

Judgment rendered on July 22,1993
1991(Ne)4601

Judgment

(Indication of the parties is omitted)

Main text

This appeal shall be dismissed.

The cost of appeal shall be borne by the appellant.

Paragraph 1 of the main text of the judgment in prior instance has been modified as follows due to a reduction in the scope of the claim.

While the appellee affixed the marks specified in 1 to 3 of the attached "Mark List" to women's clothing, the appellant does not have the right to seek an injunction against such act of the appellee based on the trademark right (Trademark Registration No. 2012648) (the "Trademark Right").

Facts

(Omitted)

No. 3 Conclusions concerning the issues in dispute

I. The issues in this case are as follows: "1. Whether the appellee's marks are similar to the registered trademark, and 2. Whether the appellee has the right of prior use and is therefore entitled to use the appellee's marks under Article 32, paragraph (1) of the Trademark Act, in other words, as of August 4, 1980, which is the application filing date of the registered trademark, whether the appellee's marks were widely known among consumers as an indication of the women's clothing sold by the appellee." Even if the appellee's marks were similar to the registered trademark, since the appellee's marks were widely known among consumers as an indication of the women's clothing sold by the appellee as of August 4, 1980, which is the application filing date of the registered trademark, the appellee could be considered to be entitled to use the appellee's marks for the women's clothing manufactured and sold by the appellee under Article 32, paragraph (1) of the Trademark Act as found below. Thus, the appellee's act of using the appellee's marks for the women's clothing manufactured and sold by the appellee should not be considered to constitute infringement of the Trademark Right as follows.

II. According to the evidence and the entire import of the oral argument, the following facts can be found (Witnesses [A] and [B] are the witnesses in the prior instance, Witnesses [C] and [D] are the witnesses in this instance)

1. The appellee is a stock company established in October 1971 by designer [E] ([E]), who succeeded to the business founded in March 1967. Said stock company was established for the purpose of planning, wholesaling, retailing, or otherwise handling women's clothing, men's clothing, bedding, and clothing ornaments (Exhibit Ko 8, Witness [A], and the entire import of the oral argument).

2. As of about March 1979, in which the preparations for using the appellee's marks was started, [E] was famous as an experienced designer among people in the Japanese clothing industry. The company name of the appellee "ニコル (Nicole)" came from the brand name "ニコル (Nicole)" for products designed by [E]. The appellee conducted business mostly by selling its brand products at its directly managed stores, wholesaling them to department stores, or having franchisees sell them under a franchise agreement. The appellee had places to sell its products in department stores and large fashion buildings (store within a store, boutique) throughout Japan. In 1979, the appellee planned to create a new brand to be used for women's clothing, which would be designed mainly by [A] ([A]) as a chief designer, who had been working as a main assistant designer for [E] since [A] joined the company in 1974, and would be sold by the appellee. After internal discussions, representative [E] of the appellee decided to adopt the name "ゼルダ (Zelda)", which is the name of the wife of [F], an American writer who authored *The Great Gatsby*, and decided to conduct research on whether the name "ゼルダ" was being used in the women's clothing industry. The appellee asked a patent attorney to check whether "ゼルダ" or the Roman letter version of the name, "ZELDA," had been registered as a trademark by another party. At the same time, the appellee contacted department stores, industrial newspaper companies, etc. and conducted research on whether "ゼルダ" or "ZELDA" was being used as the name of a shop in any department store, shopping building, etc. or as a trademark for any women's clothing and found that none of the registered trademarks was identical with said indication and that said indication was not being used in the market. The appellee decided to use "ゼルダ" as the name of a new brand and adopted the marks presented in the attached "Mark List" as the appellee's marks. Subsequently, the women's clothing designed by [A] was marketed, separately from the appellee's other products, under the brand name "ゼルダ" by using the appellee's marks and the marketing method that is the same as the one adopted for the appellee's conventional brand products (Witnesses [A], [D], [C], and [B]).

