the same page, correct "Basic Facts (No. 2-2 (2) above)" to "Basic Facts (2)".

3. Issue 3 Occurrence of damage having a causal connection to the act of unfair competition of the present case, and the amount of Appellee's damage

(1) Occurrence of damage

As per No. 3-1 under "Facts and Reasons" of the judgment of the prior court, which was quoted after correction, Appellant's sale of Appellant's Product falls under an act of unfair competition as stipulated in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act. Appellant's Product is used for the same purpose and by the same method as Appellee's Product, and Appellant's Product and Appellee's Product are the only two products that are nearly identical in shape, so that it is clear that they are in a competitive relationship (Exhibit Ko 2; the entire import of the oral argument). As such, it is presumed that the sale of Appellant's Product decreased the sales of Appellee's Product.

In that case, it is acknowledged that the act of unfair competition of the present case caused Appellee to suffer damage.

(2) Calculation of the amount of damage pursuant to Article 5, paragraph (1) of the Unfair Competition Prevention Act

A. Sales quantity of Appellant's Product

It can be acknowledged from evidence (Exhibit Otsu 11) and the entire import of the oral argument that from January 2018 until August 29, 2019, Appellant sold a total of 14,377 units of Appellant's Product to Appellant's distributor (excluding the

units returned). Data of the quantity of Appellant's Product sold (Exhibit Otsu 11) indicate that 10 units of Appellant's Product were sold in October 2019, but it is presumed that this number is a record for the units sold until August 29 of the same year, and for some reason, the number was recorded as pertaining to October 2019. The same data indicate that there is no record of any unit being sold for January and February 2018.

Appellee argues that the sales quantity of Appellant's Product totaled 20,073 units, but that Exhibit Otsu 11 cannot be trusted. However, the sales quantity of Appellant's Product sold as claimed by Appellee is obtained by the following calculation. Using the values pertaining to the market share as claimed by Appellant in a separate action (Appellee's Product 95%, Appellant's Product 3%; Exhibit Ko 6), and with the sales quantity (480,000 units) of Appellee's Product between January 2018 and August 29, 2019 as the basis, the quantity of Appellant's Product sold to medical institutions and the like during the same period is presumed to be 15,158 units, and this number is added to the quantity of 4,916 units (Exhibit Otsu 6), which was sold by Appellant's distributor to medical institutions and the like on or after the same date. However, there is no objective evidence to support the aforementioned market share or the sales quantity of Appellee's Product between January 2018 and August 29, 2019, and it cannot be said that the presumed sales quantity of Appellant's Product as claimed by Appellee is reasonable. On the other hand, the data of the quantity of Appellant's Product sold (Exhibit Otsu 11) are based on what is extracted from the core system of Appellant (Exhibit Otsu 24), and there are no specific circumstances to suggest that the data were processed or altered in some way.

In that case, as described above, it is reasonable to acknowledge that the sales quantity of Appellant's Product is 14,377 units.

B. Amount of profit per Appellee's unit quantity

(A) Evidence (Exhibits Ko 10, 12 to 17) and the entire import of the oral argument indicate the following: [1] The quantity of Appellee's Product sold from January 2018 until August 29, 2019 (limited to those sold singularly) totaled 11,422 units, and the sales figure totaled 25,351,921 yen; [2] The cost required for manufacturing and selling the above Appellee's Product, including the raw material cost, variable processing cost (fuel cost, electric power cost, consumables cost), and direct operating cost (container/packaging cost, sales transportation cost, etc.), totaled 9,085,333 yen; [3] It is acknowledged that the raw material cost and the variable processing cost are the costs directly required for manufacturing Appellee's Product, and the direct operating cost is the cost directly required for shipping and transporting

Appellee's Product. Attachment 1, which is a list of sales figures, etc., of a statement by Appellee's employee (Exhibit Ko 13) was prepared based on the data on Appellee's internal system, which was then output in an Excel file format (Exhibit Ko 13), and there are no specific circumstances based on which to entertain doubts as to the credibility of the data.

In that case, the amount of marginal profit per unit of Appellee's Product is 1,424 yen ((= 25,351,921 yen - 9,085,333 yen) / 11,422 yen; amounts less than 1 yen shall be rounded).

