

Unfair Competition	Date	February 14, 2019	Court	Intellectual Property High Court, Second Division
	Case number	2018 (Ne) 10058		
- A case in which the court held that some of the various dresses sold by Appellant Y1 were made by imitating the configurations of the dresses sold by Appellee as its products, and the court approved the demand for compensation pursuant to Article 2, paragraph(1), item(iii), Article 4, and Article 5, paragraph(1) of the Unfair Competition Prevention Act.				

Case type: Compensation

Result: Appeal dismissed

References: Article 2, paragraph(1), item(iii), Article 4, Article 5, paragraph(1) of the Unfair Competition Prevention Act

### Summary of the Judgment

1. In the present case, Appellee demanded for joint payment of damages against Appellant Y1, pursuant to Article 4 and Article 5, paragraph(1) of the Unfair Competition Prevention Act (hereinafter referred to as "Act"), and against Appellant Y2, pursuant to Article 429, paragraph(1) of the Companies Act, by asserting that the act by Appellant Y1 of imitating eight types of dresses, which are sold by Appellee as its products, and selling the same, falls under an act of unfair competition as prescribed in Article 2, paragraph(1), item(iii) of the Act, and that Appellant Y2, who is the representative of Appellant Y1, was in default of his duties as the president of Appellant Y1 due to acting in bad faith and being grossly negligent, which led to the aforementioned act by Appellant Y1.
2. The court of prior instance rendered a judgment (Tokyo District Court 2015 (Wa) 36405; judgment rendered on April 26, 2018) which partially approved the claims made by Appellee by holding that, [i] of the eight types of products of the present case which were sold by Appellant Y1, seven types of products are acknowledged to have substantively identical configurations as those of Appellee's products, and to have been made by relying on Appellee's products (the seven types of products above shall hereinafter be referred to as "Appellant Products"), but as for the remaining one type of product, it cannot be acknowledged that the configurations thereof are substantively identical to the configurations of Appellee's product, [ii] Appellant Y1 does not fall under a subsequent acquirer, who has no knowledge of and is not grossly negligent in not knowing, as prescribed in Article 19, paragraph(1), item(v)(b) of the Act, and [iii] upon

calculating, pursuant to Article 5, paragraph(1) of the Act, the amount of damages suffered by Appellee from the sale by Appellant Y1 of Appellant's Products, the percentage of overturning of presumption according to the proviso of the same paragraph shall be 50%.

In response to the prior instance judgment, Appellants filed an appeal against the part in which they had lost.

3. The court of the present case rendered a judgment which is of the same purport as the prior instance judgment, and dismissed the appeal.

Judgment rendered on February 14, 2019

2018 (Ne) 10058 Appeal case against demand for compensation

(Court of Prior Instance: Tokyo District Court 2015 (Wa) 36405)

Date of conclusion of oral argument: December 3, 2018

#### Judgment

Appellant: Office Kawano Co., Ltd.

Appellant: X

Appellee: Island Co., Ltd.

#### Main text

1. The appeal shall be dismissed.
2. The cost of the appeal shall be borne by Appellants.

#### Facts and reasons

##### No. 1 Gist of the appeal

1. Of the prior instance judgment, the part in which Appellants lost shall be reversed.
2. Of the claims made by Appellee, those pertaining to the above reversal shall be dismissed.

##### No. 2 Outline of the case

1. In the present case, Appellee asserted that the act by Appellant Office Kawano Co., Ltd. (hereinafter referred to as "Appellant Company") of selling dresses by imitating the configurations of dresses which are products of Appellee constitutes an act of unfair competition as prescribed in Article 2, paragraph(1), item(iii) of the Unfair Competition Prevention Act (hereinafter referred to as "Act"), and that Appellant X was in default of his duties as the president of Appellant Company, due to acting in bad faith and being grossly negligent, which led to the above act by Appellant Company, thereby demanding against Appellant Company, pursuant to Article 4 and Article 5, paragraph(1) of the Act, and against Appellant X, pursuant to Article 429, paragraph(1) of the Companies Act, for joint payment of

263,899,139 yen, which is a part of the damages in the amount of 290,980,962 yen, in compensation, as well as delinquency charges arising for a part thereof, in the amount of 249,726,270 yen, at the annual rate of 5% as prescribed in the Civil Code, for the period from July 14, 2015, which is after the act of unfair competition, until completion of payment.

The court of prior instance partially approved Appellee's claims, which is the claim for payment of 140,446,980 yen and the delinquency charges indicated in the List of Delinquency Charges attached to the prior instance judgment, and dismissed other claims. In response, Appellants filed an appeal.

(omitted)

No. 3 Judgment of this court

1. This court agrees with the court of prior instance that Appellee's claims against Appellants for compensation are reasonable within the extent of demanding for joint payment of 140,446,980 yen and the delinquency charges indicated in the List of Delinquency Charges attached to the prior instance judgment. As for other claims, they are groundless and shall be dismissed for the same reasons as those indicated in "Facts and reasons" of the prior instance judgment under "No. 3 Decisions on the points of contention", which shall be cited, except for the alterations below.

