

# 1 Typology of Acts of Infringement of Trademark Rights by Country

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*The purpose of the trademark system of Japan is to protect business confidence that is embodied in registered trademarks. Several revisions have been made to the Trademark Act where necessary so far in order to create an environment for providing more valuable goods or services by making use of attractive brands.*

*Under the circumstances where there is demand for intensified protection of brands and remedies for infringement of rights in order to ensure effective protection, various issues have been raised, including: protection of famous trademarks with high brand value; restriction on the use of trademarks that have become general terms; restriction on the exercise of rights in registered trademarks not in use; responsibility of agencies engaged in importing fake brand products and counterfeits on behalf of individuals.*

*In this study focusing on these issues, we reviewed the legal systems of the United States, Europe (EU, United Kingdom, Germany, and France) and China, and collected and analyzed relevant judicial precedents in these jurisdictions. We also surveyed the needs among Japanese users and investigated the actual state of trademark infringement acts. Through these activities, we sought out a desirable trademark system in Japan based on international comparison and opinions of Japanese users.*

## I Introduction

### 1 Background of the study

The trademark system of Japan is designed to protect brand values and reputations of business operators that are embodied in registered trademarks, while also protecting consumers' interest.

Several revisions have been made to the trademark system so far in order to respond to changes in the industrial structure and movements toward international harmonization of trademark systems. However, further discussions have been demanded to examine issues concerning an ideal framework for protection of trademark rights, including how to protect famous trademarks, how to respond to generalization of trademarks, and how to deal with registered trademarks not in use. The Intellectual Property Strategic Program 2006 also pointed out the necessity to consider the possibility of placing responsibility on agencies engaged in importing fake brand products and counterfeit drugs on behalf of

individuals.

Against this background, in this study focusing on the following issues, we investigated the actual state of the use of trademarks and acts of trademark infringement in Japan, while conducting surveys and analysis for international comparison of the countermeasures against such infringement acts, with the aim to explore a desirable form of trademark system in Japan.

<Target issues in this study>

- I. Ideal system for protecting famous trademarks
- II. Generalization of trademarks
- III. Measures to deal with registered trademarks not in use (defense of non-use)
- IV. Import agency business for individuals

### 2 Methods for implementing this study

#### (1) Questionnaire survey and interview survey targeting domestic companies

We conducted a questionnaire survey

targeting about 2,400 Japanese companies with the objective of understanding the actual state of trademark infringements they were suffering and their countermeasures as well as their needs for protection under the existing trademark system, focusing on the target issues. We also held interviews with 15 companies selected among those that had responded to the questionnaire, so as to gain a detailed understanding of the actual state and needs, and use this as the basis for the discussion in this study.

## **(2) Overseas surveys, including interviews**

For the purpose of comparing overseas systems related to the target issues, we requested law firms in the United States, Europe (the system under the Community Trade Mark Regulations (hereinafter referred to as the "CTM system"), as well as the United Kingdom, Germany, and France), and China to provide us with information on the relevant laws and systems in their countries, legislative purpose and history thereof, and judicial precedents and academic theories, and analyzed the information collected in this way. Also in order to investigate the further details of the legislative history, actual status of implementation, and interpretations of such laws, which we were unable to fully understand in the documentary survey, we interviewed relevant government offices, academic experts and lawyers at law firms in the United States and Europe.

## **(3) Discussion at the Committee**

A committee was formed with nine experts for the purpose of discussing and analyzing the target issues from the technical perspective. The committee members conducted research on the individual target issues that they were in charge by referring to the findings in the overseas survey. Then, based on the results of the research on documents and judicial precedents available at home and abroad, the findings in the domestic questionnaire and interview surveys as well as those in the overseas surveys, the committee discussed the target issues on six occasions.

This report compiles the contents and

conclusions of the discussions on each of the target issues concerning a desirable form of trademark system in Japan.

