

Date	August 31, 2004	Court	Tokyo High Court, 1st Intellectual Property Division
Case number	2003 (Ne) 899		
– A case in which the court determined that the appellees' act of refilling used ink bottles (empty containers) carrying any of the appellant's registered trademarks with the appellees' ink and selling those refilled ink bottles constitutes infringement of the trademark right for the appellant's registered trademarks, and granted an injunction against the appellees' sale of ink, etc.			

References: Article 2, paragraph (3), items (i) and (ii) of the Trademark Act
Number of related rights, etc.: Trademark Registration No. 4091781, 4091782, 4036757

Summary of the Judgment

1. Background

The screen-printing machine manufactured and sold by the appellant (the "appellant's printing machine(s)") is designed to be used by inserting an ink bottle filled with ink for screen printing into the designated section of the machine. Each ink bottle carries the appellant's registered trademarks. The appellees refill the bottles when they become empty ("empty containers") with the ink for screen printing manufactured by Appellee Corona (the "appellees' ink") and has sold such refilled ink bottles to the users of the appellant's printing machines.

The appellant alleged that the aforementioned act of the appellees constitutes infringement of the appellant's trademark right. Based on this allegation, the appellant demanded against the appellees [i] an injunction against the use of any of the marks corresponding to the appellant's registered trademarks, for the appellees' ink bottles containing the appellees' ink, [ii] destruction of the ink bottles carrying said marks, and [iii] joint and several payment of damages for the act of tort. The judgment in prior instance determined that the appellees' act could not be considered as "use" of the registered trademarks and dismissed all of the appellant's claims.

The appellant filed this appeal to seek modification of the judgment in prior instance. Regarding the claim mentioned in [i] above, the appellant changed the objective of this appeal and demanded an injunction against the sale of ink for screen printing by using ink bottles carrying a mark corresponding to any of the registered trademarks of the appellant. Regarding the claim mentioned in [iii] above, the appellant reduced the amount of claim.

2. Court decision

In this judgment, the court found that the appellees' act constitutes infringement of

the appellant's trademark right, and upheld the appellant's claims mentioned in [i] and [ii] entirely and its claim mentioned in [iii] partially. The reasons for finding infringement of the trademark right are as follows.

- There is no dispute between the parties concerned as to the fact that the appellees have been refilling empty bottles carrying any of the Registered Trademarks with the appellees' ink and selling those refilled ink bottles. It is obvious that such act constitutes an act to "assign, deliver (omitted) goods or packages of goods to which a mark is affixed" (Article 2, paragraph (3), item (ii) of the Trademark Act).

- However, it can be interpreted that the essence of a trademark lies in its function as a sign to distinguish one's goods from others. Therefore, in order to construe that the appellees' act falls under "use" of the Registered Trademarks and constitutes infringement of the Trademark Rights, said trademarks need to perform the source-indicating function.

- According to the facts found above, the following can be said: [i] the appellees conducted not only the act of receiving used, empty ink bottles from customers, refilling the same type of ink bottles (not necessarily the ones identical with the collected bottles) with the appellees' ink, and selling them, but also the act of selling the appellees' ink by use of empty ink bottles in a sales model not premised on receiving empty ink bottles from customers; [ii] Appellee Corona has transactions with as many as about 1,500 customers (sales destinations) through Appellee Takken and many local dealers on a large scale, which is completely different from personal small-scale transactions; [iii] although the brochures, order forms, etc. used by the appellees to sell the appellees' ink contain the names of the appellant's printing machines and the names of compatible ink cartridges without any modifications, those brochures do not indicate a reservation to the effect that "the appellees' ink was produced without any connection to the appellant" and they even contain statements that may cause a misunderstanding that the appellees' ink is the appellant's genuine ink; [iv] the appellees refilled ink bottles with the appellees' ink and delivered them to customers without removing the Registered Trademarks printed on the bottles and failed to indicate a reservation; [v] among the customers of the appellees, not only the actual users of the ink but also the employees who are responsible for procuring ink did not correctly understand that the appellees' ink was produced without any connection to the appellant in some cases; and [vi] it is common for the ink for screen printing to be reassigned after purchase.