(1) In the prior instance judgment, "1 through 8" in the first line on page 48 shall all be revised to "1 to 7".

(2) In the prior instance judgment, "(A)" shall be added after "B" in line 16 on page 48, and the following revision shall be made to the beginning of line 1 to the end of line 5 on page 49.

"(B) Appellants assert that Appellant Product 2 is different from Appellee Product 2 because Appellant Product 2 is designed to enable the collar and the lace top to be detached, so that it can be worn in four styles, whereas Appellee Product 2 can be worn in one style only.

Upon consideration in light of the foregoing, evidence (Exhibits Ko 19-1 to 19-6, Exhibit Ko 49, Exhibits Ko 69-1 to 69-6, Exhibit Ko 87, Exhibits Ko 95-1 to 95-3, Exhibit Otsu 22) shows that online shopping sites for Appellant Product 2 explain how to wear Appellant Product 2 in four styles, which are, in addition to the style shown in "Exhibit Ko 2-1" to "Exhibit Ko 2-3" of the comparison photographs of Exhibits attached to the prior instance judgment

(hereinafter referred to as "Style"), the style with the collar attached to the Style, the style with the lace top detached from the Style, and the style with the top detached from the Style and with the collar attached. There are photographs of a model wearing Appellant Product 2 in the Style and in the style with the collar attached to the Style, and it can be acknowledged that Appellant Product 2 is sold as a product that includes the collar and the top.

As described above, Appellant Product 2 is sold as a product that includes the collar and the top. However, since it cannot be said that the existence or lack of a collar significantly affects the impression given by Appellant Product 2, it cannot be said that the fact that there are three variations of style available in addition to the Style does not influence the aforementioned determination that the configurations of Appellant Product 2 are substantively identical to the configurations of Appellee Product 2."

- (3) In the prior instance judgment, "(C)" shall be added to the beginning of line 6 on page 49, and the following shall be added to the end of line 9 in a new paragraph.

"(D) Appellants assert that the two products are different also in texture and luster because the fabric used in Appellee Product 2 contains 65% triacetate and 35% polyester, whereas the fabric of Appellant Product 2 contains 95% polyester and 5% polyurethane.

Evidence (Exhibits Ko 19-1 and 19-2, Exhibit Ko 69-1, Exhibit Ko 95-1, Exhibits Otsu 22 and 241) shows that the fabric of Appellant Product 2 is made of 100% polyester, and the same thing is written on online shopping sites for Appellant Product 2 in the space provided to indicate the material. It is also acknowledged that the fabric of Appellee Product 2 is made of 65% triacetate and 35% polyester, and that evidence (Exhibit Otsu 242) shows that triacetate has silk-like luster, and that triacetate and polyester are both commonly used as materials for clothes."

The fabrics of Appellee Product 2 and Appellant Product 2 are made of different materials as described above. However, it cannot be said that the difference in the materials of fabrics automatically makes the fabrics different in luster and texture, and there is not sufficient evidence to acknowledge that Appellee Product 2, which uses 65% triacetate and 35% polyester, and Appellant Product 2, which uses 100% polyester, are clearly different in luster and texture when seen from consumers, nor is there sufficient evidence to acknowledge that consumers focus on the difference in the aforementioned

materials. Accordingly, it cannot be said that the aforementioned difference in materials influences the determination as to the substantive identicalness in the configurations of Appellee Product 2 and Appellant Product 2".

- (4) In the prior instance judgment, "asymmetry" [in the Japanese text, written as "アシメトリー"], in line 13 and line 22 on page 49 shall all be revised to "asymmetry" [in the Japanese text, written as "アシンメトリー"].
- (5) On page 50 of the prior instance judgment, the part from the beginning of line 4 to line 24 shall be revised as follows.

"D. Concerning Appellee Product 4 (navy (bicolor)) and Appellant Product 4 (heavenly blue)

(A) Evidence (Exhibits Ko 4-1 to 4-4, Exhibits Ko 52-1 and 52-2, Exhibit Ko 81, Exhibit Ko 121-2, Exhibit Ko 122, Exhibits Ko 191-1 and 191-2, Exhibits Otsu 4, 58, 114) and the entire import of the oral argument show that Appellee Product 4 is acknowledged to have the following configurations.

a. Basic configurations

A short tank dress made of a thin fabric and having a tiered silhouette of tilted asymmetry created by bicolor flounces.

b. Specific configurations

(a) Front side

[i] On a short tank dress, four layers of large bicolor flounces (hereinafter referred to as "Front Flounces on Product 4") are positioned in tilted asymmetry, with parts thereof overlapping each other, and flower motifs created by small flounces are positioned in the lower part.

[ii] Of Front Flounces on Product 4, the bottom part of the flounces at the very top (hereinafter referred to as "Front Flounces 1 on Product 4") gets longer towards the right, and the inclination angle is approximately 30 degrees. The right end of the very bottom of Front Flounces 1 on Product 4 reaches the position of approximately 60%, from the top, in the space between the shoulders and the ends of the very bottom of the dress in Appellee Product 4, and the left end of the very bottom reaches the position of 1/3, from the top, in the space between the shoulders and the ends of the very bottom of the dress in Appellee Product 4.

