Trademark Disputes
and Their Handling

Japan Patent Office
Asia-Pacific Industrial Property Center, JIII

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1. Trademark Disputes

Causes of trademark disputes

Since a trademark right registered under the Trademark Law has a proprietary value, the nature of such right would bring about various types of disputes.

A trademark is a right which takes effect after a trademark application is filed. Its registration is granted by the Patent Office (the decision of registration), and the applicant pays the prescribed registration fee with respect to the trademark. As a corporation or an individual entitled to a trademark runs business, using the trademark, the prestige of the trademark will build up. Increasingly a trademark takes on such nature as a proprietary right with an exclusive right guaranteed under the law.

The causes of a trademark dispute are listed as follows:

◆ Dispute over succession of a trademark right

Because a trademark right is a proprietary right, a dispute may arise over who is entitled to succeed the trademark when the right holder dies.

◆ Dispute between the owner of trademark right and the holder of right to use

As a trademark is an important commercial means, a third party may obtain the right for the purpose of operating a business. This is a trademark license, which is a type of contract under which the owner of trademark right grants a third party the right to use the trademark. There is no fear of giving rise to conflict as long as the relationship between the owner and the holder is favorable. In the event the holder fails to pay the royalty or to report the use of the trademark as required, or in the event the sales volume falls short of the trademark owner’s expectations, however, it may result in a dispute between the parties in various respects.

◆ Dispute arising from a third party’s infringement of a trademark right

A third party may exploit the profitability of another party’s trademark to gain profits for oneself, by way of using a brand identical with or similar to the said trademark without authorization by the trademark owner. It constitutes an infringement of a trademark.

2. Recent revisions of the IP laws related to the Trademark Law

In recent years, the IT laws have been frequently revised. With the focus on the Trademark Law, an overview is given of how these revisions have contributed to the protection of trademark rights.

1990: Revision of the Unfair Competition Prevention Law to include “acquiring trade secrets” in the category of acts of unfair competition

1991: Introduction of service mark registration system

1993: Revision of the Unfair Competition Prevention Law to add more acts of unfair competition, so as to reinforce the protection of famous identifications and to prohibit “imitating the configuration of another party’s goods; to set forth provisions on damages; to provide for more severe penalty
1994: Provision of protection for geographical identifications of wines and spirits in accordance with the TRIPS Agreement; Provision of protection for marks/seals pertaining to TRIPS signatories

1996: Establishment of new multi-class application system; Introduction of three-dimensional trademark registration system and collective trademark system; Abolishment of associated trademark system; Adoption of post-grant opposition system; Revision of trial system for cancellation of registered trademark not in use; Revision of registration for renewal of trademark term (may be renewed by application); Provision of reinforced protection for famous trademarks

1998: Beginning of movement calling for more effective protection of IP rights (Coincidentally, the Supreme Court rendered judgment upon Ball Spline Case.)

1998: Revision of the law with regard to compensation for damage (enacted on January 1, 1999) and the law to set forth provisions on compensation for damage (§38(1)). Accordingly, set forth the Patent Law §102(1), the Utility Model Law §29(1), and the Design Law §39(1) to the same effect.


1999: Establishment of precedent for IP cases available on Internet.

2000: Supreme Court judgment upon KIRBY Patent Case on April 11.

   Enforcement should be restricted in the event of abuse of a patent right (when the obvious ground for invalidation exists).

2001: Newly defined acts of acquiring a right to use a domain name without authorization under the category of unfair competition (Unfair Competition Prevention Law §2(1)(xii) (into force on December 25, 2001)

2002: Revision of provisions on indirect infringement under the Patent Law.

   Policy speech by Prime Minister regarding the building of an IP nation

2002: Partial revision of the definition of “use” under the Trademark Law §2(3) so as to articulate that acts of providing goods/services and/or displaying advertisements relating to goods/services through Internet, etc. fall under “use” as defined therein.

2003: Partial revision to the following: Code of Civil Procedure (so as to concentrate IP cases in competent courts); Customs Tariff Law (so as to expand the scope of on-the-border measures); Copyright Law (so as to reinforce protection for video content); Seeds and Seedlings Law (so as to apply more severe penalties for infringement); Patent Law (so as to review the fee, reform the dispute resolution system including patent appeal/trial, etc.); Unfair Competition Prevention Law (so as to impose criminal punishment for infringing trade secret). Revision of the law with regard to compensation for damage (§5(1)), so that the same provision should apply as the Patent Law §102(1), the Utility Model Law §29(1), and the Design Law §39(1) to the same effect.
2004: Revision to the Patent Law, Utility Model Law, Design Law, Trademark Law, Unfair Competition Prevention Law, and the Copyright Law in accordance with the Law for Partial Revision of the Court Law, etc. (Law No.120 of 2004).

The said revision to the Patent Law revised the provision to apply the Patent Law under the Trademark Law §39 mutatis mutandis. Such provisions as the restriction on the exercise of the patentee’s right (the Patent Law §104-3), expert opinion for proof of damages (Patent Law §104-2), award of reasonable damages (Patent Law 105-3), production of documents/in camera (Patent Law §105, and secrecy order (Patent Law §105-4 through §105-6) shall apply mutatis mutandis.

2004: Registration of Seeds and Seedlings Law.
2005: Establishment of new regional collective trademark system.
2005: Revision of Unfair Competition Prevention Law in relation to the Law for Punishment for Organized Crimes (the former Trademark Law §81-2(1)).
2006: Placement of border control under Customs Law in place of Customs Tariff Law so as to define as “goods prohibited from exportation or importation” (§69-2 through 69-21） in Chapter 6, Section 4 of Customs Law.
2006: Revision in accordance with the Law for Partial Revision of the Design Law, etc. (Law No. 55 of 2006) with the view of reinforcing protection of rights and taking countermeasures against counterfeits; imposing more severe statutory punishment for infringement offenses under the Patent Law and Design Laws, and offense of trade secret infringement under the Unfair Competition Prevention Law (to a maximum sentence of imprisonment with labor not longer than 10 years, and a fine not exceeding 10,000,000 yen, provided that utility model infringement is punishable with imprisonment with labor not longer than 10 years, and a fine not exceeding 5,000,000 yen.

Under the revisions to the Trademark Law, the acts of exporting goods was added to the category of acts of trademark infringement; trademark registration was introduced for retail and other services; and reviewed the issue of independent collective marks.

2008: Reviewed the following: non-exclusive license system; time requirement for filing an appeal; and fees.
3. Trademark Infringement

Trademark infringement is stipulated in the Trademark Law, Chapter IV, 2. Infringement (§36 through §39). To the letter of the law, §36 simply stipulates “infringement of a trademark right”, but it does not specify what constitutes infringement. For clarification, an interpretation is given below in light of the effects of trademark rights, and the purpose of trademark protection. In general, §36(1) is construed to define the use of a trademark by an unauthorized third party in the same category of business where the trademark owner has the right to exclusive use as direct infringement. By way of §37(i), then, the scope of the right to prohibit direct infringement is expanded to the use of the registered trademarks or of trademarks similar thereto in the category of business under the right to exclusive use.

Since it is not sufficient to ensue the effectiveness of trademark protection only by means of prohibiting an unauthorized party from using a trademark, namely, prohibiting direct infringement of a trademark due to unauthorized use, the law provides for indirect infringement due to preparatory acts (§37(ii) through (viii)).

Furthermore, an approach has been taken so as to interpret that direct infringement of a trademark right due to acts other than the unauthorized use of a trademark also constitute infringement

(1) Scope of prohibition under a trademark right

Section 25 of the Trademark Law provides that the owner of a trademark right shall have an exclusive right to use the registered trademark with respect to the designated goods or services, which is the principal effect of trademark right (its positive effects). To effectuate the principal effects of a trademark right, the law extends the scope of prohibition to the use with respect to goods or services similar to the designated goods or designated services (§37(1)). By definition, it is premised that there may exist services in the scope of similarities of goods, and there may exist goods in the scope of similarities of services (§2(6)).

(2) Identical/similar trademarks, goods and services

1) Identical trademarks

It is judged whether a particular trademark is identical with a registered trademark or not, in terms of the criteria with consideration to the business practice in the industry where the said registered trademark has been in use. By contrast, in an infringement case, the practical use of a trademark identical with a registered trademark is rarely the main focus of dispute. Rather, what is at issue is the matter of trademark similarity.

