

Judgments of Intellectual Property High Court, Second Division

Date of the Judgment: 2005.12.20

**Case Number: 2005 (Gyo-Ke) No.10095, 2005 (Gyo-Ke) No.10096,
2005 (Gyo-Ke) No.10097, 2005 (Gyo-Ke) No.10098**

Title (Case):

A case wherein, with regard to the decision not to cancel a registered trademark not in use made in a JPO's trademark registration cancellation proceeding, the court held that it could not be regarded that the defendant had used the trademark for the designated goods "pizza" or for the designated service "provision of food and drink" within three years before the filing of a request for JPO's cancellation of the trademark, that there was a legitimate reason for such nonuse of the trademarks in Japan, and that the plaintiff's request for the cancellation amounted to an abuse of right.

Reference: Article 50, para.1 and the proviso of Article 50, para.2 of the Trademark Act

Summary of the Case:

The defendant is the owner of the disputed trademarks. The plaintiff requested the JPO to cancel the registration of the defendant's trademarks due to nonuse under Article 50, para.1 of the Trademark Act. The JPO determined that, although the trademarks remained unused by any of the trademark owners, exclusive licensees or none exclusive licensees for the designated goods in Japan within three years before the request of cancellation, there was a legitimate reason specified in the proviso of Article 50, para. 2 of the Trademark Act, because it could be regarded that the defendant had serious intent to use the trademarks as shown by its efforts to make specific preparations for the development of a pizza franchise business in Japan.

Summary of the Judgment:

1. Existence or nonexistence of a "legitimate reason"

In order to be recognized that a "legitimate reason" specified in the proviso of Article 50(2) of the Trademark Act exists, it is necessary for the trademark owner to specifically insist and prove that there was a special reason that inevitably prevented the trademark owner from using the registered trademark. In this case, however, the facts found in the JPO's decision were insufficient to prove that there was a special reason not attributable to the trademark owner. There is no other evidence that proves the existence of such a special reason.

In this respect, the defendant argues as follows. It is obvious that the use of a trademark is more difficult in the case where, like in this case, the trademark owner is a foreigner and the world's third largest franchise chain, than where the trademark

owner is a Japanese corporation or a non-franchise chain. In such case, more flexible standards need to be established. The defendant has been actively recruiting master franchisees in Japan at least since May 2000, but failed to recruit any master franchisee and conclude a master franchisee agreement. According to the defendant, this failure was caused by such circumstances not attributable to itself as that the US-based pizza chains (“Pizza Hut” and “Domino’ s Pizza”) had already entered the Japanese market and that there were not many Japanese companies with enough experience and financial resources to be qualified as a master franchisee of the defendant.

However, when taking into account the fact that the Trademark Act put emphasis on the actual use of a trademark by the trademark owner (see the main sentence of Article 3, para.1, Article 50), as mentioned above, it should be understood that “legitimate reason” specified in Article 50, para.2 of the Trademark Act means a special reason that inevitably prevented the trademark owner from using the registered trademark, and such circumstances as asserted by the defendant cannot be considered to amount to such a special reason.. On the contrary, the defendant’ s argument should be regarded simply as an explanation of its internal circumstances as a company (It was quite possible for the defendant to make a business decision to use the trademark in Japan.). Thus, even if the fact as mentioned above that the defendant, the owner of the trademark, is a foreign company is taken into consideration, the court cannot accept the defendant’ s argument that there was a “legitimate reason” that prevented the use of the trademark for its designated goods “pizza.”