[iii] The flounces of a layer on the inner side of Front Flounces 1

on Product 4 (hereinafter referred to as "Front Flounces 2 on Product 4") have the bottom part which gets longer towards the left, and the inclination angle is approximately 45 degrees. The left end of the very bottom of Front Flounces 2 on Product 4 reaches the middle position in the space between the shoulders and the ends of the very bottom of the dress in Appellee Product 4.

The color of Front Flounces 2 on Product 4 is different from the color of Front Flounces 1 on Product 4.

[iv] The flounces of a layer on the inner side of Front Flounces 2 on Product 4 (hereinafter referred to as "Front Flounces 3 on Product 4") have the bottom part which gets longer towards the left, and the inclination angle is approximately 45 degrees. The left end of the very bottom of Front Flounces 3 on Product 4 reaches the position of approximately 70 to 80% in the space between the shoulders and the ends of the very bottom of the dress in Appellee Product 4. The color of Front Flounces 3 on Product 4 is different from the color of Front Flounces 1 on Product 4.

[v] The flounces of a layer on the inner side of Front Flounces 3 on Product 4 (hereinafter referred to as "Front Flounces 4 on Product 4") have the bottom part which gets longer towards the right, and the inclination angle is slightly sharper than that of Front Flounces 1 on Product 4. The right end of the very bottom of Front Flounces 4 on Product 4 reaches a position which is slightly lower than that of Front Flounces 3 on Product 4. The color of Front Flounces 4 on Product 4 is the same as the color of Front Flounces 2 on Product 4.

[vi] The left end of Front Flounces 1 on Product 4 makes a turn once to the right in an abbreviated triangle shape, and then makes another turn to the left in an abbreviated triangle shape, thereby creating a vertical ruffle. In order to form the ruffle, ends at the top of the ruffle part are folded and sewn.

(b) Back side

[i] Front Flounces 1 on Product 4 to Front Flounces 4 on Product 4 respectively continue down to the back side.

[ii] Front Flounces 3 on Product 4 and Front Flounces 4 on Product 4 are sewn together at the center on the back side, and the

bottom part of the same flounces are tilted so that it gets longer towards the center, and as a result, the lower part of the dress is slightly visible.

[iii] The part of Front Flounces 4 on Product 4 that continues to the back side (the right part; hereinafter referred to as "Rear Flounces 4 on Product 4") has the same color as that of Front Flounces 2 on Product 4 and Front Flounces 4 on Product 4.

[iv] In the part of Front Flounces 3 on Product 4 that continues to the back side (the left part; hereinafter referred to as "Rear Flounces 3 on Product 4"), the part that is 1/3 from the top has the same color as that of Front Flounces 2 on Product 4 and Front Flounces 4 on Product 4 as well as Rear Flounces 4 on Product 4, and the part below that is 2/3 from the bottom has the same color as Front Flounces 1 on Product 4 and Front Flounces 3 on Product 4.

[v] In the part of Front Flounces 2 on Product 4 that continues to the back side (the left part; hereinafter referred to as "Rear Flounces 2 on Product 4"), the bottom part is tilted gently so that it gets shorter towards the center. The color of Rear Flounces 2 on Product 4 is the same as that of Front Flounces 2 on Product 4 and Front Flounces 4 on Product 4 as well as Rear Flounces 4 on Product 4.

[vi] In the part of Front Flounces 1 on Product 4 that continues to the back side (the right part; hereinafter referred to as "Rear Flounces 1 on Product 4"), the bottom part is tilted gently so that it gets shorter towards the center. The color of Rear Flounces 1 on Product 4 is the same as that of Front Flounces 1 on Product 4 and Front Flounces 3 on Product 4 as well as the part that is 2/3 from the bottom of Rear Flounces 3 on Product 4.

[vii] Rear Flounces 1 on Product 4 and Rear Flounces 2 on Product 4 are not sewn together at the back, and there is a small gap between the two. From said gap, the part in which Rear Flounces 3 on Product 4 and Rear Flounces 4 on Product 4 are sewn together is visible.

(B) On the other hand, evidence (Exhibits Ko 4-1 to 4-4, Exhibits Ko 21-1 to 21-7, Exhibit Ko 51, Exhibits Ko 52-1 and 51-2, Exhibit Ko 89, Exhibits Otsu 4, 58, 114, 142) and the entire import of the oral argument show that

Appellant Product 4 is acknowledged as being identical, in the fine details, to the configurations of Appellee Product 4 as was found in the above (A) except for there being no flower motifs in Appellant Product 4.

- (C) The configurations of Appellee Product 4 are as described in the above (A). The configurations of the part with flower motifs excluded are very complicated, and as described later in (3) D, there is no other configuration that is similar, so that the configurations are unique, but as described above in (B), the configurations of Appellant Product 4 are identical, in the fine details, to the configurations of Appellee Product 4 except for there being no flower motifs in Appellant Product 4.

