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judgedate

2003.02.27

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caseid

2002 (Ju) 1100

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reporter

Minshu Vol. 57, No. 2

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casetitle

Judgment concerning a case in which what is generally referred to as parallel importation is deemed to not be illegal for infringing a trademark right

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casename

Case to seek damages, an injunction against infringement of the trademark right, etc.

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caseresult

Judgment of the First Petty Bench, dismissed

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court_second

Osaka High Court, Judgment of March 29, 2002

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summary_judge

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1. If a person other than a holder of a trademark right in Japan imports goods identical with the goods designated for the trademark right, by affixing thereto a trademark identical with the registered trademark, such act of importation is deemed to be what is generally referred to as parallel importation of genuine goods, and it is therefore deemed to not be substantially illegal for infringing the trademark right under the following conditions: (1) the trademark has been legally affixed to the import goods by a holder of a trademark right in a foreign country or a person licensed by the trademark right holder, (2) the trademark right holder in the foreign country and the trademark right holder in Japan are the same person or have a relationship wherein they can be regarded as being legally or economically identical with each other, and hence the trademark affixed to the import goods indicates the same source as that indicated by the registered trademark in Japan, and (3) since the trademark right holder in Japan is in the position to be able to control the quality of the import goods directly or indirectly, the import goods and the goods carrying the registered trademark held by the trademark right holder in Japan are judged to be not substantially different in terms of the quality guaranteed by the registered trademark.

2. Importation of goods to which a trademark identical with a trademark registered in Japan has been affixed by a person licensed by a holder of a trademark right in a foreign

country to use the trademark cannot be regarded as parallel importation of genuine goods and therefore this does not fall under the case wherein such act is deemed to not be illegal, under the circumstances presented in the judgment, such as that the licensee has breached the clauses in the license agreement providing for the limitations on the countries where the licensee is authorized to engage in production, etc. and on the prohibition of subcontracted production without the consent of the trademark right holder, and has subcontracted the production of goods to a factory located in the country not covered by the license, without the consent of the trademark right holder.

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references

(Concerning 1 and 2) Article 1, Article 25, and Chapter IV, Section 2 (Infringement of Rights) of the Trademark Act

Trademark Act

(Purpose)

Article 1

The purpose of this Act is, through the protection of trademarks, to ensure the maintenance of business confidence of persons who use trademarks and thereby to contribute to the development of the industry and to protect the interests of consumers.

(Effects of trademark right)

Article 25

The holder of trademark right shall have an exclusive right to use the registered trademark in connection with the designated goods or designated services; provided, however, that where an exclusive right to use the trademark is established in

connection with the trademark right, this provision shall not apply to the extent that the holder of exclusive right to use has an exclusive right to use the registered trademark.

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maintext

The final appeal is dismissed.

The appellant of final appeal shall bear the cost of the final appeal.

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reason

Concerning the reasons for petition for acceptance of final appeal argued by the appeal counsel, YONEKAWA Koichi, NAGASHIMA Kenya, SUZUKI Kengo, SAKURAI Shigenori, HOSAKA Mitsuhiko, and OIZUMI Takeshi

1. The outline of the facts legally determined by the court of prior instance is as follows.

(1) Company D (a U.K. corporation) held a trademark right registered for the trademark that is composed as indicated in Section 1 of the list of trademarks attached to the judgment in first instance (omitted here), designating the goods, "clothing, personal belongings made of fabric, bedding," with Registration No. 650248 (establishment of the trademark right registered on August 17, 1964), and also held another trademark right registered for the trademark that is composed as indicted in Section 2 of said list, designating the goods, "clothing (excluding special clothing for sports), personal belongings made of fabric (excluding those assigned to any other class), bedding (excluding beds)," with Registration No. 1404275 (establishment of the trademark right registered on January 31, 1980) (hereinafter these trademarks and trademark rights

are collectively referred to as the "Registered Trademark" and the "Trademark Right"). The Registered Trademark is a trademark of a globally famous brand name, "F". Company D held a trademark right for a series of "F" trademarks, including those that are substantially identical with the Registered Trademark, in 110 countries around the world including the Republic of Singapore, Malaysia, the State of Brunei Darussalam, the Republic of Indonesia, and the People's Republic of China.