- In consideration of the facts mentioned above, it is clear that the appellees' act of selling the appellees' ink could mislead consumers or cause confusion among them by

making them believe that "the source of the ink in an ink bottle carrying any of the Registered Trademarks is the appellant." Therefore, it can be said that the Registered Trademarks can be considered to be performing the source-indicating function in the transactions of the goods (ink), that the appellees' act can be considered as "use" of the Registered Trademarks in practice, and that it constitutes infringement of the Trademark Rights.

Judgment rendered on August 31, 2004

2003 (Ne) 899, Appeal case of seeking an injunction, etc., against infringement of a trademark right (Court of prior instance: Tokyo District Court, 2002 (Wa) 4835)

Date of conclusion of oral argument: July 6, 2004

Judgment

Appellant: RISO KAGAKU CORPORATION (RISO)

Appellee: Takken Corporation
("Appellee Takken")

Appellee: CORONA GIKEN INDUSTRIES Co., Ltd.
("Appellee Corona")

Main Text

- (1) The judgment in prior instance shall be modified as follows.
- (2) The appellees shall not sell ink for screen printing by using the ink bottles carrying any of the marks presented in attached Lists 1 to 3.
- (3) The appellees shall destroy the ink bottles carrying any of the marks presented in attached Lists 1 to 3.
- (4) The appellees shall jointly pay the appellant 21,882,000 yen and delay damages accrued, at a rate of 5% per annum, on a part thereof, i.e., 10,488,000 yen, from March 1, 2002 until the date of full payment, and also on the remaining part thereof, i.e., 11,394,000 yen, from April 1, 2004 until the date of full payment.
- (5) The rest of the claims of the appellant shall be dismissed.
- (6) The court costs for the first and second instances shall be divided into six portions, one of which shall be borne by the appellant, while the other five shall be borne by the appellees.

Facts and Reasons

No. 1 Judicial decision sought by the parties

1. Appellant

- (1) The judgment in prior instance shall be dismissed.
- (2) The same as paragraphs (2) and (3) of the main text.
- (3) The appellees shall jointly pay the appellant 32,823,000 yen and delay damages accrued, at a rate of 5% per annum, on a part thereof, i.e., 15,732,000 yen, from March 1, 2002 until the date of full payment, and also on the remaining part thereof, i.e., 17,091,000 yen, from April 1, 2004 until the date of full payment.

(4) The court costs for the first and second instances shall be borne by the appellees.

2. Appellees

(1) This appeal shall be dismissed.

(2) The appeal costs shall be borne by the appellant.

No. 2 Background

1. Summary of this case

The screen-printing machine manufactured and sold by the appellant (Product name: Lithograph; hereinafter referred to as the "appellant's printing machine(s)") is designed to be used by inserting an ink bottle filled with ink for screen printing to the designated section of the machine. Each ink bottle carries the appellant's registered trademarks presented in attached Lists 1 to 3. The appellees refill the bottles when they become empty ("empty containers") with the ink for screen printing manufactured by Appellee Corona (the "appellees' ink") and sold the refilled ink bottles to the users of the appellant's printing machines. The appellant alleged that the aforementioned act of the appellees constitutes infringement of the appellant's trademark right. Based on this allegation, the appellant demanded against the appellees [i] an injunction against the use of any of the marks, i.e., the aforementioned registered trademarks of the appellant, for the appellees' ink bottles containing the appellees' ink, [ii] destruction of the ink bottles carrying said marks, and [iii] payment of 50 million yen as damages for the act of tort and delay damages accrued thereon at a rate of 5% per annum as specified in the Civil Code from March 1, 2002, which was after the act of tort, until the date of full payment.

Dissatisfied with the judgment in prior instance that dismissed all of the appellant's claims, the appellant filed this appeal to seek modification of the judgment.