## **II Ideal system for protecting famous trademarks**

### **1 Statement of the issue**

A trademark that has become well known or famous is capable of attracting customers and has property value or reputation in it. If such a famous trademark is used by parties other than its owner with respect to the goods or services for which it is not supposed to be used, by getting a *free ride* on its capability of attracting customers, such use would weaken the connection between the famous trademark and the owner and undermine the property value of the trademark.

Under the Trademark Act, the effect of a trademark right extends to goods or services that are identical to those designated, and protection is also afforded in the case where the trademark is used by a third party on goods or services that are similar to those designated, by deeming such use as an act of infringement of the trademark right. On the other hand, for the purpose of fully protecting the business reputation embodied in the trademark, the defensive mark registration system is implemented wherein, if the registered trademark is recognized widely among consumers, the owner of the trademark can exclude others from using it to the extent that their use would cause confusion as to the source of goods or services, beyond the scope of goods or services similar to those designated upon registration. However, under the existing protection system, the scope of such defensive right does not change irrespective of however well-known or famous the registered trademark is.

This situation poses a question regarding the necessity to protect registered trademarks, within a framework for protecting well-known or famous trademarks under the Trademark Act in addition to the

defensive mark registration system, by affording a registered trademark, as part of its effect, the power to prohibit parties other than the owner from using it on goods or services that are dissimilar to those designated but would cause confusion as to the source of goods or services. Protection under the Trademark Act would also be needed where the use by others would dilute the registered trademark or undermine its reputation, even if there is no possibility of causing confusion as to the source of goods or services.

## **2 Protection of famous trademarks in foreign countries**

According to the research on the protection systems for famous trademarks in foreign countries, famous trademarks are afforded prohibitive power under trademark laws, which is also effective with regard to dissimilar goods or services. These systems are designed to protect the “actual value” of trademarks, rather than protecting them only by reason that they are registered or famous.

In all jurisdictions surveyed, in order to obtain protection of famous trademarks from use by others on dissimilar goods or services, it is required to prove that the trademarks are famous, reputable or well-known. However, there is no system wherein rights can be obtained by registering the famousness of trademarks in advance.

Also in all jurisdictions surveyed, whether there is the risk of dilution is determined by examining the substance of infringement acts, such as undermining the trademark’s distinctive character. Regulatory measures focus on dilution due to weakened distinctive character and dilution due to contamination.

In the United States, using famous trademarks in a way other than using them as trademarks is allowed as fair use, whereas in Europe, such use could be, in general terms, subject to regulation if it would cause dilution.

## **3 Discussion at the committee**

Among other points, the committee members stressed the necessity to examine how the Trademark Act and the Unfair Competition Prevention Act shared the role in protecting famous trademarks in Japan, and whether these Acts afforded adequate protection in their own domains.

The provisions of the Trademark Act regarding acts deemed to be infringement of registered trademarks do not apply to the use on dissimilar goods or services, whereas the use of famous trademarks by parties other than the owners on dissimilar goods or services in a manner that would cause confusion as to the source of goods or services, or misappropriation of famous trademarks, shall be governed by the Unfair Competition Prevention Act. However, since Article 2(1)(i) and (ii) of the Unfair Competition Prevention Act provide for “using as an indication of goods or business” as the condition for alleging unfair competition, it is difficult to consider that this Act expressly protects a famous trademark where its fame or reputation or distinctive character is damaged because of being used in a way other than as an indication of goods or business.

In particular, in order to satisfy the condition under Article 2(1)(ii), “using as one’s own indication of goods or business,” the trademark is not only required to be used as an indication of goods or business but also required to be used as “one’s own” indication of goods or business. This means that it is a natural interpretation that the requirement under Article 2(1)(ii) cannot be satisfied where the trademark is used as “another person’s” indication of goods or business. According to the judicial precedents, “using as an indication of goods or business” means using a trademark in a manner that it is used to distinguish one’s own goods from others’. The provision of Article 2(1)(ii) can be construed to exclude from protection any ways of use that would cause problems in terms of freedom of expression, while not taking into consideration the risk of dilution, and in this respect, the scope of regulation

under this provision is narrower than that under the provisions for protection of famous trademarks in the United States and Europe. Furthermore, compared with the relevant provisions applicable in the United States and Europe which require the trademark not only to be famous but also to be at risk of being diluted or suffering damage to reputation, the language in the provision of Article 2(1)(ii) is very unique.