The flower motifs are easy to notice. However, the configurations of Appellee Product 4 are unique even without the flower motifs, and Appellant Product 4 is identical to Appellee Product 4 in this unique part. Accordingly, it is acknowledged that Appellant Product 4 gives to consumers the same impression as Appellee Product 4.

From what is described above, it should be said that the configurations of Appellant Product 4 are substantively identical to the configurations of Appellee Product 4.

- (D) Appellants assert that Appellee Product 4 and Appellant Product 4 are different in silhouette, but according to the evidence listed in the above (A) and (B) as well as Exhibits Ko 191-1 and 191-2, there is no difference in the silhouette of the two products.

Appellants assert, on the basis of the photograph of Exhibit Otsu 58, that Appellant Product 4 is different from Appellee Product 4 in that Front Flounces 2 on Product 4 and Front Flounces 3 on Product 4 have large frills that expand. However, according to the evidence listed in the above (A) and (B), it is acknowledged that the conditions of Front Flounces 2 on Product 4 and Front Flounces 3 on Product 4, which Appellants point out as differences above, may also be influenced by the conditions in which the products are worn by the wearer (for example, the photographs of Exhibits Ko 21-4 to 21-6 do not show expansion of Front Flounces 2 on Product 4 and Front Flounces 3 on Product 4 as pointed out by Appellants), so that they cannot be considered to be differences.

- (E) Appellants assert that Appellee Product 4 (navy (bicolor)) uses the two colors of black and dark blue, with not much contrast, so as to give the image of tradition and authenticity, and of not being influenced by trends,

whereas Appellant Product 4 (heavenly blue) uses pastel blue in two tones so as to enhance contrast and gives the image of freshness and cleanliness, so that the two products are different on this point.

However, as described later in (2) A, it should be said that the difference in color as used in a dress does not give a strong impression as to the determination of substantive identicalness in configurations except in the cases where it gives a markedly different impression, and given the circumstance in which the configurations of Appellee Product 4 and the configurations of Appellant Product 4 are the same as was held in the above (A) and (B), it should not be said that the above difference as claimed by Appellants is something that gives a markedly different impression to consumers. Accordingly, said difference does not influence the determination as to the substantive identicalness as was held in the above (C)."

- (6) In the prior instance judgment, the part from the beginning of line 20 on page 52 to the end of line 23 on page 54 shall be revised as follows.

"G. Concerning Appellee Product 7 (black) and Appellant Product 7 (noble black)

- (A) According to evidence (Exhibits Ko 7-1 to 7-3, Exhibit Ko 14, Exhibits Ko 24-1 to 24-7, Exhibits Ko 70-1 to 70-7, Exhibits Ko 84, 92, 96, Exhibits Ko 117 to 119, Exhibits Ko 124 and 125, Exhibits Ko 187-1 and 187-2, Exhibits Ko 188-1 and 188-2, Exhibits Ko 189-1 and 189-2, Exhibits Otsu 61, 150, 246) and the entire import of the oral argument, it is acknowledged that the configurations of Appellee Product 7 and Appellant Product 7 have the following commonalities (hereinafter referred to as 'Commonalities of Product 7). These commonalities concern specific configurations of clothing, and they are not merely abstract ideas.

[i] A salopette (bibbed trousers), which uses a different fabric for the part from the neckline to the borderline of the top piece of clothing (chest part) (hereinafter referred to as 'Bust Top') from the fabric for the part below, with the front side being lace and the back side being transparent (lace or see-through fabric).

[ii] Somewhat large flounces just underneath the borderline of the Bust Top are successively placed on the front side and up to the back side while forming frills, and they gradually get longer as they start from the center of the front side and continue towards the center of the back side.

(B) According to the evidence of the present case, it cannot be acknowledged that, prior to the sale of Appellee Product 7, there was any clothing equipped with the Commonalities of Product 7. Accordingly, it is acknowledged that the Commonalities of Product 7 are unique.

(C) On another note, according to the evidence listed in the above (A), the flounces of Appellee Product 7 and Appellant Product 7 are different in that [i] the flounces of Appellant Product 7 are longer than those of Appellee Product 7 (approximately twice as long at the center of the front part, and longer by 1.5 times or so at the center of the back side), and in the back side, the flounces of Appellant Product 7 have the length such that the flounces hide the hip, and [ii] in the back side, the flounces of Appellee Product 7 are parted at the center, whereas the flounces of Appellant Product 7 constitute a single layer.

However, the aforementioned differences [i] and [ii] are premised on the unique configuration of somewhat large flounces just underneath the borderline of the Bust Top being successively placed on the front side and up to the back side, and the only differences between the two products are the length of the flounces and whether or not the flounces on the back side are parted at the center. As such, it should be said that the existence of said differences should not give much difference to the impression which consumers receive based on the two products having Commonalities of Product 7 in common.