3. In around March 1979, the appellee made a business plan to exhibit women's clothing designed by [A] and bearing Appellee's Marks 1 and 2 at the exhibition scheduled to be held in November 1979 for women's spring and summer clothing to be marketed in the following year and to earn 200 to 300 million yen during the first half of the first year and approximately 3 billion yen during the initial 10 years, and started to make necessary preparations. The appellee also asked a non-party [H], a famous graphic designer, to create a logotype "ZELDA," which is the Roman letter version of the indication "ゼルダ," and produce logo-marked items such as tag names to be attached to clothing, package bags, carrier bags, and price cards in the unit of 10,000 and other paper items in the unit of 5,000, and use them to sell and advertise the women's clothing manufactured under the brand name "ゼルダ" (Exhibit Ko 26, Witness [A]).

4. No. 3-2, 4 of the judgment in prior instance shall be modified and cited as follows.

(1) Delete "(Exhibits Ko 9-1 to 9-4, Ko 11, Witnesses [B] and [A])" on line 8, page 8 of the judgment in prior instance and add "In said fashion show, which was held at a time when casual clothing was popular among young people, the women's clothing bearing the appellee's marks gave the audience an impression that it was not influenced by this popularity (Exhibits Ko 9-1 to 9-4, Ko 11, Witnesses [B] and [A])."

(2) The word "clothing" on line 11 of page 10, lines 3, 6, and 9 of page 11, and line 5 of page 12 of the judgment in prior instance shall be replaced with "women's clothing."

5. As found in 4 above, the appellee conducted advertisement activities, etc. by using the appellee's marks and sold women's clothing bearing Appellee's Marks 1 and 2 under the brand name "ゼルダ." During the period from the public announcement of the "ゼルダ" brand in November 1979 until August 1980, the appellee earned about 200 million yen. By August 1980, the appellee opened eight directly managed stores mostly in large department stores and established 27 franchised shops to sell "ゼルダ" brand products (Witness [A] and the entire import of the oral argument).

6. As described in 7 below, during the period from December 1988 until the end of January 1989, in other words, until the appellee changed the appellee's marks to "MARIKO KOHGA," the appellee used the appellee's marks and sold women's clothing under the brand name "ゼルダ." By that time, "ゼルダ" brand products had reached a status that is equivalent to other famous Japanese brand products. The appellee had opened 44 directly managed stores mostly in department stores to sell "ゼルダ" brand women's clothing and established 32 franchised shops (Exhibits Ko 8, 23, 24, and 25-1 to 25-3, Witness [A]).

7. No. 3-2, 7 of the judgment in prior instance shall be modified and cited as follows.

The phrase "clothing, fabric household goods, and bedding" on line 9 of page 16 of

the judgment in prior instance shall be replaced with "women's clothing."

III. 1. The purpose of the system of the right of prior use specified in Article 32, paragraph (1) of the Trademark Act is to protect the right of a prior user of a trademark that has come to achieve a high level of distinctiveness. Said system would be applied only in the case where the trademark in use is identical with the trademark that has been used since before the filing of the trademark application as long as said trademark has been used for the same goods. The monopolistic right of the registered holder of a trademark right or the exclusive licensee thereof for the designated goods in general is to be limited only to the extent specified above. If both trademarks are permitted to exist simultaneously, it would cause some disadvantages to the registered holder of a trademark right and the exclusive licensee thereof. At the same time, it would cause some disadvantages to the prior user as well. If a comparison is made between the disadvantages suffered by both parties, the disadvantages suffered by the prior user, who would be totally prohibited from using the trademark, can be presumed to be more significant than the disadvantages suffered by the holder of a trademark right and the exclusive licensee thereof. On these grounds, the requirement "widely known among consumers," i.e., well-knownness specified in said paragraph, should not be literally interpreted in the same manner as Article 4, paragraph (1), item (x) of the Trademark Act, which imposes the same requirement as a condition for refusing registration. The aforementioned requirement, i.e., well-knownness, should not be interpreted as strictly as the interpretation of such registration condition but should be interpreted in consideration of specific transaction practices.

2. This section will examine the details of the aforementioned points.

According to the evidence and the entire import of the oral argument, the following facts can be found.

