

Report Q203

in the name of the Japanese Group

Damages for infringement, counterfeiting and piracy of Trademarks

Questions

1) The state of the substantive law in the countries

- 1) *The Groups are invited to indicate, in summary form, if their national law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks and what the conditions are for liability for those different kinds of infringement, counterfeiting and piracy.*

The Groups are also invited to indicate if these various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.

Under the Japanese Trademark Act, infringement, counterfeiting and piracy are not distinguished from each other and are all treated as infringement.

The criteria for infringement are as follows: (1) The plaintiff owns the trademark right in question, (2) The infringer has placed a mark identical or similar to the trademark on goods identical or similar to the designated goods, and (3) The infringer's use of said mark constitutes a trademark use of the mark. The infringer may use the fact that it has been licensed to use the trademark as a defense. Since no distinctions are made among the aforementioned three types of trademark violation, the calculation method for damages is technically the same in all three cases.

In the case of trademark infringement committed by slight negligence, the court may reduce the damages under Article 38, para.4 of the Japanese Trademark Act, which permits such reduction for trademark infringement committed neither intentionally nor by gross negligence. There is a judicial precedent where the court increased the total damages payable by the defendant who continuously mass-produced infringing goods even after receiving criminal punishment. The court made the increase by factoring in the intangible damage to the trademark holder's reputation when assessing the amount of damage. This suggests that, in piracy cases or other cases where the infringer is engaged in continuous mass-production of infringing goods, the damages tend to be larger than in other cases.

- 2) *The Groups are asked to present in a summarised form the legal theories in their respective jurisdictions for the assessment of damages for the violation of trademark rights.*

Is this assessment based on the ground of civil liability or on the ground of violation of property ownership or some other ground(s)?

In a trademark infringement case, the damages are assessed based on the following two legal theories: (1) the damages for tort and (2) the right to demand restitution of unjust enrichment.

- 1) The damages for a tort

Under this legal theory, both the infringement of a property right and the civil liability are

taken into consideration. This is because trademark infringement constitutes a violation of a property right of another person, which is regarded as a tort. Any person who commits a tort shall be liable for damages under the Civil Code (Article 709 of the Civil Code). The criteria for tort are as follows:

- A right or interest has been infringed;
- Infringement has been committed intentionally or by negligence (it should be noted, however, that the infringer is presumed negligent under the Trademark Act (Article 103 of the Patent Act applied mutatis mutandis to Article 39 of the Trademark Act)); and
- Another person has suffered damage.

In addition to the aforementioned damage to a property right, the court sometimes orders the infringer to compensate damage to the trademark holder's goodwill.

Please note that the Japanese legal theory concerning damages for tort puts emphasis on the compensation for the damage caused by a property right infringer to the right holder and not on the prevention or punishment of infringing acts.

2) The right to demand restitution of unjust enrichment

A person who has benefited from another person's property right without any legal cause shall return the benefit to the holder of the property right (Article 703 of the Civil Code). Under this legal theory, any person who uses (i.e., infringes) another person's trademark shall return the unjust enrichment to the trademark holder. The criteria for unjust enrichment are as follows:

- A person has benefited from another person's property;
- The person has caused loss to any other parties;
- There are no legal causes.

3) *The Groups are asked to indicate what factors are taken into account in the assessment of damages and how the value of the trademark is used in this assessment.*

a) *Do the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity?*

When the amount of damage is calculated under Article 38, para.2 of the Trademark Act (Infringer's profits), the court takes into account not only the popularity of the trademark acquired through use and publicity but also its inherent distinctiveness. If the infringed trademark is enjoying a high level of prominence acquired through use and publicity, in other words, if a famous trademark is infringed, the profits to be earned by the infringer are determined by the ability of the registered trademark to attract customers. Therefore, the amount of an infringer's profits is deemed to be the amount of damage suffered by the trademark holder in most cases. On the other hand, in the case of a registered trademark that has little inherent distinctiveness and has acquired only a low level of prominence through use and publicity, the infringer's profits cannot be considered to have been gained solely by the ability of the registered trademark to attract customers. In such a case, the court may take into consideration the degree of contribution of the trademark to the infringer's profits and may deem only a part of the infringer's profits as the amount of damage to the trademark holder.