(D) Also, according to the evidence listed in the above (A), it is acknowledged that the configurations of Appellee Product 7 and Appellant Product 7 are also different in the following points; namely, how closely knit the lace is at the front side of the Bust Top part, the shape of embroidery on the lace on the same front side, whether the back side of the Bust Top part is lace and has embroidery or is see-through instead, the width of the shoulder straps at both ends of the Bust Top part, and the shape and position of the frills formed on flounces. However, these differences are minute, and it cannot be acknowledged that these differences cause any difference to the overall impressions given by the two products.

(E) Based on what is described above, it should be said that the configurations of Appellant Product 7 are substantively identical to the configurations of Appellee Product 7.

(F) Concerning the assertions made by Appellants

- a. Appellants assert as follows. Appellee Product 7 has the following features; namely, [i] the trousers part is voluminous at the hip and is sharply tapered towards the feet, [ii] the waist part is pinched rather strongly to make the hip part voluminous, and [iii] the flounces placed on the corsage do not cover and hide the constriction of the waist part. Because of these features, the product has a slim shape in overall outline and has a silhouette that impresses on the constriction of the waist. On the other hand, Appellant Product 7 has the following features; namely, [i] the trousers part is not voluminous at the hip and has the silhouette of being gradually tapered towards the feet, and [ii] the flounces placed on the corsage continue down to the back side from side parts, covering the waist part, thereby making the constriction of the waist unseen from any direction. These features give the product the impression of a loose-fitting silhouette. In addition to the foregoing, Appellants assert that the length of the trousers is different in the two products.

However, according to the evidence listed in the above (A), the features of the silhouette as asserted by Appellants cannot be recognized in Appellee Product 7. For example, from Exhibits Ko 84 and 119, which are photographs of Appellee Product 7, it cannot be recognized that Appellee Product 7 has a silhouette that impresses on the constriction of the waist part, and even when the same photographs are compared with Exhibit Ko 92 and Exhibit Otsu 150, which are photographs of Appellant Product 7, it cannot be recognized that Appellant Product 7 has a loose-fitting silhouette whereas Appellee Product 7 has a slim silhouette.

Also, it cannot be acknowledged, based on evidence (Exhibits Ko 84, 92, 119, Exhibit Otsu 150), that Appellee Product 7 and Appellant Product 7 are different in the length of trousers.

- b. Appellants assert that since the Bust Top part is more closely knitted in Appellee Product 7 as compared to Appellant Product 7, Appellee Product 7 gives an impression of a slim outline. However, according to the evidence listed in the above (A), the aforementioned difference in impression as asserted by Appellants cannot be recognized.
- c. Appellants assert that while the fabric of Appellee Product 7 is 65%

triacetate and 35% polyester, the fabric of Appellant Product 7 is 95% polyester and 5% polyurethane, so that the two products are different in texture and luster as well.

However, for the same reasons as those held in the above B (D), it cannot be said that the aforementioned difference in fabric influences the determination as to substantive identicalness between Appellee Product 7 and Appellant Product 7.

- d. Appellants assert that in Appellee Product 7, flounces get gradually longer from sides to the center on the back side, whereas in Appellant Product 7, the flounces on the back side are shaped almost squarely. However, since it is acknowledged that the flounces on the back side of Appellant Product 7 gradually get longer from both sides towards the center (the very bottom photograph on page 7 of Exhibit Otsu 150), the above assertion by Appellants is groundless.

When Appellant Product 7 is seen from straight behind, the flounces on the back side can seem to have an almost square shape. However, this point of difference is minute and does not give a different overall impression, and it cannot be said that this influences the determination as to substantive identicalness between Appellee Product 7 and Appellant Product 7.

- e. Appellants assert that in Appellee Product 7, flounces protrude shortly to the front from the chest part, whereas in Appellant Product 7, flounces hang down and hardly protrude to the front, and that this difference gives a slim look to the part from the lower side of the bust towards the waist in Appellee Product 7, and in Appellant Product 7, this difference gives a loose-fitting and voluminous look to the flounces overall, but such difference in impression cannot be recognized from the evidence listed in the above (A).
- f. Appellants assert that the configuration in which the Bust Top part is made of a lace fabric is a common configuration, but Commonalities of Product 7, which are unique configurations, include not only the configurations of the Bust Top part alone, but also the configurations of the flounces, so that it cannot be said that they influence the determination as to substantive identicalness between Appellee Product 7 and Appellant Product 7."

- (7) In the prior instance judgment, the following shall be added after the end of

line 16 on page 56 in a new paragraph.

"C. Appellants assert as follows. Since Appellee Product 4 (red) uses a single color, it gives a flat impression at first sight, but the use of large flower motifs which decorate the lower part gives a 3D effect. On the other hand, Appellant Product 4 (blood orange) gives a 3D effect by the use of fabrics of two colors, which are similar in color but different in brightness, and which overlap with each other. Accordingly, the two products are different in the respective design concepts.

