Trial decision

Invalidation No. 2018-890041

Demandant	Nihon Yakushoku Co., Ltd.
Patent Attorney	MUROTA, Rikio
Patent Attorney	HASHIBA, Takuji
Demandee	Benessere Co., Ltd.
Patent Attorney	KYOTO INTERNATIONAL PATENT LAW OFFICE

The case of trial regarding the invalidation of trademark registration for Trademark Registration No. 5935066 between the parties above has resulted in the following trial decision.

Conclusion

Trademark Registration No. 5935066 is invalidated.

The costs in connection with the trial shall be borne by the Demandee.

Reason

1 The Trademark

The trademark with Trademark Registration No. 5935066 (hereinafter, referred to as the "Trademark") consists of characters "仙三七 (Sensanshichi)" that are horizontally written, and the application for its registration was filed on October 14, 2016. The decision for registration was issued on March 6, 2017 with "Dietary supplements for humans" of Class 5 as its designated goods, and the establishment of trademark right was registered on March 24, 2017.

2 The Demandant's allegation

The Demandant petitioned for and requested a trial decision whose content is the same as the conclusion, summarized and mentioned reasons for request as follows, and submitted as means of evidence Evidences A No. 1 to A No. 19 (including their branch numbers; when all branch numbers are cited, description of branch numbers is omitted).

(1) Parties

A The Demandant is a stock company that named health foods, made of "Pseudoginseng" in the same group as Panax ginseng, as "仙三七", "金不換王 (Kinfukan-o)", or the like, registered the trademarks regarding "仙三七" and "金不換王 " (Evidences A No. 3 and A No. 4), and has continuously wholesaled the goods regarding "仙三七" (hereinafter, referred to as "Sensanshichi product") exclusively to the Demandee since about 1999 (Evidence A No. 1). Note that, because the harvest season of "Pseudoginseng" is once a year, it has been necessary for the Demandant to examine production and order in units of 1 year.

Furthermore, the Demandant named goods created by oyster extract as "MANNA MARINE", registered the trademark of "MANNA MARINE" (Evidence A No. 5), and has exclusively wholesaled the goods regarding "マナマリン (Manamarin)" (hereinafter, referred to as "Manamarin product") to the Demandee as a matter of practice.

B The Demandee is a stock company that sells the health foods purchased from the Demandant to pharmacies (Evidence A No. 2)

(2) History of continuous sales transaction

A Start of the sales of "Sensanshichi products"

Continuous sales and purchase of the goods between the representative of the Demandant and the representative of the Demandee started in about 1999, and thereafter, each of them established companies. Then, the sales and purchase of the goods were changed to transaction between the Demandant and the Demandee.

At the time of the start of the transaction, the trademark "金不換 (Kinfukan)" was applied to goods to which the trademark "仙三七" is currently applied. However, because the provisional disposition regarding the trademark "金不換" was alleged by a third party, the Demandant and the Demandee agreed to change the trademark "金不換". After devising some trademark candidates, the Demandant finally filed an application for the trademark "仙三七" with designated classification of the class 29 (so-called all class specification)" on June 2, 2003. The Demandant started sales of the Sensanshichi products to which the trademark "仙三七" is applied, from September 2003.

B Conclusion of memorandum

Because the registration of the trademark "仙三七" was completed on January 30, 2004 (Trademark Registration No. 4744413, Evidence A No. 3), the Demandant and the Demandee concluded a "trademark license memorandum" regarding the trademark "仙三七" on March 25, 2004 (Evidence A No. 6), and the Demandant agreed to grant an exclusive license of "仙三七" for free and continuously supply the Sensanshichi

products, with respect to the Demandee.

Note that, in the memorandum, it is confirmed that "has been continuously supplied to Party Y (Demandee)" (Article 1), it is described that, when recognizing that a third party violates or tries to violate the right in this case, the Demandant and the Demandee report this to each other with no delay and work together (Article 5). It is agreed that an agreement period is indefinite in principle (Article 6), and it is described that the memorandum is fulfilled as respecting trust (Article 7).