Similarly, when the amount of damage is calculated under Article 38, para.3 of the Trademark Act (Royalties), the court takes into account not only the popularity of the trademark acquired through use and publicity but also its inherent distinctiveness. If the infringed trademark is enjoying a high level of prominence acquired through use and publicity, in other words, if a famous trademark is infringed, the court tends to fix a

relatively high royalty rate for damage assessment. There are precedents where the court judged that the amount of royalties may be deemed to be the amount of damage even though the trademark has never been used by the trademark holder and therefore has not acquired any prominence through use. The court made such a judgment based on the grounds that the trademark itself had the ability to attract customers (customer popularity). In other cases, the court fixed a relatively low license fee for damage assessment based on the grounds that the trademark in question had little inherent distinctiveness.

Since a trademark becomes famous through use and publicity, the court puts importance on a high level of prominence that a trademark has achieved through use and publicity. Furthermore, in determining whether a trademark is famous and, if yes, to what degree, the court takes into account the investment that the trademark holder has made to make the trademark well known.

- b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*

The same as a) above.

- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*

If the holder of an infringed trademark proves the causal relationship between its lost sales and the infringer's act and the validity of its calculation of the lost sales, the amount of damage may be calculated based on the lost sales. The actual amount of damage is calculated by subtracting from the lost sales the expenses that would have been required to generate that amount of sales. In reality, it is difficult to prove such a causal relationship. That is why we have established Article 38, para.1 through para.3 of the Trademark Act.

- d) *Do the Courts take into account price erosion? If so, how?*

There are no judicial precedents concerning a trademark infringement where price erosion was at issue. There are, however, some judicial precedents concerning an infringement of a utility model and a violation of the Unfair Competition Prevention Act where the court ordered the payment of damages for the damage caused by price erosion. In those cases, the amount of damage was calculated based on the discrepancy between the price at which the goods could have been sold without the infringement and the discounted price due to the infringement. The price at which the goods could have been sold is not necessarily the sale price announced before the infringement was committed. A price lower than the announced price may be used for calculation if a part of the discount is considered to have been inevitable in view of the market conditions and other circumstances.

- e) *Do the Courts distinguish between actual lost sales (i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer? If so, which sales matter?*

Yes, they do.

In Japan, the holder of an infringed trademark is prohibited from demanding damages larger than the actual amount of damage because the purpose of damages is to compensate the holder of an infringed trademark for the damage. Therefore, in a case where the holder of an infringed trademark proves the infringer's profits under Article 38, para.2, even if the profits are larger than the actual amount of damage suffered by the trademark holder, the maximum amount of damage that the court may find is the amount of damage suffered by the trademark holder.

When it is difficult to prove the actual amount of lost sales, the amount of an infringer's profits is deemed to be the amount of lost sales.

In this sense, the actual lost sales matter more than the infringer's profits.

- f) *Do the Courts treat parallel imports differently? If so, what is the legal basis for this differentiation?*

No Japanese statutory law has a provision on parallel import. In principle, an act of parallel import constitutes trademark infringement. However, it is widely accepted based on judicial precedents that, if a parallel importer satisfies all of the following conditions, the act of parallel import may be considered as a legal undertaking and should not be regarded as trademark infringement.

In the case of an act of parallel import, which constitutes trademark infringement unless it is conducted legally as mentioned above, the amount of damage is calculated in the same way as in regular trademark infringement cases.

- 4) *In case the compensation is evaluated on the basis of lost profits of the trademark owner or an account of the profits arising from infringement:*

- a) *What are the key principles?*

In assessing the amount of damage, the court deems the lost profits of the trademark holder or the profits earned by the infringer as the amount of damage.

- 1) *The lost profits of the trademark holder*

The lost profits of the trademark holder are calculated by multiplying the trademark holder's profit per unit of goods by the number of goods that the trademark holder lost the opportunity to sell due to the act of infringement. Since it is difficult to estimate the number of goods that the trademark holder lost the opportunity to sell due to the act of infringement, Article 38, para.1 of the Trademark Act specifies the following method to calculate damages:

"The quantity of goods sold by the infringer*" multiplied by "the amount of profit per unit of goods of the trademark holder" shall be deemed to be the amount of damages (within the limits of the trademark holder's production and sales capabilities).

*If all or some of "the quantity of goods sold by the infringer" could not have been sold by the trademark holder for some reason, such quantity of goods will be deducted from the total quantity.

- 2) *The profits earned by the infringer*

The amount of profits earned by a trademark infringer is deemed to be the amount of damage suffered by the trademark holder (Article 38, para.2). The same shall not apply to a trademark that has not been used by the trademark holder.

