

Trademark Management in Enterprises

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1. Subject Matter Covered by This Book

This book illustrates how private-sector companies conduct business related to trademarks through actual examples. The target readership includes working-level businesspersons and Intellectual Property Dept. managers at private-sector companies.

Given that trademark law varies from country to country, this book is not intended to fully illustrate the legal system of Japan or any other specific country, but to highlight general matters concerning trademark practice, which an internationally expanding company should understand when operating its business within the framework of the trademark system in place in relevant countries.

2. Necessity of Getting a “Big Picture View” of Intellectual Property Rights

Although this book centers around trademarks, conducting intellectual property-related activities solely based on an understanding of the trademark system is not enough to achieve a satisfactory level of corporate business performance. It is necessary to draw on any available system for performing corporate business.

For example, assume that a product that seems to be a copy of your company’s product appears on the market. The situation would prompt you to consider under what intellectual property right a warning could be given to the alleged infringer in order to most effectively eliminate them from the market. However, knowledge of the trademark system alone would not allow an appropriate decision to be reached. Your business would be brought to a standstill. In practice, one could instead conduct an analysis of the apparently infringing goods to examine what means are available to take defensive action. Such an examination should encompass checking not only the validity of patent rights, design rights, trademark rights, etc. as registered but also the possibility of enforcing a copyright which has not been registered and yet has come into existence, exercising a right to require an injunction under the Unfair Competition Prevention Act and/or laying an accusation of fraud under the Penal Code.

In this way, seeing the trademark system in the “big picture” of the entire intellectual property system would enable you to effectively understand how the trademark system functions in comparison with other types of intellectual property rights, and hence, how trademark applications should be appropriately filed and how trademarks should be managed to have the trademark system function effectively.

3. Trademarks in the Context of Brand Management

Any analysis of how a corporate brand is established will show that not only trademark rights but also other types of intellectual property rights are involved in the building of a corporate brand to make it protectable.

A brand may be considered to represent the expectations that consumers place on the company that has built it. Given this fact, it is not necessary to base the brand of a company solely on trademarks the company owns and may consider those features which are protectable by design and patent rights, including designs as applied uniformly on all products the company offers for sale on the market and other striking original technology, as important constituent elements of a corporate

brand.

For example, automakers from around the world time after time bring out new models bearing the same name as their predecessor model. In doing so, they maintain the design image as well as the naming as constituent elements of their brand image.

Although design rights and patent rights are often regarded as being alien to the building of a brand, design and technology because of their non-renewability, from a corporate perspective, they are important constituent elements of corporate identity. One is liable to presume that a trademark provides everlasting protection to a brand. However, renewal of design rights and patent rights are only not allowed for institutional reasons. In practical business, however, each time an automaker brings out a new model, they are careful to file a new application for design registration to secure the continuity of image from the previous model and, upon termination of the term of relevant pioneer patents, to file a patent application for the invention of one improvement after another to secure the continuity of their original technology.

Consequently, a corporate brand is built up with and made protectable by the intellectual property of a company as a whole, not solely its trademarks.

Still, in the context of a corporate brand, a trademark serves as anchor. While design or technology carries out an indirect function of projecting an image, a trademark fulfills more direct and clear functions.

In view of this, trademarks should not be utilized too loosely. A clear set of in-house standards for utilizing trademarks should be established, and all employees should abide by the standard when using trademarks. This is a fresh departure from patent and design rights. For the latter, an application for patent or design registration is filed at the time an invention or creation is made. Technology and design continue to evolve thereafter. When you put goods on the market, you do not have to cling to technology as at the time of preparing an application, and if technology has evolved thereafter, you are only required to file a new patent application that would fill in the gap.

4. Trademarks as the Identity of a Company and its Corporate Family

It is important to understand a trademark's function of showing the identity of a company and its corporate family. A company must have its trademarks used in a full and accurate manner to show its own identity. With respect to design right and patent right, there is usually no problem if the design or technology in actual use is not exactly the same as those under the right as registered. In contrast, with respect to trademarks, a management system in which the use of a different logo image or logo design from that under the trademark right as registered were permitted would have harmful effects.

For example, if counterfeit goods entered the market, it would be difficult to clearly distinguish between such counterfeit goods and the genuine article, and therefore, even the trademark owner may not be able to ascertain, at the request of the customs authorities, whether particular goods are counterfeit or genuine. A number of cases have occurred in which the customs authorities have exposed particular goods as counterfeit goods on the grounds that the mark the goods bore varied slightly, only to for the fact that the goods were manufactured by an overseas subsidiary of the trademark holder to be revealed. A trademark management system that can confuse the trademark holder will certainly mean that the customs authority will be at a loss regarding how to deal with any

request to detect counterfeit goods.

Apart from willful infringement involving counterfeit goods, the trend in the business world is toward any successful product being faced with competitors' products bearing an unmistakable likeness coming onto the market in waves. This may be only proper because companies' recurrent efforts to make their product resemble the most successful products promotes business competition, and goes toward the goal of making better products and leading to expansion of the industry.

Under such cutthroat competition, what you can count on to protect your company is intellectual property.

Although the term "intellectual property right" is used as a general term in much the same way around the world, Intellectual property right and patent right, design right, trademark right and copyright as included therein are defined by the laws of relevant countries, and should be technically construed in accordance therewith. To put it simply, it should be noted that the definition of the term "intellectual property right" still varies from country to country.

In the field of business, corporate activities often take place on a multilateral basis, not on a unilateral basis. Although times have not yet changed to the extent that all countries around the world are regarded as playing in the same game, the world economy has moved into an age of broad-ranging relationships in which multiple countries constitutes one single market.

Even with all active cross-border traffic of goods, the intellectual property system is still essentially operated on a country-by-country basis. Although some regional patent systems are in place, including the Europatent system, the African Patent system and the Eurasia Patent systems, their coverage only extends to the application procedures, with the registration procedures operated on a country-by-country basis. Furthermore, the administrative and judicial procedures under these patent systems are essentially operated on a country-by-country basis. Under these circumstances, a business enterprise has to obtain intellectual property rights in each of the countries in which it operates to protect itself and its corporate family. In addition, it has to monitor whether or not any of its intellectual property rights is being infringed in the market on a country-by-country basis. In some regions, a scheme is available, in which a regional trademark, such as TCM and the OAPI application is recognized.

However, it is generally impractical for a business enterprise to file an application in all of the countries in which it operates, as this would be prohibitively expensive.

It, therefore, becomes necessary to determine what the most important intellectual property right is in order to protect itself and its corporate family. This is because a company's intellectual-property-related activities should always be based on a balance between cost and effectiveness.

Presumably, the most important intellectual property right for which a company should file an application in each country is trademarks as they are directly connected to the corporate brand of the company and its corporate family. An internationally operating company should file a trademark application in any of the countries it operates wherever possible even if the country only offers a small market. On the other hand, with respect to patent rights and design rights, it should only file an application for patent or design application in such countries that could offer a large market and could initiate any lawsuit in such countries, which would provide a practical and cost-effective solution.

5. Brief Overview of the Intellectual Property Right System

Although the definition of intellectual property rights appears to vary somewhat between countries, the fundamental philosophy is the same partly because of the constraints imposed by the underlying treaties.

In general, the term “intellectual property right” is a collective term for patent right, utility model right, trademark right and copyright.

The intellectual property right system provides for protection for functions, performance, designs and naming which provide a product with a feature.

The functions and performance of a product are protected by patent right, the design of a product by design right and the naming of a product by trademark right. The term “protected” as used herein refers to the state in which any person other than the right holder is precluded from exploiting the relevant invention behind the product for manufacturing and distribution and for which the right holder has been granted with an exclusive right to exploit the invention.

While a patent right grants the holder an exclusive right to exploit an invention for a limited term in exchange for laying open the content of the invention to the public, a trademark right plays a different economic and social role.

A trademark right is not intended to protect creations but to protect the “reputation” established by a product and thereby a company. Such reputation will last as long as the trademark is in use. A trademark right can be used indefinitely provided the necessary renewal procedures are followed, which is not the case with patent right, design right and utility model right.

The purpose of the trademark system is to maintain the business reputation of the user of a trademark by giving protection and thereby contributing to the expansion of industry while protecting the interests of consumers.

6. Issue of Choice among Types of Intellectual Property Right

A patent right provides its holder with an exclusive right with respect to a novel and advanced invention which utilizes natural laws for a term of 20 years starting from the date of application. Some countries employ different criteria in which more importance is attached to the usefulness of the invention by abolishing the requirement that the invention shall utilize natural laws. In such countries, an invention is patented only if it is useful, and therefore, an invention not utilizing natural laws, such as one relating to business method, could be easily covered by a patent right, which may make a difference in practical terms.

A utility model right provides its holder with an exclusive right with respect to a device or the creation of technical ideas utilizing natural laws concerning the shape, the structure or a combination of both for a certain term starting from the date of application. This is intended to give protection to minor inventions made by a small or medium-sized enterprise or an individual inventor, in view of the tendency of a majority of patent applications being filed by large companies with enormous research funding. In many cases, an application for utility model or “petty patent” is not subjected to substantive examination, and the term of utility model right or petty patent right is shorter than that of patent right.

