

Trademark Right	Date	February 5, 2025	Court	Intellectual Property High Court, First Division
	Case number	2024 (Gyo-Ke) 10079		
<p>- A case in which, regarding the Trademark (a trademark consisting of the characters, "LEADER", in English and the characters, "リーダ－", in katakana, which are written in two tiers), the court rescinded the JPO Decision to invalidate a registration of the Trademark, which was rendered at the trial for invalidation of a trademark registration by ruling that the Trademark cannot be recognized as that falling under the "trademark which is likely to cause damage to public order" as set forth in Article 4, paragraph (1), item (vii) of the Trademark Act.</p>				

Case type: Rescission of Trial Decision of Invalidation

Result: Granted (rescission of the JPO decision)

Reference: Article 4, paragraph (1), item (vii), and Article 46, paragraph (1), item (vi) of the Trademark Act

Related rights, etc.: Trademark Registration No. 4129208-2

Decision of the JPO: Invalidation Trial No. 2022-890061

### Summary of the Judgment

1. The Plaintiff is the holder of a trademark right for the trademark of Trademark Registration No. 4129208-2 (the "Trademark").

The Defendant requested a trial for invalidation of trademark registration pertaining to the Trademark, alleging that the Trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act and that the registration of the Trademark should be invalidated pursuant to Article 46, paragraph (1), item (vi) of the same Act. The JPO examined the request as a case of Invalidation Trial No. 2022-890061 and made the decision that "the registration of Trademark Registration No. 4129208-2 shall be invalidated" (the "JPO Decision").



The Trademark

2. In the JPO Decision, the JPO made a determination as summarized below.

According to the background found in the JPO Decision, the Plaintiff, by abusing its position as a distributor for Leader Bikes, LLC ("Leader Bikes USA"), took advantage of the bankruptcy of Leader Bikes USA and of the fact that neither Leader Bikes USA nor the Defendant registered a trademark for the characters, "LEADER", in Japan and made a divisional transfer and registration of the trademark right for the Trademark (the "Trademark Right"). Soon after this, the Plaintiff started hindering the Defendant's business activities in Japan and still continues to sell the goods in question (the "Goods") by purchasing parts from another company. Therefore, the procedure for the divisional transfer and registration of the Trademark Right can be deemed to have been conducted for wrongful purposes, e.g., to gain wrongful profits by taking over the business involving the Goods in Japan and cause damage to business activities in Japan of the Defendant, which had succeeded to the relevant business. Consequently, it should be said that the divisional transfer and registration of the Trademark Right made by the Plaintiff violates proper business ethics, significantly lacks social appropriateness, and disturbs fair transaction orders. For the reasons above, the Trademark falls under the trademark which is likely to cause damage to public order as set forth in Article 4, paragraph (1), item (vii) of the Trademark Act, resulting from the divisional transfer and registration of the Trademark Right mentioned above.

3. The Plaintiff filed this action to seek rescission of the JPO Decision. As grounds for rescission, the Plaintiff alleged the error in the determination concerning whether the Trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act and the errors in the facts found and the judgments on those facts in the JPO Decision.

(1) A trademark may fall under Article 4, paragraph (1), item (vii) of the Trademark Act even if the structure of the trademark per se does not violate public order and morality. However, ... the case where a trademark falls under that item should be limited to the case where the process of application for registration of the trademark significantly lacked social appropriateness and where approval of its registration violates the order intended by the Trademark Act and cannot be accepted.

(2) When applying this to the Trademark, the following facts are found: [i] the trademark before the divisional transfer made for the Trademark had been registered and properly owned over time by Honda Motor Co., Ltd., and the Plaintiff received the transfer of the Trademark Right with the consent of Honda Motor Co., Ltd. and made the divisional transfer and registration in question for the Trademark (the "Divisional Transfer and Registration"); [ii] Leader Bikes USA was not entitled to enjoy any right under the Trademark Act for the trademark before the divisional transfer made for the Trademark; [iii] the Plaintiff faced the termination of the distribution agreement in question (the

"Distribution Agreement") with Leader Bikes USA due to the bankruptcy of the company in 2016, which caused the suspension of imports of bicycles, etc. from Leader Bikes USA to the Plaintiff; the Distribution Agreement did not contain any provisions governing the obligations to be performed by the Plaintiff after the termination of the contract relationship, and as a result, all relations between the Plaintiff and Leader Bikes USA terminated; and [iv] in this situation, the Plaintiff made the Divisional Transfer and Registration for the purpose of continuing to sell the Goods.