2) Similar trademarks

The similarity factor in trademark infringement disputes is common to the similarity/dissimilarity requirement for registrability. In a trademark infringement case, therefore, it is challenged whether the alleged trademark contravenes the rationale of “one and sole trademark” under the Trademark Law, or whether it has caused confusion with regard to
the source of the goods/services. In practice, similarity/dissimilarity has been determined consistently pursuant to the Trademark Examination Guidelines. Also, there are a significant number of precedents citable in determining similarity/dissimilarity for a particular trademark (goods trademark) in an infringement dispute, which contributes to establishing a standard approach to similarity determination. Trademarks are deemed similar when the trademarks under comparison are confusing to the extent that it is likely to cause confusion over the source of the goods when respectively used for the goods in the course of transaction. （Hiyama Case, the Supreme Court Judgment of February 27, 1968; Reporter: Saiko-Minshu Vol.22, No.2, at 399）.

Decisive elements in judging the similarity of a trademark (i.e., determining the likelihood of causing confusion) are its appearance, sound and concept. Of these three, the sound is the most important element in cases of trademarks composed of characters/letters. If one of these elements is common, the two trademarks are considered similar, unless judged otherwise for a special reason. In definition, “sound/concept” does not mean any sound/concept conceivable for the composition of a trademark, but such sounds/concepts that are expected to be generated in the course of transaction among general consumers of the goods/services relating to the trademark. A sound/notion widely used over a long period of time is the most decisive element, but these elements do not necessarily provide the sole basis for similarity judgment. It might be possible that a single trademark has more than one sound/concept.

The likelihood of confusion is to be determined by measure of attentiveness on the part of the consumer/trader of the goods relating to the relevant trademark. In this context, “consumer/trader” means not the actual consumer/trader, but a representative of the population of consumers/traders in general.

Concerning the similarity of a composite trademark (a trademark composed of two or more words, letters and figures in combination), a similarity judgment, if depending only on observations as a whole, might arrive at an irrational conclusion. In such a case, it is necessary to divide or separate the trademark for detailed observation. For example, cases wherein the combination of characters is unnatural in a trademark composed of characters, or where there is no marked difference in appearance between figures in a trademark composed of two or more figures in combination.

In the TSUTSUMI-NO-OHINAKKOYA Case (Supreme Court Judgment of September 8, 2008), the appellee filed a lawsuit against the JPO decision to dismiss the demand for invalidation of the following trademark registration with the appellant as the trademark owner. The Supreme Court quashed the original judgment and remanded the case to the original court on the grounds that the determination of the original court to find the trademark in question “つつみのおひなっこや” (phonetically, ‘tsutumi-no-ohinakkoya’) similar to the cited trademarks “つゝみ”(phonetically, ‘tsutumi’) and “堤”(phonetically, ‘tsutsumi’) is erroneous in applying/construing the law concerning similarity judgment for a trademark, for the following reason:
“A judgment on the similarity of a trademark under §4(1)(xi) of the Trademark Law, needs to, with impression, memory, association, etc. invoked by its appearance, concept, sound and so on upon traders and consumers when it is used in respect of identical or similar goods or service taken into account, be made based on attentiveness by the user, with consideration given to the state of transaction of the goods or the provision of the service; therefore, it is not acceptable to make a judgment on the similarity of a composite trademark composed of two or more elements by extracting one of these elements to be compared with another party’s trademark, except for the cases where the said element is found strong and dominant as a function for indicating source, or the cases where the remaining elements are not found to generate a sound or concept as a function for indicating source.”

(3) Consideration of the actual state of transaction

Since the purpose of the right to seek injunction is to protect the function to distinguish, it does not require a specific event of confusion over the source. It is obviously true, judging from the purport of the Trademark Law that provides for the right to seek injunction with regard to a registered trademark even not in use. However, it is important to note that when similarity/dissimilarity is considered as the decisive element in an infringement case, the defendant’s trademark has been in use, while the registered trademark has been in use by the trademark right holder, which helps determination at this stage more specifically to the actual state of transaction than similarity judgment at the stage of establishment of a right. In an infringement case, consideration should be given not only to the manner/modality of trading the goods and other general circumstances, but also to factors specific to the relevant trademark such as whether the trademark is well-known, whether other trademarks exist, how the trademark has been used, and in what manner/modality (DAISHINRIN Case, Supreme Court Judgment of September 22, 1992, Reporter: Hanrei-Jiho No.1437, at 139; KOZO-SUSHI Case, Supreme Court Judgment of March 11, 1997, Reporter: Minshu Vol.51, No.3, at 1055). Also, it is necessary to consider whether the alleged trademark is famous or not (CAMEL Case, Osaka District Court Judgment of January 30, 1992, Reporter: Hanrei-Jiho No. 1419, at 101).

In the DAISHINRIN Case, both first-instance and second-instance courts determined that the alleged trademark infringement was not established, on the grounds that the defendant’s mark “木林森” (phonetically, ‘dairinshin’) affixed to a hair restorer and put on the market—considering that elderly men who care seriously about their hair check marks carefully when purchasing hair restorers—was dissimilar to the plaintiff’s registered trademark “大森林” (phonetically, ‘daishinrin’) (including hair tonic as the designated goods). Upon appeal, the Supreme Court remanded the case to the original court, on the grounds that “木林森” and “大森林” are difficult to distinguish since both have an image of flourishing trees in common. It was also considered that since not only users but also family members go to buy hair restorers, it is necessary to give substantial deliberation to the status of transactions.
(4) Identical/similar services

For the purpose of making a judgment for services, it is helpful to refer to cases of Unfair Competition Prevention Law violations. In the VILLAGE Case (Tokyo High Court Judgment of September 28, 2000), the appellant (the first-instance defendant) engages in the sale of lots, provides a variety of explanations, makes a model room open to visitors, shows the site, arranges for housing loans, and informs regarding material matters pursuant to Article 35 of the Building Lots and Buildings Transaction Business Law. These acts of the said business operator are to be categorized into acts incidental to the service of purchasing/selling buildings, which is identical with or similar to the designated “service” of “purchasing/selling buildings” relating to the registered trademark. Thereby, the trademark right was infringed upon.

In this regard, the original judgment (Tokyo District Court Judgment of October 21, 1999, Reporter: Hanrei-Jiho No.1701, at 152) concluded that an infringement of the trademark right had occurred, judging the similarity of the goods and services on the grounds that the defendant’s mark was affixed to the said condominium, viewing the building, which is similar to the said designated service, in light of “a trademark in respect of the goods.”

(5) Judgment on the similarity of goods and services

The Examination Guidelines for Trademarks sets forth:

In judging the similarity of goods and services, a substantial decision is made on a case-by-case basis with consideration generally given to the following criteria:
(a) Whether it is common for the same business operator to engage in the production and sales of goods and in the provision of services
(b) Whether goods and services correspond in intended purpose
(c) Whether goods and services corresponding in the points of sales (goods) and provision (services) are identical
(d) Whether goods and services correspond with regard to the range of consumers and customers they are targeted at

The Examination Guidelines for Trademarks sets forth the criteria for trademark registration, and yet the same approach is taken for infringement cases.

(6) Identicalness/similarity of a third party’s goods and the designated goods

When it comes to judging goods as identical/similar, two measures have been employed: attributes of goods, and confusion over source. The precedent rest upon the latter. “Confusion over source” means that in judging whether or not the alleged goods are similar to the designated goods relating to the registered trademark, even if there is no likelihood that those goods are falsely recognized to cause confusion in the course of transaction, due to such circumstances that those goods are usually manufactured or sold by the same business entity and so forth, if it is likely that will cause traders and consumers to
confusedly and falsely recognize the goods as manufactured or sold by the same business entity when using the identical or similar trademark. In respect of those goods, the alleged goods are judged as similar to the designated goods relating to a registered trademark. In practice under JPO, regarding identicalness/similarity of a third party’s goods and the designated goods, consistent and stable judgments have been made according to the description of classes in the “Examination Standards for Similarity of Goods and Services” compiled by the Trademark Division of JPO. At the stage of courts, consideration is given to the status of transaction, which suggests that the scope of similarity of goods/services might be set wider or narrower depending on the fame or well-known-ness of the trademark to be compared, as well as the level of similarity.

The Examination Guidelines for Trademarks set forth examination standards in judging the similarity of goods and the similarity of services, as well as the similarity of goods and services under paragraph 10 through 12 of Article 4(1)(xi) (Examination Guidelines for Trademarks, 9th edition), as follows:

10. To judge the similarity of goods, the following criteria are comprehensively taken into consideration, basically following the Examination Standards for Similarity of Goods or Services:
(a) Whether they correspond in the production stage
(b) Whether they correspond in the sales stage
(c) Whether they correspond in materials and quality
(d) Whether they correspond in intended purpose
(e) Whether they correspond in the range of consumers they are targeted at
(f) Whether they are in a finished-product-and-parts relationship.