In pursuit of intellectual property right, a company’s decision on which to choose between

patent and utility model or petty patent depends on the corporate strategy for intellectual strategy the company follows.

One possible strategy is that a patent application is filed with respect to a substantial invention while that an application for utility model or petty patent is filed with respect to a less substantial invention. Another possible strategy is that pursuit of utility model right or petty patent right, which is more loosely defined and shorter in term, should be avoided and that patent right should be exclusively pursued. Some companies follow the strategy of filing an application both for patent and utility model with respect to the same invention. Any of these strategies should be based on an understanding of the advantages and disadvantages of the intellectual property systems in place in the relevant countries.

A design right provides its holder with an exclusive right with respect to the design or the unique shape, pattern or color of an article which create an aesthetic impression for a term of 20 years starting from the date of registration.

A trademark right provides protection to mark(s) (any character(s), figure(s), sign(s), or three-dimensional shape(s)) which is used in connection with goods or services, for a term of 10 years starting from the date of registration. This term may be renewed for additional 10-year periods if the holder so desires.

The same issue arises in connection with choice between design right and trademark right in pursuit of intellectual property right, as is the case with the choice between patent right and utility model.

Although the term of design right only extends for 20 years, successful establishment of the corporate image of a company in the market largely depends on the design of the articles that the company produces. Consumers often feel an attachment for an article with a distinct design and desire to have the design kept unchanged even years after. In this context, one approach that can be employed by a company to prevent its competitor(s) from bringing an article with the same design to the market upon expiration of the term of design right is to file an application for trademark registration with respect to the three-dimensional mark or design image in question. There are other approaches, including one in which an application for design registration is filed again with respect to the same design with the addition of the minimum modifications necessary to ensure novelty. Another approach is to resort to the copyright system or the Unfair Competition Prevention Act. Given that trademark right is actually regarded to be substantially involved in protection of designs, effective protection of designs by design right or trademark right would be available if such right is used on a good understanding of both the design registration system and the trademark system.

Copyright is intended for the protection of copyrightable works, which specifically include novels and treatises, pictorial art, photographs, music, movie pictures (video pictures), computer programs, etc. These works except for computer programs have been traditionally covered by copyright and have become established as being protectable by copyright. Computer programs have seen rapid development in recent years, and have gradually become subject to copyright to accommodate such development and, hence, are mentioned or referred to in the Copyright Act. In some countries, the examination guidelines require the special handling of computer programs on the ground that they are protectable by patent as well as copyright.

7. Business Implications of Trademark-related Activities

Business enterprises are aware that increased recognition of their own trademarks in the world market would boost their chances of business success by expanding sales of the goods they produce or services they provide. When more than one article of similar price and performance is available, a potential purchaser's decision often depends on the trademark, which the articles bear. Particularly, traditional articles, not based on new technology, show such a tendency strongly. The more the purchaser is satisfied with an article he/she has previously used, the more his/her sense of satisfaction will be embodied by the trademark the article bears. Inversely, the more the purchaser is dissatisfied with an article he/she used previously, the more his/her sense of dissatisfaction will be embodied by the trademark the article bears.

This close relationship between the trademark(s) of a company and its business requires its trademark personnel to do more than simply to ensure that the trademark application procedures are completed in accordance with the provisions of the law.

As preparation for filing an application for trademark registration, the trademark personnel should work out alternative options of candidate marks for trademark application, including those which virtually represent the corporate name, or which have the corporate philosophy in words or image, or which are based on features of the article bearing the trademark. A choice should be made among these options. The adequateness of the choice should be measured on the basis of whether the passion for business success, as possessed by at the staff of the company, is adequately represented by the trademark or not. Once a company succeeds in business under any trademark, immeasurable value will be built under the trademark. This sort of passion for success in business will serve as primary motivation for making good choices. While it makes little difference who carries out the application procedures at a company, the existence of a strong motivation for making goods choices will make a difference to the way the duty of application for trademark registration is performed. The stronger such motivation is the broader and deeper consideration will be involved.

Likewise, the value of a business brand and a product brand will vary depending on commercial success. However, both business brand and product brand are more flexible than the corporate brand itself. Particularly, with respect to product brand, some trademarks are in use as long as the products bearing them remain successful. Other trademarks are often replaced with a newer-looking trademark when a new generation of the product is introduced or in response to changing times. Any trademark which becomes outdated, or whose image has become obsolete or which is borne by unsuccessful products is bound to be replaced at the first available opportunity.

In this way, a trademark varies in value depending on the underlying business success. In filing a trademark application, the person in charge of the intellectual property Dept. should be aware of the business climate.

8. Selection of Candidate Marks for Trademark Application

Selection of candidate marks for trademark application at a company involves various departments within the company.

With respect to a trademark application in which a corporate brand is involved, at the direction of the management, the relevant departments within a company typically conduct study projects. In some cases, a department such as the corporate planning Dept., which prepares a draft plan for

corporate policy and initiatives, takes the lead studying organizing studies.

With respect to a trademark application in which a business brand is involved, the business planning Dept. usually takes the lead, and with respect to a trademark application in which a product brand is involved, the marketing Dept. or product planning function within the R&D Dept. usually does. In the latter case, the marketing Dept. and the R&D Dept. often consult each other. The Marketing Dept. possesses a lot of information about the needs of the market, and hence, holds the job of making suggestions and offering advice on what would gain traction as a trademark in the market. The R&D Dept. has the responsibility of making suggestions and offering comments from the perspective of the identity of the relevant products produced through the product development process.

The way in which the Intellectual Property Dept. gets involved in the selection of candidate marks for trademark application depends on how much information the Intellectual Property Dept. has about the trademark application program. Mere knowledge about the legal formalities of trademark application is not enough as an outside law firm can offer this function.

9. The way in which the Intellectual Property Dept. gets involved in the selection of candidate marks for trademark application

Important information that the Intellectual Property Dept. holds is information about the registrability of candidate marks for trademark application. Such information has been derived from its analysis of such trademark applications, including those filed by others, which has been subject to final refusal and its expertise regarding trial/appeal decisions and court precedents that have been opened to public inspection, and its accumulated experience of filing trademark applications.

In addition to offering advice on the registrability of candidate marks, the Intellectual Property Dept. could evaluate the level of appeal to the public that the candidate marks for trademark have. Many of the staff in charge of trademarks in the Intellectual Property Dept. have been engaged in the same work as specialists and often with relatively long years of service, and therefore, they have considerable accumulated information and knowledge about successful and failed trademarks. Such knowledge will serve as a filter to effectively prevent candidate marks similar to other companies' failed trademarks from being chosen.

In many cases, a person with long years of experience of filing trademark applications in the Intellectual Property Dept. can also estimate how much modification of a candidate mark for trademark application, which is similar to another company's registered trademark, is necessary to make it look like a different trademark.

On the other hand, in many cases, the staff in charge of the naming of new products in the Marketing Dept. or the R&D Dept. are not specialists, but just happened to get the job as a result of job rotation. To put it simply, they have only limited experience in or knowledge of the naming of new products.

Given this factor, it would be effective if the Intellectual Property Dept. got involved in selection of candidate marks for trademark application from the beginning. The active involvement of the person in charge of trademarks in the Intellectual Property Dept. in the selection of candidate marks for trademark application would be an excellent opportunity to put his/her knowledge and expertise to use.

As a result of the general expansion of the scope of responsibility of Intellectual Property Depts., the study of the feeling of language has picked up steam in recent years. More specifically, various research projects and studies of the phonetic or visual impressions a word or string of words or a sound makes have led to the practices as exemplified by using soft-sounding words for women's goods and dynamic-sounding words for men's goods. Any staff in charge of trademarks in an Intellectual Property Dept. are in a good position to easily learn "the essence of a good trademark," which would directly translate into a real contribution to the development of the company's business.

Making an accurate judgment on whether a trademark is a good one or not may require a search of similar trademarks or, in some cases, consulting with a lawyer specialized in trademarks in the relevant countries. Access to a network of such outside consultants represents the strength of a person in charge of trademarks at a company.

10. Preliminary Step toward Filing: Fundamental Policy concerning Designated Goods

Once it is decided to file a trademark application, at the suggestion of management or any other department or on its own initiative, staff in the Intellectual Property Dept. should follow the procedures.

First of all, they should understand the current business climate.

Next, they should designate the goods on which the trademark will be used. In many situations where a corporate brand is involved in the trademark application, every class of designated goods is covered. This is because it would be of no interest to consumers and the market what goods a company has designated at the time of filing a trademark application. If a competitor places on the market goods that the company did not designate with the same trademark, consumers would take the goods to have been manufactured by the company.

Given the profit-oriented aspect of business activities, a company has the future potential of expanding into different businesses. It would be very unfortunate if a failure to designate any potential target goods in filing a trademark application in which a corporate brand is involved poses a later problem for business expansion.