- b) *How are the profits defined and how are they calculated?*

Before calculating the trademark holder's lost profits, the amount of profit per unit of goods of the trademark holder needs to be calculated. Since Japanese laws do not define "profit," the courts have been divided over whether to deduct overhead costs such as personnel costs and equipment costs from the sales whereas there has been a consensus that direct costs such as raw material costs and purchasing costs should be deducted from the sales. These days, it is widely accepted that overhead costs may be deducted from the sales only if the act of infringement kept the trademark holder from making investments in equipment and increasing its workforce, which would have allowed the trademark holder to achieve its target sales if there were no infringement. The same applies to the calculation of the infringer's "profits."

c) *What shares of the profits are attributed to the trademark owner and any licensees?*

Any licensee who has an exclusive license or a monopolistic nonexclusive license may demand damages.

Exclusive licensees are those who have exclusive licenses registered in the JPO's registry. An exclusive license prohibits any other party including the trademark holder from using the trademark within the scope of the license. An exclusive licensee may, like the trademark holder, demand an injunction or damages at its own discretion.

Monopolistic nonexclusive licensees are those who have concluded monopolistic license agreements and have been actually using the trademark. A monopolistic nonexclusive licensee, who monopolizes the use of the trademark in practice, may demand damages but may not claim an injunction.

On the other hand, a non-monopolistic nonexclusive licensee may not demand damages.

In a judicial precedent on trademark infringement that involved a monopolistic nonexclusive license, the court ordered the infringer to pay the monopolistic nonexclusive licensee the damages calculated by subtracting from the amount of damage determined based on the infringer's profits the royalties payable to the trademark holder and to pay the trademark holder the damages equal to the royalties.

d) *Does the strength of the trademark come into play in apportioning the profits?*

The strength of a trademark affects the calculation of the profit in some cases. In a case where the plaintiff claims damages under Article 38, para.2 (Infringer's profits) of the Trademark Act, if the infringed trademark is well-known and recognized as a famous trademark, the court tends to deem the amount of infringer's profits as the amount of damage. On the other hand, if the trademark is neither distinctive (has little ability to attract customers) nor well known, the court tends to deem only a part of the amount of infringer's profits as the amount of damage based on the grounds that the use of the trademark generated only a part of the infringer's profits.

5) *In case the monetary compensation is assessed on basis of a royalty,*

a) *How is the royalty rate fixed?*

- 1) The damage suffered by the holder of an infringed trademark may be assessed based on royalties under Article 38, para.3 of the Trademark Act.
- 2) If the trademark has been licensed to another party, the royalty rate is often used as the rate for monetary compensation assessment. In this case, the royalty rate is adjusted in consideration of the following factors:
 - Whether the license is exclusive or not;
 - The brand image;
 - The relationship between the trademark holder and the licensee (for instance, if the trademark holder is the representative director of the licensee, the royalty rate for monetary compensation assessment would be fixed higher than the actual royalty rate set between the two parties. On the other hand, in the case of a trademark license granted as a part of a franchising agreement, the royalty rate for monetary compensation assessment should be fixed lower than the franchising rate, which is meant to cover the costs for management support and know-how transfer in addition to the trademark royalty);
 - The scale of use of the trademark by the trademark holder or the licensee (Sales volume);

- Whether the territory where the trademark holder or the licensee was using the trademark overlapped with the area where the act of infringement was committed;
- The degree of similarity between the infringing goods and the goods on which the trademark has been placed by a trademark holder or the licensee (if the likelihood of confusion is small because the infringing goods are completely different from the authentic goods, the rate for monetary compensation assessment will be fixed lower than the royalty rate applied to the licensee.);
- The existence or non-existence of substitute goods;
- Whether confusion has actually taken place or not;
- The degree to which the use of a similar trademark by the infringer contributed to boosting the infringer's sales (for example, if the infringer attains the sales mostly through its own capital strength, marketing effort, prominence, brand image, quality, technology, or design, the royalty rate for monetary compensation assessment will be fixed lower than the royalty rate applied to the licensee.); and
- The type of the infringing act (there is a judicial precedent concerning the Unfair Competition Prevention Act where the royalty rate for monetary compensation assessment was fixed higher than the actual royalty rate because the infringer continued selling counterfeit goods that were extremely similar to famous goods at very low prices even after receiving a warning and seeing a lawsuit filed against it).