The outline of the Tachibana Masamune Case (Supreme Court Judgment of June 27, 1961; Reporter: Minshu Vol. 16, No.6, at 1730) is as follows: the appellee (defendant) filed an application for registration of a trademark composed of the characters “Tachibana-Masamune” (vertically written in Kaisho-font Japanese) in respect of the designated goods under the old Class 38 “Japanese Sake and its imitation,” but received refusal following examination. The appellee (defendant) appealed against the refusal decision. In the course of the appeal proceedings, the appellee (defendant) amended the designated goods to “Class 38 Japanese Sake and its imitation, except for Shochu.” It was decided to dismiss the appeal on the grounds that both the trademark applied by the defendant for registration and the registered trademark No.246955 (characters of “Tachibana-Masamune” vertically written in Kaisho-font Japanese; in respect of the designated goods under old Class 38 Shochu) cited in the decision of refusal in the original examination are similar to each other with a common nickname and notion, since the word “Tachibana” (one Chinese character) is essential to both trademarks, and since the classes of designated goods also overlapped.
The appellee filed an appeal to the Tokyo High Court against the dismissal decision. The Tokyo High Court revoked the dismissal decision, stating that judging from the evidence that “Seishu” and “Shochu” are strictly distinguished by consumers based on their tastes, and also by traders due to common sense, these are unlikely to be confused with each other, “Masamune” and “Shochu” must be essential parts of both trademarks, and people are unlikely to call or to understand these two kinds of products in the absence of these words, since it is obvious that these two trademarks are not identical nor similar, without the need for ruling on similarity for the designated goods.

The Supreme Court Judgment quashed the said High Court Judgment and dismissed the appeal by the appellee (defendant), holding that even if there is no likelihood that two products are falsely recognized to cause confusion in business, it is appropriate to hold that those goods should be considered similar as defined under §2(i) and (ix) of the old Trademark Law (the law of 1921), if it is contemplated that there is a likelihood of those products being falsely recognized as produced or sold by the same business entity when using the identical or similar trademark in respect of those goods.

In this present case, “Masamune” in the “Tachibana-Masamune” trademark is considered as a conventional mark meaning Seishu, and “Shochu” in the “Tachibana-Shochu” trademark is a common noun. It is not only because the two said trademarks have the essential part in common, but also because in many cases, one and the same maker have license to produce both Seishu and Shochu, it is obviously likely to cause the general public to falsely recognize that both products come from one and the same business entity in this present case, where a business entity manufactures Shochu using the trademark “Tachibana-Shochu,” and another business entity manufactures Seishu using the trademark “Tachibana-Masamune.” Whether such trademarks as “Tachibana-Shochu” are famous or not has no bearing on the said court-holding. Therefore, “Tachibana-Shochu” and “Tachibana-Masamune” should be considered as similar trademarks. Furthermore, the designated goods in relation to the respective trademarks should be considered as similar.

The Masamune Tachibana Case precedent dates back 46 years, and still remains the precedent often cited in judgments (e.g. Tokyo High Court Judgment of 2004.7.26 upon SUMCO Case; Osaka District Court Judgment of 2006.4.18 upon YODEL Case; Reporter: Hanji No.1959, at 121, etc.).

(7) Precedents upon the similarity of goods since 1995

To evaluate the impact of the Judgment upon TACHIBANA-MASAMUNE case on the subsequent judgments.

1) Judgment to determine the goods under a different class as similar

① KAMIGEN Case (Tokyo High Court Judgment of May 22, 2003)

Because health food products and supplements classified under the old Class 32 “processed foodstuffs” in the designated goods relating to the trademark in question and the designated goods, vitamins and nutrients classified under the old Class 1
“drugs” relating to the cited trademark “A” had the contents and use of the goods, point of sale, and marketing in common as of the date of the appeal board’s decision on registration in question. Therefore, it is proper to determine them as similar goods.

② AOBA Case (IP High Court Judgment of May 29, 2007)

The trademark in the application concerned, the designated Class 5, the designated goods “liquid nematicide, with Fosthiazate as the chief ingredient, in the category of non-medical deleterious substance and dangerous substance” is similar to the cited trademark, Class 1 (the designated goods “soil conditioner made of tuffaceous sandstone powder”). The similarity judgment is based on common factors such as manufacturers, agricultural/horticultural use, retail at farmers’ cooperative stores and DIY stores, as well as partially similar efficacy.

2) Judgment to determine goods under the same class as dissimilar

SUMCO Case (Tokyo High Court Judgment of July 26, 2004)

“Semiconductor wafer” goods (Class 9) and “electric machines, apparatus and their parts” (old Class 11) such as integral circuits cannot be said to be manufactured or sold by the same business entity in usual cases. Semiconductor wafers are not general consumer goods, as the consumers of semiconductor wafers are device manufacturers, and traders are limited to those equipped with clean room facilities and so forth. In light of these circumstances, it is proper to conclude that when identical or similar trademarks are used in respect of “semiconductor wafers” and “electric machines, apparatus and their parts” such as integrated circuits, there is no likelihood of causing the semiconductor wafer consumers, including device manufacturer,s to confusedly and falsely recognize these goods as manufactured or sold by the same business entity.

3) Judgments to determine whether the alleged goods fall under the designated goods

① CCD Camera Case (Tokyo District Court Judgment of December 10, 2003)

The main body of the defendant’s goods, e.g. the security CCD camera, does not fall under “photographing machinery/appliances” of the plaintiff’s designated goods (the old Class 10).

The defendant’s goods are the main body of a monitoring/security CCD camera (not equipped with a lens) to be installed at buildings, stores, warehouses, entrances of residential buildings, mainly for business use or the like. This is different from SLRs, compact cameras, digital cameras, and instant cameras that target general consumers.

Judging comprehensively from the fact that “photographing machinery/appliances” and the defendant’s goods are different in terms of use, manufacturer, and consumer, as well as different in sales channel since retailers handling photographing machinery/appliances, except for large-sized stores, usually do not handle monitoring CCD cameras, even large-sized stores handling both product categories allocate
different selling space for monitoring CCD cameras and photographing machinery/appliances. Therefore, the designated goods “photographing machinery/appliances” and the defendant’s goods have few things in common, and are not similar.

② YODEL Case（Osaka District Court Judgment of April 18, 2006, Reporter: Hanrei-Jiho No.1959, at 121）

The designated goods relating to the plaintiff’s trademark are drugs in general, while the defendant’s goods are health supplement foodstuffs with the advertised diet effect. The judgment holds that health supplement foodstuffs (so called “supplements”) are specially designed foods to maintain/improve physical health by taking supplemental nutrients. These health supplements have been advertised as having the same function as drugs in terms of maintaining/improving health by means of intake, and are put on sale in drugstores in high quantity. At the same time, pharmaceutical companies have engaged in manufacturing/selling supplements directly or through their affiliate companies. Judging from these findings, it is likely that the designated goods/drugs, relating to the plaintiff’s trademark, and the defendant’s goods, health supplements, if identical or similar trademarks are used, would be misleading and cause confusion in recognizing the goods as manufactured or sold by the same business entity. For this reason, these products are judged to be similar to goods.

③ CHOUNOURYOKU Case（IP High Court Judgment of September 26, 2007）

The trademark in question is “腸能力” (phonetically, ‘chounouryoku’) in the standard font, the designated Class 29, the designated goods “capsuled processed foods with soy milk as the chief ingredient”, whereas the cited trademark is “腸脳力”, (phonetically, ‘chounouryoku’) written horizontally in brush style typeface, the designated Class 29, with “soy milk added with lactic acid extracts through co-incubation, and other types of soy milk” of the designated goods “capsuled processed foods with soy milk” as the chief ingredient. To this extent, the products are judged as similar goods.

The judgment holds that both products use soy milk as the chief ingredient, and includes the goods that fall under health foods/foodstuffs. In light of these common factors, both share the practical aspects of transaction: the nature, use of the goods, raw materials, production process, marketing, targeted consumers and so on. Even supposing that “a trademark similar to” as described in §4(1)(x) of the Trademark Law is used, the level of commonness between the two is too strong to rule out the likelihood of misleading or causing confusion.

(8) Direct infringement of a trademark right due to unauthorized use of a trademark

As “use” is an element constituting a trademark under the provisions for the definition of a trademark （the Trademark Law §2(1））, trademark infringement takes place in cases that fall
under acts of “use”(§2(3), that is, acts of applying a mark on goods’ packaging, as well as acts of assigning, delivering, displaying for the purpose of assignment or delivery, importing, exporting, displaying or distributing advertisements, and so forth. The trademark owner has an exclusive right to use the said mark (Trademark Law §25). If another party uses the said mark, it constitutes “interference with the exclusive use of a registered trademark.” Such unauthorized use of a trademark constitutes trademark infringement. The law extends the scope of probation to cover defensive marks (the Trademark Law §67). In an extensive sense, this provides for a mechanism to prevent any form of undermining the principal effects of a trademark right, so as to effectuate the negative effects of a trademark right.