Based on the above, it cannot be said that the following fact significantly lacks social appropriateness or that approval of this registration violates the order intended by the Trademark Act and cannot be accepted: Facing the entire termination of the business relationship, etc. with Leader Bikes USA due to the bankruptcy of the company, for which the Plaintiff bore no responsibility, the Plaintiff received the transfer of the Trademark, which is part of the trademark before the divisional transfer made for the Trademark, which had been owned by Honda Motor, a valid holder of the trademark right, the right for which Leader Bikes USA and T were not entitled to enjoy in the first place, and made the divisional transfer and registration for the Trademark.

In this case, it is found that when the Plaintiff sold bicycles manufactured by using parts, etc. purchased from another company with the mark, "LEADER", affixed thereon, the Plaintiff acted in a manner that may cause consumers to confuse and mistakenly recognize that the Goods are LEADER BIKES manufactured and sold by Leader Bikes USA, such as calling itself the "General Distributor of LEADER BIKES" and indicating on its website that the Goods were branded fixed-gear bicycles originating from California. These acts might raise the issue as to whether they constitute an act of unfair competition in relation to the Defendant, which had succeeded to the business of Leader Bikes USA, and this might become a case to be solved in civil litigation, etc. under separate laws, such as laws governing abuse of rights or the Unfair Competition Prevention Act. Actually, however, it cannot be said that the divisional transfer and registration made for the Trademark significantly lack social appropriateness in light of generally accepted perspective or that it violates the order intended by the Trademark Act. (3) Consequently, it cannot be considered that the divisional transfer and registration made for the Trademark caused the Trademark to fall under Article 4, paragraph (1), item (vii) of the Trademark Act.

Judgment rendered on February 5, 2025

2024 (Gyo-Ke) 10079

Case of seeking rescission of the JPO decision

Date of conclusion of oral argument: November 27, 2024

## Judgment

Plaintiff: BROTURES CO., LTD.

Defendant: FEDAL ENTERPRISE CO., LTD.

## Main text

1. The decision made by the Japan Patent Office (JPO) on July 1, 2024, for the case of Invalidation Trial No. 2022-890061 shall be rescinded.
2. The court costs shall be borne by the Defendant.
3. An additional period of 30 days is designated for the Defendant for filing a final appeal and a petition for acceptance of final appeal against this judgment.

## Facts and reasons

### No. 1 Claim

Same as the main text.

### No. 2 Outline of the case

In this case, regarding the trademark for which the Plaintiff is the holder of the trademark right, the Plaintiff sought rescission of the JPO Decision that invalidated the registration of the trademark on the grounds that the trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act.

#### 1. Developments in procedures at the JPO

The Plaintiff is the holder of a trademark right for the trademark of Trademark Registration No. 4129208-2 in the List of Registered Trademark shown in Attachment 1 (referred to below as the "Trademark") (Exhibit Ko 1).

On July 25, 2022, the Defendant requested a trial for invalidation of trademark registration pertaining to the Trademark, alleging that the Trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act and that the registration of the Trademark should be invalidated pursuant to Article 46, paragraph (1), item (vi) of the same Act. The JPO examined the request as a case of Invalidation Trial No. 2022-890061 and, on July 1, 2024, made the decision that "the registration of Trademark Registration No. 4129208-2 shall be invalidated" (referred to below as the "JPO Decision"). A certified copy of the JPO

Decision was served upon the Plaintiff on July 11, 2024.

On August 9, 2024, the Plaintiff filed this action to seek rescission of the JPO Decision.

## 2. Summary of the reasons for the JPO Decision

The Plaintiff entered into a distribution agreement with a company in the United States or Leader Bikes, LLC (referred to below as "Leader Bikes USA") in 2011, purchased bicycles, etc. from Leader Bikes USA, and sold bicycles of the "LEADER" brand (regardless of the sources of supply, the bicycles sold by the Plaintiff with the "LEADER" brand affixed thereon shall be referred to below as the "Goods.") in Japan. Following this, the Plaintiff conducted its business activities in Japan involving the Goods as a distributor for Leader Bikes USA.