(B) Regarding the above, Appellant argues that, in regard to the materials concerning sales of Appellee's Product, only secondary sources which indicate the allocating method pertaining to the sales in a set with a catheter, and the total of sales performance for each sales destination have been submitted, but that there must be other costs which should be deducted from the marginal profit of Appellee's Product, and that the marginal profit of Appellee's Product as claimed by Appellee is unreasonably expensive.

However, while Attachment 1 of Exhibit Ko 13 is based on data on Appellee's internal system, the product codes indicated in the "Code" column are "90253300" and "90253600", and it is presumed that these data are in a corresponding relationship with Appellee's Product, "Set without SB Back Tube (waste fluid bottle and suction bottle)", having the serial number of "MD-53300", and Appellee's Product, "Set without SB Back Tube (low-pressure product) (waste fluid bottle and suction bottle)", having the serial number of "MD-53600", as indicated in the Record of Appellee's Product attached to the judgment of the prior court. As such, it is reasonable to acknowledge that the values indicated in Attachment 1 of Exhibit Ko 13 do not include Appellee's Product pertaining to the set sales with catheters, but that they are limited to Appellee's Product that were sold singularly.

As for the variable cost which should be deducted from the marginal profit, the court cannot approve, other than the costs identified above in (A), that the costs pointed out by Appellant have been spent in the present case as costs required, directly or additionally, for the manufacture and sale of Appellee's Product.

Furthermore, although Appellant argues that the amount of marginal profit claimed by Appellee is unjustly expensive, the marginal profit rate of Appellee's Product is approximately 64.2% ((= 25,351,921 yen - 9,085,333 yen) / 25,351,921 yen), and since this is almost equal to the marginal profit rate of 64.3% for the manufacturing industry (Other Plastics) during the settlement period from November 2019 until January 2020 (Exhibit Ko 7) as published by TKC Corporation, it cannot

be said that the percentage is unjustly expensive.

The marginal profit for Appellee's Product is identified as above based on the evidence submitted in the present case. As such, even when the records of the present case are thoroughly examined, it cannot be acknowledged that there was breach of law pertaining to the acceptance of evidence by the court of prior instance, which identified likewise.

C. Assumption of the amount of damage

As described above, the sales quantity of Appellant's Product between January 2018 and August 29, 2019 is 14,377 units. When 1,424 yen, which is the marginal profit per unit quantity of Appellee's Product, is multiplied with the sales quantity, it is presumed that the amount of damage suffered by Appellee is 20,472,848 yen (= 14,377 units × 1,424 yen / unit) pursuant to Article 5, paragraph (1) of the Unfair Competition Prevention Act.

D. Circumstances due to which Appellee is unable to sell all or part of the quantity transferred

(A) If, pursuant to the proviso of Article 5, paragraph (1) of the Unfair Competition Prevention Act, there are "circumstances that would have prevented the infringed party from selling" the entirety or part of the quantity transferred by an act of unfair competition, the presumption of the amount of damage according to said paragraph shall be overcome within the extent of the amount corresponding to said quantity. It is interpreted that the "circumstances that would have prevented the infringed party from selling", as prescribed in the same paragraph, refer to the circumstances which interfere with the legally sufficient cause between the act of unfair competition and the decrease in the sales of the infringed party's product.

(B) Appellant points out the following [1] to [4] as the "circumstances that would have prevented the infringed party from selling", as prescribed in the proviso of Article 5, paragraph (1) of the Unfair Competition Prevention Act, or as other causes for overcoming the presumption.

[1] From the perspective of ensuring safety, etc. concerning the use of Appellant's Product, Appellant and the distributor of Appellant's Product would explain about Appellant's Product beforehand to hospitals and the like purchasing Appellant's Product for the first time by providing samples, and the side of the medical institution actively receives information from manufacturers, etc. In fact, Appellant sold Appellant's Product to 84 institutions, and 78 institutions of those, sales representatives paid visits beforehand to give explanations about Appellant's Product, and as is clear from the invoices and order placements, etc. exchanged

between the distributor and medical institutions, etc., medical institutions, etc. identified Appellant's Product or Appellant's name or the like upon purchasing Appellant's Product. Such manner of sale has no specific risk of causing misunderstanding or creating confusion between Appellant's Product and Appellee's Product, and there was no instance of a medical institution, etc. placing an order based on misunderstanding.