(9) Direct infringement of a trademark right due to acts other than unauthorized use of a trademark

For a registered trademark to be exclusively used, it is not sufficient to exercise the right to claim injunction by virtue of the negative effects of a trademark against indirect infringement due to an alleged preparatory act for direct infringement due to the unauthorized use of a trademark. Hence, since there is no statutory provisions to limit “infringement of a trademark right” solely to unauthorized use, an interpretation allows non-use acts affecting a relationship between a trademark and goods to constitute direct infringement of a trademark right. Since the purpose of the Trademark Law is laid down as “to ensue the maintenance of the business reputation of a party using trademark(s) by protecting trademarks, and thereby to contribute to the development of industry and to protect the interests of consumers (§1 of the Trademark Law), the subject of trademark right protection should be the relational function of a mark and its use, namely, a trademark’s function to distinguish. Hence, to the extent that the value of a trademark right is affected, the following acts of undermining the trademark function other than unauthorized use should constitute an infringement of trademark right, just like the cases where the unauthorized use of a trademark constitutes direct infringement, or any preparatory acts constitute indirect infringement.

Compared to direct infringement cases due to acts other than unauthorized use of a trademark, such as the VANHOUTEN Case (Fukuoka High Court Judgment of March 4, 1966), and the STP Case (Osaka District Court Decision of August 4, 1976), earlier precedents focused on deteriorated quality, misrepresented quality (whether new or not) and other hygienic factors. It is hardly possible to detect deterioration externally at the stage of transaction. If determination re. whether or not a right has been infringed is grounded on factors specific to each case, such as genuineness of the source of goods, the nature of goods, the way of packing, the quality of packing material, etc., it would make remedy for the trademark owner’s interests increasingly complicated. In other words, third party acts of packaging, refilling, and repacking in the course of distribution are likely to preclude the trademark owner from exclusively using a registered trademark for the designated goods and dysfunction re. the trademark’s capability to distinguish the said goods before reaching the targeted consumer, undermining the interests of the trademark owner seeking to improve the
quality of the goods and maintain the business reputation, and eventually going against the consumer’s benefit, which must constitute an infringement of a registered trademark. No party other than the trademark owner or the authorized party can carry out packaging, refilling, repacking, etc. It should be construed as non-infringement when requisites for negating illegality are satisfied, such as exhaustion of a trademark right, or parallel importation of authentic products. By way of illustration, judgments are listed below:

1) Packaging （Hi-Me Case (criminal), Supreme Court Judgment of July 20, 1971）

    In the Hi-Me Case (criminal), the appellant TY is the CEO of a food company. The appellant TS is the manager of its sales branch. The appellants purchased the “Hi-Me” seasonings that they had once sold to pachinko parlors by wholesale, and prepared new cardboard boxes. They had “Hi-Me” a registered trademark of Ajinomoto Co., Inc. (No. 663283), printed on those cardboard boxes without authorization. They packed the Hi-Me seasonings in three hundred boxes and sealed them, with the intent to sell to their advantage by disguising them as new. The Supreme Court Judgment holds that nothing precludes the constitution of infringement under Section 37 and Section 78-2 of the Trademark Law, even if packaging of the authentic product contain the new products of the trademark owner.

2) A third party’s sale of goods to be scrapped (WISE Case, Osaka District Court Judgment of July 11, 1955, Reporter: Hanrei-Jiho No. 1522, at 139)

3) Removal, erasure of trademark （SUNTORY RESERVE Criminal Case, Osaka High Court Judgment of September 20, 1988, Reporter: Hanrei-Jiho No. 1306, at 135）

    In this case, the defendant was indicted on a charge of violating the Trademark Law due to the act of transferring possession of 800 of 1600 bottles of fake whiskey, the evidence for earlier conviction of violating (1600 of 4596 bottles were confiscated) another for compensation. The main point at issue involves indicativeness. Specifically, when the bottles were returned, in negotiation with the defendant, (x) was marked on the surface of aluminum caps with the use of a rasp, and “fake” labels and neck stickers were incompletely removed. “Fake” was indicated on the bottles in white paint, which the defendant transferred to another. For the said act of transferring, the conviction judgment held that it constitutes a trademark infringement, on the grounds that these trademarks still function as trademarks because the respective trademark on the surface of the aluminum cap, even crossed out, could be easily recognized.

4) Remodeling （Golf Club Head Case, Tokyo District Court Judgment of December 25, 1998,Reporter: Hanrei-Jiho No. 1680, at 112; the Appeal Case, Tokyo High Court Judgment of April 25, 2000）

    This case deals with the act of remodeling the shaft of an authentic golf club. The Nintendo Case（Tokyo District Court Judgment of May 27, 1992）deals with the act of changing the internal structure of the body, and the controller of the plaintiff’s goods (video game machines), and selling with the name of goods “ハッカージュニ
ア”,”HACKER JUNIOR”, while using the registered trademark [Nintendo] affixed to the plaintiff’s goods and the plaintiff’s indication ”ファミリーコンピューター” as they were.

5) Alteration (AFTER-DIAMOND Case, Tokyo District Court Judgment of December 20, 2005, Reporter: Hanrei-Jiho No.1932, at 135)

This case deals with the act of fully covering the dial of an authentic wristwatch with diamonds.

6) Packaging (MAGAMP K Case, Osaka District Court Judgment of February 24, 1994, Reporter: Hanrei-Jiho No. 1522, at 139)

This case deals with packaging of gardening fertilizer.

(10) Indirect infringement (§37(ii) through (viii) of the Trademark Law)

To effectuate the protection of a trademark right from infringement, there are provisions laid down to define preparatory acts prior to the commission of acts of infringement as indirect infringement. While the right to seek injunction may be executed regardless of subjective requirements, indirect infringement must be established with additional subjective requirements such as “for the purpose of assignment, delivery or exporting” ((ii), (iv)), “in the provision of the services” ((iii)), “for the purpose of using such trademark”((v)), “for the purpose of causing such trademark to be used” ((vi)), “for the purpose of using such trademark, or causing it to be sued” ((vii)), and in particular, acts set forth in (viii) are preparatory for preparatory acts which need to be done “in the course of trade.” For “in the course of trade” to be established, it does not require to prove whether or not the alleged infringing party had a profit-making purpose, but even if the alleged act was committed just once, when the alleged infringing party had the intention of continuing to commit the act repeatedly, the case falls under “in the course of trade.” As long as indirect infringement is deemed infringement, acts of indirect infringement committed by “any party who has infringed a trademark right or a right to exclusive use” under §78 (Offense of Infringement) of the Trademark Law should constitute offense of infringement.

(11) Relief for infringement

1) Civil relief

A trademark right is a specific right to such intangible property as business reputation embodied by a trademark. Because of this nature, it is susceptible to infringement, and infringement hardly comes to light. Besides, infringement, if continued, undermines the function of trademarks to distinguish, resulting in lost business reputations, and rendering the trademark into a common name. As a consequence, it causes damage irrevocable by monetary compensation. In recognition of insufficiency of the provisions of relief for torts under the Civil Code to address trademark infringement, provisions supplementary to the Civil Code are laid down, including the right to seek injunction (§36(1) of the Trademark Law), the right to claim
damages (§38 of the Trademark Law), presumption of negligence (§39 of the Trademark Law, §103 of the Patent Law), obligation to clarify the relevant act in a concrete manner, production of documents, expert opinion for proof of damage, award of reasonable damages, and measures for recovery of reputation (§39 of the Trademark Law, §104-2 through §106 of the Patent Law), the right to demand the destruction of the infringing articles) (§36(2) of the Trademark Law), indirect injunction (§37 of the Trademark Law), and provisions for estimation of damage (§38 of the Trademark Law). Measures to be taken pursuant to the right to demand recovery of reputation includes putting remedial advertisement in the newspaper, etc.

2) Criminal punishment (§78 of the Trademark Law)

Since the interest to be protected by law in the criminal offense of trademark infringement is not only the private interests of the trademark owner but also that of the consumer/trader to guarantee fair trade (public interest), it is not the type of offense subject to prosecution upon complaint. Negligence is not sufficient, but intention is indispensable for the alleged infringement to constitute a criminal offense. In this respect, criminal infringement is markedly different from trademark infringement in civil terms.

An example of criminal offense is the Hi-Me Criminal Case involving packaging of authentic goods (Supreme Court Judgment of July 20, 1972); an example involving the removal/erasure of a trademark is the Suntory Reserve Criminal Case (Osaka High Court Judgment of September 20, 1988, Reporter: Hanrei-Jiho No.1306, at 135); and an example of remodeling is the Pinball Slot Machine Case (Supreme Court Judgment of February 24, 2000). Other cases are also available for reference.

