

Latest Court Decisions

2014:

[March]

• Kaiserdom Non-Alcoholic Beer Case (Damage Suit)

Osaka District Court 2014.3.27 H24(Wa)13709

[SUMMARY/INTRODUCTION]

The Plaintiff requested a German company to manufacture non-alcoholic beers (right), but refused to receive them. So, according to the request by the German company, the Defendant bought them and re-sold to others.

The trademarks "**PRIME SELECT**" and "**PURE&FREE**" appearing on the beer cans belong to the Plaintiff. The Plaintiff demanded the Defendant the payment of 9,430,000 Yen as the damages for the trademark infringement.

What was the court decision?



[CASE]

The Plaintiff, a Japanese company, K.K. PANAVAC, requested Kaiserdom Spezialitate Brauerei GmbH to manufacture 7110 cartons of the beers (approx. 170,000 cans) bearing the Plaintiff's trademarks "PRIME SELECT" and "PURE&FREE". The trademark "**PROSTEL**" also appearing on the cans is the International Registered Trademark belonging to Kaiserdom GmbH. We can see on the top of the cans the Japanese words meaning "Direct Import Beer from the home country" and "Meet the specifications of the Beer Purity Law".

However, since the Plaintiff refused to receive them for unknown reasons, the Defendant bought them according the request by Kaiserdom GmbH and re-sold 5130 cartons (approx. 123,000 cans) to others. The Plaintiff's name and address were printed on the original cans as the importer. The Defendant covered the importer's name and address by the seals on which the Defendant's name and address were printed.

Then, the Plaintiff sued the Defendant demanding the payment of 9,430,000 Yen as the damages for the trademark infringement.

The Defendant stated as the counter arguments that the trademark indicating the origin of the beer was "PROSTEL" and the other indications "PRIME SELECT" and "PURE&FREE" lacked distinctiveness describing the nature of the goods. Since the beers were manufactured by the proprietor of the registered trademark "PROSTEL", the import of such beers should be regarded as the parallel import of the genuine goods.

Furthermore, the Defendant stated that the trademark "PROSTEL" once registered by the Plaintiff in Japan had been invalidated by the trial filed by Kaiserdom GmbH since it had been registered by the Plaintiff with the purpose of the unfair competition. Therefore, the exercise of the trademark right by the Plaintiff against the beers bearing the original trademark "PROSTEL" should be an abuse of right. (We can assume that the invalidation trial was filed by Kaiserdom because the Plaintiff refused to receive the beers.)

Surprisingly, the court issued the decision ordering the Defendant the payment of 1,970,457 Yen by accepting the Plaintiff's allegation because the Plaintiff's trademark "PURE&FREE" was used on the center of the cans in large letters and there was no evidence showing "PURE&FREE" and "PRIME SELECT" were commonly used by other non-alcoholic beer manufacturers and lacked distinctiveness.

As to the damages, the court provided the following calculation formula. The Defendant's income of the sales of 5130 cartons was 5,424,666 Yen while the purchase price was 1,521,307 Yen. In addition to the purchase price, the Defendant spent 1,088,421 Yen for the expenses such as the seal printing and affixing, transporting, containers, customs clearing and warehousing. Therefore, the Defendant's profit was 2,814,938 Yen.

Furthermore, in Japan **the trademark contribution ratio** is counted to calculate the final damages of the Plaintiff. This means how much percentage the trademark contributed to the sales of the infringing goods.

In the subject case, the Plaintiff's trademark "PURE&FREE" was used in large letters on the center of the cans and the Plaintiff's trademark "PRIME SELECT" was well known among the customers to some extent since "PRIME SELECT" was used by the Plaintiff to the 7 kinds of foreign made non-alcoholic beers. Therefore, the court decided the amount of damage only 30% reduced from the profit, so 70% was the trademark contribution ratio.

As the result, the court finally ordered the Defendant to pay 1,970,457 Yen to the Plaintiff as the damages.

$$2,814,938 \text{ Yen} \times 70\% = 1,970,457 \text{ Yen}$$

However, we can see at the Plaintiff's web-site saying "The manufacture of German made non-alcoholic beers PROSTEL PURE&FREE finished in the spring of 2012 and we express thanks to customers for loving the German non-alcoholic beers for many years.

In addition, the Plaintiff's name and address were printed on the original cans as the importer, not as the manufacturer.

These facts show that the Plaintiff sold the beers as Kaiserdom's products in Germany rather than as the Plaintiff himself's products and that the customers also recognized the "PROSTEL PURE&FREE" beers as Kaiserdom's products.

In that case, we can say that the Plaintiff granted Kaiserdom a license to use the trademarks "PRIME SELECT" and "PURE&FREE" for manufacturing their beers and if the Plaintiff refused to receive the beers because of unfair reason, there should be no infringement by selling the Defendant's goods.

In addition, we believe that the distinctiveness of the trademarks "PRIME SELECT" and "PURE&FREE" are somewhat weak because these words descriptively show the taste of the beers while Kaiserdom's trademark "PROSTEL" is rather distinctive for their products.

If our understanding is correct, any infringement by the Defendant should be denied and even if the infringement was confirmed, the trademark contribution ratio should be less than 30%.