With respect to a trademark application in which a corporate brand is involved, designation of the goods on which the trademark is used may take place in a limited way relative to the one in which a corporate brand is involved. Depending on the situation, it can be determined whether such designation of goods should be based on the current product line or on an extended product line as projected. Eventually, a decision would be made based on a trade-off between the increased number of designated goods and an increase in cost associated with such an increase in the number of designated goods.

The staff of the Intellectual Property Dept. should make certain, in advance, of the trademark classification available for registration and classes of goods or services that can be designated for each of countries where a trademark application is to be filed. Many countries base their trademark classification available for registration on the International Classification of Goods and Services. Some countries, such as Canada, employ a unique classification. Furthermore, some countries employ a multi-class application system and others a single-class application system. Given that many countries employ the International Classification of Goods and Services, a study should be made, in advance, to check how the class of goods or services should be appropriately stated in filing

documents to have the trademark registered with no objection.

Detailed descriptions of designated goods are posted on the websites of the national patent office in individual countries, which provide the latest and the most reliable information. It should be remembered that reference to outdated documents involves the risk of using outdated information and hence subject to error.

Associated with the information service system offered by the national patent office in individual countries, an information retrieval service is available in which retrieving information with a keyword generates a list of relevant designated goods or services together with the class. Making full use of such officially available information data and tools plays a key element in getting tasks prior to filing done properly.

11. How to Decide the Country in which a Trademark Application is to be Filed

In practical terms, trademark application procedures are, in many cases, not initiated by the Intellectual Property Dept. on its own initiative, but at the request of the Corporate Planning Dept., the Marketing Dept. or the R&D Dept.

A written request for filing a trademark application typically includes a proposed trademark for registration and information on when use of the trademark is to be started, on what goods and in what usage pattern it is intended to be used, whether it is to be used at home or abroad, and if it is to be used abroad, in which countries. Including a sales plan showing the estimated sales volume for the product(s) bearing the trademark for the country or countries in which use of the trademark is intended would promote an understanding of the size and importance of the relevant markets and facilitate efforts to effectively obtain a trademark right.

In filing a trademark application, a globally operating company should take special care when selecting the country or countries in which a trademark application is filed so that the selection decision is in line with the future direction of its business and product development strategy.

If there is any doubt about the content of the written request for filing a trademark application received by the Intellectual Property Dept., the person in charge of the Intellectual Property Dept. should proactively get in touch with the department which made the request or any other department that may be able to provide relevant business information in order to gain a full understanding of the background behind the request to have a trademark registration filed.

However, in an ever-changing business environment, the Marketing Dept., the function that usually requests the filing of a trademark application, very often faces unexpected business developments. If a product bearing the trademark thrives in the market, the Marketing Dept. will see the product moving into an increasing number of countries. If the product is unsuccessful, it will become subject to decreased or discontinued production.

With respect to a patent application or a design application, the novelty requirement for patentability or registrability sets a one-year limit on the period in which an applicant for patent or design right is allowed to claim priority, and after the elapse of the period, a company that has filed a patent application or a design application in a country may not file an application claiming priority in any other country even if it has moved or plans to move into those other countries. Consequently, after the elapse of the period, there will be no opportunities for the applicant to increase the number of countries in which an application claiming priority is filed and hence, no selection of a country or

countries in which an application claiming priority is filed would be involved. With respect to an international patent application under the PCT, an applicant is granted a little longer time period within which it is required to select a country or countries in which it files an application claiming priority. However, a certain limit is placed on the length of the time period.

In contrast, no novelty requirement applies to a trademark application, and therefore, an applicant who has filed a trademark application in a country can file a trademark application in any other country at any later time. Therefore, a person in charge of trademark application should constantly stay up-to-date with the latest business information.

12. What if Another Company Has an Identical or Similar Trademark Registered?

Upon receipt of a written request to file a trademark application, the Intellectual Property Dept. should determine whether the trademark can be used or not and whether it is necessary to file a trademark application or not. Prior to making such a decision, an investigation should be made into whether or not any other company has filed a trademark application with respect to an identical or similar trademark to the one in question.

If another company already has an identical or similar trademark registered, use of or filing of a trademark application with respect to the trademark in question would be denied.

In this case, there is no possibility of the trademark in question being successfully registered.

If there is a strong need for the company to use the trademark in question, a different process involving negotiations regarding the assignment or transfer of the other company's trademark, needs to be followed.

13. Filing

If a company has a patent attorney in its employ, it can file a trademark application directly with the relevant patent offices in the home country and abroad. The decision whether the application procedures should be carried out internally or commissioned to a patent agent office should be made by comparing the skills available and the time and costs that would be incurred.

To gain an understanding of trademark laws and application procedures around the world and to keep the knowledge up-to-date requires considerable resources and effort. However, if it is planned to file an application only in the home country, internal resources should be sufficient.

Business enterprises are always faced with a trade-off between their activities and the costs thereby incurred. In this context, a reasonable solution needs to be found.

The registrability of a trademark will be determined based on whether the trademark meets the basic requirements for registrability as set forth in the Trademark Act. Upon the filing of a trademark application with the Patent Office, the application will be subjected to formality examination to check whether it has been filed according to the form and procedures prescribed. If the application proves to meet the requirements under formality examination, then it will be subjected to substantive examination for registrability (this is not the case in some countries).

With many slight differences existing between different countries, you should move ahead with practical business by thinking such difference for the common policy only in recognition of any significant difference.

Upon completion of a filing of a trademark application with the Patent Office by a patent agent, the patent agent will send you a set of application documents, which you should carefully check for any mistakes.

Upon assignment of an application number to the trademark application by the Patent Office, application procedures will be completed by entering the data in the internal data management system.

14. Requirements for Registrability under Substantive Examination

Although requirements for registrability under substantive examination are different from country to country, apart from those specified in the Trademark Law Treaty, general descriptions will be given here using examples from the requirements for registrability under substantive examination as set forth in the Trademark Act of Japan.

The person in charge of trademarks in the Intellectual Property Dept. should determine whether the trademark subject to the filing of a trademark application meets the requirements for registrability prior to filing an application with the Patent Office.

“A trademark that consists solely of a mark indicating, in a common manner, the common name of the goods or services” may not be registered.

It follows that if the good is, for example, a watch, the trademark “watch” may not be registered and if the service is, for example, air transportation, the trademark “air transportation” may not be registered on the ground that it would be unreasonable to grant an exclusive right to use the common name of goods or services which all people use.

“A trademark that is customarily used in connection with the goods or services” may not be registered.

This is because such a trademark has no distinctive feature as a fundamental function of a trademark.

Wording changes with the times. Some words as brought into use by a specific company or a specific individual have become established as the common or generic name of goods or services, or have come into customary use to describe an unspecified number of goods or services over time. What is more commonly the case is that a hot-selling product has achieved domination of the market and that the trademark used by the company has come into customary use as the common name of goods or services as the times advances. For example, in Vietnam, the trademark “Honda” is customarily used to describe a motorcycle. However, the trademark would not be subjected to revocation on the ground that it came into use in such a manner because it had been registered before it came into use in such a manner.

In such a case, efforts need to be taken to prevent the relevant trademark from being customarily used as the common name of the goods by raising an objection to such use as Honda has done. In any event, any trademark that is customarily used in connection with the goods or services at the time of filing an application for trademark registration may not be registered.

“A trademark that consists solely of a mark indicating, in a common manner, in the case of goods, the place of origin, place of sale, quantity, raw materials, efficacy, intended purpose, quantity,

shape (including shape of packages), prices, the method or time of production or use, or in the case of series, the location of provision, quality, articles to be used in such provision, efficacy, intended purpose, quantity, modes, price or method or time of provision” may not be registered.

“A trademark that consists solely of a mark indicating, in a common manner, a common surname or name of a juridical person” may not be registered.

This rule is an obstacle if one wishes to use the surname of the founder of a company as the trade name and to have it registered as trademark. As a matter of fact, in many countries, many companies use the surname of their founders as the trade name because they, in many cases, started as a small-sized private concern. If the founder of a company has a common surname, it cannot be registered without modification. In that case, the problem associated with this requirement would be overcome by giving a twist to the surname with additional phraseology with its phonetic representation unchanged. Past records of use thereof would also be required.

A company that used the surname of its founder as a trademark when it was first established as a private concern often relinquishes the use of the name of the founder to represent its vision in pursuit of global expansion as it succeeds as a medium-sized company. Such a company will face the problem of how it evaluates the brand names it has established under the trademark. A trademark changed to more appropriately represent a future vision often provides the potential for the company to enter a phase of major change to realize significant achievements. Great care must be taken regarding changing a trademark that has served as corporate brand. If a company chooses not to change its trademark and continue to use it, the company often makes a minor progressive change to the design of the trademark to bring it up-to-date.