In the Pinball Slot Machine Case, the defendant, who is the representative director of a company that manufactures and markets the so-called pinball slot machine "RINO", was in an unauthorized conspiracy with the employees of the company to possess electronic parts affixed with a trademark identical to "SHARP", a trademark registered by Sharp Corp., which were installed on the main board of RINO, for the purpose of selling, and sold and transferred to another RINOs incorporating the said CPU. The defendant was convicted of having infringed the trademark right.

In the RALPH LAUREN Case (Tokyo District Court Judgment of March 24, 1997, Reporter: Hanrei-Jiho No. 1619, at 154), Y was indicted for and convicted of possessing—for the purpose of selling/transfering—polo shirt products affixed with trademarks (a composite trademark composed of a polo player figure and characters "Polo Crocus " , and a trademark composed of a polo player figure) similar to The Polo/Lauren in U.S.A. (Lauren Corporation)'s registered trademark in Japan, a composite trademark composed of a polo player figure and characters of “RALPH LAUREN”, without authorization—thereby infringing the trademark right to the Lauren Corporation. The conviction judgment holds through fact-finding that the figure of a polo player used by Lauren was created by a famous American designer, Mr.
Ralph Lauren, who enjoyed a reputation and became famous in the U.S.A. in the first half of the 1970s, and then around the world gradually. In Japan, Seibu Department Stores, Ltd. entered into a licensee agreement with the Lauren Corporation and engaged in marketing a variety of apparels with a figure mark of a polo player, “POLO”, “RALPH LAUREN”, and trademarks of their combinations; which became well-known and famous enough among users and traders no later than 1991. Y pled innocent of the charge, arguing that it was discriminatory to indict only Y while another company had applied for registration of a trademark composed of the letters “Polo Club” (registration was refused thereafter), and sold clothing affixed with it extensively. But his argument was not accepted.

(12) Trademark infringement vis-à-vis acts of violating the Unfair Competition Prevention Law

In such case that trademark right protection is of no avail although the function of the trademark has been undermined and the value of the trademark right has been lost, the relevant right is to be protected under the Unfair Competition Prevention Law. In employing the Unfair Competition Prevention Law for protection, the decisive key is the well-known-ness of unregistered trademarks. “Well-known” means being widely known in certain regions in Japan. The afore-cited two cases deal with brands known to everybody. By contrast, “well-known” does not require such a level of famousness as brands. Another requirement is “misleading/confusion.” The use of marks identical with or similar to a well-known trademark is likely to cause the general customer to confusedly and misleadingly recognize the source of goods/services. Thus, the Unfair Competition Prevention Law has the effect of protecting customers from being deceived into buying the wrong goods. Primarily, however, the purpose of the law is to protect the legitimate right holder. It does not directly intend to protect customers.

In Japan, even an unregistered trademark, if found to be widely known in certain regions of the country (well-known), is entitled to protection under the Unfair Competition Prevention Law. Protection under the Unfair Competition Prevention Law covers not only trademarks, but the wider spectrum of indications ranging from another’s name/trade name/container of goods and other indications of another’s goods to marks and trade indications, etc. It is generally understood that the Unfair Competition Prevention Law provides for protection, regardless of registered or unregistered trademarks. In many cases of infringement litigation where a case is brought by virtue of the plaintiff’s registered trademark, the plaintiff chooses to claim trademark infringement and violation of the Unfair Competition Prevention Law, selectively and alternatively.

It is important to note that the Unfair Competition Prevention Law has been laid down specifically as torts law under the Civil Code. For this purpose, the law stipulates types of acts of unfair competition, by measure of which the alleged act is determined as unfair competition or not. If so determined, claims for an injunction and damages are then allowed. Unlike the Trademark Law, the structure of the Unfair Competition Prevention Law is
rights-oriented.

Historically, the Unfair Competition Prevention Law has been revised by adding types of unfair competition acts.

4. Trademark infringement litigation

(1) In trademark infringement litigation, the infringed party (plaintiff) has the burden to prove the following:

1) Requisite facts for the right to seek injunction
   ① that the plaintiff’s trademark right exists
   ② that the plaintiff is the owner of a trademark right or the owner of a right to exclusive use pertaining to the registered trademark
   ③ that the alleged infringing party/defendant has committed act(s) of infringement
   ④ that the defendant has used a particular mark for a particular class of goods
   ⑤ that the defendant’s mark is identical with or similar to the plaintiff’s registered trademark
   ⑥ that the defendant’s goods and services are identical with or similar to the designated goods/services relating to the plaintiff’s registered trademark

   In the case of indirect infringement, the plaintiff needs to claim and prove the requisite facts as provided under §37 (ii) through (viii) of the Trademark Law.

2) Requisite facts for the right to claim damages

   In addition to the requisite facts above-mentioned in the preceding 1), the plaintiff has the burden to prove the following:
   ① that there exists intention/negligence on the part of the infringing party
      For proof of negligence, presumption of negligence is provided (applying the provisions of §103 of the Patent Law mutatis mutandis under §39 of the Trademark Law).
   ② that damage has occurred

3) Enabling provisions for proof

   §39 of the Trademark Law provides for application mutatis mutandis of the provisions of the Patent Law, such as production of documents (§105 of the Patent Law), expert opinion for proof of damage (§105-2 of the Patent Law), and award of reasonable damages (§105-3 of the Patent Law).

(2) Counteraction taken by the alleged infringing party (defense)

1) Argument that the use of the mark does not intend the use as a trademark (so as to distinguish own goods/services from others)

   For example, even if the alleged act is deemed “use” of a trademark in terms of formality, letters/figures indicated on the goods do not have the function for indicating source, the principal function of trademark (e.g. simply by way of description/explanation about the goods, used purely as a design, etc.). The case where a mark is affixed to something far from goods does not fall under “use” of a trademark.
under the Trademark Law (§2(3)), so that infringement cannot be established.

There are few precedents addressing the issue of whether a trademark infringement is established or not (§36 through §38 of the Trademark Law) by working on the definition of “trademark.”

The Tokyo District Court Judgment of July 11, 1980 upon a TV Cartoon Case (Reporter: Mutai-Zaisan-Hanreishu Vol.12, No.2, at 304 and so forth) construes the definition of a trademark to literally determine whether or not a trademark infringement is established by finding out if “the manner/modality of use” by the alleged infringing party enables the trademark’s function to distinguish.

The following judgments do not permit use as a trademark:

- 1st POPEYE Case (T-shirt) (Osaka District Court Judgment of February 24, 1976)
  Like the 3rd POPEYE Case discussed below, the judgment holds that regarding the use of the mark “Y” and the use of the mark “Z”, both are used as a design, and therefore neither constitutes a trademark infringement.
  Note that the following titles of publications are determined as being used to indicate the content of publications rather than indicating the source of goods/publications:
  - KIKOJUTSU Case (Tokyo District Court Judgment of April 27, 1994, Reporter: Hanrei-Jiho No.1510, at 150)
  - POS Case (Tokyo District Court Judgment of September 16, 1988)
    POS stands for “Problem Oriented System.” The title of a publication entering problem oriented medical record (POMR) was brought into dispute in this case.
  - CHINTTAI-JUTAKU JOHO Case (Tokyo High Court Judgment of October 23, 2001), and SWING JOURNAL Case (Tokyo District Court Judgment of February 19, 1999, Reporter: Hanrei-Jiho No. 1688, at163)
    Holding that it is used as the title of a publication, namely for indicating the contents of a journal or publication, while it is entered otherwise when used as a mark indicating the source of a journal or publication (used as a trademark).
  - GAN-CHIRYO-NO-SAIZENSEN (publication) Case (Tokyo High Court Judgment of July 30, 2004)
    Holding that “GAN-CHIRYO-NO-SAIZENSEN” is the title of a publication, indicating the contents of the publication, while it is entered otherwise when used as a mark indicating the source of a journal or publication (used as a trademark).

Judgments not admitting the use as a trademark for other than title are listed below:

- UNDER THE SUN Case (Tokyo District Court Judgment of February 22, 1995)
  Holding that “UNDER THE SUN” is the title of a collection of 11 pieces of music contained in the CD in question, namely, the album title of the CD in question, an edited work, but it is not used to indicate the subject who produces and sells the CD in question, tangible property (used as a trademark).
◆ ALWAYS Case (Tokyo District Court Judgment of July 22, 1998)

Holding that “ALWAYS” constitutes a part of a catch line, but is not used to indicate the subject who manufactures and sells Coca-Cola beverages (use as a trademark).