This is also clear from the fact that although each of Appellee's Product and Appellant's Product can be connected to the respective catheter only, not even a single case of complaint was made about someone not being able to connect Appellant's Product to Appellee's catheter, as well as from the fact that no other medical institution using Appellee's Product placed an erroneous order. In addition, the statements prepared by Appellant's employees and medical service workers (Exhibits Otsu 17 and 44 to 50) indicate that there was no instance of misunderstanding or confusion being suffered by the side of the medical institution.

[2] Appellant's Product was in demand by medical service workers because of its superior functions. The fact that the sales quantity of a new model, which came after Appellant's Product and which changed significantly in shape from Appellant's Product, greatly outnumbered the sales quantity of Appellant's Product indicates that Appellant's Product was in demand because of its functions, etc. rather than its shape.

[3] Appellant's trademark and product name being clearly indicated on the suction bottle part of Appellant's Product, and Appellant being a Japanese subsidiary of a major global corporation whose sales scale is one of the top 10 corporations worldwide, and Appellant being a famous corporation in the medical device industry indicate that the demand for Appellant's Product was not due to the misunderstanding or confusion with Appellee's Product but was due greatly to Appellant's credibility and brand power as a medical device manufacturer.

[4] Because of Appellant's marketing efforts, Appellant's Product was adopted by multiple group purchasing organizers (GPO) as a product of recommendation. On the other hand, Appellee's Product was not adopted as such, and it can be said that 24 member institutions of GPO from among the 84 institutions which purchased Appellant's Product did so because Appellant's Product is a product recommended by GPO.

[C] Concerning the above (B) [1]

Appellant argues that in the manner of sale in which a sales representative pays a visit to explain about Appellant's Product, no misunderstanding or confusion arises in the medical service workers who are consumers, so that there is no specific risk of

misunderstanding or confusion. However, Appellant's act of selling Appellant's Product falls under an act of unfair competition as prescribed in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act irrespective of the sales channel as illustrated under No. 3-1 of "Facts and Reasons" in the judgment of the prior court, which is quoted herein after corrections are made thereon. Appellant argues that medical service workers who are consumers never purchased Appellant's Product based on misunderstanding or confusion, and that this argument is supported by facts such as that there has never been any complaint as to Appellant's Product not being connectable to the catheter of Appellee's Product. However, the act of unfair competition as prescribed in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act does not, as described above, require that confusion must have actually occurred. On the other hand, Appellant's argument is premised on the assessment that an act of unfair competition refers only to a case in which confusion actually occurred, so that Appellant's claim cannot be accepted.

Even if the court acknowledges that a person in charge at a medical institution or the like, which is a consumer, actually did not misunderstand or confuse Appellant's Product with Appellee's Product, there are the following circumstances, namely, that Appellant's Product and Appellee's Product are strongly competitive in the market, and that Appellant or its distributor was selling Appellant's Product by encouraging the person in charge at a medical institution or the like, which is a consumer, to switch from Appellee's Product to Appellant's Product (Exhibit Ko 2; the entire import of the oral argument). Given these circumstances, it is reasonable to presume that, had there been no sale of Appellant's Product, the same quantity of Appellee's Product as the quantity of Appellant's Product sold would have been sold, so that it is reasonable to acknowledge that Appellee suffered lost profits resulting from the inability to sell Appellee's Product in the same quantity as the quantity of Appellant's Product sold, as a result of the act of unfair competition of Appellant's sale of Appellant's Product.

In that case, the nonexistence of misunderstanding or confusion as described above does not constitute the circumstances which interfere with the legally sufficient cause between Appellant's sale of Appellant's Product, which is an act of unfair competition, and the decrease in the sale of Appellee's Product, so that it does not fall under the "circumstances that would have prevented the infringed party from selling".