According to the World Intellectual Property Organization (WIPO), the longest-registered trademark in continuous use is “LONGINES.” Since its registration in 1889, the initial concept of the trademark has never been subjected to change, and the registration of the trademark has been renewed for the total period of 120 years, which is simply marvelous.

“A trademark that consists solely of a very simple and common mark” may not be registered.

For example, a trademark that consists solely of ○ or △ may be said to be a very simple one. However, giving a twist to the trademark by partly cutting away a portion of the square or slightly ovalizing the ○ would make it a little difficult to express the trademark as “very simple.” In some cases, a simple-shaped trademark leaves a stronger impression than a too complex one does. Seen in this light, this requirement may be a matter of degree.

In addition to those mentioned above, “a trademark by which consumers are not able to recognize the goods or services as those pertaining to a business of a particular person may not be registered.”

Business enterprises expect examiners to make judgments on these matters according to objective criteria. However, it should be noted that, as a matter of fact, making such a judgment involves considerable sensitivity on the part of examiner, as there are no clearly defined boundaries.

In some cases, a trademark that has registrability may not be registered in view of its

relationship with a trademark of another person.

Examples of such trademark includes (i) “a trademark that is identical with, or similar to, an unregistered well-known trademark of another person”; (ii) “a trademark that is identical with or similar to a registered trademark”; (iii) “a trademark that is identical with a registered defensive mark of another person”; (iv) “a trademark that is likely to cause confusion in connection with the goods or services pertaining to a business of another person”; (v) “a trademark that is likely to mislead as to the quality of the goods or services”; and (vi) “a trademark that is identical with, or similar to, a trademark which is well known among consumers in Japan or abroad if such trademark is used for unfair purposes.

Some countries, including Japan, have a first-to-file system in place in which the person who first files an application for trademark registration is entitled to receive protection by the registered trademark. Other countries have a first-to-use system in which a trademark right comes into existence upon the start of use. Among others, in the U.S., Canada and the Philippines, a person who seeks to obtain a trademark registration is required to produce proof of his/her starting use of the trademark in connection with goods he/she produces as a business. Examples of appropriate proof of such use include a trade catalog or a photograph that demonstrates the actual use of the trademark in connection with the goods or an actual sticker bearing the trademark that is put on the goods. With respect to countries where such production of proof of use is required in filing an application for trademark registration or for renewal of registration, the person in charge of the Intellectual Property Dept. should cooperate with the Marketing Dept. in obtaining proof of use.

15. Time Schedule from the Completion of Filing to Registration

Shortly after the filing of a trademark registration is completed, an examination will take place within the patent offices of the relevant countries.

In a country where the process of trademark examination involves substantive examination, a series of examinations is carried out within the patent office to see whether or not the trademark has registrability as a trademark (or a function, as a trademark, of making goods or services in connection with which it is used distinguishable from those of any other person's) or whether a similar trademark has been registered by a third party or not.

If no problem is found in the process of examination, the trademark is allowed to be registered as it is. If any reason to refuse the registration of a trademark is found, the patent office will issue a notification of reasons for refusal to the applicant. If a notification of reasons for refusal is served on the applicant, and if the applicant has any objection to the contents and continues to wish to have the trademark registered, he/she has the opportunity to present his/her counterarguments in writing. In addition, if he/she thereby successfully eliminates the reasons for refusal referred to therein, the trademark will be allowed to be registered as a trademark. In creating counterarguments, in view of the purpose of counterarguments of eliminating reasons for refusal, the person in charge of trademarks in the Intellectual Property Dept. will play a central role. However, depending on the contents of the reasons for refusal, information available from other departments such as the Marketing Dept. should be used as reference.

Responding to a notification of reasons for refusal would serve as an opportunity for the

applicant to present counterarguments as well as a chance to show off its capability of getting a directly filed application registered. Therefore, quick action is needed to ensure that the notification is responded to in the specified period. If a notification of reasons for refusal refers to any prior trademark of other person's, the person in charge of trademarks should use the Industrial Property Digital Library (IPDL) to personally confirm the detailed information on such prior trademark. This would enhance his/her skill of trademark management.

In this context, it should be noted, that the time limit to present a written argument is stipulated by law and therefore that monitoring of the deadline specified in law should be carried out with the use of the internal data management system lest the deadline be missed.

Upon submission of a written argument, if it is eventually determined that reasons for refusal continue to exist, a decision of refusal will be issued in writing, which can be interpreted as indicating that it is officially determined not to allow the relevant trademark to be registered. The reasons for any final decision of refusal will be sent to the applicant in writing.

If a decision to grant registration is transmitted to the applicant, is the applicant simply has to pay the registration fees.

16. Responding to Reasons for Refusal

To respond to a notification of reasons for refusal, the applicant is required to carry out a study on a case-by-case basis, taking into consideration the legal systems of the countries where an application has been filed, information on the applicant with respect to whether the cited trademark(s) is owned by a corporation or an individual, the details of the business in which the owner of the cited trademark right is engaged, competitive relationships between the owner of the cited trademark and the applicant and the status of use of the cited trademark.

In a case where a trademark that is identical with or similar to the trademark under application has been registered by any other person, some countries have a system in place in which a letter of consent issued by the owner of the prior trademark right may resolve the reasons for refusal. Use of this system would allow a company and its group companies to get relief from each other when these companies file an application for trademark registration separately with respect to similar trademarks.

As a method of avoiding the efforts necessary to resolve the reasons for refusal, the applicant can assign the trademark under application to the owner of a prior trademark right to get the trademark under application registered under the latter's name and then have the latter assign the registered trademark back to the applicant. Or else, the applicant can have the cited trademark assigned to itself.

If the applicant fails to resolve the reasons for refusal and receives a decision of refusal, it may file an appeal against examiner's decision of refusal with the Department of Appeal at the Japan Patent Office when it is dissatisfied with such decision.

17. Computer-based Management of Trademark Applications

A company can manually manage the trademark applications it has filed directly as long as it has a limited number of applications. However, as the number of applications increases,

computer-based management of trademark applications comes into picture.

Under the computer-based management system, a control number will be assigned to each of the applications filed, and necessary data for management, from progress notes to registration and renewal data, will be entered into the computer and followed for updating.

To increase the precision of trademark application management, it is desirable to include as many control items as possible. However, the inclusion of too many control items would increase the time needed for data entry without having a significant positive impact on management performance. Given that, computer database designers often build a program that accepts a huge range of diverse information on the grounds that subsequent modification would be more trouble, it should be remembered that management of trademark applications at a company is adequate enough if it only covers an appropriate scope in view of its competitive position in the industry.

Major control items include the following:

- Internal reception number; reception date; and person in charge within the company;
- Phonetic representation of the trademark; embodiment of the trademark; Place of use; and mode of use;
- International classification of the goods or services;
- The date on which registration of the trademark was granted; the time limit for payment of annual fee; the registration number; the date of registration; and
- Decision made as to the necessity to get the trademark registration renewed; the time limit for renewal; renewed registration number; the date of renewal.

18. Renewal of Duration Allowed for Trademarks as Contrasted with Other Types of Intellectual Property Right

A trademark right comes into existence upon payment of an annual fee and upon registration of its establishment. Once a trademark right is registered, it continues to exist for a period of 10 years. As contrasted with a patent right, a design right and a utility model right the duration of which is limited by a ceiling, a trademark right may be renewed for further 10-year periods, each if the renewal procedures are completed before the trademark right lapses.

In this respect, a trademark right differs in character from other types of intellectual property right. This is why a trademark serves as a lasting means for representing a company. Any patent right that a company uses to protect its technology lapses 20 years from the filing date of application in many countries. Regardless of the innovativeness of the technology, other companies may use the technology without restriction after the elapse of 20 years from the filing date of application.

Given that the purpose of protection of a trademark is to maintain the business reputation of the person who uses it in connection with the goods or services the person produces or provides as a business, the business reputation of such a person as embodied in the trademark will carry on as long as the person uses the trademark. This is why the trademark system is designed to allow lasting use of a trademark subject to renewal of its registration.

This difference of trademark from other types of intellectual property right has significant implications for corporate intellectual property strategy.

A typical example is found in the pharmaceutical industry.

Immediately after the term of a patent right relating to a medical product expires, moderately priced generic alternatives appear on the scene, which could make the manufacturer of the original medical product suffer an erosion of sales, profit and/or market share as protection of its medical product under the patent right has ceased. To prevent this situation from actually happening as far as possible, the manufacturer of the original medical product draws on the reputation that it has established in the market under its trademark in the preceding 20-year period of monopoly under its patent right relating to the medical product. A trademark used in connection with a medical product often has goodwill that is strong enough to continue making the medical product on which it is used a strong seller on its own. The fact of the matter is that some medical products continue selling after the expiration of the patent right by which they were protected, in the face of lower priced competing products which are also offered for sale in the market. This fact is evidence to show that a trademark works effectively in these cases in such manner that it represents the manufacturer's technological edge in the absence of protection under a patent right as a security of such technological edge due to the expiration thereof.