2. Existence or nonexistence of an abuse of right (Defense (3))

The defendant argues that the plaintiff’ s request for cancellation of the defendant’ s trademark was made for the purpose of doing harm to the defendant and that such plaintiff’ s act should be regarded as an abuse of right, because of the following reasons. The plaintiff filed the application for registration of a trademark consisting of the words “PAPA Jon’ s” on the same day as the request of cancellation filed. Since the plaintiff’ s trademark and the defendant’ s trademark could not be registered at the same time, if the request for cancellation were upheld and the plaintiff’ s trademark were registered, the plaintiff would never be able to register the trademark for the designated goods “Pizza” or the designated service “Provision of food and drink” again. (1) In such circumstances, the plaintiff filed a request for cancellation which would not bring any benefit to the plaintiff in terms of the protection of its registered trademarks or the maintenance and security of its business. (2) On the other hand, it was obvious that the defendant would suffer tremendous damage if the request for cancellation and the application for registration of the plaintiff’ s trademark were both allowed; (3) If the plaintiff filed the request for cancellation and the application for registration of its trademark on the same day despite knowing the

above-mentioned circumstances, it clearly shows the plaintiff's unjust intention to prevent the defendant from entering the Japanese market; and (4) In view of these facts, it cannot help but conclude that the purpose of the plaintiff's request for cancellation was to freeride on the goodwill represented by the defendant's trademarks.

On the other hand, according to the evidence, the following facts can be found. (1) The plaintiff started using the trademark "PAPA Jon's" from around 1985 for the production and sale of cheese cake. On February 25, 1986, the plaintiff established Carmel, which is a company operating coffee shops and restaurants specializing in European cuisine and engaging in the production and sale of western confectionery and sandwiches. Carmel also operates cake shops that use the trademark "PAPA Jon's," including one on Soukokuji Monzen-cho, Tachiuri Higashi Hairu, Karasuma-dori Noboru, Kamigyo-ku, Kyoto-shi. (2) Carmel owns the following trademarks, all of which contain the words "PAPA Jon's": trademark No. 4251306 (filed on June 16, 1997 and registered on March 19, 1999) and trademark registration No. 4324338 (filed on June 16, 1997 and registered on October 15, 1999), both of which were registered for the designated goods "confectionery and bread" (Class 30); and trademark registration No. 4333124 (filed on October 22, 1998 and registered on November 12, 1999), trademark registration No. 4368033 (filed on October 22, 1998 and registered on March 17, 2000), both of which were registered for the designated goods "coffee, cocoa, coffee beans, tea, spices, and instant confectionery mixes" (Class 30). (3) the plaintiff filed an application for registration of the above-mentioned trademark on the same day as the request for cancellation was filed (May 8, 2003).

Based on these facts, the plaintiff is suspected of having requested the cancellation in order to eliminate the defendant's trademarks that otherwise would interfere with the plaintiff's application for registration of trademark. However, even if an applicant for trademark registration requests JPO's cancellation proceedings in order to eliminate a prior trademark of a third party, such an act could not be found illegal. Furthermore, the actual use of a trademark for the designated goods or services is not a prerequisite for request of cancellation. Consequently, the above-described facts are not sufficient to conclude that the plaintiff's request for cancellation can be regarded as an abuse of right. In addition, as mentioned above, the defendant has never produced or sold any pizza in Japan, which is the designated goods of the defendant's trademarks, and there is not sufficient evidence to prove that the defendant's trademarks had been well-known and had established its reputation among traders and consumers in Japan. Therefore, also, it cannot be concluded that the purpose of the plaintiff's request for cancellation was to freeride on the goodwill represented by the defendant's trademarks.

For these reasons, the plaintiff's request for cancellation cannot be regarded as an abuse of right.

(The copyright for this English material was assigned to the Supreme Court of Japan by Institute of Intellectual Property.)

Judgment rendered on December 20, 2005

2005 (Gyo-Ke) 10095 Case of Seeking Rescission of a JPO Decision

(Former Case No: Tokyo High Court 2004 (Gyo-Ke) 394)

Date of conclusion of oral argument: September 1, 2005

Judgment

Plaintiff: X

Defendant: Papa John's International, Inc.

