

Judgment rendered on September 10, 1998

1995 (O) 637

Indication of parties Omitted

#### Main text

- I. Of the decisions made in the prior instance judgment, the decision concerning the demand for injunction of use of the indications, "スナックシャネル"(Su-na-kku-sha-ne-ru (in katakana)) and "スナックシャレル"(Su-na-kku-sha-re-ru (in katakana)), and the decision concerning the demand for compensation pertaining to the use of the aforementioned indications shall be reversed.
- II. In regards to the decision concerning the injunction demand in the above paragraph, the appellee's incidental appeal shall be dismissed.
- III. The decision concerning the demand for compensation in Paragraph I shall be remanded to the Tokyo High Court.
- IV. Final appeal by the appellant concerning other claims shall be dismissed.
- V. The appellee shall bear the costs of the incidental appeal and the final appeal pertaining to Paragraph II, and the appellant shall bear the cost of the final appeal pertaining to Paragraph IV.

#### Reasons

Concerning Reason I for final appeal as presented by the attorneys for the appeal; namely, TANAKA Katsuro, MATSUO Eizo, ITO Ryosuke, MIYAGAWA Mitsuko, ISHIHARA Osamu, TAKAICHI Seikou, CHIBA Naomichi, YAMAGUCHI Yoshiyasu, MORISAKI Hiroyuki, NAKAMURA Masahiko, MASUMOTO Yoshiro, TERAZAWA Yukihiro, AKAZAWA Yoshifumi, and NAGASAKA Satoru

1. In the present case, the appellant filed a suit against the appellee on the ground that the appellee's use of the indication of trade, which is similar to the appellant's well-known indication of trade, or "シャネル"(Sha-ne-ru (in katakana)), creates confusion with the appellant's business, demanding injunction of the use of the indications, "シャネル"(Sha-ne-ru (in katakana)), "シャレル"(Sha-re-ru (in katakana)), and any other indication similar to "シャネル"(Sha-ne-ru (in katakana)), as well as compensation for the damage incurred by the appellant.

The outline of the facts which were legitimately confirmed in the original examination is as follows.

- (1) The appellant is a Swiss corporation, which belongs to a corporate group consisting of companies (hereinafter referred to as "Chanel Group") whose objectives include manufacturing and selling of products bearing the label, "シ

ヤネル"(Sha-ne-ru (in katakana)), such as luxury clothing for women, perfume, cosmetics, handbags, shoes, accessories, and watches. The appellant holds trademarks and other intellectual property rights of the Chanel Group for indications such as "シャネル"(Sha-ne-ru (in katakana)), and manages these intellectual property rights.

- (2) The Chanel Group is known globally as a long-established store of the so-called Parisian Couture. The indication of "シャネル"(Sha-ne-ru (in katakana)), which is an indication of trade of the companies belonging to the Chanel Group and having been established worldwide, became well-known even in Japan by the early period of the decade from 1955 to 1965, and general consumers associate the Chanel Group's products with an image of luxury clothing. It should be noted that companies of the fashion-related industry to which the Chanel Group belongs have shown the trend of diversifying their operations; for example, by advancing into the food service industry.
  - (3) In December 1984, the appellee opened a restaurant at a leased store that has the size of 32 square meters and that is located in Matsudo City, Chiba Prefecture by using the indication of trade of "スナックシャネル"(Su-na-kku-sha-ne-ru (in katakana)) and showing the same on signboards. Other than the appellee, the store had one full-time employee and one part-time employee, and provided alcohol and light meals to several sets of customers each day. From 1986 until 1992, the annual average sales figure was approximately 8,700,000 yen. In July 1993, which is after the present suit was filed, the appellee changed the indication on one of the four signboards, which were used by the aforementioned restaurant, to "スナックシャレル"(Su-na-kku-sha-re-ru (in katakana)), but the remaining three signboards still use the indication of "スナックシャネル"(Su-na-kku-sha-ne-ru (in katakana)) even to this day (hereinafter, these two indications are collectively referred to as "Appellee's Indications of Trade").
2. In the original examination, the court dismissed the appellant's claims by holding that (1) although both of the Appellee's Indications of Trade are similar to "シャネル"(Sha-ne-ru (in katakana)), (2) in light of the type, description, scale, and the like of the appellee's business, it is difficult to acknowledge that there is a risk that the appellee's use of the Appellee's Indications of Trade has a risk of misleading general consumers into believing that the appellee is in some way related to the Chanel Group in business, or economically or organizationally, and thus it cannot be acknowledged that the use of the Appellee's Indications of Trade

constitutes creation of confusion with the business facilities or activities of the Chanel Group.

3. However, of the aforementioned decisions of the original examination, the decision of the above (2) cannot be accepted, for the reasons provided below.