If a new provision should be introduced under the Japanese Trademark Act to protect famous trademarks from dilution or contamination, it would be one possible direction to follow the style of regulation implemented in the United States and Europe, which takes into consideration the risk of dilution, without attaching the condition of “using as one’s own indication of goods or business” set forth in Article 2(1)(ii) of the Unfair Competition Prevention Act. Since the scope of protection under such provision would be broader than that under the Unfair Competition Prevention Act, it is necessary to further examine whether such broad protection is really needed.

With regard to the question of whether or not protection of famous trademarks should be provided under the Trademark Act, the committee has not yet reached any clear and definite conclusion. Although there was no opinion that protection under the Trademark Act was definitely required under the current circumstances where protection was available under the Unfair Competition Prevention Act, the needs for protection from dilution or contamination in some way were clearly indicated. However, on what conditions protection should be afforded under the Trademark Act and what should be the subject of protection have not yet been fully discussed in terms of the balance with the regulation under the Unfair Competition Prevention Act, nor have the needs among companies been clearly unified yet.

According to the domestic questionnaire survey, about 14% of the respondent companies stated that they had suffered damage to the value of their trademarks for which no relief could be obtained under the

Trademark Act, and in particular, they reported that due to the use of their trademarks by others on dissimilar goods or services, confusion was caused as to the source of goods or services and their brand value was damaged. It cannot be said that how to regulate such acts of diluting trademarks has been fully discussed in Japan. In the future, while taking into consideration the argument under the Unfair Competition Prevention Act, we should continue actively discussing the scope of and requirement for protection of famous trademarks independently under the Trademark Act.

### III Generalization of trademarks

#### 1 Statement of the issue

Generalization of a trademark means the phenomenon where, in the case of a trademark used on a new product or trademark used on a product with a large market share, consumers and purchasers have become less aware that the trademark is a *registered* one, and as a result, the trademark that initially indicated the source of the product provided by a particular company has become a generic term that indicates the particular goods or services *per se*.

Whether generalization of a registered trademark can be prevented largely depends on the trademark owner’s efforts, such as performing thorough management of their trademarks and publicizing among consumers that their trademarks are registered. On the other hand, where a party (including administrative authorities) other than the trademark owner uses the registered trademark as a generic term without knowing that the trademark is registered, such use does not immediately constitute infringement of the trademark right because it does not display the trademark’s function of indicating the source. However, where such other party uses the registered trademark in a manner that would weaken the trademark’s distinctive character, the trademark owner has no choice but to

expect that party to kindly stop using it because the Trademark Act does not afford any legal means to prevent such use by others. Therefore, it is argued that some means should be provided so as to enable the trademark owner to stop others from using the registered trademark in a manner that would weaken its distinctive character. In particular, considering that the fact that a trademark has been added to a dictionary as a generic term is regarded as proof of generalization of the trademark, it would be one possible approach to prevent generalization by creating a right to indicate that the trademark added to a dictionary or otherwise reproduced therein as a generic term is a registered one.

When a registered trademark has become a generic term, the effect of the trademark right shall be restricted under Article 26 of the Trademark Act, but the registration shall not be invalidated or cancelled because generalization is not a statutory ground for requesting a trial for invalidation or filing an opposition to registration. Therefore, whether a registered trademark has become a generic term is determined by court in individual trademark infringement cases. Even if generalization of a registered trademark is found in one case, the effect of the trademark right in that trademark may be disputed in other cases until the trademark owner waives the trademark right, placing the trademark right in an unstable state.