Main text

1. The JPO decision made on August 10, 2004 concerning Rescission Trial No. 2003-30606 shall be rescinded.
2. The defendant shall bear the court costs.
3. An additional 30-day period shall be given for filing a final appeal against this judgment and a petition for acceptance of the final appeal.

Facts and reasons

No. 1 Claims

The same as stated in paragraph 1 of the main text above.

No. 2 Background

Regarding the trademark of the defendant, the plaintiff filed a request with the JPO for a trial for rescission of the trademark registration on grounds of nonuse under Article 50, paragraph (1) of the Trademark Act. Since the JPO made a decision to dismiss the request for a trial, the plaintiff sought rescission of the JPO decision.

No. 3 Allegations made by the parties concerned

1. Grounds for the claims

(1) Progress of procedure at the JPO

The defendant is the holder of a trademark (Trademark Registration No. 3199279) (the "Trademark"; Application filing date: January 13, 1994; Registration date: September 30, 1996).

As of May 8, 2003, the plaintiff filed a request for a trial for rescission of the trademark registration on grounds of nonuse for the Trademark under Article 50, paragraph (1) of the Trademark Act (the "Request for a Trial for Rescission"). On June 4, 2003, the preliminary registration of the request was made (the "Registration Date for the Request for a Trial for Rescission").

The JPO examined said request in Rescission Trial No. 2003-30606 and made its decision on August 10, 2004 to the effect that "The request for a trial is unacceptable." A certified copy of this decision was served to the plaintiff on August 20, 2004.

(2) Details of the Trademark

The details of the Trademark are as follows (Exhibit Ko No. 13-2).

(Trademark)

PAPA JOHN'S

(Designated goods)

Class 30 "Pizza"

(3) Content of the JPO decision

The details of the JPO decision are described in the attached copy of the decision, which may be summarized as follows: Although the Trademark remained unused by the holder of the trademark right (including the exclusive right to use and the non-exclusive right to use) for designated goods in Japan within three years before the filing of a request for a trial, there were deemed to be just causes for the nonuse specified in the proviso to Article 50, paragraph (2) of the Trademark Act. According to the JPO decision, it could be regarded that the defendant, which is the trademark holder, had a serious intention to use the Trademark, as shown by its efforts to make specific preparations for the development of its pizza franchise business in Japan.

(4) Summary

However, while the JPO decision was reasonable in determining that the defendant did not use the Trademark in Japan within three years before the filing of a request for a trial for rescission, the JPO decision was incorrect in determining that there was a just cause for the nonuse. Therefore, the JPO decision should be rescinded on the grounds of its illegality.

(omitted)

No. 4 Court decision

1. There is a consensus among the parties concerned about the following facts: (1) (Progress of procedure at the JPO), (2) (Details of the Trademark), and (3) (Content of the JPO decision).

Meanwhile, as described above, the JPO decision stated that, although the defendant, which is the trademark holder, did not use the trademark in Japan within

three years before the filing of the Request for a Trial for Rescission, there were just causes for the nonuse. On the other hand, the plaintiff alleged that, while it was reasonable to recognize that the defendant did not use the Trademark in Japan within three years before the filing of the Request for a Trial for Rescission, it was incorrect to recognize that there were just causes for the nonuse. In response, the defendant alleged, as its defenses, that [i] the defendant used the Trademark for the designated goods "pizza" within three years before the filing of a request for a trial, [ii] even if the use of the Trademark by the defendant may not have been recognized, there were just causes for the nonuse of the Trademark in Japan, [iii] the plaintiff's Request for a Trial for Rescission constitutes an abuse of right.

The court made the following determinations on the defendant's defenses.

2. Issue of whether the defendant has used the Trademark (Defense (1))

(1) Provision of the designated goods by indicating the Trademark

A. The defendant alleged that, when people concerned visited the United States to discuss future development of the franchise chain in Japan, the defendant invited them to a shop displaying the Trademark and provided them with pizza, sales promotion goods, etc.