Regarding the claim mentioned in [i] above, the appellant changed the objective of this appeal and demanded an injunction against the sale of ink for screen printing by using ink bottles carrying a mark that is identical with any of the registered trademarks of the appellant. Regarding the claim mentioned in [iii] above, the appellant reduced the claim and demanded payment of 32,823,000 yen and delay damages accrued, at a rate of 5% per annum as specified in the Civil Code, on a part thereof, i.e., 15,732,000 yen, from March 1, 2002, which was after the act of tort, until the date of full payment, and also on the remaining part thereof, i.e., 17,091,000 yen, from April 1, 2004, which was after the act of tort, until the date of full payment.

(omitted)

No. 3 Court Decision

1. Issue 1 (Issue of whether or not any of the Trademark Rights have been infringed)

(1) The following facts may be found based on a comprehensive evaluation of the facts not disputed by the parties concerned, the evidence (Exhibits Ko 7 to 13, 16 to 21, 23, 25, 28 to 33, 37, 38 and 41 to 44; Otsu 6 to 10, 12-1 to 12-3, 13-1 to 13-6, 14, 19, 20, 21-1 to 21-3, 22 to 27 and 29 to 36 [excluding the parts that are not in line with the facts found below]), and the entire import of oral argument.

A. Ink bottles for the appellant's printing machines

The appellant's printing machine is usually used with an ink bottle filled with screen-printing ink inserted into the designated section of the machine. If the content of the ink bottle, i.e., ink, is used up, the ink bottle itself must be replaced with a new one. The ink bottles have unique features in order to be inserted into the designated section of the relevant printing machines. The ink bottles, which carry the Registered Trademarks, are designed to be used only for the corresponding types of printing machines.

B. Appellees' sales models

(A) The appellees refill, with the appellees' ink manufactured by Appellee Corona, the ink bottles manufactured and sold by the appellant for use with the appellant's printing machines and sell the refilled ink bottles.

The appellees have two sales models: one in which the appellees receive used bottles (empty containers) from the users of the appellant's printing machines, refill the same type of ink bottles (not necessarily the ones received from respective customers), and sell the refilled ink bottles (Sales Model 1, as alleged by the appellant), and the other not premised on receiving empty bottles from customers (Sales Model 2, as alleged by the appellant).

Also, the appellees have two sales routes, i.e., the one involving both Appellee Corona and Appellee Takken in the sale and the other involving Appellee Corona and local dealers ("local dealers"). Appellee Takken is substantially Appellee Corona's sales department. Appellee Corona conducts transactions with about 1,500 customers (sales destinations), including public offices, schools, and financial institutions through Appellee Takken or any of those local dealers (Exhibit Ko 30).

(B) The specific sales models of the appellees are as follows.

A customer fills in an order form titled "Request for Screen Printing Ink-Refill Service" (Exhibits Otsu 13-1 to 13-6 and 25) by writing the name of the manufacturer and the type of the screen-printing machine, the type and number of ink bottles, and the customer's contact information. Then, the customer sends it to Appellee Corona through either Appellee Takken or a local dealer by faxing the aforementioned form or online by

visiting the appellees' website (Exhibit Ko 32).

If a customer has an empty bottle, Appellee Takken or the local dealer would collect it and send it to Appellee Corona and request that Appellee Corona refill the bottle with ink. If a customer does not have an empty ink bottle, Appellee Takken or a local dealer would notify Appellee Corona of the customer's wish to purchase ink by use of an empty bottle without collecting any empty bottle.

Usually, when Appellee Corona collects an empty ink bottle, Appellee Corona washes it, refills it with the appellees' ink, puts a cap on the bottle, and stores it as a finished product. When Appellee Corona receives, from Appellant Takken or a local dealer, a customer's order for refill of an empty ink bottle or a purchase order for ink to be sold by use of an empty ink bottle, Appellee Corona ships the ink bottle refilled with the appellees' ink in storage to Appellee Takken or the local dealer. Appellee Takken or the local dealer delivers the aforementioned ink bottle to the customer. Even when an empty bottle is collected from a customer, that ink bottle delivered to the customer from Appellee Corona through Appellee Takken or a local dealer would not necessarily be identical to the collected bottle, while it would naturally be the same type of bottle so that the customer's printing machine can accommodate it.