As a result, according to the subsequent transactions, the sales volume, including those of the Manamarin products or the like, of the Demandant with respect to the Demandee hold a share equal to or more than 90% of the entire sales volume of the Demandant. The continuous sales and purchase agreement (hereinafter, referred to as "the Present Agreement"), based on the memorandum, including continuous trademark licensing to the Demandee and wholesales as content thereof, was extremely important and essential to maintain the business of the Demandant.

As described above, according to (a) the feature of Pseudoginseng (harvest season of "Pseudoginseng" is once a year, and need to examine production and order in units of 1 year), (b) existence of the memorandum (in particular, agreement indicating that the period is unlimited and various duties to cooperate), and (c) a framework in which the Demandant exceedingly depends on the Demandee, for example, it has been continued for long years, and as a result, 90% of the sales of the Demandant has depended on the Demandee, on the Present Agreement between the Demandant and the Demandee based on the memorandum, if the Demandee cancels the present agreement with respect to the Demandant and stops the continuous sales and purchase from the Demandant, it should be said that, as duties with respect to the Present Agreement, the Demandee was obligated to offer notice at least a year in advance in order to terminate the agreement (hereinafter, referred to as "the present notice duty") and was obligated not to take an action that obviously damages this continuous and exclusive sales and purchase during the agreement period (hereinafter, referred to as "the present cooperation duty").

(3) Treachery of the Demandee

A Sudden notification for terminating the transaction by the Demandee

The representative of the Demandee suddenly brought "Written notice" (Evidence A No. 7) dated August 18, 2017 to the Demandant and declared that "We will terminate transactions of Sensanshichi products at the end of August". Note that, in order to prove that the Written notice was submitted suddenly, a written statement (Evidence A No. 19) of an employee who responded to the representative of the

Demandee is submitted.

For about 18 years in consideration of the initial transactions between private shops since about 1999 and for about 13 years from the conclusion of the memorandum, the Demandant has granted the exclusive license of the trademark "仙三七" for free with respect to the Demandee and has continuously supplied the Sensanshichi products on the basis of the Present Agreement.

In this way, the continuous sales and purchase agreement that makes the Demandant be excessively dependent on the Demandee has been concluded for many years, and in addition, according to distinctiveness of purchasing materials of the main product "Sensanshichi products", the Demandee should have proposed to terminate the transaction at least one year before the termination.

However, the Demandee unilaterally declared the termination of the transaction to the Demandant with a notice period including only 10 days. This act by the Demandee itself is a default act (violation of the present notice duty) that destroys a confidential relationship with the Demandant.

B Trademark application act as plagiarism by the Demandee

According to the Written notice, it was clarified that the Demandee filed the application of the Trademark with "Dietary supplements for humans" of Class 5 as its designated good on October 14, 2016 without consultation and permission of the Demandant (Evidences A No. 7 and A No. 8).

In 2003, when the Demandant filed the trademark application of the trademark "仙三七", the health foods were classified into Class 29 or 30, and it was not possible to file the application and make registration as Class 5 "Dietary supplements for humans". The Demandee being granted the exclusive license regarding the trademark "仙三七", for which the trademark right is owned by the Demandant, for free based on the present agreement with the Demandant, should not prevent the trademark right of the Demandant, and the Demandee is obligated not to cause damage to the Demandant in accordance with the principle of good faith. The Demandee filed the trademark application of the Trademark with no consultation and permission of the Demandant as taking advantage of the amendment of classes of goods and services in 2012 such that the "Dietary supplements for humans" can be applied as "Class 5".

Furthermore, the Demandee notified in the Written notice (Evidence A No. 7) of "the termination of the transaction with the Demandant", "a change of the wholesale price after September", "price negotiation of the materials of Sensanshichi products and purchase of the materials with collateral conditions", "offer to transfer the trademark "MANNA MARINE" or the like", and the like because the Demandee was able to

register the Trademark. In consideration of this history, it is obvious that the Demandee intended to negotiate a favorable settlement with the Demandant by independently filing the trademark application of the Trademark by the Demandee. In addition, it is obvious that the Demandee intended to obtain an unlawful benefit by using the trademark while causing damage to the Demandant.