From a business perspective, the same holds true of design right. In some cases, a design serves as representing the corporate image of a company on its own. This implies that a design right as well as a trademark play an important role in constituting a corporate brand. Taking this into consideration, the legal term of design right that only extends for up to 20 years as counted from the date of registration may be too short to provide adequate protection to the design of successful products. If this is the case, the company has to deal with this problem by periodically making minor model changes by altering the design of the product and filing a new application for design registration in each case. As a minor model change is apt to be subject to refusal on the ground it does not make any substantial difference from the view of prior art, the scope of such model change should be to the extent that it would not become subject to refusal on the ground of sameness. This sort of effort would serve to gain lasting protection of essential design elements of a company, which, in turn, would promote protection of a corporate brand by design right.

Matters as thus far described in this Section, all together, suggest that a person in charge of trademark and/or design management at a company should perform his/her duty, with a big picture view of how he/she could make the company's intellectual property workable to gain lasting protection of the corporate brand, on a routine basis. The person in charge of the Intellectual Property Dept. with such a big picture view of corporate branding would have a more positive sense of his/her making contribution to corporate activities.

19. Renewal Procedures

A company with a wide-ranging product line and a large number of trademarks should have an adequate management system for the renewal of trademark registration in place to ensure that the decennial (every 10 years) renewal of the trademarks does indeed occur in a proper manner. Such a system involves the construction of a country-by-country list of trademarks that are reaching the deadline for renewal in the near future, giving several months prior notice, and checking with the Marketing Dept. and other relevant departments. for their future schedule of use of trademarks to decide on the necessity of renewal.

In some countries, a reclassification of goods and class is required to take place for certain

trademarks, along with the renewal procedures. This is intended to reconcile any difference in the provisions of trademark law and trademark application/renewal procedures as a result of amendment thereto that may take place from time to time in the relevant country. For example, this involves replacing indications of the designated goods and the class of a trademark right registered under the old classification systems with the corresponding indications and class of the goods and services under the revised classification.

Even if this is the case, in some countries, a person who wishes to renew the registration of a trademark is allowed to get the trademark renewed without taking such reclassification procedures under the once-only rule under which no further renewal will be allowed with respect to the trademark. In such countries, such person needs to follow the appropriate reclassification procedures. To satisfy this need, he/she should essentially have a correct understanding of the relevant legal amendments.

20. Decision on the Necessity to Renew a Trademark Registration

The decision as to whether a trademark registration should be renewed or abandoned should be made mainly based on the business situation facing the owner of the trademark. If it continuously uses the trademark in connection with its product(s) or service(s), it should naturally choose to renew the trademark. Even if it has once ceased to use the trademark, it could restart use after a while, possibly at the request of customers since a brand image as built and penetrated into the market under the trademark is a company asset. When the time comes, the owner of the trademark would make a fool of itself if the trademark were lost to it and had passed into competitor's hands as a result of its abandonment of it. Therefore, a company must be careful about any abandonment of a trademark registration. Specifically, it is necessary to bear in mind that a product that was successful to a certain extent is most likely to come to life again. As a part of internal procedures, you could ask for an opinion from the Marketing Dept. and/or the Engineering Dept. about whether the trademark registration be abandoned or not. However, basically, it should be understood that a department responsible for management of trademarks should make such a decision on its own responsibility.

In general, the Marketing Dept. is more often subject to personnel reshuffling than other departments within a company are, with its staff members and manager replaced in a relatively short time period. In contrast, the general trend is that Intellectual Property Dept. is less subject to personnel reshuffling because a company places a high value on expertise in intellectual property management, with most of its staff members and managers performing the same work over an extended period of time.

In this context, it is practical for the Intellectual Property Dept. to bear the ultimate responsibility for making a decision on renewal or abandonment of trademarks that would involve the future business outlook as analyzed from a long-term perspective.

However, automatic renewal of all of a company's registered trademarks is not be economically justifiable. The costs involved must be taken into account.

Cost-effectiveness is one of essential considerations in doing business. From the standpoint of cost-effectiveness, it would be reasonable to renew those trademarks that are in use or are intended for use and abandon such trademarks that are not specifically intended for use and have a lower

property value, which may serve as a measure to prevent these trademarks from becoming subject to a demand for cancellation of trademark registration on the ground that they have not been continuously used. If the need arises to subsequently use the latter trademarks, an application could be filed again with respect to those trademarks. Many countries have in place a system in which a third party may file a demand for the cancellation of registered trademarks that have not been continuously used for a certain number of years on the ground of non-use.

21. Opposition to Registration

The opposition to registration scheme provides any person with the means to prevent a trademark under application filed by any other person from being registered on the ground that if the examiner decides to grant registration of the trademark that it is likely to mislead consumers or cause confusions in the market. In many countries, a system is in place, to safeguard the public interest, in which the public at large may express their opinions regarding the examiner's judgment about the trademark application for which the examiner decided to grant a trademark registration within a specified period of time.

In the world of business, a company would see it as undesirable if a trademark that is similar to its trademark appears on the scene. It is not unusual that with respect to a successful product produced by a company, its competitors place on the market a product bearing a trademark that is similar to the one used on or in connection with the successful product. The result is that the company will lose market share to some extent. If the trademark used on or in connection with the competitors' product is extremely similar to that used on or in connection with the company's own product, the company will have to exclude the trademark on the ground that the trademark is likely to be used on or in connection with counterfeit goods.

On discovering that another person has filed a registration application with respect to a trademark that could create a problem for your company, opposition to the grant of a trademark registration in accordance with applicable laws should be promptly filed.

The person in charge of keeping watch on registration applications filed by any third party should basically focus his/her efforts on class(es) of goods and/or services that relate to the businesses in engaged by the company for which he/she works. For example, if the company is an automobile manufacturer; the person in charge should keep watch over those trademarks for which a registration application is filed in connection with the goods falling under Class 7 (power machinery and appliances) and Class 12 (transport equipment, etc., including automobiles and two-wheeled motor vehicles) across the globe. However, as far as a corporate brand as an important trademark for the company is concerned, he/she should keep watch over trademarks for which a registration application is filed in connection with goods falling under any of classes created for classification of goods and/or services.

In most European countries, the patent office does not examine an application relative to prior applications or registrations for trademark to check for the existence of any prior registered trademark that is identical with or similar to the trademark under application. Therefore, any right holder should personally keep watch over the trend of trademark registration applications and, as the need arises, undertake appropriate measures such as filing of an opposition to the grant of trademark

registration.

When you file an opposition to registration with respect to a trademark under application, you must give the underlying grounds for opposition. The most frequently cited grounds for opposition include: (i) You as the opponent are the owner of a prior registered trademark that is identical with or similar to the trademark under application; and (ii) The trademark under application is similar to the one that the opponent deems is a famous trademark.

In filing an opposition to registration, you are also required to submit documentary evidence, which will include, with respect to the trademark against which an opposition to registration has been filed, a set of copy of the certificates of registration your company has obtained in relevant countries, data on sales of the products bearing the trademark (in value and in quantity), advertising expenses incurred, invoices, evidence of use in business, proof of the fact that the products bearing the trademark was extensively advertised with use of media such as newspapers, magazines and television broadcast and publicity materials evidencing that your company's trademark is widely recognized by the public.

22. Opposition to Registration and Trial for Invalidation

Opposition to registration is intended to provide the public at large with an opportunity to demand a trial for invalidation of a trademark registration within a specified period of time.

It is characterized by being driven by public policy in that, upon an opposition to registration being filed, the patent office will reexamine, on its own initiative, the adequacy of the grant of registration with respect to the trademark application for which the examiner decided to grant a trademark registration.

On the other hand, trial for invalidation of trademark registration provides a means for settling a dispute between the person entitled to the registration of a trademark and any other interested party under which a demand for invalidation of the trademark registration may be filed by the latter against the former on the ground that the registration had defects.

Both of these schemes are intended to retroactively extinguish any trademark right that has been registered through a mistake on the part of the examiner and that otherwise would not have satisfied requirements of registrability. As a matter of fact, grounds for denial of trademark registration under these two schemes are, in part, overlapping.

In general, opposition to registration is more user-friendly than trial for invalidation is because the former places fewer burdens on users in terms of cost and labor.

23. Trial for Rescission of Trademark Registration

Trial for Rescission of Trademark Registration includes two schemes: (i) Trial for cancellation of a registered trademark that has not been continuously used; and (ii) Trial for cancellation of registered trademark registration that has been improperly used.

Under the scheme of trial for cancellation of a registered trademark that has not been continuously used, where a request for a trial for rescission of a trademark registration is filed, the trademark registration will be rescinded unless the demandee proves that none of the holders of the trademark right has used the registered trademark in the relevant country in connection with any of

the designated goods or designated services pertaining to the request within a certain number of years prior to the request for trial. This scheme would be used by a third party who intends to obtain the registration of a trademark and who identifies any prior registered trademark that would stand in the way in its obtaining trademark registration. The underlying idea is that the more a trademark is used, the more the reputation of the company that uses the trademark on its products is embodied in it, with more brand value accumulated and therefore that a registered trademark which has not been continuously used need not to be kept registered. Words are limited in number, and those used daily are still much less in number. This holds true of any combination of letters. As a result, there would be no need to keep a registered trademark not in use maintained under the social framework. In contrast, there is no counterpart of this scheme with respect to patent right and design right. This is because a patent right or a design right is set to expire after a certain period of time starting from the time when it comes into existence due to lack of a renewal system so that the patented invention or the registered design may be released for public use.