The aforementioned service of refilling empty ink bottles or selling ink by use of empty ink bottles is basically offered to any customer who places a purchase order for at least 10 ink bottles. However, as there are some new customers who hesitate to place an order for refill of 10 empty ink bottles upon his/her very first order, the appellees also offer a trial service to refill only two empty ink bottles with the appellees' ink and sell them to such customers.

C. Absence of a reservation

In the brochure used by the appellees to sell the aforementioned appellees' ink (Exhibits Ko 9, 10 and 19; Exhibits Otsu 6 to 10), the names of the appellant's printing machines, and the names of the corresponding ink cartridges ("Lithograph," "GR," "FR," etc.) are stated without any modifications. These names are also used in the written estimates sent to customers (Exhibit Ko 21), the order forms sent from customers (Exhibits Otsu 13-1 to 13-6 and 25) and the receipts issued to customers (Exhibit Otsu 14). However, the aforementioned brochure does not clearly indicate a reservation to the effect that "the appellees' ink was produced without any connection with the appellant." (While the brochure indicates the following statements, they are too vague to be regarded as a reservation: "Do you think you would be disqualified from receiving maintenance service unless you use genuine ink? (omitted) Usually, the use of ink-refill service would not disqualify you from receiving maintenance service."

(Exhibit Ko 19); "Any maintenance agreement that requires the use of genuine ink will be regarded as unfair trade and violation of the Antimonopoly Act. (omitted) Please review the maintenance agreement before using the ink-refill service." (Exhibit Otsu 6)) On the contrary, the aforementioned brochure contains the following statement that could mislead customers into believing that the appellees' ink is the genuine ink manufactured by the appellant: "(omitted) we have been engaged in the development and manufacturing of disposable DNA pretreatment filters and various office supplies, such as genuine toner cartridges and ink cartridges, of many manufacturers for a quarter-century. By using this experience, we are providing an 'ink-refill service' to supply ink for screen-printing machines." (Exhibits Ko 9 and 10; Exhibit Otsu 6)

Also, when Appellee Corona delivers ink bottles refilled with the appellees' ink to customers through Appellee Takken or a local dealer, those ink bottles still carry the Registered Trademarks and fail to indicate a reservation to the effect that "the appellees' ink used to refill the ink bottle was produced without any connection to the appellant."

As described above, due to the absence of a reservation in conjunction with the appellees' sale of the aforementioned appellees' ink, in some cases, not only the persons who actually use the ink (Exhibit Ko 33) but also the persons who are responsible for procuring ink (Exhibits Ko 41 and 42) in public offices, schools, etc. (sales destinations) that purchase ink from the appellees do not correctly understand that the bottles contain the appellees' ink that Appellee Corona manufactured without any connection to the appellant.

D. Possibility of reassignment

In some cases, a customer purchases ink for screen printing and subsequently reassigns it. For example, East Japan Railway Trading Company (Exhibit Ko 30), which is one of the appellees' customers, is a company that specializes in procuring goods, etc. for the East Japan Railway group. The appellees' ink purchased by East Japan Railway Trading Company will be reassigned to and used at various companies in the group (Exhibit Ko 31). Similarly, it is common among other customers of the appellees, such as financial institutions, to have an independent company specialized in procuring goods, etc. therefor (Exhibits Ko 33 and 38). Moreover, there is a trading market for ink for screen printing mostly through online auctions (Exhibit Ko 37). There is also a trading market for used screen-printing machines and their drums, where ink for screen printing is reassigned together with a screen-printing machine or a drum (Exhibit Ko 37).

