

Defense against Claims of Unfair Competition

A footwear trading company was sued by a Japanese shoe distributor for unfair competition in the Japanese marketplace. The Japanese shoe distributor had an exclusive license to sell the products of a certain Danish shoemaker who had originally manufactured and sold football cleats. The Japanese shoe distributor claimed that the design of the footwear trading company's sneaker was confusingly similar to one of the Danish shoemaker's football-inspired sneaker designs, which they alleged was well-known to consumers as part of the Danish shoemaker's brand.

KLO was engaged to defend the footwear trading company from demands that the footwear trading company stop selling the sneakers and compensate the Japanese shoe distributor for lost profits resulting from consumer confusion.

In the first trial, we reasoned that a simple denial would be the most effective defense. We argued that the Danish shoemaker's football-inspired sneaker design was not well-known to general consumers of sneakers, backing this up with the results of a general consumer survey conducted by an independent research company. The court sided with KLO's reasons and rejected both the Japanese shoe distributor's request for an injunction on sales in Japan and its claims for compensation. However, the trial court did state that, due to the Danish shoemaker's sponsorship of a Danish national football team, the design of the Danish shoemaker was, in fact, well-known among consumers of football cleats.

The trial court's affirmation of the Danish shoemaker's fame among football fans posed a risk of a judgment in favor of the Japanese shoe distributor at the appeal court. And so, at the appeal, KLO submitted additional evidence that the sponsored football team players were not actually using the football cleats of the Danish shoemaker, further denying the possibility of confusion among even football-loving consumers.

The appeal court received KLO's new evidence in its first session and quickly implied its intention to rule in favor of the footwear trading company, . However, even if the footwear trading company were to win outright in this case, it would have remained open to a risk of being sued all over again for trademark infringement by the Danish shoemaker.

We advised the footwear trading company to thoughtfully settle all aspects of the dispute at the same time. The footwear trading company ultimately agreed to give up the use of its sneaker design in exchange for several tens of millions of yen and a broad indemnification agreement. The indemnification agreement protected our client from all future claims by either the Japanese shoe distributor or the Danish shoemaker, in relation to the sneaker design.

Locations in which this case decision was published or cited:

- Japanese Court Website:
http://www.courts.go.jp/app/files/hanrei_jp/630/035630_hanrei.pdf
- Shoen Ono, *Shin Chukai Fuseikyoso Boshi Ho (New Commentary on Unfair Competition Prevention Act)*, 3rd edn, book one, Tokyo, Seirin Shoin K.K., 2012, pp121-122.