In the case of a brand (designer brand) used in the women's clothing industry to indicate that such brand products were designed by a certain designer, the marketing method of such designer brand products are different from mass-marketed products distributed by large manufacturers to a large number of unspecified people nationwide (national brand). In the case of designer brand products, the brand image will be directly conveyed to the media personnel representing newspapers, magazines, etc. and also to buyers representing department stores, retail shops, etc. who participated in exhibitions, fashion shows, etc. To the buyers who cannot participate in such fashion shows, etc., the brand image will be conveyed through articles, etc. written by the media personnel who participated in such events. At the same time, the brand image will be advertised to consumers in an indirect manner not only through the mass media, but also through the

opening of brand-specific shops in famous department stores and large fashion buildings (store within a store, boutique) as well as franchised shops in regional areas. Also, the following facts can be found: [i] direct mail was sent to certain customers; [ii] since the appellee's marks are also recognized as a mark of a designer brand, the appellee affixed Appellee's Marks 1 and 2 to women's clothing as found in II, 3 and 4 above, conducted various advertisement activities by using the appellee's marks, and opened directly managed stores and franchised shops in order to raise public recognition of the brand image; and [iii] in the women's clothing industry, new designer brand products designed by a well-known experienced designer or any designer related to such designer would become widely known more quickly than in the case of designer brand products designed by an unknown designer (Witnesses [B], [A], and [C], the entire import of the oral argument).

As found above, the appellee's marks indicate that the marked products are designer brand women's clothing designed by [A]. As found in II, 2 above, [A] is an assistant designer of a famous well-known designer [E]. In around March 1979, in view of the well-knownness of [E], it can be presumed that it was widely known in the women's clothing industry that [A] is an assistant designer of [E]. Furthermore, as found in II, 2 above, it is clear that the appellee had no intention of committing an act of unfair competition by using the appellee's marks. Therefore, it can be found that, through the marketing methods as found in II, 4 above, such as exhibitions, fashion shows, invitation letters for such events, and direct mail, the appellee had been using the appellee's marks in Japan for women's clothing, which falls within the scope of the designated goods specified in the trademark application filed by Boulogne for the registered trademark, since before the filing date of said application, August 4, 1980, not for the purpose of committing unfair competition. Consequently, it can be found that, as of the time of the filing of said trademark application, the appellee's marks were actually widely known as an indication of the products pertaining to the business of the appellee among consumers, i.e., the buyers of women's clothing, such as wholesalers and general retailers. The appellant alleged that the consumers of women's clothing should be considered to consist of general consumers. However, based on the facts found above, in the case of designer brand products, it is reasonable to consider buyers working in the distribution stage as the consumers of such products. Thus, the aforementioned allegation is unacceptable.

3. In the case of designer brand products, it is not necessarily a goal to sell them to as many consumers as possible. Depending on the target consumers of those products, the sales size is not always related to the level of public recognition of the brand (Witness