◆ F1 MARLBORO Case (Tokyo District Court Judgment of November 19, 1933, Reporter: Hanrei-Times No.844, at 247)

Holding the defendant’s goods uses the defendant’s mark, which has been in use as a pattern on a sticker used by plastic model car fans to reproduce the defendant’s mark affixed to a real F1 racing car, and moreover is placed along with stickers of many other famous company names and marks. Since the defendant’s mark has not been treated differently from other company names and marks in particular, it is obvious that the defendant’s mark is not used to indicate the source of the defendant’s goods, namely, not used as a trademark for the defendant’s goods.


The plaintiff (TAKARA SHOYU CO., LTD.) had used trademarks “宝” (takara) and “寶” for soy sauce for over 200 years. The plaintiff applied the trademarks (1) through (9) in question “宝”, “タカラ”, “TAKARA” on June 13, 1975 in respect of the designated goods: Class 31-soy sauce, dry stock, sauce dip, condensed stock…mirin-flavored seasonings, ketchup. The plaintiff sought injunction to stop the defendant (TAKARA SHUZO CO., LTD.) to sell ”煮魚おつゆ”, “煮物万能だし”, and “煮物白だし” in containers with the defendant’s marks (1) through (3) by reason of trademark infringement under §2(1)(i) of the Unfair Competition Prevention Law and claimed damages of 20,000,000 yen. The court dismissed the plaintiff’s claim on the grounds that the alleged marks are indications of raw materials as set forth in §26(1)(ii) of the Trademark Law but is not used to indicate the source of goods.

2) Argument that the party obtained the trademark owner’s, etc. consent for use

In the case of the right to non-exclusive use, even implicit consent would give rise to the right. If the owner has overlooked an act of infringement knowingly, the alleged infringing party, etc. might enter defense by arguing that he has obtained permission for use. The trademark owner should be attentive.

3) Argument that the party is authorized for use

The right to use trademarks includes prior use (§32, §32-2 of the Trademark Law), non-voluntary license due to use prior to request for invalidation trial (§33 of the Trademark Law), right to use trademarks after expiration of term of patent rights, etc. (§33-2, §33-3 of the Trademark Law).

4) Argument that the scope of use is beyond the effects of the trademark right as set forth in §26 of the Trademark Law
5) Factors negating illegality
   For example, by arguing that it is parallel importation of the authentic goods, which is substantially justifiable.

6) Restriction on exercise of right by reason of abusing the right
   ① Restriction on the exercise of the right where the registered trademark is considered to be invalidated (§104-3 of the Patent Law applicable mutatis mutandis under §39 of the Trademark Law). Newly provided in accordance with the revision of the law in 2004.
   ② Restriction on the exercise of the right conventionally under §1(3) of the Civil Code:
      No abusing of rights is permissible.

7) Expiration of the term of right
   Where a request for renewal is not granted (§20 through §23).

8) Negative prescription to the right to claim damages
   Except for the provision regarding presumption of damages under the Trademark Law, the Civil Code shall apply in all respects due to the special rules to the provisions on torts under the Civil Code. Accordingly, a tort is barred by prescription upon a lapse of 3 years from when such an act came to knowledge under the Civil Code. The same rule applies to the presumption regarding the amount of damages in a three-year period under §38(1) of the Trademark Law. For a time period exceeding three years, in practice, a claim is made for an amount of money corresponding to the use, which is construed as a gain of unfair profit, within the scope of a 10-year prescription to a general claim.

9) Restriction on exercise of trademark right by reason of conflict with another’s right (§29 of the Trademark Law)
   §29 of the Trademark Law provides: Where the use in a given manner of a registered trademark in respect of the designated goods or designated services conflicts with another party’s patent, utility model or design right under its application filed prior to the filing date of the trademark application concerned, or with another party’s copyright taking effect prior to that date, the owner of the trademark right or of the right to exclusive or non-exclusive use shall not use the registered trademark in such manner or the part of the designated goods or designated services giving rise to the conflict. The provisions to the same effect are laid down under §72 of the Patent Law, §17 of the Utility Model Law, and §26 of the Design Law, to deal with the event of the relevant industrial property right in conflict with another party’s industrial property right/copyrights, in the respective industrial property context.

   In the 3rd POPEYE Case (Supreme Court Judgment of July 20, 1990), the mark “Z” in the defendant’s use consists of a figure that visually represents the cartoon character and the corresponding name, and it constitutes a reproduction of the fictitious cartoon character in the original copyrighted work “THE THIMBLE THEATER”. Therefore, it does not infringe the trademark right of the defendant, in accordance with §29 of the Trademark Law. The outline of the case is as follows:
The character POPEYE appeared in a cartoon film in 1932, and became popular around the world. The trademark in question was registered on June 12, 1959, the right to which was assigned to Osaka Mikei Inc. (the first-instance defendant). The appellant ALPS Kawamura (the licensee granted by the copyright holder) manufactured and sold the muffler with the marks “Y” and “Z” affixed from 1981 until December 1982.

The plaintiff filed a lawsuit by virtue of the trademark right in question seeking injunction to stop the sale of the defendant’s product, and claiming damages. The first-instance court issued an injunction to stop the said sale, and ordered the defendant to pay 1,400,000 yen as compensation for the damage. Before the Osaka High Court, the appellee Matsudera Inc. obtained by assignment the trademark right in question and participated as a party in place of Osaka Mikei Inc. (the first-instance defendant). The Osaka High Court partially modified the original judgment, upholding the district court’s judgment to the extent of payment of 1,085,100 yen as damages for trademark infringement regarding the mark “Y” plus delinquency charges thereon and dismissing the rest of the first-instance judgment.

5. Defense on right abuse  (restriction on the exercise of right by reason of right abuse)

Restriction on exercise of right by reason of abuse of right as above-mentioned in 4-(2)-6 is discussed below:

Defense on abuse of right is two-fold: (1) traditional defense under §1(3) of the Civil Code, and (2) defense for restriction on the exercise of trademark right under §104-3 of the Patent Law applicable mutatis mutandis under §39 of the Trademark Law, namely, “In a litigation relating to the infringement of trademark right, the owner of the trademark right or of the right to exclusive use shall not exercise the right to the other party, where the trademark in question is considered to be invalidated on a trademark registration invalidation appeal/trial. However, both approaches are not contradictory to each other.

In the past, whether a registered trademark was valid or not was judged by the JPO, while the alleged infringement of the right was heard by the court. On the premise that the court should judge on the alleged infringement of the right, defense on invalidation of the trademark right was not allowed to enter in infringement litigation.

Following the Kilby Patent Case (Supreme Court Judgment of April 11, 2000), however, the defense of trademark invalidation has been entered even in trademark infringement litigations. Thereafter, in accordance with the revision of the law, the provision for restriction on the exercise of right by reason of right abuse under §104-3 of the Patent Law became applicable mutatis mutandis under§39 of the Trademark Law.

Many litigations relating to the infringement of trademark rights discuss whether the right is valid or not by referring to substantial factors (such as §3, §4(1)(x), (xi), (xv), (xix), etc. of the Trademark Law) . Rather, the traditional approach of defense under §1(3) of the Civil Code has often been employed based on a right abuse of by reason of prescription to the right, inappropriate manner of enforcement , including these substantial factors. (Juventus Case,
Tokyo District Court Judgment of Mach 23, 2000, Reporter: Hanrei-Jiho No. 1717, at132

The ADAMS Case (Tokyo High Court Judgment of July 16, 2003, Reporter: Hanrei-Jiho No. 1836, at112) is an example of the court holding that the plaintiff’s exercise of the trademark right is not permissible as an abuse of the right, obviously because it falls under the cause for invalidation via the stipulation of “trademarks liable to contravene public order or morality.” For reference, the court below dismissed the plaintiff’s claim by reason of right abuse under the Civil Code. By contrast, the court of appeal took the so-called Kilby approach (discussed below) to arrive at the same conclusion. In the ADAMS Case, a Japanese party visited a tradeshow in Florida, organized by PGA OF AMERICA, and about two months later, applied in Japan for registration of the ADAMS trademark in respect of a new product, which enjoyed popularity at the said tradeshow, without authorization. This was the plaintiff’s trademark right.

In the past, registration against international principles of faith and trust under §4(1)(vii) used to be trademarks liable to contravene public order or morality, or that were obscene or offensive to a particular country and so on in terms of expression. Although the ADAMS Case was not problematic in terms of expression, the case paved the way for holding the act of registering a trademark, not well-known nor famous yet, but prospectively considered as promising, without authorization. Namely, the unjust act in the process of application for registration seriously undermines trade order.

Along with the suggestion that the basis for judgment on cases involving §4(11)(vii) of the Trademark Law is not necessarily §4(11)(vii) alone but also (xi), and (xix) for detailed deliberation, A CONMER Case (IP High Court Judgment of June 26, 2008) excludes the application of §4(11)(vii) of the Trademark Law.