Meanwhile, after the bankruptcy of Leader Bikes USA in 2016, the Plaintiff received an offer from the Defendant, which had succeeded to the business and assets of Leader Bikes USA, to purchase bicycles, etc. from the Defendant, but the Plaintiff rejected the offer.

Despite this, the Plaintiff not only sold the Goods manufactured by using bicycle parts, etc. purchased from another company, which is not the Defendant, with the trademark "LEADER" affixed thereon but also still continues to call the Goods "bicycles originating from California," etc. and call itself the "General Distributor of LEADER BIKES."

In addition, in December 2018, the Plaintiff received a divisional transfer of the right for the Trademark, "LEADER/リーダー", from Company B (Honda Motor Co., Ltd., which is referred to below as "Honda Motor") and made a transfer registration for the Trademark. Soon after this, the Plaintiff showed off its past position, such as "General Importer and Distributor of LEADER BIKES products in Japan," to the business partners of Company D (Leader Bikes Japan Co., Ltd., which is referred to below as "Leader Bikes Japan"), which is the Defendant's distributor in Japan, and then sent a notice to the aforementioned business partners, which stated to the effect that the bicycles distributed by these business partners infringe the trademark right for the Trademark. This act has been hindering the business activities in Japan of not only Company D but also the Defendant, which had succeeded to the relevant business and assets of Leader Bikes USA.

According to the background found in the JPO Decision, the Plaintiff, by abusing its position as a distributor for Leader Bikes USA, took advantage of the bankruptcy of Leader Bikes USA and of the fact that neither Leader Bikes USA nor the Defendant registered a trademark for the characters, "LEADER", in Japan, and made a divisional transfer and registration of the trademark right for the Trademark (referred to below as the "Trademark Right"). Soon after this, the Plaintiff started hindering the Defendant's business activities in Japan and still continues to sell the Goods by purchasing parts from another company. Therefore, the procedure for the divisional transfer and registration of the Trademark Right

can be deemed to have been conducted for wrongful purposes, e.g., to gain wrongful profits by taking over the business involving the Goods in Japan and cause damage to business activities in Japan of the Defendant, which had succeeded to the relevant business.

Consequently, it should be said that the divisional transfer and registration of the Trademark Right made by the Plaintiff violates proper business ethics, significantly lacks social appropriateness, and disturbs fair transaction orders.

For the reasons above, the Trademark falls under the trademark which is likely to cause damage to public order as set forth in Article 4, paragraph (1), item (vii) of the Trademark Act, resulting from the divisional transfer and registration of the Trademark Right mentioned above.

## No. 5 Judgment of this court

### 1. Facts found

In addition to the basic facts, according to the evidence (which is cited at the end of the paragraphs below) and the entire import of oral arguments, the following facts are found.

(1) The Defendant is a company established in 1978 under the Taiwanese laws for the purpose of manufacturing, exporting, selling, etc. of bicycles and bicycle parts (Exhibit Ko 3).

The Plaintiff is a stock company established in 2011 for the purpose of operating a bicycle retail store as an importer and distributor of bicycles manufactured overseas, bicycle items, and parts and accessories of bicycles. The Plaintiff operates its own stores in Tokyo, Yokohama City, and Osaka City, and sells bicycles, bicycle parts, etc. at its stores, on its website, and through other means (Exhibits Ko 4, 5, and 119).

In around 1999, Leader Bikes USA and its founder, T, (referred to below as "T") launched "LEADER" in the United States as a brand for fixed-gear bicycles (bicycles for track racing with no gear or brake).

Several years before the establishment of the Plaintiff in 2011, the representative of the Plaintiff began importing fixed-gear bicycles of the "LEADER" brand from Leader Bikes USA and selling these bicycles at its store in Yokohama. Following the establishment, the Plaintiff continued to import and sell these bicycles.

The Defendant had been supplying bicycles, bicycle parts, etc. of the "LEADER" brand to Leader Bikes USA since the launch of the brand (Exhibits Ko 16 to 22, 28, 90, 119, and 120).

(2) Many bicycles of the "LEADER" brand sold by Leader Bikes USA had the characters, "LEADER", which is part of the company's trade name, affixed on the frames, etc. of the

bicycles in a large, prominent manner (Exhibits Ko 17 to 22).