[C]). The total sales of the 46 women's apparel companies (including the appellee), whose average profit ratio over the past three years is 6% or higher, was 462,828,000,000 yen in 1979 (Exhibit Otsu 31). According to the facts found in II, 5 above, the sales of the "ゼルダ" brand products during the period from November 1979 to August 1980 were about 200 million yen. Said sales seem to be insignificant in comparison with the total sales of those 46 women's apparel companies in 1979. However, in view of the fact that, in the women's clothing industry, a single company sells products under multiple brand names (Exhibit Otsu 32), the aforementioned sales of the 46 companies are presumed to consist of the sales of the products of multiple brands and the sales of non-brand products, instead of the sales of products of a single brand. Therefore, it is not reasonable to compare such total sales and the sales of the products of a single brand of the appellee, "ゼルダ," without comparing the sales of "ゼルダ" and the sales of each individual brand of those companies. In the case of Kabushiki Kaisha Daiya, which is an affiliated company of the appellant, its annual sales of 6.5 billion yen in 1991 consist of not only the sales of the products bearing the registered trademark, but also the products sold under the brand names of Laura Caponi, Conte of Florence, and Nikita Godar, as well as the sales from women's fashion goods selected from the products of about 100 manufacturers in and outside Japan (Exhibit Otsu 8, Witness [D]). Thus, the sales of each brand can be presumed to be not very large. In fact, the sales of the products bearing the appellant's registered trademark (or a similar trademark) in fiscal 1988, 1990, and 1991 was 160 million yen, 190 million yen, and 270 million yen, respectively (since the appellant and the appellee were holding negotiations concerning the purchase of the registered trademark, the appellant refrained from manufacturing and selling the products in 1989) (Exhibits Otsu 34 and 35, Witness [D], the entire import of the oral argument). Therefore, the sales of about 200 million yen earned during the period of about nine months from November 1979 to August 1980 cannot be considered to be so insignificant that it cannot be said that "ゼルダ" had acquired public recognition as a designer brand. Therefore, the fact that the sales of the "ゼルダ" brand women's clothing is insignificant in comparison with the total sales of the aforementioned 46 women's apparel companies does not affect the determination as to whether or not "ゼルダ" brand products are well known, which is a requirement for the establishment of the right of prior use. Meanwhile, in a report titled "1981 Report on the Competition among Women's Brands (published on April 25, 1981) (Exhibit Otsu 32), which compiled the results of the evaluation conducted by Yano Research Institute Ltd. targeting 1000 retailers throughout Japan concerning all of the bands of the manufacturers and wholesalers with whom the retailers had transactions, "Nicole" and

"Madam Nicole" are presented as the appellee's brands, but not "ゼルダ." However, said report can be considered to conduct evaluations from the perspective of the business operation system and not necessarily from the perspective of the brand value (Witness [C]). Furthermore, the companies specified in the report (Exhibit Otsu 32) mentioned above are partially the same as, but not identical with, the 46 women's apparel companies specified in Exhibit Otsu 31 mentioned above that examined the sales, etc. of each of those 46 women's apparel companies. This, therefore, suggests that the imbalanced choice of distribution channels, etc. has caused an imbalance in the choice of the subjects covered by said report. Thus, the fact that said report does not include the brand name "ゼルダ" would not affect the determination as to whether the appellee's marks are well known, which is a requirement for the establishment of the right of prior use.

According to the facts found in II, 7 above, from February 1989, the appellee changed the brand name to "MARIKO KOHGA" and stopped using the appellee's marks. The appellee did not voluntarily stop using the appellee's marks, but stopped using them because Boulogne, etc. sent the appellee a warning that the appellee's act of using the appellee's marks for clothing, fabric household goods, and bedding would constitute infringement of the Trademark Right and that the appellee must stop using the appellee's marks. The appellee was concerned that, if it were to continue using the appellee's marks, the appellant, etc. would send department stores and other business partners of the appellee a warning that they should stop using the appellee's marks and would consequently cause trouble to the appellee's business partners. It can be found that the appellee had intended to use the appellee's marks for women's clothing as soon as the dispute was settled. Therefore, it should be found that the appellee stopped using the appellee's marks only temporarily for the justifiable reasons as mentioned above and only to the extent considered necessary for those reasons. In such case, it is reasonable to interpret that the use of the appellee's marks falls under Article 32, paragraph (1) of the Trademark Act specifying "as far as said person continuously uses the trademark for the goods or services."

V. Therefore, under Article 32, paragraph (1) of the Trademark Act, it can be found that the appellee has the right to use the appellee's marks for women's clothing. The appellee's act of using the appellee's marks for women's clothing does not constitute infringement of the Trademark Right.

No. 4 As described above, since the appellee's claim in this action is well grounded, the appellant's appeal shall be dismissed (paragraph 1 of the main text of the judgment in prior instance was modified as mentioned in paragraph 3 of the main text due to a

reduction in the scope of the appellee's claim). Regarding the payment of the court costs, the judgment shall be rendered in the form of the main text under Articles 95 and 89 of said Act.

Tokyo High Court

Judges: MATSUNO Yoshisada, OSHIKIRI Hitomi, TANAKA Nobuyoshi

Attached "Mark List" (omitted)