In consideration of such an object and a history of the application of the Trademark, it should be said that the application by the Demandee is not only a default act (violation of present cooperation duty) that betrays the confidential relationship with the Demandant, but also an act that violates society's appropriate moral sense and significantly lacks social validity. Therefore, it should be said that approval based on this of registration of the trademark of which the right holder is the Demandee is unreasonable from viewpoint of maintaining fair trade order and violates the purpose of the Trademark Act (Article 1 of the Trademark Act) such that "through the protection of trademarks, to ensure the maintenance of business confidence of persons who use trademarks and thereby to contribute to the development of the industry and to protect the interests of consumers".

Therefore, the act of filing the application of the Trademark by the Demandee falls under a plagiarizing application act that disturbs fair trade order, and it is obvious that the Trademark falls under a trademark that violates public order and morality. Note that, as of October 14, 2016 when the Demandee filed the application of the Trademark, regarding goods named "夢三七 (Yumesanshichi)" that is manufactured and sold by the Demandee using "Pseudoginseng" in the same group as Panax ginseng similarly to the Demandant, the application of the trademark "夢三七" was filed with the designated goods of Class 5 "Dietary supplements for humans", and the trademark was registered on March 24, 2017 (Evidence A No. 9). This can be evaluated as that a preparation act was made to sell the same kinds of goods by using the trademark "仙三七" or the trademark "夢三七" in October, 2016. However, such an act by the Demandee obviously violates the present cooperation duty.

C Notification for terminating the transaction again

The Demandant indicates that the act for filing the application of the Trademark falls under Article 4(1)(vii) of the Trademark Act and should be invalidated and answers that the offer to terminate the transaction by the Demandee cannot be accepted by a document entitled "Answer to the Written notice" dated on August 26, 2017 with respect to the Written notice (Evidence A No. 7) of the Demandee (Evidence A No. 10).

In response to this, the Demandee answered that "We understand that the transaction of Sensanshichi products is as in the past.", "We understand that the

transaction of Manamarin products is as in the past.", and "We understand that the transaction is as in the past" regarding other goods by a document entitled "Answer to the offer" dated August 30, 2017 (Evidence A No. 11) and cancelled the manifestation of intention to terminate the transaction with the Demandant.

Even if the Demandee cancelled the manifestation of intention to suddenly terminate the transaction once, the Demandant considered that there is a possibility that the Demandee will suddenly declare termination of the transaction again. By a document entitled "Regarding future action in response to your answer" dated September 7, 2017 (Evidence A No. 12), before maintaining the continuous sales and purchase relationship based on the present agreement, the Demandant required free transfer of the registered Trademark applied and registered by the Demandee in order to establish the confidential relationship with the Demandee (however, proposed that Demandant bear actual cost needed for application by Demandee).

In response to this, by a document entitled "Written notice and answer" dated September 15, 2017 (Evidence A No. 13), the Demandee refused the free transfer of the Trademark applied and registered by the Demandee, and made manifestation of intention to suddenly terminate the transaction again indicating that the sales purchase of Sensanshichi products is to be terminated at the end of December in 2017.

D Summary

In view of the above history, although the Demandee has the present notice duty and the present cooperation duty, the Demandee filed the applications of the Trademark and the trademark "夢三七", conducted a preparation act to supply unique goods after the termination of the exclusive and continuous sales and purchase with the Demandee, and thereby violated the present cooperation duty, unilaterally notified that the continuous sales and purchase are to be terminated at the end of August on August 18, 2017, and thereby, violated the present notice duty, unilaterally notified that the continuous sales and purchase are to be terminated at the end of December in 2017 on September 15, 2017 although the unilateral notification was cancelled once, and thereby, violated the present notice duty.

(4) Cancellation of the continuous supply agreement with the Demandee

A Notice by the Demandant

The Demandant came to consider that the Demandant wishes to continue the agreement if the Demandee rectifies the situation of serious default, but cancellation of the present agreement is unavoidable if the Demandee does not make the rectification.

Therefore, by a written notification dated on September 27, 2017 (Evidence A No. 14), the Demandant notified the Demandee that the Demandant continues the

transaction in a case where the Demandee clearly expresses intention to continue the transaction as in the past at least before one year and clarifies to continue the sales and purchase with the Demandant and the license before October 6, 2017, and that all the agreements between the Demandee and the Demandant are unavoidably cancelled because of the default (sudden stop of continuous supply agreement) of the Demandee if the Demandee does not.