In Japan, T, representative of Leader Bikes USA, already acquired a trademark right for the emblem trademark but has not registered a trademark for the characters, "LEADER" (Exhibit Ko 9).

(3) In January 2011, acting on behalf of the Plaintiff, which was then in the preparation stage for its establishment, the representative of the Plaintiff entered into the distribution agreement in question (the "Distribution Agreement") with Leader Bikes USA, which designated the Plaintiff as the exclusive seller and distributor in Japan for bicycles, parts, etc. manufactured by Leader Bikes USA. The contract document for the Distribution Agreement contained the provisions, as summarized below, regarding the "trademarks," but it did not contain any provisions governing the obligations to be performed by the Plaintiff after the termination of the contract relationship (Exhibits Ko 23 and 90).

"(Article 8 Trademarks)

8.1 During the term of the Distribution Agreement, Leader Bikes USA grants the Plaintiff an exclusive license to use any of the trademarks registered by Leader Bikes USA in the sales regions for the purpose of sales and sales promotion within the regions.

If the Plaintiff intends to use any of the trademarks under the provisions concerning the continuation of the validity period pursuant to Article 9.1 of the Distribution Agreement, the Plaintiff may receive the supply of sample materials (including, but not limited to, catalogs, leaflets, posters, and newspapers) on which the trademark is described.

8.2 If the Plaintiff discovers that a third party infringes any of the aforementioned trademarks or infringes the goodwill of Leader Bikes USA in relation to those trademarks or if a third party files a claim or lawsuit against Leader Bikes USA or the Plaintiff based on the grounds that the Plaintiff's use of the Trademark may infringe the right of the third party, the Plaintiff shall immediately notify Leader Bikes USA of it and cooperate with Leader Bikes USA to solve the issue."

(4) From 2011 to around 2017, the Plaintiff imported bicycles (the "Goods") from Leader Bikes USA and sold these bicycles. Most of the Goods had the characters, "LEADER", affixed on the frames, etc. in a large, prominent manner (Exhibits Ko 24, 28, 29, and 40).

(5) From July to August in 2016, T and Leader Bikes USA started bankruptcy proceedings in the United States, and the Plaintiff faced the termination of the Distribution Agreement with Leader Bikes USA (Exhibit Ko 90).

As the bankruptcy of Leader Bikes USA caused the suspension of imports of bicycles, etc. from Leader Bikes USA to the Plaintiff, the Plaintiff still continues to sell the Goods (i.e., bicycles of the "LEADER" brand) by purchasing parts, etc. from another company since around 2017 (Exhibit Ko 119).

(6) The Defendant consulted with the bankruptcy trustees of both T and Leader Bikes USA. Based on this, the Defendant entered into an asset transfer agreement with the bankruptcy trustees in 2017 and received all assets, including goodwill, relating to the businesses of Leader Bikes USA and T in the countries and regions other than the United States. This transfer was approved by the United States Bankruptcy Court. The asset transfer agreement contained the provisions, as summarized below (Exhibits Ko 8, 33, and 90).

"On October 5, 2017, the Sellers (the aforementioned bankruptcy trustees) shall sell, assign, grant, transfer, and publish all authority, rights, and benefits of the Sellers and the bankruptcy estate with respect to the following assets and properties to the Buyer (the Defendant).

1. Trademarks listed in Attachments, each of which is subject to trademark registration and registration application (including the emblem trademark which has been registered in Japan and the trademarks which have been registered in China, the EU, Hong Kong, South Korea, and Taiwan [These trademarks are referred to below as the "Trademarks in Attachments," and the registration or application therefor are referred to below as the "Registration."]); Trademarks for which the trademark registration was made or the application therefor was filed (registration, application, or other procedures) in jurisdictions other than the United States and which have been or will be identified; Claims related to these trademarks and derivatives of these claims; and Goodwill relating to the business which is represented by the Trademarks in Attachments and/or the Registration and/or other trademarks stated therein or which is associated with or related to them or the business which represents and is associated with the fact that the Trademarks in Attachments, the Registration and/or other trademarks stated therein are used.

2. (omitted)"

(7) Around 2017, the Defendant, through its business partner in Japan, presented an offer to the Plaintiff to purchase bicycles, etc., of the "LEADER" brand from the Defendant, but the Plaintiff declined the offer.