(2) Regarding the sales models of the appellees' ink, the appellees alleged that "Appellee Corona takes every measure to ensure that the ink bottles are managed

properly and uses a so-called one-on-one management method." This allegation is supported by the statements contained in Exhibits Otsu 19 and 23. More specifically, Exhibit Otsu 19 (written statement of the representatives of the appellees) describes that, every time the appellees refill an empty ink bottle collected from customers with the appellees' ink, the appellees print its own lot number on the bottle, which indicates the ink type and refill date and that, in the blank section on the edge of each ink bottle, as shown in Photograph 2 of Exhibit Ko 8, the customer sometimes writes his/her name or the appellees sometimes write the customer's name, thus managing the ink bottles so that each ink bottle will be returned to the customer from whom it was collected. Exhibit Otsu 23 (written statement of the employee of Appellee Corona who was responsible for the task of refilling empty bottles with the ink) explained that, if a customer sends an empty bottle without indicating his/her name, it would be impossible to tell which customer the ink bottle belongs to, and that this is why each customer is requested to write his/her name on an empty bottle. Otherwise, Appellee Corona would do so in some cases.

However, in consideration of the following circumstances, the appellees cannot be considered to have adopted a so-called one-on-one management method by which the appellees collect a used ink bottle (empty container) from a customer, refill the bottle with the appellees' ink, and return it to said customer. As found above, it is obvious that the appellees have been engaged in the act of receiving a used ink bottle (empty container) from a customer and selling the appellees' ink to the customer by use of the same type of ink bottle refilled with the appellees' ink (it is not necessarily identical with the bottle received from the customer) (Sales Model 1 as alleged by the appellant) and the act of selling the appellees' ink by use of one of the appellees' stored empty ink bottles without collecting an ink bottle from a customer (Sales Model 2 as alleged by the appellant).

A. To sum up, it is time-consuming and error-prone to directly write the name of each customer on the empty ink bottle when it is collected from the customer through one of the many local dealers, etc. Therefore, it is impossible to believe that such procedure is followed for all of the empty bottles. According to the evidence (Exhibit Ko 8), some ink bottles refilled with the appellees' ink do not carry customers' names (according to the aforementioned statements of the representatives of the appellees contained in Exhibit Otsu 19, the representatives admit this fact).

In order to return the empty bottle sent from a customer to the same customer, it is necessary to manage all of the empty ink bottles for each of the customers. The circumstances described above indicate that the appellees do not use a one-on-one

management method, which is designed to receive an empty ink bottle from a customer and return it to the same customer.

Since it would be sufficient for the seller of the appellees' ink to receive an empty ink bottle from a customer and return the same type of ink bottle to the customer, it would be economically unreasonable to adopt a stricter management method, i.e., one-on-one management method (even before the appellees face the issue of trademark infringement).

B. Furthermore, the website established by the appellees (Exhibit Ko 32) contains the following statements in the section titled "Recycle Bank": "Request Free Collection: We collect ink/toner cartridges for free! Please click here to send a request," "Customer [A] can send empty bottles to the Recycle Bank and purchase recycled cartridges when necessary. This model is commonly adopted"; "Customer [B] can request the empty bottles be collected without placing a purchase order if he/she still has an abundant stock of ink. The collected cartridges will be registered as common assets of the Recycle Bank and stored appropriately. *Collection is free. Please click here to send a request"; and "Customer [C], who wants to purchase a recycled ink bottle but does not have any empty bottle to send, can immediately receive delivery of a refilled ink bottle from among the bottles stored as common assets. When empty containers accumulate, Customer [C] is expected to send them immediately to the Recycle Bank. *Depending on the number of empty containers in stock, we might be unable to fulfill the request from Customer [C] due to the demand from Customer [A] and Customer [B]."

The document titled "Trial for Ink-Refill Service" prepared by Appellee Takken (Exhibit Ko 19) contains the following statement: "We are collecting empty ink bottles from customers free of charge. We would appreciate your cooperation." Also, the document titled "Estimate for the Ink-Refill Service for Screen Printing" (Exhibit Ko 21) contains the following statement: "We will collect empty ink bottles free of charge regardless of whether or not you use our ink-refill service."