However, as shown by evidence (Exhibits Ko 81, 89, 110, Exhibit Ko 121-2, Exhibit Ko 122), while it is acknowledged that the color used in Appellee Product 4 (red) is red only, and that the colors used in Appellant Product 4 (blood orange) are red and pink, the above evidence also shows that Appellee Product 4 has multiple bicolor types as well, and that there is also a type which uses the same color as the pink used in Appellant Product 4 (blood orange), and that, as was held in the above (1) D, the configurations of Appellee Product 4 and the configurations of Appellant Product 4 are identical in the fine details except for flower motifs. In light of the foregoing, it cannot be said that the aforementioned difference in color gives a markedly different impression to consumers. Furthermore, according to the above evidence, it also cannot be recognized that there is difference in design concept between the two products.

Accordingly, it is acknowledged that the configurations of Appellee Product 4 (red) and Appellant Product 4 (blood orange) are substantively identical even in light of the difference in color."

- (8) In the prior instance judgment, the part from the beginning of line 7 to the end of line 17 on page 58 shall be revised as follows.

"A. As was held in the above (1) to (3), the configurations of Appellant Products 1 to 7 are all substantively identical to the configurations of Appellee Products 1 to 7, and based on the high degree of similarity, it is difficult to consider that such coincidence in configuration occurred by chance. Also, in light of the fact that Appellee has generated sales that exceed 9,000,000,000 yen in each of 2015 and 2016 (Exhibits Ko 161-1 and 162-1), so that it is presumed that the existence of Appellee and its products were known to a considerable extent among persons in the same business, and that Appellee Company sold the products of Appellee Company, including Appellee Products, in stores located nationwide and on Internet websites, in addition to

advertising the products in magazines and on Internet websites (Exhibits Ko 11 to 13, Exhibits Ko 121-1 to 121-4, Exhibits Ko 131-1 to 131-4, Exhibits Otsu 69 and 70, Exhibit Otsu 71-1, Exhibit Otsu 72, Exhibit Otsu 73-1, Exhibits Otsu 81-1 and 81-2, Exhibits Otsu 82 and 85, Exhibit Otsu 121-1, Exhibit Otsu 122, Exhibits Otsu 172-1 to 172-14, Exhibits Otsu 173, 198, and 199, Exhibit Otsu 200-1, Exhibit Otsu 252), and that the cost of advertisement by Appellee during 2015 and 2016 exceeded 230,000,000 yen in both years (Exhibits Ko 132 and 133), and that a considerable amount of advertisement cost was spent to make Appellee Products known, it is acknowledged that there was ample opportunity for the persons in the business of manufacturing clothes to learn about Appellee Products.

Accordingly, it is acknowledged that Appellant Products 1 to 7 were all created by relying on Appellee Products 1 to 7.

B. In response, Appellants assert that Appellant Product 7 was created by combining Appellant Preceding Product 7 with the top that is indicated in Attachment 2 (Exhibit Otsu 93) of Exhibit Otsu 96.

However, according to the evidence of the present case, how said top came about, including on what product said top was used, is unclear, and it cannot be acknowledged, by overturning the ruling of the above A, that Appellant Company developed Appellant Product 7 independently without relying on Appellee Product 7. While Appellants assert that Appellee Product 7 was posted in an advertisement only once (Exhibit Ko 14), Appellee Product 7 was posted on websites as well (Exhibit Ko 121-4, Exhibit Otsu 85), so that it cannot be acknowledged that Appellee Product 7 was posted in an advertisement and the like only once.

C. Appellants assert that since Appellant Products 1 to 6 were purchased from a third party, these products did not rely on anything, but a ruling on this point shall be made later in 4 (if the same assertion by Appellants is used as a premise, the issue of reliance would concern said third party)."

(9) In the prior instance judgment, the part from the beginning of line 19 on page 58 to the end of line 5 on page 59 shall be revised as follows.

"As described in the above 1 (4), Appellant Products 1 to 7 were created by relying on Appellee Products 1 to 7. As described later in 4, it is acknowledged that at least Appellant Products 1 to 4, 6, and 7 were created by Appellant Company, so that it is acknowledged that Appellant X, who is the president of Appellant Company, was aware that the sale of the same products

falls under an act of unfair competition as prescribed in Article 2, paragraph(1), item(iii) of the Act.

In addition, as for Appellant Product 5, as described later in 4, since it is acknowledged that Appellant X, who is the representative of Appellant Company, was aware of the existence of Appellee Product 5, it is acknowledged, as described above in 1, that Appellant X was aware that the sale of Appellant Product 5, which has substantively identical configurations as the configurations of Appellee Product 5, falls under an act of unfair competition as prescribed in Article 2, paragraph(1), item(iii) of the Act.

Accordingly, it is acknowledged that there was intention on the part of Appellant Company in regards to the above act of unfair competition."

(10) In the prior instance judgment, "Exhibits Ko 52-1 and 52-2, Exhibit Ko" shall be added after "37-1 and 37-2" in line 18 on page 60, "Exhibit Otsu 92, Appellant X" in line 18 shall be revised to "Exhibits Otsu 92 and 253, Appellant X (court of prior instance), Witness A (this court)", and "and Defendant X" in line 19 shall be revised to ", 253, Appellant X and Witness A".

(11) In the prior instance judgment, "the tag indicating" in line 22 on page 61 shall be revised to "and the tag indicating information such as Appellant Company's telephone number and the tag indicating the brand name of Appellant Products".