Following this, the Defendant designated Leader Bikes Japan as the general distributor of bicycles of the "LEADER" brand in Japan. Leader Bikes Japan started the imports of bicycles manufactured by the Defendant from around May 2018 and has been selling bicycles with the mark, "LEADER BIKES", affixed thereon in Japan since around August 2018 (Exhibits Ko 90, 96, 101 to 119, and 156).

(8) In March 2018, the Plaintiff learned that the bicycles, etc. that it intended to import were subject to the import restriction at customs on the grounds that a mark similar to the emblem trademark was affixed on such bicycles, etc. In response, the Plaintiff removed the mark from the bicycles, etc. by around April 23, 2018, and imported these bicycles, etc.



(Exhibit Ko 10).

(9) On May 30, 2018, the Defendant filed an application for the registration of the trademark described in the List of Registered Trademark, which is shown in Attachment 3, and on August 10, 2018, the Defendant obtained a registration of the establishment of the trademark on August 10, 2018 (Exhibits Ko 11 and 12).

(10) The trademark before the divisional transfer of the trademark right made for the Trademark had been filed by Honda Motor on June 20, 1996. The relevant trademark had been registered on March 27, 1998, and properly owned over time by Honda Motor (Exhibits Ko 1 and 2).

The representative of the Plaintiff began selling the Goods by purchasing parts, etc. from another company since Leader Bikes USA went bankrupt and the imports of the Goods were suspended. Taking advantage of this, the representative of the Plaintiff proposed to Honda Motor, which was the right holder of the trademark before the divisional transfer of the trademark right made for the Trademark, to transfer the Trademark to the Plaintiff. As Honda Motor did not manufacture bicycles or intend to manufacture them even thereafter, Honda Motor agreed on the transfer and the Plaintiff received the transfer of the Trademark from the company. On December 27, 2018, the divisional transfer and registration in question for the Trademark (the "Divisional Transfer and Registration") from Honda Motor to the Plaintiff was established (Exhibits Ko 1, 2, 34, and 119).

(11) Even after the Plaintiff began selling the Goods by purchasing parts, etc. from another company, following the bankruptcy of Leader Bikes USA, the Plaintiff, on its website, described itself as the "General Distributor of LEADER BIKES" and explained the Goods as branded fixed-gear bicycles originating from California (Exhibits Ko 4 to 7, and 91).

(12) In April 2019, the Plaintiff sent a notice to the business partners of Leader Bikes Japan, stating that the Plaintiff is the "General Importer and Distributor of LEADER BIKES products in Japan" and that the bicycles of the "LEADER" brand sold by the business partners infringe the Trademark Right held by the Plaintiff and thus the business partners should stop selling and purchasing the bicycles (Exhibit Ko 13).

(13) Meanwhile, in May 2019, Leader Bikes Japan demanded that the Plaintiff stop selling, etc. of bicycles, etc. with the Trademark affixed thereon, destroy such bicycles, etc., remove the indication of "General Distributor" from its website, etc., and delete the descriptions implying that the goods dealt in by the Plaintiff are imported goods of "LEADER BIKES" originating from California, based on the following grounds: Although the Plaintiff ascertained the facts that the Defendant formally received the transfer of all assets of Leader Bikes USA, including its trademark rights, and succeeded to the "LEADER BIKES" brand, and that Leader Bikes Japan was established as the official importer and

distributor in Japan under the contract with the Defendant, the Plaintiff posts on its website the pictures of bicycles with the emblem trademark, which was held by the Defendant, affixed thereon, sell the bicycles, calls consumers' attention thereto, and indicates the goods dealt in by the Plaintiff in a manner as if they were the imported goods of the "LEADER BIKES" brand originating from California, thereby infringing the trademark rights of Leader Bikes Japan, etc.; and the indication on the website, etc. that the Plaintiff is the general distributor falls under the circulation of false allegations that harms the business reputation of the Defendant and Leader Bikes Japan, which constitutes an act of unfair competition (Exhibit Ko 14).

In January 2020, the Defendant demanded that the Plaintiff stop selling those bicycles, etc. and delete the post thereof from its website, etc., alleging that the Defendant received the transfer of the business of manufacturing and selling bicycles, etc. of the "LEADER" brand and the assets related thereto from Leader Bikes USA and T and holds the emblem trademark, and that the Plaintiff's selling of those bicycles and bicycle parts with the emblem trademark and the mark, "LEADER", affixed thereon at its stores and on its website, which the Plaintiff has been operating since around 2018, constitutes the infringement of the Defendant's trademark rights and an act of unfair competition (Exhibit Ko 15).