B　Notification of the cancellation by the Demandant

In response to the above notice, the Demandee answered that "The act of ours does not fall under the default" and "We start production and sales through a new brand" by a document entitled "Answer to the notice" dated October 5, 2017 (Evidence A No. 15), and did not accept the above notice.

Therefore, the Demandant unavoidably sent a cancellation notice (Evidence A No. 16) dated October 12, 2017 describing the manifestation of intention to cancel the present agreement with the Demandee; that is, all the sales and purchases and license agreements based on the continuous agreements regarding Sensanshichi products and Manamarin products and the license agreement of the trademark "仙三七" because of the serious default of the Demandee, via registered mail and facsimile, and the cancellation notice reached the Demandee before October 13, 2017 at the latest.

C　Sales of the "Sensanshichi products" by the Demandee

In actuality, the Demandee soon procured goods, to which the trademark "夢三七" is applied, made of the material Pseudoginseng that is the same as the material of the goods to which the trademark "仙三七" is applied, in a different route unrelated to the Demandant and started to wholesale to the pharmacies that are the previous wholesale destinations of Sensanshichi products.　Note that, the sale could be started at an early stage in this way because the Demandee violated the present cooperation duty and prepared the availability of Pseudoginseng during the agreement period and prepared the trademark and the like.

(5) Conclusion

As described above, the Trademark is a trademark applied by the plagiarizing act of the Demandee and falls under a trademark that disturbs fair trade order and violates public order and morality.

Accordingly, the Trademark falls under Article 4(1)(vii) of the Trademark Act.

3 The Demandee's allegation

The Demandee replied that "the Demandee requests a trial decision whose content is that the demand for trial of the case was groundless and the costs in

connection with the trial shall be borne by the Demandant", summarized and mentioned reasons for the request as follows, and submitted Evidence B No. 1 as means of evidence.

(1) Regarding applicability of Article 4(1)(vii) of the Trademark Act

The determination 2007 (Gyo-Ke) 10391 by the Intellectual Property High Court (determination on July 26, 2008), as in a case like this case, clearly describes guidelines when it is determined whether or not the trademark regarding the trademark registration falls under Article 4(1)(vii) of the Trademark Act. In light of the determination, it is evident that the Demandant's allegation is wrong. The relationship between the Demandant and the Demandee is a relationship connected by the private agreement as described in the written request for trial by the Demandant. Even if the agreement is valid at this point, the agreement is precisely a private agreement, and a problem related to an attribution of the trademark between the Demandant and the Demandee should be solved as a private problem between the parties.

Therefore, the demand for trial of the case according to Article 4(1)(vii) of the Trademark Act is groundless.

(2) Regarding the agreement between the Demandant and the Demandee

The Demandee also acknowledges the presence of the "trademark license memorandum" (Evidence A No. 6) mentioned by the Demandant.

However, there is no provision regarding the termination of the present agreement in any part of the agreement (memorandum), and in addition, the notice duty such that the cancellation of the agreement should be offered at least one year in advance is not provided.

Therefore, the Demandant's allegation indicating the "notice duty violation" is groundless.

Furthermore, although the Demandant described that the representative of the Demandee suddenly submitted the Written notice (Evidence A No. 7), as described at the end of the Written notice, the Demandant and the Demandee had discussion in the previous year (2016). The Demandant's allegation indicating the "sudden" submission is wrong.

Moreover, the duty not to conduct an act that obviously damages this continuous and exclusive sales and purchase during the agreement period ("the present cooperation duty") is not described in any part of the agreement (memorandum). If the above duty is described in Article 6, this indicates a license period of Trademark Registration No. 4744413, and if the above duty is described in Article 5, this indicates the cooperation duty regarding the trademark right and is not the duty of the continuous and exclusive

sales and purchase of the goods.

(3) Regarding the trademark "仙三七"

As alleged by the Demandant, although the Demandee and the Demandant respectively share manufacture and sales of Pseudoginseng and the Demandee uses the trademark "仙三七" as applying the trademark to the goods, the Demandant is entrusted to register the trademark. This results in the agreement (memorandum).

However, the Demandee has been exclusively selling the goods to which the trademark "仙三七" is applied. To prove this, a copy of a brochure distributed by the Demandee to trading partners is submitted (Evidence B No. 1). Therefore, customers recognize the source of goods, to which the trademark "仙三七" is applied, as the Demandee.