B. According to the evidence (Exhibits Otsu No. 1, No. 2, and No. 5 to No. 7), the following facts may be found: [i] The defendant is a pizza seller founded in 1985, had started developing its pizza franchise chain in 1986, and had, as of December 29, 2002, a total of 2,792 shops, consisting of the defendant's own shops (585 shops in the U.S. and 9 shops in the U.K.) and the franchise chain shops (2,000 shops in the U.S. (excluding Alaska and Hawaii), 3 shops in Alaska, 7 shops in Canada, 11 shops in Costa Rica, 4 shops in Guatemala, 15 shops in Hawaii, 4 shops in Honduras, 38 shops in Mexico, 10 shops in Puerto Rico, 14 shops in Saudi Arabia, 22 shops in Venezuela, and 70 shops in the U.K.); [ii] The defendant had a plan to expand its business in Japan from 1994 and conducted business activities with many candidates for franchisees in Japan; [iii] As a part of these business activities, during the period from January 11 to January 13, 2001, a contact person from ITOCHU Corporation visited the defendant's headquarters in Louisville, Kentucky, U.S.A., along with a person from JETRO NY and Person X, who was an intermediary commissioned by the defendant to introduce candidates for franchisees in Japan. They took a tour in the facilities, tried samples of the defendant's pizza, and received sales promotion goods, etc. including T-shirts and mugs displaying the Trademark; [iv] Also, in March of the same year, contact persons from ITOCHU Corporation and other Japanese companies visited the aforementioned headquarters of the defendant and took a tour of the facilities and tried samples of the

defendant's pizza; [v] Also, in April of the same year, contact persons from ITOCHU Corporation, etc. visited the aforementioned headquarters of the defendant and received samples of the defendant's pizza.

C. Meanwhile, the main text of Article 50, paragraph (2) of the Trademark Act states as follows, if a request is filed for a trial for rescission of the registration of a trademark on grounds of nonuse: "Where a request for a trial under the preceding paragraph is filed, unless the demandee proves that any of the holder of trademark right, exclusive right to use or non-exclusive right to use has used the registered trademark in Japan in connection with any of the designated goods or designated services pertaining to the request within three years prior to the registration of the request for the trial, the holder of trademark right may not prevent the rescission of the trademark registration in connection with the relevant designated goods or designated services" In this paragraph, the term "use" must be interpreted as "use in Japan." However, the use of the Trademark found in B above may be considered to have taken place in the U.S. and may not be regarded to have taken place in Japan.

The defendant alleged that, while the aforementioned goods were provided in another country, since they were provided for the development of business in Japan, said provision should be deemed to be the "use of the Trademark in Japan." However, this allegation of the defendant is unacceptable.

(2) Distribution of business documents displaying the Trademark

A. In the course of business activities to choose franchisees, the defendant alleged that the defendant handed over to the Japanese business partners, copies of a catalog about the designated goods displaying the Trademark, as listed in [i] to [x] below. The defendant also handed over copies of an annual report displaying the Trademark to them in order to explain the scale of the franchise business pertaining to pizza and the provision of food and beverages, the current state of the business, and the business principles.

"[i] JETRO NY (October 2000)

[ii] ITOCHU Corporation (December 2000, January 2001)

[iii] ARIAKE JAPAN (January 2001)

[iv] Pacific Alliance (January 2001)

[v] PLAZA CREATE (January and February 2002)

[vi] Aquanet (July 1, 2002)

[vii] JUST PLANNING (August 26, 2002)

[viii] Strawberry Cones (October 18, 2002)

[ix] Seiyō Food Systems (February 3, 2003)

[x] ORIX Alfa (April 22, 2003)

B. According to the evidence (Exhibits Otsu No. 1, No. 2, and No. 5 to No. 7), it may be found that, as a part of its business activities to develop franchise business in Japan, as far as the companies listed in A [i] to [iii] above are concerned, the defendant handed over to those who visited the U.S. during the period specified in A [i] to [x] above, copies of a catalog of designated goods displaying a trademark that may be recognized as identical with the Trademark in light of common sense (Exhibit Otsu No. 6 of this action and Exhibit Otsu No. 12 of the JPO trial) and an annual report (Exhibit Otsu No. 1 of this action and Exhibit Otsu No. 1 of the JPO trial) displaying the same trademark in order to explain the scale of the franchise business pertaining to pizza and the provision of food and beverages, the current state of the business, and the business principles.