(14) [i] In May 2020, the Defendant filed a lawsuit against the Plaintiff with the Osaka District Court, alleging that the Plaintiff infringes the Defendant's trademark rights by affixing the emblem trademark to bicycles, etc. that it was selling and displaying, and sought an injunction, etc. against the selling of the bicycles, etc. and compensation for damage; [ii] In February 2021, the Plaintiff filed a counterclaim against the Defendant in the same lawsuit, asserting that the Plaintiff had exclusively sold fixed-gear bicycles, bicycle parts, etc. with the mark, "LEADER", and the mark called "L logo" affixed thereon in Japan for over 10 years and that these marks were widely recognized among consumers, and sought an injunction, etc. against the Defendant's manufacturing and selling of bicycles, etc. with the marks that are identical with or similar to the aforementioned marks affixed thereon, and compensation for damage under the Unfair Competition Prevention Act; and [iii] In June 2021, the Plaintiff filed a lawsuit against Leader Bikes Japan with the Osaka District Court, seeking an injunction against Leader Bikes Japan's manufacturing and selling of bicycles, etc. with the marks that are identical with or similar to the trademark, "LEADER", and the mark called "L logo" affixed thereon, and compensation for damage under the Unfair Competition Prevention Act (Exhibits Ko 35 to 37).

A consolidated hearing was held for these cases. On December 5, 2022, regarding the Defendant's claim, the Osaka District Court ruled that the Plaintiff had infringed the trademark right for the Defendant's emblem trademark by selling bicycles, etc. with the

emblem trademark affixed thereon until December 31, 2018, related to the Defendant's claim, and the court ordered the Plaintiff to compensate the Defendant for damage and stop selling the bicycles, etc. On the other hand, regarding the Plaintiff's claims, the court dismissed them, ruling that even if the Defendant, which had received the transfer of trademark registration for the emblem trademark from Leader Bikes USA, and Leader Bikes Japan, which had entered into a distribution agreement with the Defendant, make use of the trademarks and indications showing that the relevant goods are the Leader Bikes USA's goods, this does not constitute the violation of the Unfair Competition Prevention Act. In response, the Plaintiff filed an appeal against the judgment, and the cases were pending before the Osaka High Court. However, the judgment became final and binding because the Plaintiff withdrew the appeal later (Exhibit Ko 90).

(2) Whether the Trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act

(1) Originally, Article 4, paragraph (1), item (vii) of the Trademark Act stipulates a provision that does not allow a trademark to be registered in the case where the structure of the trademark per se violates public order and morality. However, regarding the trademark that was registered on the grounds that its structure per se does not violate public order and morality, if the structure of the trademark comes to have a nature contrary to the public interest, for example, in the case where changes in social norms cause the structure of the trademark to become one that is likely to cause damage to public policy, such trademark may subsequently fall under that item, and accordingly, there may be cases where such trademark should be invalidated pursuant to the provisions of Article 46, paragraph (1), item (vi) of the same Act. Moreover, a trademark may fall under Article 4, paragraph (1), item (vii) of the same Act even if the structure of the trademark per se does not violate public order and morality. The Trademark Act provides for trademark types that may not be registered in the items of that paragraph, and item (vii) of that paragraph, which can be said as a general provision, stipulates the "trademark which is likely to cause damage to public order" also as one of such types. Taking this into account, it is understood that the relevant item is based on the premise that there may exist trademarks that should be considered as those that cannot be registered even if they do not fall under any other items and that as a general provision, the relevant item does not allow such trademarks to be registered. In addition, the Trademark Act adopts the principle of the first-to-file system, under which the person who filed an application the earliest is entitled to register their trademark based on the freedom to choose trademarks. Taking this into consideration, the case where a trademark falls under Article 4, paragraph (1), item (vii) of the Trademark Act should be limited to the case where the process of application for registration of the

trademark significantly lacked social appropriateness and where approval of its registration violates the order intended by the Trademark Act and cannot be accepted.