The following cases employ the conventional approach under §1(3) of the Civil Code:

◆ AMANOGAWA Case (Tokyo High Court Judgment of June 28, 1955, Reporter: Hanrei-Jiho No.58, at 9)

A case of objection to provisional injunction. The appellant (the petitioner for provisional injunction) is not allowed to seek injunction to stop the appellee (the respondent for provisional injunction) to use an unregistered trademark “天の川” by virtue of the assigned trademark “銀河”, because it is an abuse of the right. The High Court Judgment upheld the original court cancelling the provisional injunction as proper, and dismissed the appeal.

◆ KING COBRA Case (Tokyo District Court1 Judgment of May 31, 1999, Reporter: Hanrei-Jiho No. 1692, at 122)

◆ JIMMY’S Case (Osaka District Court Judgment of February 25, 1993, Reporter: Chiteki-Saishu Vol 25, No.1, at 56)

◆ POPEYE Case (Supreme Court Judgment of July 20, 1990, Reporter: Minshu Vol.44, No.5, at 876)

The first instance for this case is the Osaka District Court Judgment of February 24, 1976(see 4(2)-1 above). The said judgment holds that regarding the mark (Y), the
trademark in question uses the reputation of the character POPEYE free of charge, which constitutes an abuse of trademark rights by disturbing well-ordered fair competition. Regarding the defendant’s use of the mark (Z), since it consists of a figure that visually represents the character and the corresponding name, which combines with the figure for the purpose of explanation, it is a reproduction of the fictitious cartoon character “POPEYE” in the original copyrighted work “THE THINBEL THEATER.” Therefore, it constitutes a copyright infringement. As discussed above, the trademark owner’s claim was turned down on the ground that the trademark right is in conflict with the copyright (§29 of the Trademark Law) as described in 4(2)-9).

6. Three-dimensional Trademark and Design Right

The Trademark Law effective since April 1, 1997 provides for the registration of “three-dimensional trademarks.” In order for a three-dimensional trademark to be registered under the Trademark Law, it needs to be equipped with distinctiveness, not novelty and creativeness which are required for design under the Design Law. If a single article satisfies the prescribed requirements for its registration under the two laws, there may be a possibility of two separate applications filed for the same thing. In this case, a conflict between a trademark right and a design right may arise as stipulated in Article 29 of the Trademark Law. In the past, there have been only a limited number of cases involving conflicts between a trademark right and a design right. The present Trademark Law allows the registration of a three-dimensional trademarks, and in the future there may be an increase in the number of cases between a trademark right and a design right.

7. Demand for Revocation of Trademark Registration Trial (Articles 50 and 51 of the Trademark Law)

In response to an alleged infringement, an alleged infringing party may demand a trial for the revocation of a trademark registration on the grounds of non-use (Articles 50 of the Trademark Law) or misuse (Articles 50 of the Trademark Law), provided that prescribed requirements are satisfied.

When a holder of a trademark right has licensed his/her trademark, it should be kept in mind that the licensee’s misuse of the trademark may lead to the revocation of registration of his/her trademark right as the licensor, and that the owner of the trademark as licensor should have control of use of his/her trademark by “using due care.” This is stipulated in Article 53(1) of the Trademark Law, which reads as follows: “Where a holder of exclusive right to use or non-exclusive right to use uses a registered trademark in connection with the designated goods or services or in connection with goods or services 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 party, any party may file a request for a trial for rescission of the trademark registration; provided, however, that this shall not apply to the case where the holder of trademark right was not aware of the fact and using due care.”

Needless to say, the ultimate purpose of the trademark system is to promote the use of
trademarks. Any trademark registration not involving its use would turn out to be meaningless. The Trademark Law is based on the premise that a registered trademark is used, which is stipulated in Article 3 of the Trademark Law that reads as follows: “Any trademark to be used in connection with goods or services pertaining to the business of an applicant may be registered.” This premise is universally embraced.

Apart from the U.S., which employs the “prior-use system” in which an applicant for trademark registration is required to prove the fact that he/she has used the trademark prior to his/her filing an application, the “first-to-file system” is employed in many countries. The latter only requires an applicant’s intention to use the trademark in the days ahead, and may therefore result in the birth of registered trademarks that have never been used. In fact, there are a large number of such registered trademarks. There are a variety of reasons for this, including industry’s asserted necessity of building their own stockpile of trademarks, and thus filing an application for registration of other trademarks than they actually intend to use. Whatever the reason, the existence of registered trademarks that have not been continuously used has, in some cases, resulted in refusal of a new application for trademark registration, thus producing an all-time headache concerning strategy to cope therewith. One measure against such a non-use issue involved the creation of a system where any party may demand a trial to revoke all trademark registration if the relevant trademark has not been used for three or more consecutive years in Japan.

In such a trial, the holder of a trademark right will be subject to the revocation of his/her trademark right registered in connection with the designated goods or designated services unless he/she can prove that any of the holders of the trademark right, his/her exclusive licensor or his/her non-exclusive licensor(s) used the registered trademark concerned in connection with the designated goods or designated services within three years prior to the trial getting registered. In this case, the owner of the trademark right is required to prove such use. One actual example is the Hertz case (Tokyo High Court Decision of February 27, 2001), whose court decision was sought on a suit against the Patent Office’s trial decision for the revocation of a trademark registration on the ground of non-use. The court denied “use” and dismissed the suit against the trial decision. Details of the case are as follows:

In support of use of its registered trademark by Hertz Japan Ltd. as its master licensee, the plaintiff Hertz System Incorporated cited the fact that Hertz Japan Ltd. used the registered trademark in connection with promotional items (ballpoint pen and clip) to promote its car rental business, and transferred for value these items to its franchisees who, in turn, distributed the items to their customers. The designated goods pertaining to the registered trademark fell under Class 25 for paper and stationery under the old classification table, and registration of the trademark had been renewed twice.

Having expressed its view on trademark functions in general terms, the court found that the goods or services in connection with which a trademark was used should not necessarily have been transferred for value, but that with regard to promotional goods bearing a company’s name, the company’s name was solely used as a general rule for the purpose of promoting
other goods or services offered by the company. Given that the promotional items were regarded as the designated goods with respect to the registered trademark, the court ruled that the company’s name had no distinctiveness that was generally required for a trademark, which would have enabled traders or consumers who received such items bearing a trademark to distinguish goods or services in connection with which the trademark is used from other goods or services. The court decided that, essentially, the company’s name was neither used for the purpose of guaranteeing the quality of the promotional items, nor for the purpose of promotion thereof. The court denied “use” of the registered trademark and ruled that the trademark registration was to be revoked on the ground of non-use.

8. Demand for Trial for Invalidation of Trademark Registration (Articles 46 of the Trademark Law)

In response to a trademark dispute, an alleged infringing party may demand a trial for the invalidation of the registration of a trademark right holder. Causes of invalidation are stipulated in Article 46 of the Trademark Law. Meanwhile, an argument for limiting the exercise of a trademark holder’s rights under Article 104-3 as applied mutatis mutandis under Article 30 of the Trademark Law reads as follows: “In litigation concerning the infringement of a trademark right or an exclusive license, in a case where the said trademark is recognized as one that should be invalidated by a trial for trademark invalidation, the rights of the trademark right holder or exclusive licensee may not be exercised against the adverse party.” The effect of this provision or the extent where the trademark registration is regarded as invalidated does not go beyond between the parties concerned, and the trademark registration still remains valid before the world. Therefore, these two provisions do not exclude each other. In some cases, facts underlying the cause of invalidation may be common or overlapping with those included in an argument for limiting the exercise of a trademark holder’s rights. Whether the alleged infringing party should state both or either of these sets of fact depends on the party’s strategy or policy regarding trademark disputes.

9. Preliminary Injunction and Permanent Injunction

A dispute arising from an infringement upon a trademark is usually settled by filing a suit and having a court decision made. If an infringement continues while a court decision is pending, the holder of the infringed trademark may suffer irrevocable damage. In such cases, the holder of the infringed trademark can demand a provisional disposition to suspend the act of infringement. An injunction by provisional disposition is called a “preliminary injunction” in contrast to a “permanent injunction” which is an injunction decided through a trial. The consequences of the two injunctions do not differ. In order to have a provisional disposition granted, however, the plaintiff is required to prove the necessity of urgency and deposit a certain sum of money in security for damages the other party may incur. As a result of a preliminary injunction, in spite of these measures, the other party may be greatly affected when its business is suspended, thus courts in general are cautious in granting a preliminary
injunction. In the case of other provisional dispositions, such as a “provisional disposition to prohibit disposition” which may, for example, involve real estate and the wish to prevent another party from selling the object in dispute, courts often grant an order of injunction relatively easily without notifying the other party.