Before the revision in 1998, Article 38, para.2 of the Trademark Act specified that "the amount the holder of trademark right or of exclusive right to use would have been usually entitled to receive for the use of the registered trademark." After the revision, the word "usually" was deleted from the provision. Before the revision, a trademark infringer was often permitted to use the trademark by paying the amount determined based on the royalty rate applied to any other party licensed to use the trademark or on a standard rate in the relevant industry. This practice was criticized for failing to distinguish an infringer from a legitimate licensee in terms of the amount of payment they were required to make to the trademark holder. This is why the word "usually" was deleted. However, the revision seems to have made little difference in the royalty rate fixed by the court for monetary compensation assessment.

- 3) If the trademark in question has not been in use, the court will take into consideration a standard rate in the relevant industry or a license fee set for any other trademark owned by the trademark holder.

The royalty rate for monetary compensation assessment may be fixed higher than such an industry standard in a case where the trademark holder has no intention of licensing the trademark even if a third party requests such a license.

- 4) In some judicial precedents, the court adopted a license fee agreeable to both parties as the rate for monetary compensation assessment.

- b) *Do the Courts consider whether the mark in question is one which is or was available for licence? If so, how does this affect their analysis?*

The court considers whether the trademark in question is or was available for license and applies the license fee to the calculation of monetary compensation. The court also takes into account the aforementioned circumstances to make a flexible judgment.

- 6) *The Groups are asked to summarise what information in relation to the unlawful activities causing the violation of the trademark can be obtained by the trademark owner in administrative or judicial proceedings in order to assess the level of monetary compensation.*

While we do not have a discovery system as judicial proceedings to obtain information, we have a system under which the court, upon request from either party to a case, orders the other party to submit the requested documents. In many cases, the court does not issue such an order even if a party requests the court to order the submission of documents. This is because, if the court has a determination that an infringement took place, the court would suggest that the infringer voluntarily submit financial documents to provide information on its sales and profits. In most cases, the infringer follows such suggestion.

As administrative proceedings to obtain information, we have a procedure to implement an injunction against the import and export of infringing goods at customs. When the procedure is commenced, the trademark holder is informed of the name and address of the importer, and if identified, the name and address of the producer and the items and volume of goods waiting for import procedures.

- 7) *One of the forms of the prejudice suffered by the trademark owner through the infringement is the damage to the trademark in a reputational sense (diluting exclusivity). The Groups are invited to report if this form of prejudice is considered by the Courts and what are the factors that are used in their evaluation?*

If the holder of an infringed trademark suffers damage to its reputation or goodwill, the court may order the infringer to pay damages to compensate the intangible damage. The following factors are taken into consideration in judging whether the trademark holder's reputation has been damaged, and if yes, to what extent:

- The difference between the trademark holder's goods and the infringing goods in terms of quality;
- Whether the trademark has established a brand image and achieved a high level of prominence;
- To what extent the brand image of the trademark was negatively affected;
- How the infringer sold infringing goods (whether the infringer was aware of the fact that its act constituted an infringement, whether the infringer was engaged in the production, wholesale, or retail of infringing goods, the scale of sale, the period of sale, prices, etc.);
- How and to what degree consumers actually mistook the infringing goods for authentic goods; and
- Whether the damage is recoverable through apology advertisements.

There are some judicial precedents where the court assessed the amount of damage to be larger than the amount calculated under Article 38, para.1 through para.3, seemingly by recognizing the need for compensation for reputational damage. The court considered such upward adjustment necessary because the amount calculated under any of those provisions was too low in view of the scale of actual damage.

- 8) *The Groups are also asked to indicate if the moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities (where the goods do not originate from the trademark proprietor or are not marked with his consent) is taken into consideration in the evaluation of the damages and/or the account of profits. If so, what are the consequences?*

In calculating damages under the Trademark Act, the court does not take into account whether the infringement was a willful act or not. However, the fact that the infringement was a willful act could affect the calculation of the amount of reputational damage and the amount of attorney's fee.

The Groups are also asked to indicate if ignorance of the trademark and/or ignorance of the infringement is taken into consideration in the evaluation of damages or the account of the profits.

Under the trademark Act, the amount of damage is calculated in the same manner regardless of whether the infringement was committed intentionally or by negligence. In the case of infringement committed neither intentionally nor by gross negligence (i.e., in the case of an infringement committed by slight negligence), the court may take it into consideration in evaluating the damage and reduce the damages. Therefore, in a case where the infringer is not aware of the existence of the registered trademark or the possibility of infringement, if the ignorance is not found as gross negligence, the court may reduce the damages.