When applying this to the Trademark, as mentioned in 1. above, the following facts are found: [i] an application for the trademark before the divisional transfer of the trademark right made for the Trademark had been filed by Honda Motor on June 20, 1996. The trademark had been registered on March 27, 1998, and properly owned over time by Honda Motor. The Plaintiff proposed to Honda Motor, a valid holder of the trademark right, to transfer the Trademark to the Plaintiff, received the transfer of the Trademark with the consent of Honda Motor, and made the Divisional Transfer and Registration; [ii] Leader Bikes USA and T were not entitled to enjoy any right under the Trademark Act for the trademark before the divisional transfer made for the Trademark; [iii] The Plaintiff was the exclusive distributor in Japan for Leader Bikes USA under the Distribution Agreement from 2011 to around 2016; The Plaintiff imported the Goods from Leader Bikes USA and sold the Goods and was obligated to cooperate in maintaining the trademarks registered by Leader Bikes USA in the sales regions and the goodwill associated with those trademarks, but the Plaintiff faced the termination of the Distribution Agreement with Leader Bikes USA due to the bankruptcy of the company in 2016, which caused the suspension of imports of bicycles, etc. from Leader Bikes USA to the Plaintiff; the Distribution Agreement did not contain any provisions governing the obligations to be performed by the Plaintiff after the termination of the contract relationship, and as a result, all relations between the Plaintiff and Leader Bikes USA terminated; and [iv] It was found that, in this situation, the Plaintiff received the transfer of the Trademark from Honda Motor with the consent of Honda Motor and made the Divisional Transfer and Registration for the purpose of continuing to sell the Goods.

Based on the above, it cannot be said that the following fact significantly lacks social appropriateness or that approval of this registration violates the order intended by the Trademark Act and cannot be accepted: Facing the entire termination of the business relationship, etc. with Leader Bikes USA due to the bankruptcy of the company, for which the Plaintiff bore no responsibility, the Plaintiff received the transfer of the Trademark, which is part of the trademark before the divisional transfer made for the Trademark, which had been owned by Honda Motor, a valid holder of the trademark right, the right for which Leader Bikes USA and T were not entitled to enjoy in the first place, and made the divisional transfer and registration for the Trademark.

As mentioned in 1. above, in this case, it is found that when the Plaintiff sold bicycles manufactured by using parts, etc. purchased from another company with the mark, "LEADER", affixed thereon, the Plaintiff acted in a manner that may cause consumers to

confuse and mistakenly recognize that the Goods are LEADER BIKES manufactured and sold by Leader Bikes USA, such as calling itself the "General Distributor of LEADER BIKES" and indicating on its website that the Goods were branded fixed-gear bicycles originating from California. These acts might raise the issue as to whether they constitute an act of unfair competition in relation to the Defendant, which had succeeded to the business of Leader Bikes USA, and this might become a case to be solved in civil litigation, etc. under separate laws, such as laws governing abuse of rights or the Unfair Competition Prevention Act. Actually, however, it cannot be said that the divisional transfer and registration made for the Trademark significantly lack social appropriateness in light of generally accepted perspective or that it violates the order intended by the Trademark Act.

Consequently, it cannot be considered that the divisional transfer and registration made for the Trademark caused the Trademark to fall under Article 4, paragraph (1), item (vii) of the Trademark Act.

(2) Regarding the Defendant's arguments

A. The Defendant claims that the Plaintiff violates its fiduciary duty under the Distribution Agreement and has been interfering with the Defendant's business in Japan and also that the Plaintiff intends to free ride on the Defendant's credibility, etc.

However, as mentioned in (1) above, the Distribution Agreement was terminated due to the bankruptcy of Leader Bikes USA, and this caused the suspension of imports of bicycles, etc. from Leader Bikes USA to the Plaintiff. Moreover, the Distribution Agreement did not contain any provisions governing the obligations to be performed by the Plaintiff after the termination of the contract relationship, and as a result, all relations between the Plaintiff and Leader Bikes USA terminated. Taking this situation into consideration, it is impossible to construe that the Plaintiff has any obligation to the Defendant, which had succeeded to the business, etc. of Leader Bikes USA.