Under the scheme of trial for rescission of a registered trademark registration that has been improperly used, where a holder of exclusive right to use or non-exclusive right to use a registered trademark uses a registered trademark in connection with the designated goods or designated services or in connection with goods or services similar thereto, or a trademark similar thereto, in a manner that misleads as to the quality of the goods or services or causes confusion in connection with the goods or services pertaining to the business of another person, any person may file a request for a trial for rescission of the trademark registration.

24. Trademark Search

As a prerequisite for filing an application for registration of a trademark, a preliminary survey should be carried out to make a rough estimate of the possibility of registration being granted to the trademark. This will enable establishing whether the trademark is available for trademark registration and eliminate the risk of incurring unnecessary costs for filing an application for an unregistrable trademark.

Trademark search is equivalent to prior art search as carried out prior to filing a patent application. Specifically, a trademark search is a preliminary survey that a person who wishes to have a trademark registered carries out before filing an application for trademark registration to see whether there was any precedent application filed by any other person or any preexisting registration granted to any other person with respect to a trademark similar to the trademark intended for application for trademark registration.

A trademark search is initiated by the Intellectual Property Dept. at the request of other relevant departments within a company or on the initiative of the Intellectual Property Dept. itself.

Departments that request a trademark search may include the Marketing Dept. and, in the case where a designation of technology is involved, the Engineering Dept. In addition to naming, survey items may include goods on which the trademark is used, the timing when such use of the trademark started or will start, the country in which the trademark is used, the way the trademark is read, and the meaning the trademark carries, all of which present important information.

Even if the Marketing Dept. or the Engineering Dept. request the Intellectual Property Dept. to carry out a trademark survey for only one country, the person in charge of trademarks in the

Intellectual Property Dept. should expand the coverage of the survey as he/she thinks proper, taking into consideration the trademark system which is in place in the relevant countries and the general pattern of business activities followed by the company or its competitors with respect to trademarks. It would require him/her to fully draw on the strength of firsthand knowledge including his/her perspective on future business development.

If the person in charge of trademarks in the Intellectual Property Dept. discovers the existence of a competitor's trademark that is similar to his/her company's one intended for application for trademark registration in the process of trademark search, he/she should consider every possibility to come up with an idea of how his/her company could use the trademark it desires to use, including the possibility of resorting to trial for rescission of trademark registration that has not been continuously used or trial for rescission of trademark registration that has been improperly used, rather than determine it as "unusable."

25. Retrieval Devices for Trademark Search

In a trademark search, you should configure the selection and classification of trademarks at the outset. Next, you should go on to select any prior trademarks on which the trademark intended for application for trademark registration is likely to infringe, with the aid of properly selected retrieval devices to sort out problems involved in determination of the similarity between the trademarks.

Generally speaking, a retrieval system appearing on the website of the patent office or the intellectual property of the relevant country is available as a search tool. Recently, ample retrieval facilities are available on the websites of the patent offices in many countries, which a search to be conducted at no charge to the extent that it covers the legal status of the relevant registered trademarks. SAEGIS is a simplified on-line foreign trademark information retrieval system offered by the private sector. Use of SAEGIS allows a search to be conducted for more than 30 countries/regions, including the U.S. and Europe, at a stroke and, nowadays, it also covers China. Using SAEGIS for a search is free of charge, but a fee must be paid to view the list of search results or other details of the search.

As far as the U.S. trademarks are concerned, a search can be carried out by marks and by applicant, and you can also check for the legal status of the trademarks, on the website of the USPTO.

For Japanese trademarks, you can use Intermark, IPDL on the website of the Japan Patent Office and PATOLIS, an on-line Japanese trademark information retrieval system offered by the private sector can be used to conduct a trademark search.

26. Extraction and Sorting of Trademarks

The term "feature of trademark" refers to the points of a trademark that have a central distinctiveness. In determining the similarity between trademarks, it is necessary to observe the features of the trademarks as well as the overall appearance.

For example, with respect to a measuring instrument as a designated good that bears the letters METER, these letters may not be deemed to constitute the features of trademark because the term "METER" typically means measurement function in the context of measuring instrument.

Likewise, with respect to canned paint as designated that bears the letters “BLUE” or “WHITE,” these letters representing a color adjective are not deemed as a feature of trademark. If this is the case, it may be necessary to abandon them in the process of examination.

Classification of designated goods or designated services shall be subject to the International Classification of Goods and Services.

When carrying out a trademark search, it will vary greatly depending on the line of business in which your company is engaged what classes of goods and/or services should be covered by the survey. For example, if your company is an automobile manufacturer, Class 12 which automobiles and two-wheeled motor vehicles belong to should naturally be covered, and it will also be understood that the survey should cover Class 25 (apparel) and Class 16 (printed matter such as advertising literature) in anticipation of the expanded dimensions of business activities in the ordinary course of business.

27. Extraction of Third Party’s Registered Trademarks That the Trademark under Intended Application is Likely to Infringe

The essential function of a trademark is a distinguishing function, Hence, a question as to whether a trademark is similar to any other trademark or not would boil down to a question as to whether the trademark has a capability to distinguish. Determination on whether or not a trademark is identical with or similar to another trademark should be made with respect to the trademarks themselves and with respect to goods or services in connection with which the trademarks are used.

When the trademarks are not similar to each other, they will be determined not to be similar to each other even if the goods or services are identical with each other or similar to each other. When the goods or services are not similar to each other, the trademarks will be determined not to be similar to each other even if the trademarks are identical with each other or similar to each other.

Similarity between trademarks in themselves has three categories: (i) Phonetic similarity or similarity in the way they are read; (ii) Similarity in appearance or visual similarity; and (iii) Similarity in concept or similarity in ideas inspired by the trademarks. Trademarks with similarity that falls under any of these categories will be determined to be similar to each other in themselves.

With respect to similarity between goods or services, descriptions will be given by taking transport machinery as an example. According to examination standards adopted in Japan, automobiles and two-wheeled motor vehicles are determined not to be similar to each other although both of them belong to Class 12. At the same time, two-wheeled motor vehicles and bicycles are determined to be similar to each other. Likewise, many countries determine similarity between goods or services in connection with which a trademark is used according to their own examinations standards for such goods or services. However, those goods such as humanoid robots that are newly launched on the market would be subject to review as to what class of goods they belong to in the light of their characteristics and their intended use. With respect to such new goods, the company which intends to file application for a trademark which is used in connection with them should take the initiative in establishing which class it believes the relevant goods belong to.

In determining similarity between trademarks, you should have an understanding of precedent appeal/trial decisions. When you are unable to determine similarity between trademarks, running a search for precedent appeal/trial decisions that are similar in kind would provide you with useful

information.

Examples of Determination of the Likelihood of Infringing Third Party's Registered Trademark

Examples of prior search result of third party's registered trademark

Intended application	third parties' registered trademark
FREED	FREEDOM
FAZE	FAZER
INSIGHT	INSULIGHT
INSIGHT	INVITE

In this case, although a trademark search found a third party's registered trademark, the prospective applicant determined that the registered trademark would not get in the way of trademark registration, and the prospective applicant went through the application process, and was granted with trademark registration.

In Japan, precedents are also searchable on the website of the Supreme Court under the tab of “Judgments of the Supreme Court relating to Intellectual Property.” Use of this search function would allow you to extract a particular case, when its number known to you, or a list of recent precedents in trademark cases. Such judgments are available in full text, and therefore would be useful in determining similarity between trademarks in similar cases.

28. Search Result

The search result is organized as a search report that should be submitted to the department that has made the request for filing an application for trademark registration.

The search report should mention what classes of goods or services with respect to which country are covered together with the results. In a search report, your conclusion as to whether the trademark can or cannot be used should be stated at the outset, followed by the reason for this judgment. If use of the trademark would involve negotiation with a third party, the search report often mentions that the trademark can be used, with conditions attached. This implies that actual experience in negotiations with a third party with respect to trademarks has shown how much the trademark should be different from the third party's to justify concessions being made between the parties concerned.

If, as a result of trademark search, it turns out that a third party has a registered trademark right for a trademark similar to the one for which your company plans to file an application for trademark registration, you will face a choice among the following alternatives as countermeasure, taking into consideration the purpose of the intended trademark application and costs involved:

- To give up the idea of using the trademark and consider another candidate;
- To start negotiations with the third party to explore the possibility of transferring or abandoning the registered trademark right;
- To start negotiations with the third party to explore the possibility of licensing the registered trademark right; or
- To file a demand for trial for rescission of trademark registration to extinguish the third party's trademark right.