The body found as follows in a precedent (Supreme Court 1982 (O) 658, judgment by the Second Petty Bench of the Supreme Court, October 7, 1983/Minshu Vol. 37, No. 8, page 1082; Supreme Court 1981 (O) 1166, judgment by the Third Petty Bench of the Supreme Court, May 29, 1984/Minshu Vol. 38, No. 7, page 920). An "act which can create confusion" as stipulated in Article 1, paragraph (1), item (ii) of the former Unfair Competition Prevention Act (prior to the amendment by the Act No. 47 of 1993; hereinafter this law is referred to as "Old Law," and the law after the aforementioned amendment is referred to as "New Law") includes not only an act which a person, who uses an indication of trade that is the same as or similar to another person's well-known indication of trade (hereinafter referred to as "Infringer"), performs in order to give the mistaken impression that the Infringer and the aforementioned another person are the same business entity, but also an act of giving the mistaken impression that the two parties are closely related to each other by way of the so-called parent-subsidiary relationship or by the relationship as affiliates, or the like, or that both parties belong to a group operating for commercialization under the same label (hereinafter referred to as "Act Causing Confusion in a Broad Sense"). As such, it shall be interpreted that in order to call an act as that which creates confusion, the parties of the two sides do not have to be in a competitive relationship.

In the present case, Article 2, paragraph (1), item (i), Article 3, paragraph (1), and Article 4 of the New Law should be applicable pursuant to Article 2 of the Supplementary Provisions of the New Law. Given the foregoing, it is reasonable to interpret that the "creation of confusion" as stipulated in Article 2, paragraph (1), item (i) of the New Law includes the Act Causing Confusion in a Broad Sense, as was determined in the aforementioned precedent concerning the "act which can create confusion" as stipulated in Article 1, paragraph (1), item (ii) of the Old Law. Because, [i] the provision of Article 1, paragraph (1), item (ii) of the Old Law and the provision of Article 2, paragraph (1), item (i) of the New Law have the same purport, in regards to the unauthorized use of an indication of trade which is the same as or similar to another person's well-known indication of trade, in that both provisions prevent undue harm being brought to the interests of such other person who uses the well-known indication of trade, and [ii] while the aforementioned

precedent is interpreted such that it is necessary to prohibit even the Act Causing Confusion in a Broad Sense in order to protect legitimate interests of a person who uses a well-known indication of trade in response to the changes in the economic and social environments surrounding corporations, such as diversification of corporate management, formation of a corporate group which is bound by the operation for commercialization under the same label, and establishment of a famous brand, the need to protect such well-known indication of trade remains the same even under the New Law, and [iii] the newly-established provision of Article 2, paragraph (1), item (ii) of the New Law tries to ensure the protection of a well-known indication of trade of another person even more strongly than the Old Law, and the new establishment of this provision does not constitute a reason for limiting the cases in which a well-known indication of trade should be protected.

When the above is applied to the present case, the appellee's business descriptions differ from the businesses which are currently run by the Chanel Group, in terms of business type and scale. However, given the facts of the present case, such that the indication of "シャネル"(Sha-ne-ru (in katakana)) is very much well-known, and the fact that there is a trend among companies of the fashion-related industry, to which Chanel Group belongs, of diversifying their operations, there is a risk that the use of the Appellee's Indications of Trade under the circumstances involving the facts of the present case may mislead general consumers into believing that the appellee and the Chanel Group companies have a closely related business relationship or are in the same business of commercialization. Accordingly, the appellee's use of the Appellee's Indications of Trade, which are similar to the appellant's indication of trade, or "シャネル"(Sha-ne-ru (in katakana)), constitutes "creation of confusion" as stipulated in Article 2, paragraph (1), item (i) of the New Law, and thus it should be said that such act constitutes infringement of the appellant's business interests.

4. In that case, of the decisions in the prior instance judgment, the decisions which held differently from the above by dismissing the appellant's demand for injunction of use of the Appellee's Indications of Trade and for damage compensation are unlawful due to erroneous interpretation of law, and it is evident that this unlawfulness influences the conclusion of the prior instance judgment. The argument regarding this point is reasonable, and thus, of the decisions made in the prior instance judgment, the decisions concerning the aforementioned demands shall be definitely dismissed without the need to determine other reasons for final appeal. Furthermore, based on the explanations provided above, of the decisions

made in the lower court ruling, the decision to approve the demand for injunction of use of the Appellee's Indications of Trade is legitimate, and therefore the appellee's incidental appeal shall be dismissed in regards to this decision, and as for the decision concerning the demand for compensation for the aforementioned indication, further examination as to the amount of damages is necessary, and thus it is reasonable to remand the present case to the original examination. In addition, since the indication(s) other than the Appellee's Indications of Trade are not currently used by the appellee, and since there is no claim or proof as to the risk concerning the use of such other indication(s), the decision, from among the decisions made in the prior instance judgment, holding that the demand concerning the aforementioned indication(s) shall be dismissed is legitimate in conclusion, and thus the appellant's final appeal concerning other claims shall be dismissed.

Therefore, the Justices unanimously render a judgment as per the main text.

Supreme Court, First Petty Bench

Chief Justice:	FUJII Masao
Justice:	ONO Motoo
Justice:	ENDO Mitsuo
Justice:	IJIMA Kazutomo
Justice:	ODE Takao