As mentioned in 1.(12) above, the following facts were found: the Plaintiff sent a notice to the business partners of Leader Bikes Japan, stating that the Plaintiff is the "General Importer and Distributor of LEADER BIKES products in Japan" and that the bicycles of the "LEADER" brand sold by the business partners infringe the Trademark Right held by the Plaintiff, thereby intending to prevent the Defendant's related parties from selling bicycles of the "LEADER" brand and conducting other acts. However, as mentioned in (1) above, the unjust exercise of rights should be solved in civil litigation, etc. under separate laws, such as laws governing abuse of rights or the Unfair Competition Prevention Act. Consequently, it cannot be considered that there are any grounds for invalidating the registration of the Trademark.

B. The Defendant argues that the brand superiority of the "LEADER" brand belongs not to

the Plaintiff but to the Defendant and that, given that the Plaintiff recognized this fact, the Plaintiff owed fiduciary duty from the perspective of proper business ethics or fair transaction orders, under which the Plaintiff must not damage the brand superiority belonging to the Defendant by abusing the position that it used to be a distributor.

However, as mentioned in A. above, it is impossible to construe that the Plaintiff has any obligation to the Defendant.

In the first place, this case involves a conflict of interests between the Defendant, which had succeeded to the business and assets outside the United States of Leader Bikes USA and T, and the Plaintiff, which had succeeded to the Trademark Right from the valid holder thereof, and, it cannot be said that, just based on the ground that the Defendant had received the transfer of the goodwill for the bicycles of the "LEADER" brand from Leader Bikes USA and has been operating business in Japan, the fact that the Plaintiff received the transfer of and holds the Trademark Right, which had been held validly, for the purpose of continuing its own business significantly lacks social appropriateness in light of generally accepted perspective or that it violates the order intended by the Trademark Act. Consequently, it cannot be considered that there are any grounds for invalidating the registration of the Trademark.

C. The Defendant argues that the Plaintiff, a competitor, made the divisional transfer and registration of the trademark right, which Honda Motor had held, and this prevented the Defendant from acquiring the Trademark at a reasonable cost, and that accordingly, the Plaintiff unjustly infringes the Defendant's freedom to acquire trademark rights.

However, as mentioned in 1.(10) above, the Plaintiff proposed to Honda Motor to transfer the Trademark to the Plaintiff, and made the divisional transfer of the Trademark with the consent of Honda Motor. Meanwhile, even based on the entire evidence of the case, it cannot be found that the Plaintiff unjustly interfered with the Defendant's negotiations with Honda Motor for the divisional transfer of the Trademark Right from Honda Motor, and therefore, it cannot be said that the Plaintiff unjustly infringes the Defendant's freedom to acquire trademark rights. Consequently, the Defendant's arguments mentioned above are groundless.

### 3. Summary

According to the above, the Trademark is not the trademark that falls under Article 4, paragraph (1), item (vii) of the Trademark Act, and therefore, there is an error in the determination presented in the JPO Decision that is contrary to this, and hence, the ground for rescission argued by the Plaintiff is well-grounded.

### 6. Conclusion

As mentioned above, the ground for rescission argued by the Plaintiff is well-grounded,

and therefore, the court rescinds the JPO Decision and renders a judgment as stated in the main text.

Intellectual Property High Court, First Division

Presiding judge: HONDA Tomonari

Judge: TOYAMA Atsushi

Judge: AMANO Kenji

Attachment 1

List of Registered Trademark

Registered Trademark



Date of application for registration: June 20, 1996

Date of establishment of registration: March 27, 1998

Class of goods or services and designated goods:

Class 12 "Bicycles and their parts and fittings"



Attachment 2

List of Registered Trademark

Registered Trademark



Date of application for registration: November 6, 2012

Date of establishment of registration: March 22, 2013

Class of goods or services and designated goods:

Class 12 "Bicycles, bicycle frames, bicycle forks, bicycle tires, bicycle handle stems, bicycle seat posts, and other bicycle parts and fittings"

Attachment 3

Registered Trademark

***LEADERBIKES***

Registration number: No.6070405

Date of application for registration: May 30, 2018

Date of establishment of registration: August 10, 2018

Classes of goods or services and designated goods:

Class 12 "Non-electric prime movers for land vehicles (not including their parts), mechanical elements for land vehicles, anti-theft alarms for vehicles, AC motors or DC motors for land vehicles (not including their parts), bicycles, parts and fittings of bicycles, and adhesive rubber patches for repairing tubes or tires"

Class 25 "Clothing, garters, sock suspenders, suspenders, waistbands, belts for clothing, footwear, masquerade costumes, special footwear for sports, and clothes for sports"