On November 29, 1995, Company E (a U.K. corporation), which is a 100% subsidiary company of Appellee B1 company (a stock company; hereinafter referred to as "Appellee B1 Company"), acquired by succession the trademark rights held by Company D for all "F" trademarks registered in the countries except for Japan. In Japan, Appellee B1 Company held an exclusive license. On January 25, 1996, Appellee B1 Company acquired the Trademark Right assigned from Company D, and on May 27, 1996, it completed the registration of the assignment and became the trademark right holder.

(2) From around March to July 1996, the appellant imported polo shirts made in China (Product Number M1200; hereinafter referred to as the "Goods"), which carried the marks indicated in Sections 1 and 2 of the list of marks attached to the judgment in first instance (omitted here) (hereinafter collectively referred to as the "Mark"), and sold them in Japan since June 1996. The Goods were produced at a factory in the People's Republic of China, as subcontracted by Company G (a Singaporean corporation), and then imported into Japan by the appellant via Company H (a Singaporean corporation).

(3) Company G had been granted a license by Company D to use a trademark identical with the Registered Trademark for three years from April 1, 1994 (the license agreement between Company D and Company G is hereinafter referred to as the "Agreement"). On November 29, 1995, the licensor's status under the Agreement was

transferred to Company E.

The Agreement contains the following clauses (hereinafter referred to as the "Granting Clauses").

A. Company D shall grant a license to Company G to produce, sell and distribute the licensed goods in the licensed territory, namely, the Republic of Singapore, Malaysia, the State of Brunei Darussalam, and the Republic of Indonesia, and to use a trademark identical with the Registered Trademark for the licensed goods within the licensed territory. The licensed goods shall be sportswear and leisure wear goods carrying said trademark that are produced according to Company D's specifications (Articles 1 and 2).

B. Company G shall promise not to make any arrangement for subcontracting production, finishing or packaging of the licensed goods, without prior consent given by Company D in writing. Company D shall not unreasonably reserve its consent as long as Company G provides Company D with the complete information on all relevant facts or matters concerning subcontractors and secures a promise from subcontractors that they agree to offer to Company D a facility that is the same as the facility they offer to Company G so that Company D's agent can check whether the subcontractors comply with and fulfil the specifications and quality standards prescribed in the Agreement and keep all relevant information confidential (Article 4).

(4) The Goods were produced at a factory in the People's Republic of China, which was outside the licensed territory, as subcontracted by Company G without Company D's consent, and Company G thus breached the Granting Clauses.

(5) Appellee B1 Company placed an advertisement in B2 Newspaper issued by Appellee B2 Newspaper Company, claiming that the Goods, etc. were counterfeit goods. It filed a petition for the procedure for identifying the Goods, etc. as import-prohibited articles

under the Customs Tariff Act, and also filed a criminal complaint on the grounds that the sale of the Goods constitutes infringement of the trademark right.

2. In this case, the appellant alleges that the appellees' acts mentioned in 1 (5) above interfere with the appellant's business or harm its reputation, and seeks damages, etc. against the appellees under Article 709 of the Civil Code. In response, Appellee B1 Company alleges that the appellant's act mentioned in 1 (2) above infringes the Trademark Right, and seeks damages, etc. against the appellant under said Article. The appellant alleged that the importation of the Goods constitutes what is generally referred to as parallel importation of genuine goods and it is therefore not illegal.

3. If a person other than a holder of a trademark right in Japan imports goods identical with the goods designated for the trademark right, by affixing thereto a trademark identical with the registered trademark, such act of importation infringes the trademark right unless it is licensed by the trademark right holder (Article 2, paragraph (3) and Article 25 of the Trademark Act). However, it is appropriate to construe that the importation of goods in such manner is deemed to be parallel importation of genuine goods, and it is therefore deemed to be not substantially illegal for infringing the trademark right under the following conditions: (1) the trademark has been legally affixed to the import goods by a holder of a trademark right in a foreign country or a person licensed by the trademark right holder, (2) the trademark right holder in the foreign country and the trademark right holder in Japan are the same person or have a relationship wherein they can be regarded as being legally or economically identical with each other, and hence the trademark affixed to the import goods indicates the same source as that indicated by the registered trademark in Japan, and (3) since the trademark right holder in Japan is in the position to be able to control the quality of the import goods directly or indirectly, the import goods and the goods

