

Trademark Right, Unfair Competition	Date	July 18, 2024	Court	Osaka District Court, 26th Civil Division
	Case number	2023 (Wa) 829		
- A case in which the court dismissed all the claims for an injunction against use of the Defendant's marks and trade secrets and for compensation for loss or damage, etc. filed by the Plaintiff on the grounds of trademark infringement and unfair competition, etc.				

Summary of the Judgment

The Defendant, who operates an English conversation school, had concluded a franchise contract (the "Contract") with the Plaintiff, who operates cram school franchise business. The Contract contained provisions that permit the Defendant to operate the English conversation school business using the classrooms of the cram school. The Defendant had continued to operate the English conversation school within the same building even after termination of the Contract (after closing of the aforementioned cram school). Once, the president of the English conversation school distributed a flyer of the school (the "Flyer") to the Plaintiff's employee who pretended to be a parent of an applicant for admission, and it was found that the Defendant's marks that are identical with or similar to the Trademark (one that indicates the name of the aforementioned cram school), for which the trademark right is held by the Plaintiff, were attached to the Flyer.

In this case, the Plaintiff respectively made, against the Defendant, [i] a claim for penalty based on the violation of the obligation not to compete under the Contract (non-performance), [ii] claims for an injunction against use of the Defendant's marks and for deletion of the Defendant's marks (Article 36, paragraphs (1) and (2) of the Trademark Act) and a claim for compensation for loss or damage (Article 709 of the Civil Code) on the grounds of infringement of the trademark right, [iii] a claim for compensation for loss or damage on the grounds that the distribution of the Flyer falls under unfair competition (act of creating confusion) referred to in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act (Article 4 of the same Act), [iv] claims for an injunction against use of the Plaintiff's know-how (trade secrets) relating to guidance on entrance examination (Article 3, paragraph (1) of the same Act) and for compensation for loss or damage (Article 4 of the same Act) on the grounds that the unauthorized use of the know-how, etc. by the Defendant falls under unfair competition

referred to in Article 2, paragraph (1), item (vii) of the same Act, and [v] a claim for return of manuals, etc. of the cram school along with termination of the Contract.

The issues of this case are [i] whether the Defendant violated the obligation not to compete, [ii] whether there is infringement of the trademark right, [iii] whether the Defendant's act of distribution falls under unfair competition referred to in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act (act of creating confusion), [iv] whether the Defendant's use of the Plaintiff's know-how falls under unfair competition referred to in item (vii) of the same paragraph (unauthorized use of trade secrets), [v] whether the Plaintiff incurred loss or damage and the amount of loss or damage, [vi] the necessity of an injunction, etc., and [vii] whether the Defendant has the obligation to return manuals, etc.

In this judgment, regarding Issue [i], the court ruled as follows and denied the Defendant's violation of the obligation not to compete: the provisions on the obligation not to compete of the Contract are hardly considered to be intended to set a limitation on the continuation of the business pertaining to the English conversation school, which the Defendant had operated, in the case where the Contract is terminated.

In addition, regarding Issue [ii], the court ruled as follows and denied infringement of the trademark right: the act of delivering the Flyer cannot be considered to have intended to indicate the business of the cram school or to indicate that the English conversation school is associated with the cram school, and the Defendant's marks are not used in a form in which they function to indicate or distinguish the source; therefore, the act does not fall under "use" referred to in the main sentence of Article 2, paragraph (3) of the Trademark Act.

Regarding Issue [iii], the court ruled that the act of delivering the Flyer is not found to fall under the act of creating confusion between the English conversation school and another person's business (the Plaintiff's cram school), and determined that the act does not fall under unfair competition referred to in Article 2, paragraph (1), item (i) of the Unfair Competition Prevention Act (act of creating confusion).

Regarding Issue [iv], the court ruled that the relevant act cannot be found to be unauthorized use of the Plaintiff's trade secrets by the Defendant after termination of the Contract, and determined that the act does not fall under unfair competition referred to in Article 2, paragraph (1), item (vii) of the Unfair Competition Prevention Act (unauthorized use of trade secrets). Regarding Issue [vii], the court also ruled that the Plaintiff's allegation is not acceptable. Accordingly, the court denied all the Plaintiff's claims.