## **2 Measures to prevent generalization in foreign countries**

### **(1) Preventive measures for publications**

According to the research on the measures to prevent generalization in foreign countries, Denmark, Sweden, Norway, Finland, the CTM system, Germany, and Spain implement a system wherein the trademark owner can request the publisher of a dictionary, etc. to indicate the fact of registration of the trademark. In all of these jurisdictions, this system only covers dictionaries, encyclopedias and other similar reference works, excluding newspapers and

magazines. Since the contents of a dictionary, etc. are reproduced repeatedly, if a registered trademark is indicated as a generic term in such publication, the trademark is highly likely to lose distinctive character. The CTM system, Germany, and Spain require publishers only to correct the description of the registered trademark in the next edition, so as to reduce their burden. Correction can be made by simply attaching indications to the trademark such as *R, Trademark, Registered Trademark, etc.*

### **(2) Restriction on the right in a registered trademark that has become a generic term, and cancellation system for such trademark**

In Europe (the CTM system, the United Kingdom, Germany, and France) and the United States, where a trademark has become a generic term after it was registered, the effect of the right in the trademark shall be restricted and the registration shall be cancelled. On the other hand, where a trademark was registered despite the fact that it was already used as a generic term at the time of registration, and then it becomes no longer a generic term when cancellation of registration is requested, the registration shall be maintained.

## **3 Discussion at the committee**

If the regulation on the use of a registered trademark as a generic term is applied to literary works in general or products in general, it would expand the regulatory limits under the Trademark Act, which only prohibits the use as a trademark and restricts the effect of the trademark right in a registered trademark that has become a generic term. In this context, the committee discussed, among other points, the necessity of legal measures to prevent generalization and of a cancellation system for registered trademarks that have become generic terms.

### **(1) Necessity of legal measures to prevent generalization**

Introducing the provision to grant the right to request an indication of the fact of registration, like Article 10 of the CTM Regulations, would not only provide for a

relief for the trademark owner but also impose a new obligation on other parties. Therefore, if the scope of such obligation should be expanded so as to make that right effective, it is necessary to define the scope of parties to whom the request can be made by only including publishers of dictionaries and encyclopedias or also including administrative agencies, and further define the scope of works in which the indication should be attached by also including textbooks used at ordinary schools.

In the domestic questionnaire survey, about 10% of the respondent companies stated that they had experienced generalization of their registered trademarks, pointing out “the use of the registered trademark as a generic term in a publication” as a cause of generalization. In light of such circumstances, one possible approach would be to introduce the right to request an indication of the fact of registration as a legal measure to prevent generalization of a registered trademark, as implemented in Europe. However, there was an opinion that in reality, a dispute would rarely occur between the publisher and the trademark owner over generalization of the registered trademark. In this respect, it is reported that publishers correct relevant descriptions in their publications when receiving a notice from a trademark owner that they use the registered trademark. Furthermore, another opinion argues that what is needed in the first place to prevent generalization is the trademark owner’s own efforts, and if any support is required, one possible approach would be to develop guidelines for preventing generalization as a helpful reference for companies’ trademark management. Therefore, when considering the possibility of creating the right to request an indication of the fact of registration in Japan, it is necessary to fully examine the scope of parties subject to the request or content of the request, as well as the outcome of the failure to make a request for an indication of the fact of registration.

## **(2) Cancellation system for registered trademarks that have become generic terms**

With regard to a cancellation system for registered trademarks that have become generic terms, the results of the domestic questionnaire and interview surveys do not clearly indicate the needs for such system. Some respondent companies stated that they would be able to deal with the issue of generalization in infringement lawsuits. Furthermore, since the use of a trademark that has become a generic term does not constitute infringement of the trademark right if it is used as an indication in a common way, the absence of a cancellation system would not immediately cause problems. However, a dispute might occur due to the fact that the registration remains in existence, as a matter of form, even after the trademark has become a generic term. Therefore, we should continue to take note of the potential needs for the elimination of such adverse effect.

## **IV Measures to deal with registered trademarks not in use (defense of non-use)**

### **1 Statement of the issue**

Since protection by means of a trademark right under the Trademark Act should be afforded, in principle, for the reputation acquired through the use of the trademark, registered trademarks that are not in use are basically ineligible for protection. If the exercise of the rights in registered trademarks not in use were restricted, the advantage of owning such trademarks would be reduced, which would finally curb the rise in the number of registered trademarks not in use. However, under the existing Trademark Act that adopts the registration system and includes no provisions to restrict the right to claim an injunction or damages, it is formally possible for the owner of a registered trademark not in use to exercise such right.