In the case of an infringement committed neither intentionally nor by negligence, the trademark holder may not demand damages. However, the trademark holder may demand damages unless the infringer proves the absence of negligence, because the infringer is presumed to be negligent under the Trademark Act even if the infringer has been unaware of the existence of the registered trademark or the possibility of infringement.

Finally, is the scale of the counterfeiting or piracy an additional element which influences the assessment of damages and/or account of the profits? If so, what are the consequences?

The scale of counterfeiting or piracy does not affect how the damages are assessed. However, it may affect the amount of damages. If the scale of counterfeiting or piracy is large, the volume of goods transferred by the infringer would be large as well. As a result, the trademark holder would suffer a great amount of lost profits. Consequently, the amount of damage assessed by the court tends to be large. In the meantime, the damage calculated based on the infringer's profits also tends to be large because the infringer enjoys a great amount of profits if the scale of counterfeiting or piracy is large. Furthermore, the damage calculated based on royalties also tends to be large because the total amount of royalties imposed on those goods would grow in tandem with an increase in the volume of goods transferred by the infringer.

- 9) *Is the evaluation of damages based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation, for example, a violation of a licence?*

A license violation does not necessarily constitute a trademark infringement. A licensee would be considered to have committed trademark infringement only if the licensee is found to have used the trademark beyond the scope of the license agreement. If a licensee's act is considered trademark infringement, the damage would be calculated in the same manner as in an ordinary trademark infringement case.

It is not clear under what circumstances a license violation constitutes a trademark violation. Most cases where a license violation is at issue involve the issue of parallel import. There is a judicial precedent where the Supreme Court ruled on the legality of the parallel import of goods produced in a country other than the countries designated in a license agreement. The Supreme Court set criteria that the act of parallel import must satisfy in order to be considered legal and judged that the act of parallel import constituted trademark infringement by holding that the production of the goods bearing the trademark in undesignated countries was beyond the scope of the license and that the act of parallel import damaged the source-indicating function of the trademark and also impaired the quality-guaranteeing function of the trademark because the quality of those goods was not managed by the trademark holder. While it is possible to interpret this judgment as indicating that even a minor violation of a license agreement could impair the source-indicating function of the trademark as long as

the placement of the trademark is found illegal, this judgment is interpreted by many scholars as indicating that a license violation constitutes a trademark infringement only if the licensee commits a violation of such significance that could damage the quality-guaranteeing function of the trademark for example.

10) *The Groups are also invited to explain the problems and practical difficulties that the trademark owners face in the assessment of the damages and/or account of the profits for the violation of trademark rights?*

If the holder of an infringed trademark claims that the amount of its lost profits should be deemed as the amount of damage caused by the infringement, the trademark holder would have difficulty in proving a direct causal relationship between the lost profits caused by the lost opportunities to sell authentic goods and the sale of infringing goods by the infringer. It would be even more difficult for the holder of an infringed trademark to prove the loss if there is a wide price gap between authentic goods and infringing goods or if infringing goods are not exact copies of authentic goods.

Furthermore, it is difficult for a trademark holder to uncover the whole picture of the act of infringement committed by the infringer and prove the damage caused by the infringement. In many cases, infringers sell infringing goods only for a short period of time until those goods are sold out. Since infringers tend to pay little attention to legal compliance, proper preparation and storage of transactional documents are unlikely. Under these circumstances, the holder of an infringed trademark is unable to uncover the whole picture of infringement. In the case of infringement committed online, false information about the infringer available on the Internet makes it even more difficult to uncover the infringement. Even if a single infringer is responsible for many acts of infringement, the trademark holder could not identify the infringer if the infringer uses different IDs, etc.

The holder of an infringed trademark who chooses to calculate the amount of damage based on the lost profits under Article 38, para.1 is required to reveal the profit per unit of authentic goods and submit related materials on the prices of authentic goods, the completion of the sale of those goods, etc. Since such information and materials are usually kept from the public as trade secrets, the holder of an infringed trademark tends to hesitate to claim damage under this provision.

If the holder of an infringed trademark chooses to calculate the damage based on an infringer's profits under Article 38, para.2, the calculated damage would be smaller than the actual damage if the infringer has sold infringing goods at extremely low prices and gained only small profits. The difficulty of proof mentioned earlier is especially evident in this case. Even if the infringer submits information on its profits in compliance with the court order, the lack of means to verify the information would leave the trademark holder no other option but to use the submitted information for damage assessment.