C. However, in the case of the companies listed in A [i] to [iii] above, they were given the aforementioned documents in the U.S. For the same reason as specified in (1) C above, it may not be regarded as the use of the Trademark in Japan. Similarly, in the case of the companies listed in A [iv] to [vi] above, there is no sufficient evidence to prove that those documents were handed over to them in Japan (Under Article 50, paragraph (2) of the Trademark Act, the demandee, i.e., the defendant, may be interpreted to be liable for proving these facts).

The defendant may be considered to have distributed copies of a catalog (Exhibit Otsu No. 6) and an annual report (Exhibit Otsu No. 1) to the companies listed in A [i] to [x] above for the purpose of advertising the defendant's company itself and explaining the method, conditions, etc. for its franchise business in order to develop its franchise business in Japan. However, in consideration of the facts that the defendant had never produced or sold the designated goods "pizza" in Japan and that Japanese consumers were unable to purchase pizza from the defendant, the distribution of those documents may not be considered to be related to the designated goods "pizza," although the catalog and the annual report mentioned above may be regarded as "transaction documents" specified in Article 2, paragraph (3), item (viii) of the Trademark Act.

(3) Advertisement on the defendant's webpage

A. From December 20, 1996 up to today, the defendant has been advertising the designated goods "pizza" and its service of providing pizza on its website (Exhibits Otsu No. 8 and No. 9).

B. According to the evidence (Exhibits Otsu No. 8, No. 9, and No. 24), it may be found that the defendant advertised pizza by indicating a trademark that may be recognized as

identical, in light of common sense, with the Trademark on its website (Exhibit Otsu No. 8 of this action, Exhibit Otsu No. 3 of the JPO trial, Exhibit Otsu No. 9 of this action, and Exhibit Otsu No. 4 of the JPO trial) and solicited new franchisees, that the aforementioned webpage was also accessible from Japan, and that the aforementioned website may be immediately searchable if a searcher were to use a Japanese search engine such as "MSN Search" and "Apple Excite" and enter search phrases such as "papajohns" and "papa john's" (Exhibit Otsu No. 24 of this action and Exhibits Otsu No. 5 and No. 6 of the JPO trial).

C. However, since the aforementioned webpage is established on a server in the U.S and is written only in English, the webpage may not be considered to have been established for Japanese consumers. While the aforementioned webpage is also accessible from Japan and searchable through Japanese search engines, this may be said about every webpage and does not provide sufficient grounds to consider that the advertisement through the aforementioned webpage constitutes use of the Trademark in Japan.

The defendant alleged that the purpose of the revision of the Trademark Act concerning advertisement by an electromagnetic means is to clarify that such advertisement containing a trademark may be regarded as "use" of the trademark and that said revision naturally applies to any act of advertisement prior to the enforcement of the revised Act. It is true that an advertisement on a webpage may be considered to constitute an "act of providing a piece of information (e.g., advertisement) carrying a trademark by an electromagnetic means" as specified in Article 2, paragraph (3), item (viii) of the Trademark Act, which was revised by Act No. 24 of 2002. However, as described above, since said act may not be considered to be use of the trademark in Japan, the defendant's allegation stated above is groundless.

(4) Advertising through magazines

A. The defendant alleged that the defendant published commercial advertisements displaying the Trademark on world-famous magazines such as Newsweek and that, since it is obvious that these advertisements were distributed in Japan, they may be regarded as advertisements on goods or services and would therefore constitute "use" of the Trademark specified in Article 2, paragraph (3), item (viii) of the Trademark Act.