A large number of companies indicate that it is difficult to sell goods and to make trademarks (brand) prevail in consumers. The goods to which the Trademark is applied are not an exception, and the Demandee has made a lot of effort and has invested to sell and to prevail the goods, to which the trademark "仙三七" is applied, to consumers.

However, in counseling to an expert, it was found that Trademark Registration No. 4744413 of the Demandant does not correctly protect the goods sold by the Demandee. Therefore, the Demandee was forced to file the application of the Trademark on October 14, 2016 with the designated goods of "Dietary supplements for humans", and the trademark was registered on March 24, 2017.

(4) Summary

As described in (1) to (3), all the Demandant's allegations are groundless.

4 Judgment by the body

(1) Regarding benefit of the appeal of the case

The parties have no dispute regarding the Demandant being an interested party who appeals the case. Therefore, this case is examined.

(2) Regarding Article 4(1)(vii) of the Trademark Act

Article 4(1)(vii) of the Trademark Act provides that a trademark which is likely to cause damage to public policy cannot be granted trademark registration. According to the object to this provision, it is obvious that (a) a case where use of the trademark violates public benefit and general social norms such as a case where the configuration itself comprises character(s) or figure(s) which is(are) outrageous, obscene, or discriminatory, (b) a case where use of the trademark in question, etc., is banned by other laws, and (c) a case where the trademark and the use of the trademark insult any

particular country or its nation, or violate general international trust fall under this provision. However, in addition, it is reasonable to understand that (d) a case where there had been matters which lacked social appropriateness in the process of application for registration of the trademark in question, and approval of its registration violates the order intended by the Trademark Act, such as a case where there is a matter in which it should be acknowledged that a person who has a certain transaction relationship and another special relationship with a user of a specific trademark plagiarized the trademark used by the partner that can be known through the above relationship falls under this provision (refer to determination 2004 (Gyo-ke) 7 by Tokyo High Court dated December 21, 2007).

(3) Argument by the parties and the submitted evidences indicate as follows

A Regarding the Demandant

The Demandant is a stock company that applied marks such as "仙三七", "金不換王", and the like to the health foods made of "Pseudoginseng" in the same group as Panax ginseng, registered the trademarks of "仙三七" and "金不換王" (Evidences A No. 3 and A No. 4), and has continuously and exclusively wholesaled the Sensanshichi products to the Demandee since about 1999 (Evidence A No. 1).

Furthermore, the Demandant applied a mark of "MANNA MARINE" to the goods created by the oyster extract, registered the trademark, and has exclusively wholesaled the "Manamarin products" to the Demandee as a matter of practice.

B Regarding the Demandee

The Demandee is a stock company that sells health foods such as the Sensanshichi products and the Manamarin products purchased from the Demandant to pharmacies and the like (Evidence A No. 2).

C Status of the application and the registration of the trademark by the Demandee

The history of the application and the registration of the Trademark is as described in 1. However, when filing the application of the Trademark, the Demandee did not notify the Demandant of that fact in advance, and in addition, did not willingly notify the fact after that (after registration).

In the Written notice dated August 18, 2017 (Evidence A No. 7), the Demandee requested the Demandant to terminate the transaction of the Sensanshichi products at the end of August in 2017 because the Demandee is a trademark right holder of the Trademark and secured a production plant (Evidence A No. 7).

Moreover, regarding the "Manamarin products", the transfer of the trademark was offered, and, regarding the other goods, continuous transaction under the existing

conditions was offered (Evidence A No. 7).

D The relationship between the Demandant and the Demandee upon the application for registration of the Trademark

On October 14, 2016 when the application of the Trademark was filed, the Demandee purchased (bought) the Sensanshichi products and the Manamarin products from the Demandant, and the Demandant and the Demandee had a transactional relationship since about 1999 until the cancellation notice on October 12, 2017 (Evidence A No. 16).