If the holder of an infringed trademark chooses to calculate the damage based on royalties under Article 38, para.3, the calculated damage would often be smaller than the actual damage, failing to fully offset the infringer's profits from the infringing act.

In the meantime, Article 105-3 of the Patent Act applied *mutatis mutandis* to Article 39 of the Trademark Act specifies that, in a case where the court determines that the infringement caused damage, if "it is extremely difficult for the court, due to the nature of the facts, to prove the facts necessary to determine the amount of damage," the court may determine a reasonable amount of damage. This provision is designed to be applied to such cases where the holder of an infringed trademark has been forced to discount its goods due to the act of infringement or is unable to prove the sales volume. In reality, this provision is rarely applied, leaving the difficulty of proof unsolved.

- 11) *In some cases the national law may provide, as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign.*

If this applies in their national law, the Groups are asked to indicate, if this confiscation influences the evaluation of the damages.

In a trademark infringement case, the court may order the disposal of infringing goods. There are no judicial precedents where a court order for disposal of infringing goods affected the amount of damages. There is a judicial precedent where the court found the infringer liable for the damage calculated under Article 38, para.3 (Damage determined based on the license fee) even though the infringing goods were returned from the purchaser of the goods to the infringer based on the grounds that the sale of those goods had, in fact, taken place. Similarly, the court did not reduce the damage calculated under said provision in such judicial precedents where the purchaser refused to pay for the infringing goods that had been confiscated by the police and where the infringer provided non-infringing goods of the same kind as compensation.

- 12) *The Groups are asked to indicate if the jurisprudence in their countries is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.*

In Japan, judicial precedents are found useful to some extent in the assessment of monetary compensation for a trademark violation.

In this context, the Groups are invited to indicate if they are satisfied with the degree of certainty in their laws on evaluation of the compensation.

We are satisfied with the degree of certainty.

- 13) *The Groups are finally asked to explain any other issues related to the topic which would appear useful in the examination of the question.*

Not especially.

II) Proposals for the future harmonisation

- 1) *The Groups are requested to indicate if the evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and if this harmonisation should be undertaken through an international treaty.*

We consider it inappropriate to subject the process of evaluating damages for trademark infringement to international harmonization in a uniform manner. However, we consider a minimum level of international harmonization necessary for reduction of the burden of proof. Furthermore, in view of the increasing importance to prevent the occurrence of malicious infringement, we consider it a good idea to promote the international harmonization of the evaluation of damages for a certain act of counterfeiting or piracy such as a case of infringement of an internationally famous trademark where the infringer places a mark identical or substantially identical to the registered trademark on the kind of goods that are sold or likely to be sold by the trademark holder. Such international harmonization should be implemented under an international treaty.

- 2) *The Groups are requested to indicate what should be, based on their national experience, the harmonised system for the evaluation of damages for violation of the trademark rights.*

In view of the importance of predictability and the reduction of the burden of proof as mentioned in the preceding paragraph, we consider it meaningful to design a harmonized system in such a way that allows the trademark holder to deem any of the following three

amounts as the amount of damages payable by the infringer: (1) the lost profits suffered by the trademark holder, (2) the infringer's profits, or (3) the amount equivalent to the license fees. To prevent the occurrence of trademark infringement, we need to establish a harmonized system that makes an infringer pay such amount of damages that fully offsets the profits generated from the infringement. The harmonized system should also be designed to reduce the burden of proof shouldered by the trademark holder especially in a case where the infringer's act of counterfeiting or piracy is intentional or malicious. In such a case, the goal of the harmonized system should not aim beyond the reduction of the burden of proof shouldered by the trademark holder. We consider it inappropriate for the harmonized system to require the payment of punitive damages.

- 3) *The Groups are invited to make any other suggestions about possible future developments of the present question.*

Not especially.