(12) In the prior instance judgment, the part from the beginning of line 12 on page 62 to the end of line 7 on page 64 shall be revised as follows.

"(2) On the premise of what is described above, it shall be considered as follows.

A. Concerning Appellant Products 1 to 4, and 6

(A) As described above in (1), in light of the following circumstances; namely, that Appellant Company indicates on its shopping sites of the products that Appellant Company designs its own dresses of "GIRL", which is the brand for Appellant Products, and that, in an interview held in connection with the writing of an article for a magazine, Appellant Company talked about creating its first original dress in the fall of 2009 and in 2010, about its product line of original dresses having increased to six types, and also made reference to Appellant Product 1 and emphasized that Appellant Company designs its own products, and that Appellant Products 1 to 4, and 6 have tags with the brand name of Appellant Product indicated thereon as well as tags with Appellant

Company's name and phone number indicated thereon, it is presumed that Appellant Products 1 to 4, and 6 are not products which were created by a third party and which were purchased by Appellant Company from the third party, but that they were designed by Appellant Company itself, or that they were created by another company pursuant to the instructions given by Appellant Company.

(B) In response, Appellants assert that they purchased Appellant Product 1 from Kofuku Trading Co., Ltd. (hereinafter referred to as "Kofuku Trading") through Cary Industrial Co., Ltd. (hereinafter referred to as "Cary Industrial") and purchased Appellant Products 2 to 4, and 6 from Sky First Limited (hereinafter referred to as "Sky First"), and Appellant X and "A" gave statements which conform to the above assertion (Exhibits Otsu 92, 95, 253, Appellant X's personal examination (court of prior instance), witness examination of "A" (this court)), and the content of the written statement by the representative of Sky First also conforms to the above assertion (Exhibit Otsu 96). As such, the above assertion shall be reviewed as follows.

a. First, as described below, it is unnatural that Appellants have not submitted any objective evidence to support the existence of the transactions pertaining to the above assertion.

(a) Since Appellants assert that Appellee Products 1 to 4, and 6 were purchased from Kofuku Trading or Sky First instead of Appellant Company designing its own products and having a third party make the products, Appellants should be able to submit, as evidence, a written invoice or the like for the purchase, and the invoice or the like would show that there is no indication of labor charge or the like as an item of expenses, thereby providing proof that the aforementioned assertion is a fact. However, Appellants have not done so. Regarding this point, Appellants have submitted a purchase slip from C'est Lavie Inc. dated June 17, 2013 (Exhibit Otsu 94) as evidence to prove that Appellant Preceding Product 7 was purchased from C'est Lavie Inc., and when this fact is also taken into consideration, it is very unnatural that Appellants have not submitted any invoice or the like issued by the place from which Appellants purchased the products.

- (b) Appellants assert that in the apparel industry, upon placement of an order for a certain quantity or more, the seller places tags, which are requested by buyers, on the products, and that since Appellants placed an order for a certain quantity or more of Appellant Products 1 to 4, and 6, the tags indicating Appellant Company's name and the like were placed on the products. However, if this assertion is used as a premise, under normal conditions, in regards to the tags indicating the brand name and the tags indicating Appellant Company's name and the like, which are placed on Appellant Products 1 to 4, and 6, written documents showing the design of the brand name and Appellant Company's name and the like, to be indicated on the tags, should have been sent to the seller or to the middleman. Nevertheless, Appellants have not submitted a copy or the like of any of these documents, and this is unnatural.
- b. (a) Next, the statement by "A" shall be considered below. "A" operates a company whose business is to make a purchase and the like on behalf of companies in Japan, and "A" still does business with Appellant Company, so that "A" and Appellant Company are interested companies. As for the content of the statement by "A", it shall be considered as follows. "A" states that when an order was placed to Kofuku Trading for at least 100 pieces of one type of clothes, Kofuku Trading placed tags, as requested by the orderer, on a free of charge basis, but the aforementioned statement is unclear on important points, even in light of the statement prepared by "A" (Exhibit Otsu 253), including specific details of the service of placing the above tags (for example, whether Kofuku Trading only places the tags which were brought in by the orderer, and whether tags are designed by another company and Kofuku Trading makes tags based on the design and places them on products, and who bears the cost of making tags or making the design, are not clear).
- (b) In addition, the statement by the representative of Sky First does not make any indication as to details of the development of Appellee Products 2 to 4, and 6, and there is hardly any indication of details as to negotiations with Appellant Company concerning the transactions of these products, and thus it cannot be said that the

statement is very credible. Furthermore, the statement by Appellant X also lacks specifics as to the conditions of showrooms at Kofuku Trading and as to the details of selecting Appellant Product 1, and thus it cannot be said that the statement is very credible.

(c) Accordingly, it cannot be said that these statements influence the determination of the above (A).

c. From what is described above, it cannot be acknowledged that the above assertions by Appellants are facts.