E Regarding the trademark license memorandum

The "trademark license memorandum" (Evidence A No. 6) concluded between the Demandant (Party X) and the Demandee (Party Y) includes provisions including Article 1 "Party X has continuously supplied health promotion foods 'Pseudoginseng processed foods' according to a request of Party Y as goods having the name of '仙三七'.", Article 2 "Party X shall grant a permanent and exclusive license of this case (Note by trial decision: this indicates Trademark Registration No. 4744413 '仙三七' of Party X, and the same applies below) of Party Y for free on the precondition of continuous transaction of 'Pseudoginseng processed foods' with Party Y.", Article 5 "When a third party violates this right or it becomes known that a third party tries to violate this right, Party X and Party Y shall report to each other with no delay and make an effort to eliminate the violation in corporation with each other.", Article 6 "A license period of this case is indefinite as long as the continuous transaction of 'Pseudoginseng processed foods' between Party X and Party Y continues", and Article 7 "Party X and Party Y shall fulfill the present memorandum as respecting trust, and in a case where a question arises with respect to the present memorandum, Party X and Party Y shall solve the question with good faith."

(4) Regarding the applicability of Article 4(1)(vii) of the Trademark Act

The above (3) indicates as follows.

On October 14, 2016 when the application of the Trademark was filed, the Demandee had the transactional relationship with the Demandant as a dealer that purchases (buys) the Sensanshichi products, the Manamarin products, and the like manufactured by the Demandant and sells the goods to the pharmacies in Japan. Then, it can be said that the trademark "仙三七", which was registered by the Demandant, applied to the Sensanshichi products is based on the "trademark license memorandum" (Evidence A No. 6).

Then, the Demandee alleges that "the Demandee and the Demandant shared manufacture and sales of Pseudoginseng and the Demandee uses the trademark '仙三七'

as applying the trademark to the goods, and the Demandant was entrusted to register the trademark. This results in the agreement (memorandum) (Note by trial decision: this indicates 'trademark license memorandum' (Evidence A No. 6)). …However, in counseling from an expert, it was found that Trademark Registration No. 4744413 of the Demandant does not correctly protect the goods sold by the Demandant. Therefore, the Demandee was forced to file the application of the Trademark with the designated goods of 'Dietary supplements for humans', and the trademark was registered on March 24, 2017".

However, if so, it is sufficient that the Demandee alerts the Demandant to proceed with an application for registration procedure of the trademark right of "仙三七" according to the provision of Article 7 "Party X and Party Y shall fulfill the present memorandum as respecting trust, and in a case where a question arises with respect to the present memorandum, Party X and Party Y shall solve the question with good faith" in the "trademark license memorandum" (Evidence A No. 6). The Demandee defaulted on that and filed the application for registration of the Trademark while keeping the filing of the application for registration of the Trademark confidential from the Demandant while taking advantage of the trademark "仙三七" not being registered regarding Class 5 "Dietary supplements for humans". Therefore, it should be said that the trademark "仙三七" of the Demandant was plagiarized.

As described above, it should be said that there had been matters which lacked social appropriateness in the process of application for registration of the trademark in question, and approval of its registration violates the order intended by the Trademark Act.

Accordingly, the Trademark falls under Article 4(1)(vii) of the Trademark Act

(5) The Demandee's allegation

In consideration of the determination 2007 (Gyo-Ke) 10391 by the Intellectual Property High Court (determination on July 26, 2008), the Demandee alleges that "the relationship between the Demandant and the Demandee is a relationship connected by the private agreement as described in the written request for trial by the Demandant. Even if the agreement is valid at this point, the agreement is precisely a private agreement, and a problem related to an attribution of the trademark between the Demandant and the Demandee should be solved as a private problem between the parties".

However, as acknowledged in (4), the Demandee previously filed the application of the trademark registration and registered the trademark while taking advantage of the trademark "仙三七" not yet having been registered regarding Class 5 "Dietary

supplements for humans", and it should be said that the trademark "仙三七" of the Demandant was plagiarized. It should be said that there had been matters which lacked social appropriateness in the process of application for registration of the trademark in question and exceeded the range of the private problem.

Therefore, the Demandee's allegation cannot be accepted

(6) Closing

As described above, the Trademark was registered while violating Article 4(1)(vii) of the Trademark Act, and therefore its registration should be invalidated under the provisions of Article 46(1)(i) of the same Act.

Therefore, the trial decision shall be made as described in the conclusion.

April 19, 2019

Chief administrative judge: KANEKO, Naohito

Administrative judge: KOMATSU, Satomi

Administrative judge: ODA, Masako