Furthermore, the document titled "Survey on Ink-Refill Service" prepared by the appellees (Exhibits Otsu 12-1 to 12-3 and 21-1) contains options such as "although I do not plan to use the service, I want empty bottles collected (omitted)" and "I would like to request collection of empty bottles."

These statements indicate that the appellees have been engaged in the sales model not premised on receiving empty ink bottles from customers (Sales Model 2 as alleged by the appellant).

(Regarding these statements, the representatives of the appellees mentioned in the statement (Exhibit Otsu 22) that the aforementioned document (Exhibit Ko 19) was

prepared for the purpose of advertising their ink-refill service by offering the service of disposing of empty ink bottles on behalf of customers as an incentive. Also, Employee X of Appellee Corona, who was responsible for the task of refilling the bottles, mentioned in the statement (Exhibit Otsu 23) that he/she is not aware of the existence of the aforementioned website. However, these claims are extremely implausible and therefore unacceptable.

C. According to the evidence (Exhibits Ko 16, 18 and 20; Otsu 20 and 22), Appellee Takken delivered to Kumon Institute of Education Co., Ltd. one ink bottle refilled with the appellees' ink as a sample without collecting an empty ink bottle therefrom. This has revealed that the appellees sometimes adopted the sales model (Sales Model 2 as alleged by the appellant) not premised on requiring collection of empty bottles from customers.

D. Furthermore, according to the evidence (Exhibit Ko 8; Exhibits Otsu 19 and 23 [excluding the parts that are against the facts found below]) as well as the entire import of oral argument, the appellees print a six-digit lot number on each ink bottle that they have refilled with the appellees' ink. The lot number indicates the ink-refill date and the ink type. More specifically, the first digit of the lot number indicates the year, the second two digits indicate the month, the following two digits indicate the date, and the last digit indicates the ink type. (For example, the lot number "402131" indicates February 13, 2004, Ink Type 1.)

(In the prior instance, the appellees clearly alleged that the lot number indicates the refill date and submitted Exhibit Otsu 19 to support its allegation (statements of the representatives of the appellees). However, when the appellant makes the allegation on the premise of the appellees' allegation, the appellees suddenly changed their allegation in this instance by stating that the lot number indicates the manufacturing date of the appellees' ink. Since appellees did not give any legitimate reason for the aforementioned change in their allegation, it has to be said that this change in the allegation is implausible. Moreover, according to the evidence (Exhibit Ko 44; Exhibit Otsu 30 and 31), among the bottles refilled with the appellees' ink shipped during the period from August 29, 2002 to March 25, 2004, the number of bottles carrying the same lot number ranges from 1 to 248. Such sharp fluctuations contradict the common sense that the same amount of ink is manufactured according to a predetermined schedule. (The appellees also agree to this point [page 9 of the third brief of the appellees].) This has revealed that the lot number indicates not the ink manufacturing date but the ink-refilling date.)

Therefore, according to the evidence (Exhibit Ko 25; Exhibit Otsu 21-2) and the

entire import of oral argument, for example, in the case of the sale of the appellees' ink to Yasuda Life Insurance Company (Kashiwa branch office), the appellees refilled 34 empty ink bottles even though the appellant sold only 30 bottles. Moreover, the bottles collected from Yasuda Life Insurance Company may be considered to have been refilled with the appellees' ink prior to the date of collection. Furthermore, according to the evidence (Exhibit Ko 43; Exhibits Otsu 29 to 31), among the bottles refilled with the appellees' ink that were shipped during the period from January 4, 2001 to March 25, 2004, 1331 bottles carried lot numbers indicating that their refill dates were prior to the date of collection, 241 bottles carried lot numbers indicating that the time between their refill dates (lot numbers) and shipping dates was 30 days or longer, and 34 bottles carried lot numbers indicating that the time between their refill dates (lot numbers) and shipping dates was 90 days or longer.