Summary

- 1) The state of the substantive law in Japan
 - 1.1) Under the Japanese Trademark Act, infringement, counterfeiting and piracy are not distinguished from each other and are all treated as infringement.
 - 1.2) In trademark infringement cases, the damages are assessed mostly based on a legal theory that requires the payment of damages for a tort. Trademark infringement constitutes a violation of another person's property right, which is regarded as a tort. Any person who commits a tort shall be liable for damages under the Civil Code (Article 709 of the Civil Code). The criteria for tort are as follows:
 - A right or interest of another person has been infringed;
 - Infringement has been committed intentionally or by negligence (it should be noted, however, that the infringer is presumed negligent); and
 - Another person has suffered damage.
 - 1.3) In determining the amount of damages, a court takes into consideration whether the disputed trademark is famous or not, while paying little attention to whether the trademark is inherently distinctive or not. There are no judicial precedents where price erosion was at issue.
 - 1.4) In Japan, the purpose of damages is to compensate the holder of an infringed trademark for damage. In order to reduce the burden of proof, the Japanese Trademark Act has provisions specifying that any of the following amounts may be legally deemed or presumed as the amount of damages: (1) the sales loss suffered by the holder of the infringed trademark, (2) the profits of the infringer, or (3) the amount equal to the license fees.
 - 1.5) Whether the infringement was a willful act or not usually does not affect the calculation of the amount of damages. However, the fact that the infringement was a willful act could affect the calculation of the amount of reputational damage and the amount of attorney's fee.
 - 1.6) The scale of counterfeiting or piracy does not affect how the damages are assessed. However, it may affect the amount of damages.
 - 1.7) In Japan, judicial precedents are found useful in the assessment of monetary compensation for a trademark violation. We are satisfied with the degree of certainty in our law in terms of the evaluation of compensation.

- 2) Proposals for future harmonization
We consider a certain level of international harmonization necessary to make it possible for the trademark holder to predict the amount of damages and to reduce the burden of proof. In view of the increasing importance of preventing the occurrence of malicious infringement, we consider it a good idea to promote the international harmonization of the evaluation of damages for a certain act of counterfeiting or piracy, such as a case of intentional infringement of an internationally famous trademark where the infringer places a mark identical or substantially identical to the registered trademark on the types of goods that are sold or likely to be sold by the trademark holder. Such international harmonization should be implemented under an international treaty.

Résumé

- 1) Etat actuel des droits positifs japonais
- 1.1) La loi sur la marque japonaise ne distingue pas la violation, la contrefaçon et la piraterie et traite l'ensemble comme une infraction.
- 1.2) La théorie des dommages-intérêts basés sur une infraction est principalement appliquée en tant que théorie afin de pouvoir évaluer les dommages-intérêts pour violation du droit de marque. La violation du droit de marque est identifiée comme une violation de la propriété d'autrui et cette violation est considérée comme une infraction. Le code civil (article 709) inflige l'obligation de dommages-intérêts pour une infraction. Les critères de l'infraction sont déterminés comme suit:
- l'acte viole le droit ou le bénéfice d'autrui,
 - l'acte est exécuté avec intention ou par faute (cependant, la faute du violateur est présumée à la loi sur la marque),
 - l'acte a provoqué des dommages à autrui.
- 1.3) La popularité de la marque est prise en considération pour déterminer les dommages-intérêts, alors que la particularité inhérente n'est pas considérée. Il n'existe pas de jurisprudence qui tient compte de l'érosion des prix.
- 1.4) Les dommages-intérêts au Japon sont un moyen pour couvrir les gains manqués par la victime. Des dispositions telles que décrites ci-dessous sont fixées pour faciliter la détermination de la somme endommagée: (1) Estimer le déficit du chiffre d'affaires de la victime en tant que somme endommagée. (2) Présumer le bénéfice du violateur en tant que somme endommagée. (3) Considérer la somme équivalente au droit de licence comme somme endommagée.
- 1.5) La loi, en ce qui concerne l'évaluation des dommages-intérêts, ne prend pas en compte si l'acte de violation fut commis avec intention ou si l'acte ne fut pas ordinaire. Cependant, si la violation fut commise avec intention, l'évaluation de la somme des dommages-intérêts pour diffamation de confiance ou de la somme des dommages-intérêts équivalents aux honoraires d'avocat peut varier.
- 1.6) L'étendue de contrefaçon ou de piraterie ne change pas le mode de jugement des dommages-intérêts, mais peut avoir des répercussions sur la somme des dommages-intérêts.
- 1.7) Les jugements cités sont de bonnes références pour évaluer l'indemnisation financière en ce qui concerne le cas de violation du droit de marque. Nous sommes assez contents du niveau de stabilité de notre législation quant à l'évaluation des dommages-intérêts.
- 2) Propositions pour une harmonisation future
Un certain niveau d'harmonisation serait nécessaire pour garantir la prévisibilité de la somme des dommages-intérêts pour la personne y ayant droit et réduire la charge de preuve. De

plus, si l'on considère la nécessité sérieuse de réprimer des actes de violation, on peut penser à harmoniser à l'échelle internationale l'évaluation des dommages-intérêts en ce qui concerne les cas de contrefaçon ou de piraterie limitatifs, c'est-à-dire les cas où la violation fut commise avec intention envers une marque célèbre dans le monde entier et au cas où le violateur a utilisé une marque identique ou substantiellement identique pour des catégories de marchandises que le possesseur de marque vend ou a une grande possibilité de vendre. Nous pensons qu'il faudrait appliquer une convention internationale lorsqu'on procède à l'harmonisation internationale.