B. According to the evidence (Exhibits Otsu No. 10 to No. 17), the defendant published an advertisement about pizza by indicating a trademark that may be regarded to be identical with the Trademark in light of common sense on Newsweek (March 3, 2003) (Exhibit Otsu No. 10 of this action and Exhibit Otsu No. 25 of the JPO trial), Newsweek (March 10, 2003) (Exhibit Otsu No. 11 of this action and Exhibit Otsu No. 26 of the JPO trial), Newsweek (March 27, 2003) (Exhibit Otsu No. 12 of this action and Exhibit

Otsu No. 27 of the JPO trial), Newsweek (March 24, 2003) (Exhibit Otsu No. 13 of this action and Exhibit Otsu No. 28 of the JPO trial), International Franchising (Summer 2000) (Exhibit Otsu No. 14 of this action and Exhibit Otsu No. 29 of the JPO trial), Commercial News USA (October 2000) (Exhibit Otsu No. 15 of this action and Exhibit Otsu No. 30 of the JPO trial), Commercial News USA (March 2002) (Exhibit Otsu No. 16 of this action and Exhibit Otsu No. 31 of the JPO trial), and Retail Asia (September 2003) (Exhibit Otsu No. 17 of this action and Exhibit Otsu No. 32 of the JPO trial) and solicited new franchisees.

C. However, even if the aforementioned magazines were distributed in Japan, they may not be considered to have been distributed for Japanese consumers due to the fact that they may not be considered to have been published in Japan and that all of the content thereof is written in English.

Furthermore, the advertisements included in the aforementioned magazines may be considered to have been published for the purpose of the development of franchise business and functioned as advertisements about the defendant company itself and its franchise business. In view of the facts that the defendant had never produced or sold the designated goods "pizza" in Japan and that Japanese consumers were unable to purchase pizza from the defendant, advertisements published in the aforementioned magazines may not be considered to be advertisements published in Japan about the designated goods "pizza."

Therefore, the advertisements in the aforementioned magazines may not be considered to be "use" of the Trademark specified in Article 2, paragraph (3), item (viii) of the Trademark Act.

(5) As described above, the Trademark may not be considered to have been used by the defendant in Japan for the designated goods "pizza" within three years before the filing of a request for a trial.

3. Issue of whether there were "just causes" (Defense (2))

(1) In the JPO decision, the JPO found that "within three years before the filing of the Request for a Trial, the demandee had business negotiations with candidates for franchisees in Japan in order to develop its business in Japan and handed over to an employee of ITOCHU Corporation, which was interested in developing a pizza franchise business in Japan, the demandee's company brochure, a booklet for franchisees, and other documents displaying a trademark that may be recognized as identical with the Trademark in light of common sense, and also provided pizza to the employee when he/she visited the demandee's company and one of its restaurants. It may also be found that, for the purpose of developing its franchise business in Japan,

the demandee continued negotiations with other Japanese companies, such as PLAZA CREATE, Aquanet, JUST PLANNING, Strawberry Cones, and Seiyō Food Systems (omitted). Furthermore, it may be found that the demandee put advertisements on its webpage and magazines such as Newsweek in order to solicit new franchisees, although the advertisements did not directly target Japan (omitted) and that some Japanese companies sent inquiries about the demandee's plan to conduct business in Japan (omitted). In the franchise industry, if a franchiser decides to commence business in another country, the franchiser would usually choose a master franchisee. Since it is difficult to find and conclude an agreement with a master franchisee that has sufficient qualifications and financial resources, it would take a certain amount of time to officially appoint a master franchisee." (paragraph 4 of page 19 of the JPO decision) On this premise, the JPO found as follows: "Based on a comprehensive evaluation of the facts described above, it is obvious that, within three years before the filing of the Request for a Trial, the demandee was making specific preparations for development of its pizza franchise business in Japan and was sincerely planning to use the Trademark. In such cases, in light of the purpose of the Trademark Act, i.e., protection of the business reputation of trademark users, it should be found that there were just causes for the demandee's nonuse of the Trademark in Japan." (the final paragraph of said page)