The one-on-one management method would not allow the appellees to refill an empty bottle with the appellees' ink prior to the collection date. The fact that bottles were refilled with the appellees' ink prior to the collection date therefore indicates that the appellees had not adopted the one-on-one management method. Furthermore, the fact that the number of refilled empty ink bottles is larger than the number of ink bottles sold by the appellant suggests that the appellees had adopted the sales model (Sales Model 2 as alleged by the appellant) that is not premised on collecting empty ink bottles from customers. (The appellees failed to provide any reasonable explanations about the aforementioned cases.) Moreover, if the appellees had not adopted the sales model (Sales Model 2 as alleged by the appellant) that is not premised on collecting empty ink bottles from customers, and they always collect empty ink bottles from customers and return them to the same customers within four days, as alleged by the appellees, the appellees would have only a number of ink bottles in storage equivalent to the number of bottles handled during a period of four days. If this were the case, it would be impossible to explain why there are so many ink bottles whose lot numbers indicate a time gap of 30 day or longer or 90 days or longer between the refill date and the shipping date. This indicates that the appellees had adopted the sales model (Sales Model 2 as alleged by the appellant) that is not premised on collecting empty ink bottles from customers.

(3) There is no dispute between the parties concerned as to the fact that the appellees have been refilling empty bottles carrying any of the Registered Trademarks with the appellees' ink and selling those refilled ink bottles. It is obvious that such act constitutes an act to "assign, deliver (omitted) goods or packages of goods to which a mark is affixed" (Article 2, paragraph (3), item (ii) of the Trademark Act). However, it can be

interpreted that the essence of a trademark lies in its function as a sign to distinguish one's goods from others. Therefore, the appellees' act could be considered as "use" of the Registered Trademarks and constitutes infringement of the Trademark Rights only if the trademarks perform the source-indicating function. The following is the result of an examination of this case from this perspective.

According to the facts found above, it can be said [i] that the appellees conducted not only the act of receiving used, empty ink bottles from customers, refilling the same type of ink bottles (not necessarily the ones identical with the collected bottles) with the appellees' ink, and selling them, but also the act of selling the appellees' ink by use of empty ink bottles in a sales model not premised on receiving empty ink bottles from customers; [ii] that Appellee Corona has transactions with about 1,500 customers (sales destinations) through Appellee Takken and many local dealers on a large scale, which is completely different from personal small-scale transactions; [iii] that although the brochures, order forms, etc. used by the appellees to sell the appellees' ink contain the names of the appellant's printing machines and the names of compatible ink cartridges without any modifications, those brochures do not indicate a reservation to the effect that "the appellees' ink was produced without any connection to the appellant" and they could even cause a misunderstanding that the appellees' ink is the appellant's genuine ink; [iv] that the appellees refilled ink bottles with the appellees' ink and delivered them to customers without removing the Registered Trademarks printed on the bottles and failed to indicate a reservation; [v] that among the customers of the appellees, not only the actual users of the ink but also the employees who are responsible for procuring ink did not correctly understand that the appellees' ink was produced without any connection to the appellant in some cases; and [vi] that it is common for the ink for screen printing to be reassigned after purchase.

In consideration of the facts mentioned above, it is clear that the appellees' act of selling the appellees' ink could mislead consumers or cause confusion among them by making them believe that "the source of the ink in an ink bottle carrying any of the Registered Trademarks is the appellant." Therefore, it can be said that the Registered Trademarks can be considered to be performing the source-indicating function in the transactions of the goods (ink), that the appellees' act can be considered as "use" of the Registered Trademarks in practice, and that it constitutes infringement of the Trademark Rights.

(4) In response, the appellees alleged as follows: "Customers recognize that their empty ink bottles were refilled not by the appellant's ink but by the appellees' ink. Since the empty bottles are owned by customers, the appellees merely refill the bottles with the

appellees' ink and sell them to the customers. Therefore, even if an empty bottle sent by a customer carries any of the Registered Trademarks, the appellees' act cannot be considered as "use" of the trademark and therefore does not constitute infringement of any of the Trademark Rights."