29. Trademark-related Agreement

A trademark transfer agreement, though intended to transfer a registered trademark right, comes into existence for various reasons. A typical example is a case where a company retains an unneeded registered trademark and where another company makes a proposal to have the trademark transferred to it so that it can use the trademark in connection with a new product.

A trademark license agreement comes into existence when the holder of a registered trademark right licenses a third party the right to use the trademark, and is split into two types: exclusive license and non-exclusive license. An exclusive licensing agreement is different from a transfer agreement in that under the former, the holder of the trademark right continues to retain the trademark right, leaving the door open for use by itself. In addition, by the virtue of a license to use, a license agreement can set various contract conditions including the duration of use and territory of use. A non-exclusive license anticipates use of the trademark by multiple licensees as well as by the right holder itself. It should be noted that, in some countries, license agreement with respect to trademark is subject to registration.

A brand license agreement has basically the same structure as a trademark license agreement does; however, detailed conditions are usually set, including how to use the brand.

An assign-back agreement comes into existence when a person who intends to file an application for trademark registration with respect to a trademark finds a prior registered trademark that is similar to the trademark intended for application and when the person assigns and transfers the latter trademark to the holder of the registered trademark so that the latter trademark can be registered under the name of the holder of the former trademark and after the holder of the former trademark obtains a trademark registration with respect to the latter trademark, the latter trademark can be assigned back to the person. In this scheme, the applicant will be changed to the person with respect to the latter trademark after the latter trademark is assigned back to the person.

30. Merchandising Right

Merchandising right is characterized as a right of publicity.

The underlying concept of publicity right is that any person who wants to use commercially or for profit publicity values (such as appeal power in the context of buying behavior and goodwill) created by any other person should obtain the permission of the other person or compensate the other person for actual use.

Examples of merchandise to which a registered trademark is applied under a merchandising right include “minicar” as a reduced model of an automobile, a virtual computer-generated

automobile, and a T-shirt bearing a logo. From the standpoint of the licensor, this merchandise provide an excellent opportunity to increase people's recognition of its brand even though the merchandise is not its own products; a person wearing a T-shirt bearing its logo is as close as a walking billboard for its brand. From the standpoint of the licensee, the effective representation of his/her idea through the use of the brand can create new business opportunities.

Other intellectual property rights than trademark right could be involved, including copyright and design right. A miniscule "minicar" would require a new approach under a merchandising right as the merchandise is too small in size and would only allow a mark designed to typify the trademark to be applied to it. Like this, a merchandising agreement solely under a trademark right could have an adverse consequence.

31. Brief Overview of Brand Management

Every business enterprise conducts daily business activities under its brand designed to distinguish the goods or services it produces, certifies, assigns or provides from those of other companies. It also utilizes brand authority in conducting advertising and social action programs. Through these activities, brands will receive customer recognition, win public confidence and earn a reputation. Customers rely on brand in identifying the goods and services produced, certified, assigned or provided by the company. Consequently, enhancement of brand value is one of the most important management issues.

An internationally operating company often requires all of its foreign subsidiaries and affiliates to use the same brand on a group basis. In this context, the brand carries out a function of cementing companies within the corporate group. The parent company and its group companies should make concerted efforts to enhance the brand value in an integrated manner. Otherwise, use of the brand could cause confusion among customers. Conducting such efforts in such a manner requires that a license agreement is concluded between the parent company and each of the group companies that should specifically describe how the brand should be used, including prohibition of modifying the trademark without prior consent and tough standards regarding the color and dimensions of the trademark.

Another important function of a brand is to make a clear distinction between products of a company as the right holder of the brand and those of its competitors or counterfeit products that bear a brand similar to the brand as established by the company. Use of a modified trademark by any of its overseas subsidiaries would preclude it from effectively identifying and excluding counterfeit goods.

32. Role of Intellectual Property Rights in Brand Management

In the Intellectual Property Dept., the person(s) in charge of trademarks should assume responsibility for performing duties directly related to brand. Although, as a matter of fact, the persons in charge of design and patent application bear part of the responsibility for policing the brand as far as they play a role of ensuring corporate identity, the person(s) in charge of trademarks have direct relevance to the Intellectual Property Dept.'s encouraging other departments to get involved in raising awareness of the importance of enhancing brand value.

In view of the cross-enterprise importance of enhancing brand value, many companies have their Corporate Planning Dept. assume responsibility for enhancing brand value. However, even if this is the case, people in the Corporate Planning Dept. require the cooperation of the persons in charge of trademarks in the Intellectual Property Dept. who have expertise regarding trademarks.

The corporate brand as the identity of a company is most important trademark a company has.

This is because the corporate brand represents the company itself. Once corporate image is damaged by a scandal, etc., it is as if the design of the trademark as the corporate brand of the company had been tarnished.

The corporate brand is comparable to the name of a company that represents the company itself. While the company name is bound by law with respect to the way it is represented, the corporate brand is designed to leave an impression so that it may represent the company in the marketplace. As a matter of fact, the corporate brand is usually made up of a unique color and a logo that is retained in people's memory more strongly than the company name. You should manage the corporate brand with all possible care to increase its value and not to harm it in any way.

Some diversified companies have a business brand that responds to each of their diversified businesses. For example, some companies operate a financial business and a restaurant business under different brands. This reflects their own choice of business brands to gain market acceptance under their own image-building strategy. It would be an issue of choice whether the same brand should be used across the company or different brands should be used.

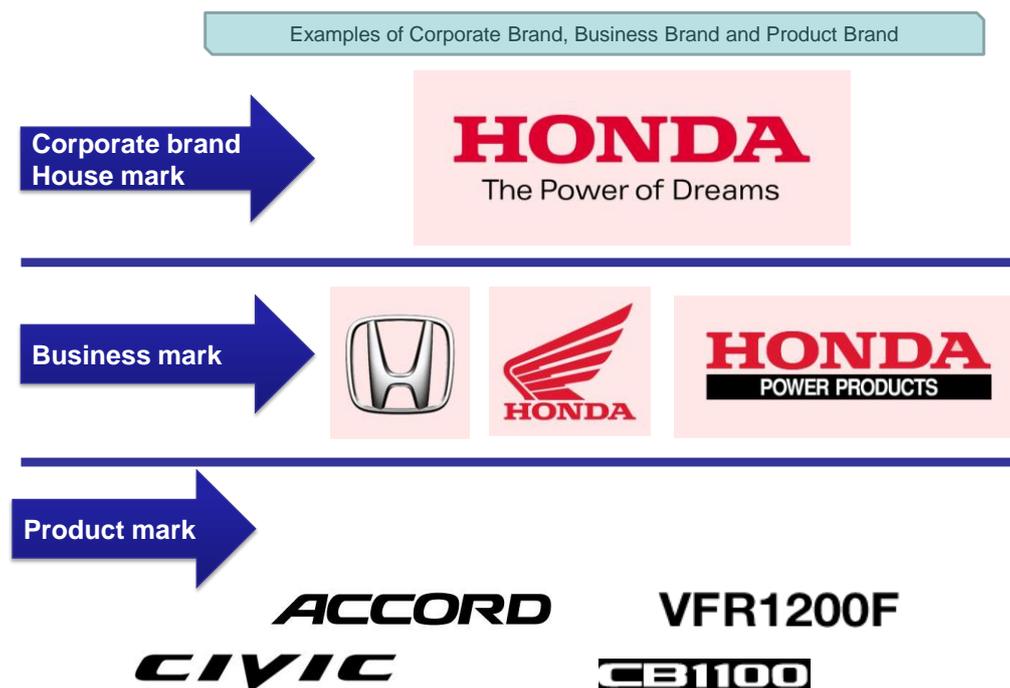
In some cases, an application for trademark registration is intended to protect product brands that may be used on a series of product. Some product brands die young in one generation, and others enjoy prolonged use from generation to generation.

33. Difference between Corporate Brand and Product Brand

The corporate brand is typically intended for permanent use, while a product brand is comparatively flexible in the way it is used. You should keep this difference in mind when you perform the practice of trademark management.

The number of trademarks for which an application for trademark registration is filed has become too large. If a company files an application for registration of a trademark, the company is likely to face a registered trademark similar to the trademark under application anywhere in the world. In that case, the company would become increasingly likely to have the trademark under application registered or found not infringing by combining the trademark under application with its corporate brand if it has its corporate brand established as its own.

A product brand is the name of product. Some products may be successful, and others may not. Therefore, product brands should be managed in a different way from the corporate brand. This is because a product brand used on an unsuccessful product may be abandoned without being subject to renewal. To manage product brands properly, you are required to keep in contact with the Marketing Dept. and to have a good understanding of the value of your company's trademarks that constitute product brands. In some cases, a product brand used on a successful product can increase in value to the extent that it takes its place as the corporate brand.



34. Rules on Use of Trademarks in Line with Brand Strategy

The corporate brand as well as product brands should be used according to the rules on use of trademarks in line with the company's brand strategy.