(2) The term "just causes" specified in the proviso to Article 50, paragraph (2) of the Trademark Act should be interpreted to be nonexistent unless it has been alleged and proven that there were special circumstances that inevitably prevented the trademark holder from using the registered trademark. However, the facts found in the JPO decision described in (1) above cannot prove the existence of any special circumstances that were not attributable to the trademark holder. Moreover, there is no other sufficient evidence to prove that such special circumstances existed.

(3) Regarding this point, the defendant alleged that it is obviously much more difficult to use a trademark in a case like this, where the trademark holder is non-Japanese and is the world's third-largest franchise chain company (Exhibits Otsu No. 1 and No.2) than in a case where the trademark holder is Japanese or where the trademark holder is a company that does not adopt a franchise system and that, to such cases, flexible criteria should be applied on a case-by-case basis. The defendant also alleged that, since May 2000 at the latest, the defendant had been enthusiastically soliciting candidates for the position of master franchisee in Japan but, despite such efforts, had been unable to appoint and conclude an agreement with a master franchisee in Japan due to circumstances that are not attributable to the defendant, such as that large-scale US-based pizza chain companies ("Pizza Hut" and "Domino's Pizza") had already

entered the Japanese market and that only a small number of Japanese companies were found to have the experience and financial resources appropriate to be a master franchisee of the defendant.

However, the Japanese Trademark Act places emphasis on practical use of a trademark by the trademark holder (the main part of Article 3, paragraph (1) and Article 50). Therefore, as described above, the "just causes" specified in Article 50, paragraph (2) of said Act should be interpreted as referring only to cases where there are special circumstances that inevitably prevent the trademark holder from using the registered trademark. The aforementioned defendant's allegation describes merely the defendant's internal circumstances as a corporation (it would be quite possible for the defendant to use the Trademark in Japan based on its business decision), which may not be regarded as special circumstances as mentioned above. Thus, the defendant, i.e., the trademark holder, may not be considered to have "just causes" for not being able to use the Trademark for the designated goods "pizza."

(4) As described above, the defendant, who has not used the Trademark in Japan, may not be considered to have "just causes" specified in the proviso to Article 50, paragraph (2) of the Trademark Act.

4. Issue of whether an abuse of right was committed (Defense (3))

(1) The defendant alleged that the plaintiff filed the Request for a Trial for Rescission for the purpose of causing damage to the defendant for the following grounds, etc.: [i] the plaintiff filed an application for registration of the trademark (Exhibit Otsu No. 23) as described above on the same date (May 8, 2003) as the date of filing the Request for a Trial for Rescission. Since the trademark (Exhibit Otsu No. 23) and the Trademark cannot coexist, in the case where the plaintiff's Request for a Trial for Rescission is accepted and the aforementioned application for trademark registration is also accepted, the defendant may not register any trademark identical with the Trademark for the designated goods "pizza" and "the provision of food and beverages." Under these circumstances, the plaintiff filed the Request for a Trial for Rescission, which would not benefit the plaintiff in any way with regard to the protection of the plaintiff's registered trademarks and the maintenance and protection of the plaintiff's business, [ii] on the other hand, it was certain that the defendant would suffer great damage if the plaintiff's Request for a Trial for Rescission and the aforementioned newly-filed application for registration of the trademark were both accepted, [iii] in light of the fact that the plaintiff has recognized such possible consequences and filed the Request for a Trial for Rescission and the aforementioned application for registration of the trademark on the same date, the plaintiff may be considered to have done so for the purpose of

unreasonably preventing the defendant from entering the Japanese market, and [iv] therefore, the plaintiff's Request for a Trial for Rescission should be considered to have been filed for the purpose of free riding the defendant's reputation embodied in the Trademark.