At the Trademark System Subcommittee

of the Intellectual Property Policy Committee of the Industrial Structure Council, it is argued that the number of registered trademarks not in use has been increasing and these trademarks have made it difficult for others to choose their own trademarks. The subcommittee also recommended that careful consideration be required when upholding a defense of non-use in opposition or invalidation proceedings, and further consideration be required in infringement lawsuits in light of the consistency with the legal principle of abuse of right. Based on these opinions presented at the subcommittee, we should examine the necessity of allowing a defense of non-use and the scope of such defense.

## **2 Measures to deal with registered trademarks not in use in foreign countries**

### **(1) Exercise of the rights in registered trademarks not in use**

In the CTM system, Germany, and the United Kingdom, a defense of non-use is allowed with regard to a registered trademark that has not been used for five consecutive years, prohibiting the exercise of the right in that trademark. In the United States, the non-use of a trademark for three consecutive years is regarded as a waiver of the trademark, and such waiver can be raised as a cause of defense. On the other hand, France and China do not allow a defense of non-use, permitting the exercise of the right in a registered trademark not in use.

### **(2) Where the earlier trademark in conflict is not in use**

In the CTM system, Germany, and the United Kingdom, an opposition can be filed on the grounds of the existence of an earlier trademark that is in conflict with the trademark applied for. However, the application for registration shall not be refused if the earlier trademark is not in use. Furthermore, in order to make a registered trademark declared invalid on the grounds of the existence of an earlier trademark in conflict, the earlier trademark must be not in use. In the United States, the existence of an

earlier trademark that would cause confusion with the trademark applied for shall be the grounds for rejection or opposition, on the condition that the earlier trademark is not waived (the non-use for three years shall be prima facie evidence of the waiver).

## **3 Discussion at the committee**

The committee discussed the problems with the existence of registered trademarks not in use, the necessity to allow a defense of non-use against the exercise of the right in a registered trademark not in use, and the scope of such defense.

Based on the results of the domestic questionnaire and interview surveys, it cannot be concluded that the majority of the respondent companies considered it necessary to restrict the exercise of the rights in trademarks that had not been in use for a certain period of time (in infringement lawsuits or oppositions or invalidation proceedings); we could not find any reason to positively restrict the rights in such trademarks.

Where a defense of non-use is introduced, the party who raises the defense in an infringement lawsuit would also request a trial for cancellation, and therefore the issue of coexistence of conflicting trademarks would be resolved if the trademark registration were cancelled on the grounds of non-use. However, unlike the systems implemented in Europe under which both the infringement lawsuit and the cancellation proceedings for the registered trademark are handled at court, in Japan, if the party who raises a defense of non-use in an infringement lawsuit fails to request a trial for cancellation, the registered trademark would survive even though the defense of non-use is upheld, which would make the legal relationships complex. In order to avoid such situation, one possible approach would be, in addition to allowing a defense of non-use, to enable not only the patent office but also the court to cancel the registration of the trademark not in use. Nevertheless, this approach should be carefully considered because it would change the foundation of the

cancellation system for registered trademarks.

In Europe, a defense of non-use is allowed in opposition and invalidation proceedings. This is in order to avoid the adverse situation where two conflicting trademarks coexist due to lack of examination by comparing the applicant's trademark with another's registered trademark based on an earlier-filed application. That is to say, the opposition systems in Europe have a different basis from that of the Japanese opposition system. Therefore, where an earlier registered trademark not in use cannot defeat a trademark in a later-filed application for registration that is in conflict with it, this would result in the coexistence of two or more registered trademarks that are similar to each other, significantly affecting the consumers' interest.

Consequently, it cannot be concluded that the companies' needs for the introduction of a defense of non-use have grown to an adequate level. In addition, there is also concern over the possible coexistence of conflicting trademarks. Therefore, whether or not to introduce a defense of non-use should be carefully considered.

