

Latest Court Decisions

2013:

[September]

- **GRAM Case** (Cancellation Suit of Trial Decision)

IP High Court 2013.9.25 H25(Gyo-Ke)10031,10032

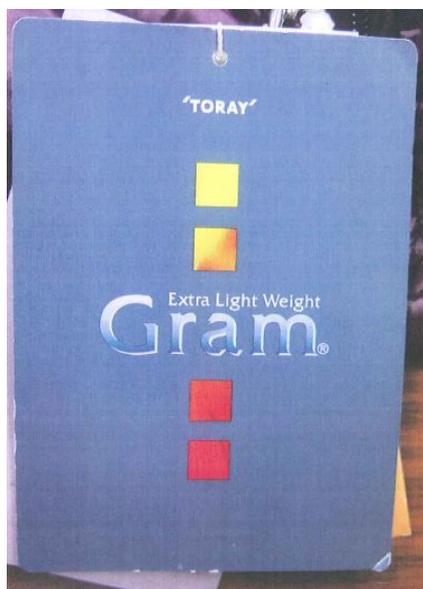
The registrations for the trademark "**GRAM**" in English and Japanese for "clothing" in Class 25 were cancelled by the cancellation trial due to non-use at the Japan Patent Office. The trademark proprietor, Toray K.K., filed a suite demanding the cancellation of the trial decision.

We, FUJIMarks Japan, were the agents of the defendant (the petitioner of the cancellation trial).

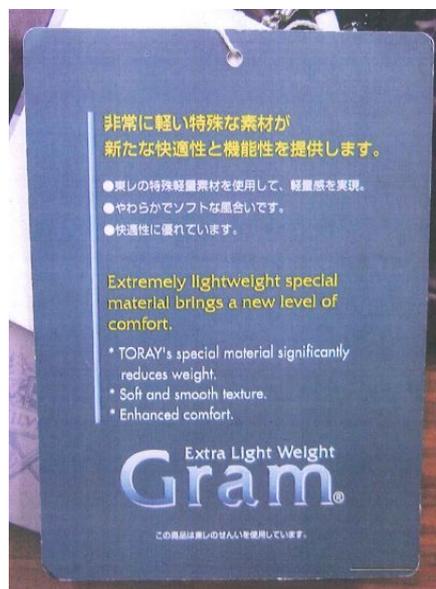
Toray KK (=Toray Industries, Inc.) is a global company well-known for fibers and textiles. According to our investigations before filing the cancellation trial, Toray had used the registered trademark "**GRAM**" for **extra light weight fibers** which Toray developed by themselves.

During the trial procedures, Toray insisted that the registered trademark was used by a non-exclusive licensee, **Toray Shoji**, their Chinese subsidiary, and Toray Shoji manufactured "**down jackets**" and sold them to a Japanese company, **Sun Mens Wear** with tags bearing the **Gram** trademark. Toray submitted "**Instruction Sheet**" showing the tag at issue forwarded by Sun Mens Wear to Toray Shoji as a proof of use.

The tag on the Instruction Sheet was almost identical to one shown below. The following photos were taken from the down jackets submitted on the hearing date at the IP High Court. Therefore, it was not proved that the present down jackets along with the tag are identical to those Toray Shoji manufactured and delivered to Sun Mens Wear in the past three years.



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The Trial Board admitted that Toray Shoji was the non-exclusive licensee and that the trademark "Gram" in use was identical to the registered trademark "GRAM". However, the Trial Board rendered the Trial Decision to cancel the trademark registration because it was not proved that the down jackets bearing the tag were actually exported from China to Japan.

Therefore, the Trial Decision did not refer to the matter whether "Gram" was used as the trademark for "fibers" in Class 23 or 24, or for "clothing" in Class 25 covered by the registration.

Toray's main allegation was that they manufactured the down jackets and delivered to Sun Mens Wear under the **ODM** contract (=Original Design Manufactured). This means in this case that Toray offered Sun Mens Wear to manufacture the down jackets using Toray's extra light weight fibers under Sun Mens Wear's brand (or their clients' brand) and Sun Mens Wear accepted it. Thus, the down jackets were manufactured by Toray Shoji in China and delivered to Sun Mens Wear in Japan with the tags bearing the trademark showing that the clothing was manufactured by using the Toray's new extra light fibers.

Toray insisted that "ODM" was the new business. Our understanding is that "ODM" was merely the business to increase the sales of Toray's new fibers.

In fact, even if Toray developed the new high functional fiber, it did not bring in big profits without other clothing manufacturers manufacturing clothing using such functional fibers.

In turn, it would be rather hard work for clothing manufacturers developing new functional fiber materials by themselves. Therefore, "ODM" was advantageous to the both parties. Usually, the clothing using the new functional fibers bear the tag showing the new fibers (e.g. Gore-Tex, DACRON)

However, it has to be in mind that the clothing manufactured by the ODM contract was not sold as Toray's goods with the trademark indicating Toray's origin. Such clothing was sold under the trademark of Sun Mens Wear (or their clients). This made no difference from the goods manufactured under the "OEM" contract (=Original Equipment Manufacturing).

The goods manufactured by the ODM and OEM contracts were both sold as the goods of the party (Sun Mens Wear or its client company) who placed the orders to the manufacturing company (=Toray). Therefore, such a manufacturing company was a mere subcontracted party.

Toray submitted almost no new evidence showing the facts of use of the trademark. Toray merely submitted **the Statement** as the new evidence prepared by the representative of Sun Mens Wear saying that the tag in question was attached to the down jackets manufactured by Toray Shoji and Sun Mens Wear purchased them.

However, Sun Mens Wear is an interested party belonging to the plaintiff, Toray and therefore, their Statement had no or little evidential power.

We could see 5 tags and one neck label affixed to the down jackets. One of the 5 tags was the tag in question bearing the trademark "Gram" with the wording "TORAY", "Extra Light Weight" and "Extremely lightweight special material brings a new level and comfort".

The neck label that usually bears the trademark indicating the origin of the goods was as follows (left one) in this case. And, one of the 4 tags other than the "Gram" tag was as follows (right one).



You may see from these labels the trademark "navy natural" that was the registered trademark (No. 5155081) in the name of **Mac-House**, a Japanese company in Tokyo. It was clear that "navy natural" was the main trademark indicating the origin of the goods "down jackets" since the above right tag had the specifications such as the color, the size and the quality.

In fact, the IP High Court admitted that the down jackets were manufactured by Toray Shoji in China and were delivered from Sun Mens Wear to Mac-House.

Surprisingly enough, despite these facts, the IP High Court issued the decision cancelling the Trail Decision because the registered trademark "GRAM" was used by the licensee, Toray Shoji, for clothing covered by the subject registration in Class 25 and delivered to the Japanese company.

We wholly disagree with the IP High Court decision because the down jackets were manufactured by Toray Shoji in China in accordance with the instructions by Sun Mens Wear to be sold by the Japanese company, Mac House, as their products. The trademark "Gram" on the tag only showed that Toray's new functional fibers are used for the down jackets.

As to the trademark for fiber materials for clothing, we have a precedent called **ZAX case** (IP High Court, 17/3/2005). The ZAX case was also regarding the cancellation trial for non-use. The IP High Court cancelled the trademark registration for clothing in Class 25 because the registered trademark "ZAX" was used as the indication of the origin of fiber materials for mens' slacks developed by Teijin Limited.

Of course, we submitted this ZAX case IP High Court decision as the precedent. However, this time IP High Court disregarded the ZAX case decision. Therefore, we are appealing the IP High Court decision to the Supreme Court. We will report the Supreme Court decision when it is issued.