In many cases, use of the corporate brand and product brands is subject to more restrictive rules than the trademark as registered is. This is because the trademark is only required to have the capacity to distinguish itself from others in terms of distinctive features, while on the other hand the central aim of the rules on use of corporate brand and product brands is to ensure identity preservation. Therefore, the rules should provide for the use of color, font type, size, method of indication and prohibited matters, and, in addition, a manual of use and guidelines on use of the brands should be developed and maintained.

35. Brand Licensing

When a company licenses any of its affiliated companies to use a brand, a clear set of standards for licensing should be established. Although affiliation is generally based on controlling interest, the affiliated company can be a local capital-funded joint venture company. Such a joint venture company as the potential licensee can result in a dual branding system that involves the potential licensor's brand and the capital investor's brand. If this is the case, the potential licensor may lose control of the use of brand in no small part.

Whether the potential licensee is a wholly-owned subsidiary or a joint venture company, the potential licensor should review whether or not the potential licensee will make proper use of the

trademark in the capacity of licensee. Screening of a licensee would have a great influence on reputation of the brand. In particular, as far as the corporate brand is concerned, arrangements should be made to have the licensee carry out brand management with the same due diligence as that exercised by the licensor in management of the corporate brand.

In contrast, licensing of product brands would not require rigorous enforcement of standards to the same extent. The central aim of corporate brand management is to enhance its value, while on the other hand product brands are expected to expand in use as competition intensifies in the global market. Flexible use of products brands for different purposes, brand extension or brand stretching, can often produce the best results.

36. Target Objects of Brand Licensing

The target goods or services of brand licensing should be specified by contract. This is because the licensee's use of a brand on goods or services that are substantially different from those envisaged by the licensor under its vision of its business would project a quite different brand image as viewed from the market.

Basically, a brand licensing contract is drafted so that it is based on the terms and conditions of a trademark licensing contract concluded separately, with brand-specific matters incorporated therein.

In finalizing a brand licensing contract, the potential licensor should confirm the existence of the underlying trademark right and the scope of protection available under the right at the outset. Under the contract, the trademark shall be used in connection with the designated goods or services. If the licensee desires to use the trademark in connection with other goods or services, such use of the trademark should be covered by a separate contract.

This means that, under a brand licensing contract, the licensor may prohibit the licensee from using the trademark in connection with goods or services similar to the designated goods or services under the underlying trademark right, and at the same time, the former may prohibit the licensee from using the trademark in connection with other goods or services than the designated goods or services. If this is the case, the licensor should include in the contract such terms and conditions that restrain the licensee from filing an application for trademark registration without prior consent of the licensor as the need arises.

For reference in setting conditions of a brand licensing contract, you could apply the terms and conditions of a trademark licensing contract to such matters as type of license, i.e., whether the contract is intended for an exclusive license or non-exclusive one, the categories and quantities of goods, the term, country and territory, quality preservation, and reporting. The thinking behind this is that although a brand is an aggregate of value of a company its legal core is a trademark.

A brand has the function of quality assurance in the market in response to customers' expectation. In combination with this function, a brand licensing contract is conducive to strengthening the protection of the brand by incorporating in it the rules on use of the brand to be abided by the licensee and thereby placing the licensee under a quality assurance obligation.

37. Brand Royalty

Brand royalty is determined in accordance with either of the following two principles depending on how you see branding costs.

One principle is that brand royalty is an extension of trademark royalty and that brand licensing is essentially the same as trademark licensing. Under this principle, brand royalty is calculated by applying market rates of royalty under ordinary trademark licensing contracts, taking into account the costs involved in trademark application and maintenance of trademark registration. This method of calculation does not take into account brand value.

Given that brand value serves as a key determinant in consumer choice between products with the same performance on the market, a branded product can be priced higher than other products. Under the other principle, brand royalty is calculated on the basis of the premium that could be charged in this situation.

The value of brand is evaluated in terms of customer evaluation of the trademarks, design and technology of a company, and therefore should not be simply calculated as a factor of trademark royalty. Given that the better customer's evaluate a brand is, the higher the price that could be justified for a product bearing the brand, a high-price setting by a margin of several percent to several dozen percent, or in some cases in excess of double pricing is justified in the real market in terms of price competitiveness.

Examples of Trademark Evaluation

Trademark evaluation for assignment / licensing

Trademark evaluation for assignment or licensing should be made in accordance with objective standards that would allow numerical comparison. Reference examples of trademark evaluation are given below. Use of a method in which a third party's registered trademark is used as benchmark trademark and points are added thereto or subtracted therefrom would facilitate the evaluation process.

	Three-way test	Indicator	Description	Score
Overall Evaluation	Evaluation of the trademark right itself	Strength	Distinctiveness	
			Whether the trademark has defects or not	
			Degree of dilution	
		Breadth	Breadth of the scope of the trademark right	
			Status of registration abroad	
		Length	How long the term of the trademark right extends	
		Evaluation in the company	Evaluation of naming	
	Expressive power			
	Inclusion of negative implications			
	Easiness of distinction from other companies' trademarks			
	Attachment felt for the trademark		How long the trademark has been used	
			Volume of information sent with respect to the trademark	
	Market evaluation	Credit reputation	Credibility and credit reputation in the market	
		Image	Newsworthiness	
			Perception of product quality	

Business enterprises conduct activities of all sorts to increase the value of their brands, including improvement of their financial position, launching new products continuous quality improvement, improvement of customer service and commitment to social action programs. All of these activities are primarily intended to enhance the value of their brands, which encompasses more than enhancement of the value of their trademarks.

Royalty payment is not necessarily in money, and in some cases, a parent company does not charge its subsidiary a royalty. This holds true in such cases where its overseas subsidiary operates with the understanding of and support for local culture, thereby making a considerable contribution to enhancing the value of the brand. This practice of not requiring an affiliated company to pay royalty could be deemed reasonable given that a company and its affiliated company constitute a single business entity as far as they conduct business all over the world under the same brand.

However, in that case, attention should be paid to the issue of taxation. If a company collects royalty for a brand licensed to a third party at a certain rate and if, on the other hand, it allows its subsidiary to use the brand at a reduced rate of royalty, it may be subject to taxation because the difference in the rates could be deemed as a contribution. Furthermore, if a rate of royalty set by and between a parent company and its overseas subsidiary is lower than that set by and between the parent company and an independent company, the parent company may be subject to the collection of back tax under the transfer pricing taxation system.

38. Countermeasures against Counterfeit Goods

In the field of business, it might be expected that on the heels of a successful product, products that are similar to the successful product in concept or performance emerge in the market. This is because the success of the product suggests the existence of market needs for that sort of product. If the successful product were not protected by intellectual property right, the features of the product as a factor that has brought it such success would be copied by followers. If technical or design features are a success factor, such followers would imitate the successful product on the edge of infringing the patent right or design right under which the product is protected. However, it is not enough to provide a good prospect for sales expansion by keeping the followers mired in second place. Therefore, they are going to move towards lower pricing, higher performance and better design.

The same holds true of trademarks. There is a trend toward successive emergence of a product bearing a trademark that looks somewhat akin to that of a successful product in the shape of characters, phonetic representation and color.

However, this is nothing special in an industry-led competitive society, and apart from the likelihood of entering infringement litigation, would fall within the scope of sound competition as far as such followers pay attention and regard to other people's intellectual property and make efforts to avoid infringing it.

In contrast, the act of producing counterfeit goods is intended to seize the advantage of a successful person, based on the clear recognition that it infringes on the person's intellectual property, rather than attempting to make a better product. Therefore, counterfeit goods are most likely to be illegal.

Typical examples of these counterfeit goods are fake high-value-added products such as fake

watches and bogus handbags falsely bearing a designer brand. These counterfeit goods are intended to mislead consumers into believing that they have been made by a person with a legitimate right to do so. Therefore, they definitely constitute a trademark infringement and are subject to action by law-enforcement agencies in the relevant countries. For example, those goods that are suspected to infringe someone's trademark right can be banned from exportation from or importation into a country by the customs service in the country under its official authority and are liable to criminal punishment.

With respect to an industrial product, determination of whether it is a follower of a successful product or an intentionally infringing product would require case-by-case reviews.

However, whatever the case may be, your response to the emergence of counterfeit goods should start with checking whether they infringe your company's trademark rights or not. To make a speedy determination on this, it is important to keep an eye on the market and have any trademark you use applied for registration. Otherwise, a trademark holder who folds his/her hands would become a ready target for copying as the person who has made the counterfeit goods intentionally infringes his/her trademark, which is illustrated by numerous examples.

With respect to patent right and design right, it is not easy to respond to counterfeit goods partly because of the limitation of the term of validity and partly because of the involvement of reverse engineering analysis in determining whether those goods infringe these rights. In contrast, infringement of a trademark right can be more easily detected by appearance, and therefore, you should immediately make an all-out effort to deal with counterfeit goods wherever possible.

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