## **V Import agency business for individuals**

### **1 Statement of the issue**

It is not always easy for Japanese consumers to import goods directly from overseas providers. In such a case, import agencies handle the necessary procedures for import on behalf of consumers, including selection of the overseas provider, procurement of goods, and shipment of goods. These import agencies greatly help Japanese consumers access overseas markets.

On the other hand, some agencies import goods that are likely to infringe trademark rights, and such agencies are alleged to be substantially infringing trademark rights. The Intellectual Property Strategic Program 2006 also raised issues as to whether or not

to impose responsibility under the Trademark Act on import agencies engaged in importing infringing goods on behalf of individuals and how to regulate such import agency business.

## **2 Treatment of import agency business in foreign countries**

### **(1) Responsibility on individuals for importing goods for private use**

Comparing the relevant laws of the jurisdictions surveyed, they require an act of infringement of a trademark right to be committed "in the course of trade." Therefore, where an individual imports, for private use, goods that infringe a trademark right (importation by an individual), such act does not constitute infringement. There is an exception that the French law does not stipulate the "in the course of trade" requirement. However, even in France, infringement is actually found in the cases where it is obviously impossible at all to construe the act of importing to be committed for private use. We should further examine to what extent the importer is held responsible in other cases.

### **(2) Responsibility on parties who assist individuals in importing goods for private use**

In all jurisdictions surveyed, parties who have assisted others in committing infringement of trademark rights are basically held responsible. Most of these jurisdictions, however, require such parties to be aware that they are assisting the commission of infringement. Also, with regard to the act of importing infringing goods that is disguised as importation by an import agency for an individual, the general principle of responsibility of accessory shall apply, and there is no other special treatment of such act. In the phase of application of law in particular, such disguised importation shall be regulated, focusing on its actual conditions rather than its appearance.

Another question is, in the case of importation of infringing goods purely for an individual's private use, whether the agency involved in the importation process is held

responsible for infringement of the trademark right. In France, where an individual's private use of infringing goods shall basically be regarded as constituting infringement, it is natural that the agency's assistance shall be illegal. Also in the United Kingdom and the CTM system (at least in the phase of application of law in Spain) where the private use of infringing goods is legally allowed, the act of assisting such use is considered to satisfy the "in the course of trade" requirement, and therefore the assisting agency is held responsible.

### **3. Discussion at the committee**

The committee discussed the necessity to regulate import agency business for individuals, possible solutions from the legislative perspective, and requirements needed for the regulation of import agency business for individuals.

Types of import agency business for individuals can be categorized into two, importation of (genuine) products that are unavailable in Japan, such as those for which manufacture is not approved in Japan (importation in the original sense), and importation of infringing goods (illegal importation). The Trademark Act, which pertains to the field of intellectual property, is to regulate the latter type.

Where the principal proprietor (the individual who has ordered importation) does not have the intention to sell the imported goods and therefore his/her act does not constitute infringement, the import agency's act also does not constitute infringement independently. On the other hand, where the import agency, while disguising itself as importing goods on behalf of an individual, actually sells the imported infringing goods in the domestic market, such agency could be held responsible for infringement. The responsibility of import agencies should be determined on a case-by-case basis.

Importation by agencies can also be regarded as an act of indirect infringement. However, in the domestic questionnaire survey, we could not identify the actual situation where damage occurred due to

importation by agencies. On the other hand, in the interview survey, we heard the concern over importation of counterfeit goods conducted in the disguise of importation by individuals. In this context, the Customs and Tariff Bureau of the Ministry of Finance revised the directive to clearly announce that even when only a single piece of goods suspected of infringing a trademark right is detected in import cargo, Customs shall carry out the procedure for identifying the existence of infringement based on the evidence and opinions submitted by the importer and the right holder. It is argued that since the enforcement of the revised directive in July 2006, it is now possible to deal with imports of infringing goods through the improved operations at Customs. Taking this change into consideration, we cannot find any urgent necessity to take additional measures under the Trademark Act to regulate importation by agencies.

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