(C) Concerning assertions by Appellants

a. Appellants assert that since products having the same configurations (Exhibits Otsu 18-1 to 18-5) as Appellant Product 1 are sold by multiple companies, these companies purchased these products from Kofuku Trading or its wholesalers.

The product of Exhibit Otsu 18-2 has a pearl-like decoration positioned in the third row from top, and does not have a bead-like decoration, which is horizontally elongated, in the fourth row from bottom, and these features make the product clearly different from Appellant Product 1, and the product of Exhibit Otsu 18-3 is clearly different from Appellant Product 1 in that the shape of the decoration in the third row from bottom is circular. Even if the product of Exhibits Otsu 18-1, 18-4, and 18-5 has the same configurations as those of Appellant Product 1, details as to how these products came to be distributed in the market is unclear from the evidence of the present case, and thus the fact that these products are in the market does not influence the finding of the above (A).

b. Appellants assert that it is acknowledged that Appellant Product 1 was purchased from Kofuku Trading for the following reasons; namely, [i] although Appellant Company indicates on its shopping sites of Appellant Products 2 and 3 that "this is an original dress planned and made by 'GIRL'", there is no such indication on the shopping sites of Appellant Product 1, and [ii] for the products in regards to which Appellant Company instructed design change, Appellant Company uses the indication of "GIRL ORIGINAL DRESS" or the like on the logo for the product name, but the logo

for the product name of Appellant Product 1 does not have the above indication.

However, according to the evidence of the present case, it is unclear what rules are established by Appellant Company concerning the indication on shopping sites and the logo, and it is possible that the difference in the indication on shopping sites and in the logo concerning Appellant Product 1 and other Appellant Products may have resulted from other reasons as well, and thus it is unlikely that the above points made by Appellants influence the finding of the above (A) concerning Appellant Product 1.

- c. From the time of the inspection that was implemented on October 6, 2015 and ever since, Appellants have consistently asserted that Appellant Product 1 was purchased from Cary Industrial, but since it is possible that they have been continuously making a false statement from the time of the inspection of the present case, it cannot be said that the above assertion by Appellants constitutes an indirect fact as to having purchased Appellant Product 1 from Cary Industrial, and thus this assertion does not influence the finding of the above (A) concerning Appellant Product 1.

B. Concerning Appellant Product 5

- (A) During the personal examination of prior instance, Appellant X stated that he researched dresses on the Internet upon making selections, and in an interview which was conducted for a magazine article (Exhibit Ko 36), he stated, "I am good at finding products", and the cover of the same magazine shows the whole body of Appellant X with the words, "exceeding imitation" (Exhibit Ko 170). In light of the foregoing, it is acknowledged that Appellant Company designed its dresses by researching the designs of other dresses and using them as references. As described in above A, Appellant Products 1 to 4, and 6 were designed by Appellant Company, and as described in above 1 (4), they were made by relying on Appellee Products 1 to 4, and 6. As such, considering that Appellant Company imitated at least five types of products from among Appellee Products, it is presumed that Appellant Company was amply researching Appellee Products as the target of imitation.

Accordingly, it is presumed that Appellant X knew of the existence

of Appellee Product 5 as well.

- (B) As described above, Appellant X, who is the president of Appellant Company, was aware of the existence of Appellee Product 5, so that it is acknowledged that, even if Appellant Product 5 were purchased from SKM Company, Appellant X was aware of the existence of Appellee Product 5 by the time of purchasing the same, and thus the provisions of Article 19, paragraph(1), item(v)(b) of the Act shall not be applicable.

C. Concerning Appellant Product 7

Since the parties are not in dispute over the fact that Appellant Product 7 was made by Appellant Company, the provisions of Article 19, paragraph(1), item(v)(b) of the Act shall not be applicable."

- (13) In the prior instance judgment, the following shall be added to the end of line 20 on page 76 in a new paragraph.

"In addition, Appellants assert that the following should be taken into consideration as circumstances for the overturning of presumption; namely, that in online shopping, the brand power of Appellant Company is stronger than that of Appellant, that the dresses under the 'GIRL' brand of Appellant Company are featured in a large number of magazines and are provided to a large number of TV programs, and that Appellant Company has repeatedly received awards from Rakuten, Inc. However, as described above, Appellant Company sells products on the Internet whereas Appellee sells its products mostly at physical stores, and this difference in sales form is taken into consideration as a circumstance for overturning of presumption, and since, as described above, Appellee has significantly higher sales as well as promotion and advertising costs compared to Appellant Company, the aforementioned circumstances pointed out by Appellants cannot be taken into consideration as additional circumstances for the overturning of presumption."

- (14) In the prior instance judgment, "by relying on these products and having substantively the same identicalness in configurations" in line 25 to line 26 on page 77 shall be revised to "by imitating these products", and "manufactured /" in line 26 shall be deleted.

2. Conclusion

In conclusion, the prior instance judgment is reasonable and the present appeal is groundless, and the present appeal shall therefore be dismissed. The judgment shall be rendered in the form of the main text.

Intellectual Property High Court, Second Division

Presiding Judge: MORI Yoshiyuki

Judge: SANO Shin

Judge: KUMAGAI Daisuke