However, as described above, it was found that the appellees sometimes adopted the sales model (Sales Model 2 as alleged by the appellant) that allows them to sell an ink bottle refilled with the appellees' ink without receiving an empty ink bottle from a customer. Thus, the aforementioned allegation of the appellees has lost its premise and can be found to be groundless.

Furthermore, regarding the sales model (Sales Model 1 as alleged by the appellant) in which the appellees receive a used ink bottle from a customer, refill the same type of ink bottle with the appellees' ink, and sell it to the customer, it was found as mentioned above [i] that the appellees' brochures, etc. used the names of the appellant's printing machines, etc. without any modifications and failed to indicate a reservation, and also contained a statement that could mislead consumers into believing that the appellees' ink is the genuine ink of the appellant; [ii] that the appellees deliver ink bottles refilled with the appellees' ink to the customers without removing the Register Trademarks printed on the bottles and failed to indicate a reservation; and [iii] that, due to these circumstances, the customers (sales destinations) of the appellees, more specifically, not only the persons who actually use the ink (Exhibit Ko 33) but also the persons who are responsible for procurement of ink do not correctly understand, in some cases, that the appellees' ink was produced without any connection to the appellant. In consideration of these facts, even a customer who has sent an empty ink bottle to the appellees cannot be considered to have correct understanding that "the ink in the ink bottle was the appellees' ink that was produced without any connection to the appellant."

Therefore, the aforementioned allegations of the appellees are groundless.

(omitted)

3. Conclusion

As described above, the appellant's claims against the appellees in this action are well-grounded to the extent that the appellant seeks [i] an injunction against the sale of the ink for screen printing by using the ink bottles carrying any of the appellant's registered trademarks, [ii] destruction of the ink bottles carrying said trademarks, and [iii] payment of 21,882,000 yen as damages for the act of tort and delay damages accrued, at a rate of 5% per annum as specified in the Civil Code, on a part thereof, i.e.,

10,488,000 yen, from March 1, 2002 until the date of full payment, and also on the remaining part thereof, i.e., 11,394,000 yen, from April 1, 2004 until the date of full payment. Therefore, this court modified the judgment in prior instance to the effect that all of the claims of the appellant shall be dismissed and rendered a judgment in the form of the main text.

Tokyo High Court, First Intellectual Property Division

Presiding Judge: KITAYAMA Motoaki

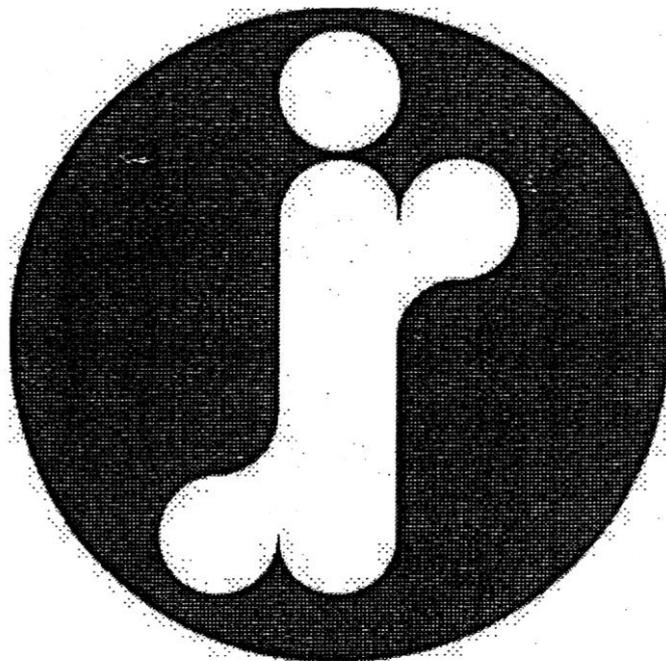
Judge: AOYAGI Kaoru

Judge: OKINAKA Yasuhito

Attached List 1

RISGO

Attached List 2



Attached List 3

RISOGRAPH