Zusammenfassung

- 1) Das aktuelle materielle Recht in Japan
 - 1.1) Das japanische Warenzeichenrecht unterscheidet nicht zwischen infringement, counterfeiting und piracy, sondern behandelt alle diese Tatbestände als infringement.
 - 1.2) Bei Markenrechtsverletzungen werden Schadensersatzleistungen hauptsächlich gemäss dem Prinzip des Schadensersatzes aus Delikt festgelegt. Eine Markenrechtsverletzung entspricht der Verletzung eines Eigentumsrechts, bei der es sich wiederum um ein Delikt (tort) handelt. Das Begehen eines Delikts verpflichtet zivilgesetzlich zur Leistung von Schadensersatz (Zivilgesetzbuch Art. 709). Ein Delikt liegt unter folgenden Bedingungen vor:
 - Das Recht oder die Interessen einer Person wurden verletzt.
 - Es lagen Vorsatz oder Fahrlässigkeit vor (wobei über Fahrlässigkeit im Falle der Verletzung eines Markenrechts nur gemutmasst wird).
 - Eine Person wurde geschädigt.
 - 1.3) Bei der Bemessung des Schadensersatzes wird zwar die Bekanntheit der Marke berücksichtigt, jedoch nicht ihre inhärente Unterscheidungskraft. Es existieren keine Präzedenzfälle, bei denen ein Preisverfall Berücksichtigung gefunden hätte.
 - 1.4) Das japanische Leitprinzip besteht in der kompensatorischen Zubilligung von Schadensersatz an den Geschädigten für den erlittenen Schaden. Um den Nachweis der Schadensmenge einfacher zu gestalten, wurden u.a. folgende Möglichkeiten geschaffen: (1) Der Schaden wird anhand des Umsatzrückgangs des Verletzten bemessen, (2) der Schaden wird auf Grundlage des vom Verletzer erzielten Gewinns bemessen, oder (3) die Schadensmenge wird in Höhe der jeweiligen Lizenzgebühren festgelegt.
 - 1.5) Die Frage, ob die Markenverletzung vorsätzlich erfolgte oder nicht, ist normalerweise juristisch nicht relevant. Allerdings besteht die Möglichkeit, dass eine vorsätzlich begangene Verletzung Einfluss auf die Höhe eines Vertrauensschadens oder die eventuelle Erstattung von Anwaltskosten nimmt.
 - 1.6) Auch bei Fälschung und Markenpiraterie wird der zu leistende Schadensersatz nach dem beschriebenen Verfahren bestimmt, wobei sich diese Tatbestände allerdings auf die Höhe der Kompensation auswirken können.
 - 1.7) Was die geldliche Kompensation von Markenverletzungen betrifft, wie sie aus Präzedenzurteilen hervorgeht, so sind wir in diesem Punkt mit der Rechtssicherheit in Japan im Grossen und Ganzen zufrieden.
- 2) Vorschlag hin zu einer einheitlichen Regelung
Unserer Meinung nach besteht ein gewisser Harmonisierungsbedarf dahingehend, dass für den Rechtsinhaber die voraussichtliche Schadensersatzhöhe besser einschätzbar werden und eine Erleichterung der Beweislast stattfinden soll. Da zudem vor allem böswillige Rechtsverletzungen verhindert werden sollen, also bestimmte Fälschungs- und Pirateriedelikte,

z.B. die vorsätzliche Verletzung der Markenrechte international bekannter Marken, bei denen der Markeninhaber Produkte unter einem identischen oder sachlich identischen Markenzeichen verkauft oder die Wahrscheinlichkeit eines solchen Verkaufs zumindest hoch ist, sollte hier eine internationale Harmonisierung bei der Festsetzung der Schadensersatzhöhe stattfinden. Eine solche Harmonisierung soll in Form eines internationalen Vertrags durchgeführt werden.