

Latest Court Decisions

2020:

[October]

- 2UNDR Parallel Import Case (Injunction Suit)

Tokyo District Court 2020.10.22 H30(Wa)35053

[SUMMARY/INTRODUCTION]

A Canadian Corporation, **Harris Williams Design, Inc.** (Plaintiff), is the proprietor of the Japanese trademark registration for “**2UNDR**” in standard characters for men’s underwear and other clothing in Class 25. Their Japanese sole sales agent, **K.K. EyeInTheSky** (Plaintiff), was granted an exclusive license by Harris Williams.

The Canadian distributor of Harris Williams was **Lampion Enterprises Limited**. They concluded an agency contract with **M Golf Company** in Singapore with territory in Singapore only.

A Japanese corporation, **K.K. Bright** (Defendant), imported 2387 items of the men’s underwear bearing the trademark “**2UNDR**” (logo) (right) from M Golf Company in Singapore and sold them in Japan. At that time, the agency contract between Lampion and M Golf already expired.



Harris Williams and EyeInTheSky sued Bright for an injunction to the Tokyo District Court. Bright insisted as a defense that they would not infringe the trademark right because it was a parallel import of genuine goods.

The Plaintiffs argued that the territory granted to M Golf was restricted to Singapore only and the agency contract between Lampion and M Golf already expired when Bright imported the goods in question. What was the Court decision ?

[Court Decision]

In order to be recognized as parallel import, it is necessary in Japan to meet the following three requirements.

1st REQUIREMENT: The trademark attached to the goods imported into Japan must be legally attached by the foreign trademark owner or licensee.

2nd REQUIREMENT: The foreign trademark owner and the domestic trademark owner have a relationship that can be equated with the same person legally or economically.

3rd REQUIREMENT: It is evaluated that there is substantially no difference in the quality guaranteed by the registered trademark between the parallel import goods and the goods to which the registered trademark is attached by the trademark owner of Japan (that is, the quality assurance function of the trademark is not impaired).

Regarding these requirements, the Court ruled that:

1st Requirement:

The goods were sold by Lampion to M Golf under an agency contract, but Defendant Bright purchased the goods after the agency contract with M Golf was canceled. In addition, M Golf's sales territory was restricted to Singapore.

However, there was no provision in the agency contract regarding sales and inventory control after the contract was canceled, and it was not recognized that there was a particular difference in quality between 2UNDR goods sold in Japan and 2UNDR goods sold in other countries. It was not recognized that the restrictions on the sales territory were related to the maintenance and management of the quality of the goods.

Since it could not be said that the function of displaying the origin of goods of the Plaintiffs' trademark was impaired due to the restricted sales territory of M Golf, it could be said that the Trademark was legally attached by Lampion licensed by Plaintiff Harris.

2nd REQUIREMENT:

The owner of the Trademark in Canada and the trademark owner in Japan were both plaintiff Harris, and since the Trademark was the identical or similar to the Plaintiffs' trademark, it indicated the same origin of goods.

3rd REQUIREMENT:

Even after the contract was canceled, it could not be said that the quality assurance function of the Plaintiffs' trademark was impaired. It was not recognized that the restrictions on the sales territory were related to the maintenance and management of the quality of goods. And, it could not be said that the quality assurance function of the Plaintiffs' trademark was

impaired by the restriction of the sales territory because it was a men's underwear whose quality did not deteriorate immediately during transportation.

According to these facts, Harris, the trademark owner in Japan, was in a position to control the quality of goods directly or at least through Lampion, and there was virtually no difference in the quality guaranteed by the registered trademark between the Defendant's goods and goods sold by the Japanese distributors of 2UNDR. Accordingly, the judgment concluded that it also met the 3rd requirement.

Based on the above, the Court found that Defendant Bright's import act was legal as a parallel import of genuine goods, lacking substantial illegal acts as trademark infringement, and dismissed the Plaintiffs' petition.

Parallel import is permitted because, from the consumer's point of view, when the regular route goods and the parallel import goods bear almost the identical trademark, the consumers buy the parallel import goods expecting the quality of goods would be also the same. Since the consumer cannot know the route through which the goods were imported, if the trademarks are almost identical and the quality is to be also the same, it would be permitted as a parallel import of genuine products.

However, this quality is troublesome, and if it is food and drink, the identity of quality may be physically judged to some extent. But for clothing, the material and design are selected suitable for the country. Therefore, it is often difficult to judge whether these differences are quality differences.

Then, if there is no doubt that the goods are manufactured by a legitimate licensee, the difference in material and design is just a difference in taste for the consumer as long as the licensor allows it, and it will be also allowed as parallel import of genuine goods.