carrying the registered trademark held by the trademark right holder in Japan are judged to be not substantially different in terms of the quality guaranteed by the registered trademark. The purpose of the Trademark Act is "to ensure the maintenance of business confidence of persons who use trademarks through the protection of trademarks, and thereby to contribute to the development of the industry and to protect the interests of consumers" (Article 1 of said Act). Parallel importation of genuine goods that satisfies the abovementioned conditions would not undermine a trademark's functions, i.e. the function to indicate the source of goods and the function to guarantee the quality of goods, nor would it damage the business reputation of the trademark user or the interest of consumers, and thus it can be deemed to not be substantially illegal.

4. This reasoning can be applied in this case as follows. According to the facts mentioned above, the Goods were produced through the process whereby Company G, which was licensed to use a trademark identical with the Registered Trademark in the Republic of Singapore and three other countries, subcontracted the production to a factory in the People's Republic of China, which was outside the licensed territory, without the consent of the trademark right holder. Thus, the Goods were produced in a manner beyond the scope of license defined by the Granting Clauses in the Agreement and then the Mark was affixed to them, and hence they undermine the Registered Trademark's function to indicate the source of goods.

Furthermore, the limitations on the production areas and on subcontracted production under the Granting Clauses are very important for the trademark right holder in controlling the quality of goods carrying the Registered Trademark and ensuring that the Registered Trademark fully functions to guarantee the quality of goods. The Goods which had been produced in breach of these limitations and to which the Mark was affixed would be outside the quality control of the trademark right holder, and they

could be substantially different from the goods put on the market by Appellee B1 Company by affixing the Registered Trademark to them, in terms of the quality guaranteed by the Registered Trademark. Hence, the Goods are likely to undermine the Registered Trademark's function to guarantee the quality of goods.

Consequently, if the importation of such goods is allowed, it could undermine the business reputation embodied in the "F" brand, which has been established by Company D and Appellee B1 Company that have used the Registered Trademark. In addition, while consumers trust the parallel import goods, believing that they can purchase goods that are identical in terms of the source and quality with the goods put on the market by the trademark right holder by affixing the registered trademark to them, if the importation of the Goods conducted in breach of the abovementioned limitations is allowed, it would result in breaching the consumers' trust.

Based on these grounds, the importation of the Goods cannot be regarded as parallel importation of genuine goods and therefore it cannot be deemed to not be substantially illegal.

Furthermore, since an importer is required to clarify the production site of the import products upon import declaration (Article 67 of the Customs Act and Article 59, paragraph (1), item (ii) of the Order for Enforcement of the Customs Act), in order to import goods to which a trademark identical with a trademark registered in Japan has been affixed not by a holder of a trademark right in a foreign country but by a person licensed by the trademark right holder in the foreign country, the importer must import the goods after confirming, at least, that the licensee is entitled under the license agreement to produce the goods in the production area and affix said identical trademark to them. Since the appellant has not proved that it fulfilled the obligation to confirm this before importing the Goods, the presumption of negligence on the part of

the appellant (Article 103 of the Patent Act as applied mutatis mutandis pursuant to Article 39 of the Trademark Act) cannot be reversed.

5. For the reasons stated above, the determination of the court of prior instance can be accepted as justifiable for dismissing the appellant's claim and partially upholding Appellant B1 Company's claim on the grounds that the appellant's act of importing and selling the Goods infringes the Trademark Right. The appeal counsel's arguments cannot be accepted.

Therefore, the judgment has been rendered in the form of the main text by the unanimous consent of the Justices.

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presiding

Justice YOKOO Kazuko

Justice FUKAZAWA Takehisa

Justice KAINAKA Tatsuo

Justice IZUMI Tokuji

Justice SHIMADA Niro

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note_other

(This translation is provisional and subject to revision.)