(2) According to the evidence (Exhibits Ko No. 20 to No. 23 and Exhibits Otsu No. 19 to No. 23), the following facts may be found: [i] From around 1985, the plaintiff started manufacturing and selling cheesecake by using the trademark "PAPA Jon's" and established J.P. Carmel Yugen Kaisha (hereinafter referred to as "Carmel") on February 25, 1986, with its headquarters in Kyoto City. This company engages in the operation of cafes and Western-style restaurants and the manufacturing, sale, etc. of western confectionery and sandwiches as a business, and runs cake shops using the trademark "PAPA Jon's" in multiple locations, such as the one in Shōkokuji Monzenchō, Higashi-iru, Kamidachiuri, Karasumadōri, Kamigyōku, Kyoto City; [ii] Carmel holds the following registered trademarks, all of which contain "PAPA Jon's" as a component: the trademark of Registration No. 4251306 (Application Date: June 16, 1997; Registration Date: March 19, 1999; Exhibit Otsu No. 19) and the trademark of Registration No. 4324338 (Application Date: June 16, 1997; Registration Date: October 15, 1999; Exhibit Otsu No. 20), which are both registered for the designated goods, Class 30 "Confectionary and bread and buns," and the trademark of Registration No. 4333124 (Application Date: October 22, 1998; Registration Date: November 12, 1999; Exhibit Otsu No. 21) and the trademark of Registration No. 4368033 (Application Date: October 22, 1998; Registration Date: March 17, 2000; Exhibit Otsu No. 22), which are both registered for the designated goods, Class 30, "Coffee and cocoa, unroasted coffee beans, tea, spices, instant confectionery mixes"; [iii] The plaintiff filed an application for registration of the trademark (Exhibit Otsu No. 23) described above on the same date as the date of filing the Request for a Trial for Rescission (May 8, 2003).

(3) Based on the facts found above, the plaintiff's Request for a Trial for Rescission may be presumed to have been filed for the purpose of eliminating the Trademark, which was interfering with the plaintiff's application for registration of the trademark (Exhibit Otsu No. 23). However, even if any person who files an application for registration of a trademark were to also file a request for a trial for rescission thereof on grounds of nonuse in order to get rid of any prior trademark registration that interfered with the trademark claimed in his/her application, it would not be regarded to be illegal in any sense. The applicant would not be required to be actually using the claimed trademark for the designated goods or services as of the time of the filing of the application for registration of the trademark. Therefore, the facts described above do not provide

sufficient grounds for recognizing that the act of filing the Request for a Trial for Rescission constitutes an abuse of right. Furthermore, since the defendant has neither manufactured nor sold the designated goods, i.e., pizza, in Japan as described above, there is no sufficient evidence to prove that the Trademark has become well-known and well-established among traders and consumers in Japan. Thus, it may not be found that the plaintiff filed the Request for a Trial for Rescission for the purpose of free-riding the defendant's reputation embodied in the Trademark.

Therefore, the plaintiff's Request for a Trial for Rescission may not be considered to be an abuse of right.

5. Conclusion

On these grounds, it may not be found that the Trademark had been used for the designated goods, i.e., pizza, by the defendant within three years before the filing of a request for a trial, that there are just causes for the defendant's nonuse of the Trademark in Japan, and that the plaintiff's act of filing the Request for a Trial for Rescission constitutes an abuse of right. Therefore, the JPO decision that dismissed the plaintiff's Request for a Trial for Rescission must be considered to be illegal and shall be rescinded.

Thus, the plaintiff's claims in this action are well grounded and should therefore be accepted, and the judgment shall be rendered in the form of the main text.

Intellectual Property High Court, Second Division

Presiding judge: NAKANO Tetsuhiro

Judge: OKAMOTO Gaku

Judge: UEDA Takuya