(D) Concerning the above (B) [2] to [4]

It is acknowledged from evidence (Exhibit Ko 2; Exhibits Otsu 5, 14, and 15) and the entire import of the oral argument that Appellant's Product and Appellee's

Product have different functions in terms of the method of connecting the catheter (whether or not there is a safety lock mechanism), whether or not there is a valve for preventing the backflow of discharged fluids, the number of catheters which can be connected, and whether or not the connecting tube is able to discharge fluid naturally. However, there is no evidence to sufficiently acknowledge that Appellant's Product has a noticeably superior function compared to Appellee's Product, and that it contributed to the sales of Appellant. Although Appellant argues that the fact that the sales quantity of a new model, which has a different shape from that of Appellee's Product, greatly outnumbered the sales quantity of Appellant's Product supports the argument that the demand for Appellant's Product is attributable to its function, etc., the new-model product has a shape different from Appellant's Product, so that the sale of a new-model product only suggests that it does not fall under an act of unfair competition in terms of its relationship with Appellee's Product, and this fact alone is not sufficient to determine that Appellant's Product was in demand because of its function, etc. instead of its shape.

Next, concerning Appellant's argument that Appellant's credibility and brand power as a medical device manufacturer contributed to the sales of Appellant's Product, the court determines as follows. As of around January 2018 when Appellant's Product began to be sold, Appellant's Product had become well-known in a field of goods pertaining to orthopedics, which includes Appellant's Product. On the other hand, Appellant was in a state which cannot necessarily be considered as having high credibility and brand power in the same field. Given these circumstances, it cannot be acknowledged that Appellant's credibility and brand power contributed to the formation of the motivation to purchase Appellant's Product.

In addition, even if it is acknowledged that Appellant's Product is adopted as a product recommended by multiple GPOs, and even if it is acknowledged that some of the institutions which purchased Appellant's Product were members of such GPOs, it is not clear how Appellant's Product came to be adopted as a product recommended by GPO, and there is no evidence to sufficiently acknowledge that the adoption as a product recommended by GPO contributed to forming the motivation of consumers to make the purchase.

In that case, it cannot be said that the circumstances of the above (B) [2] to [4] as claimed by Appellant fall under the "circumstances that would have prevented the infringed party from selling".

(E) Even in light of other circumstances shown in the present case, it cannot be said that there are "circumstances that would have prevented the infringed party from

selling".

In that case, the amount of damage suffered by Appellee as calculated pursuant to Article 5, paragraph (1) of the Unfair Competition Prevention Act is 20,472,848 yen as described above in C.

(3) Calculation of the amount of damage pursuant to Article 5, paragraph (2) of the Unfair Competition Prevention Act

As described above in (2) A, the sales quantity of Appellant's Product from January 2018 until August 29, 2019 totaled 14,377 units.

If, as Appellee claims, the unit price of Appellant's Product is 1,900 yen and the marginal profit rate of Appellant's Product is 65%, the amount of damage which is presumed pursuant to Article 5, paragraph (2) of the Unfair Competition Prevention Act is 17,755,595 yen (= 14,377 units × 1,900 yen × 65%), so that it is less than the amount of damage which is presumed pursuant to Article 5, paragraph (1) of the Unfair Competition Prevention Act.

As such, in the present case, the amount of damage is calculated pursuant to the same paragraph.

(4) Attorney's fee

When an allowance is made for various circumstances, including the difficulty of the case, the amount claimed, and the amount approved, it is reasonable to acknowledge that the attorney's fee having legally sufficient cause with the tort pertaining to the act of unfair competition of the present case is 2,050,000 yen.

(5) Amount of damage

It is 22,522,848 yen in total.

4. Conclusion

Based on the above, Appellee's claim shall be approved within the extent of seeking payment of a sum of 22,522,848 yen and delay damages accrued thereon at the rate of 5% per annum as prescribed in the Pre-Revision Civil Code for the period from August 29, 2019 until completion of payment, and the rest shall be dismissed for being groundless. The judgment of the prior court, which ruled differently by partially approving Appellee's claim within the extent of 13,583,708 yen and delay damages accrued thereon and dismissing the rest, is partially unreasonable, and the appeal filed by Appellant in the present case shall be dismissed for being groundless, whereas Appellee's incidental appeal is partially reasonable. As such, the judgment of the prior court shall be changed as indicated above, and the judgment shall be rendered as per the main text.

Intellectual Property High Court, Second Division

Presiding Judge:	HONDA Tomonari
Judge:	ASAI Ken
Judge:	KATSUMATA Kumiko