In the case of preliminary injunctions involving intellectual property, however, such decisions are rarely made. When a preliminary injunction is demanded, a court notifies the other party and listens to its position before making its decision. In many cases, it takes some time to have a provisional disposition granted. Therefore, the process is called a provisional injunction procedure which is a quasi-trial. In other words, the procedure to have a preliminary injunction granted is almost equal to a trial process.

Unlike a trial, the procedure for a preliminary injunction is simple. In the preliminary injunction procedure, the parties concerned are informally invited for a hearing. Court room debates are not conducted in principle. In the preliminary injunction procedure, a system called “prima facie proof” is employed, handling only items of evidence which can be researched immediately. Unlike in a trial, no witnesses are invited. Thus, a decision in a preliminary injunction procedure is made based on prima facie evidence.

In many cases, the owner of the intellectual property right which is being infringed upon first sends a warning to the infringer and, only after that point, resorts to a trial. Therefore, there are many cases where infringing parties stop their infringing acts without court judgment and the focal point of a trial is limited to compensation for damages.

10. Protectability of Well-known Foreign Trademarks in Japan

If a Japanese company or individual applies for registration of a foreign registered trademark in Japan without consent of the owner of the trademark right and receives registration thereof, the foreign trademark is protectable in Japan as long as it is a well-known one.

(1) The COMPUTERWORLD case

In the case a Japanese company acting as a business partner to a U.S. company files an application to register a trademark right owned by the U.S. Company under its name in Japan, which is the legitimate owner of the trademark right in Japan: the U.S. company or the Japanese company?

This issue will be discussed while looking at precedent cases, the first being the COMPUTERWORLD case. An American company, Company I, was the owner of the trademark COMPUTERWORLD registered in the United States. Company I agreed to establish a joint venture company with Denpa Shimbunsha in Japan to publish a Japanese-language magazine. Although the trademark right COMPUTERWORLD was owned in the U.S., Company I did not file a trademark application in Japan even after having established the joint venture company. In the course of time, the relations between the two companies soured. Realizing that Company I had not registered COMPUTERWORLD as a trademark, Denpa Shimbunsha filed a trademark application in its own name, and thus
became the owner of a trademark right in Japan. Later, Company I terminated its agreement with Denpa Shimbunsha and established a wholly-owned subsidiary in Japan which started the magazine that used to be published through the joint venture company. Company I demanded a trial for the invalidation of the trademark registered in the name of Denpa Shimbunsha on the grounds that COMPUTERWORLD is a famous trademark and its registration was invalid. However, the demand was denied and an appeal against the examiner’s decision was filed with the Tokyo High Court. The court accepted Company I’s demand and revoked the trial decision, confirming the invalidation of the trademark registration (Tokyo High Court decision of February 26, 1992, Page 116 of Precedents Bulletin No. 1,430). This was the first court decision to acknowledge that any well-known foreign registered trademark is protectable in Japan. Later, Company I filed a trademark application with respect to COMPUTERWORLD in Japan, which has been granted a trademark registration.

(2) The COMPUTERLAND case

If a famous service mark in the U.S. was being used by a Japanese individual in Japan, can the Japanese individual claim a right to the mark based on earlier use?

This issue will be discussed with reference to another precedent case: the COMPUTERLAND case. In the U.S., the COMPUTERLAND brand business was growing rapidly as a franchise chain of retailers dealing in personal computer software. A Japanese businessman, “Mr. S”, travelling to the U.S. learned of this business which he thought could be successful in Japan. Returning to Japan, he organized and developed a franchise chain of computer software retailers under the same name. Under Trademark Law at that time, a service mark was not registerable. If a service mark had been registerable as a trademark right at that time, Mr. S may have wasted little time in filing a trademark registration.

At that time, the U.S. franchiser had established a joint venture company with a leading Japanese trading company to develop its franchise business in Japan. The U.S. franchiser, however, found that the business operated by Mr. S with the same name would likely mislead and confuse consumers and hence become a major impediment to expanding its own business in Japan. The U.S. franchiser took action in various parts of the country, seeking to exclude the business of Mr. S which it claimed participated in unfair competition. Mr. S refuted the claim based on “prior use.” The court dismissed the refutation on the grounds that Mr. S’s infringement was in fact intentional and ruled in favor of the U.S. franchiser (Sapporo District Court Decision of March 28, 1984, Page 284 of Precedents Times No. 536). This was not the case under Trademark Law but a case under Unfair Competition Prevention Law which protects a well known or famous trademark in Japan from being used for unjust purposes, even if the trademark is not registered in Japan. Apart from Trademark Law, Unfair Competition Prevention Law is an important law relating to the protection of trademarks.
(3) Case relating to the legitimacy of methods for obtaining trademark rights for the import and sale of products

If a Japanese company purchasing goods from the owner of a trademark right in the U.S. through the latter’s sales agent has a Japanese trademark right to the same trademark assigned from a Hong Kong company, can the owner of the U.S. trademark right invalidate the trademark right of the Japanese company based on the grounds of its registration by the latter’s agent?

This third case was contested in connection with the sales of imported goods and whether a trademark right was rightly obtained. On August 1, 1964, McDonald (Hong Kong) Limited, a Hong Kong company, filed a trademark application with respect to a trademark “CASTLE,” designating “petroleum additives” (Class 1). The trademark was registered on February 21, 1966. The trademark was assigned to Company X on Nov. 7, 1968 with its transfer registered on May 19, 1969. Company X was a Japanese company. From early 1964 to 1966, Company X sold within Japan goods produced in the U.S. by Company Y with the trademark “CASTLE” by importing them through the American company Zeon. Company Y demanded a trial for the invalidation of Company X’s trademark registration, claiming that the trademark registration falls under Section 6-7 of the Paris Convention as amended in Lisbon which stipulates the registration of a trademark by a representative of its owner without the latter’s consent. A trial decision was made on January 16, 1971 that the trademark was to be invalidated. Against this, Company X filed an appeal with Tokyo High Court, seeking the revocation of the trial decision (Tokyo High Court Decision of December 22, 1973, Page 121 of Precedents Bulletin No. 1,115). The court ruling, completely opposite to the trial decision, was based on the reasoning that McDonald was only a customer of Zeon which was nothing more than the sole exporter of goods “CASTLE” and had no legal or customary relationship with Zeon, unlike a general exporting agent. This ruling has been debated by scholars with most seeing it as adequate to not strictly apply the definition of an “agent” as stipulated in the Paris Convention to mean an official distributorship agreement. Among views, a majority favor the ruling because there was neither an agent relationship nor a direct relationship between Company X and Company Y.

(4) TANINO CRISCI case

In the case that a Japanese company, Company Y, has registered in Japan the name of a famous shoemaker in Italy as its trademark for apparel, should such a right be considered legitimate?

Company Y is the holder of a registered trademark composed of the characters TANINO CRISCI registered in 1982 and renewed in 1992 with respect to “dresses, clothes, bedding, etc.” In 1984, the famous Italian shoemaker “TANINO CRISCI S.R.I.” filed with the
Patent Office a demand for trial for the invalidation of the trademark registration. The demand was dismissed by the Patent Office and an appeal was filed with Tokyo High Court for the revocation of the trial decision. The demand by the Italian shoemaker was accepted with the trial decision by the Patent Office revoked (Tokyo High Court Decision of December 12, 1996, Page 102 of Precedents Bulletin No. 1,596).

In its decision, the Tokyo High Court reasoned that at the time when Company Y filed a trademark application with respect to “TANINO CRISCI” in December 1973, “TANINO CRISCI” had become well known among traders of high-class shoes and customers using them as a trademark for shoes as goods of the Italian shoemaker. The court further said that “TANINO CRISCI,” if used for dresses, was likely to give rise to confusion over the source, with the goods falsely recognized as goods connected to the business of the Italian shoemaker or a party that has an economic or organizational relationship with the Italian company. Thus, the court ruled that the registered trademark of Company Y fell under the provision of Article 4(1)(xv) of Trademark Law defining “trademarks which are likely to give rise to confusion with goods or services connected with another party’s business” as not registerable.

(5) Conclusion

All four of these cases involve foreign owners of trademark rights outside Japan. These cases show that a foreign trademark registered or used by a corporation or individual in Japan without the consent of its holder can receive legal protection in Japan if it is well known. Such rulings were uncommon until quite recently. With increased movement towards internationalization, the communication of information has also been rapidly increasing. Thus, a trademark once it becomes well known in other parts of the world immediately becomes well known in Japan. Well-known trademarks can no longer be judged within the boundaries of a single country. In this respect, Trademark Law in Japan needs to not only protect Japanese companies and Japanese people but provide equal protection for foreign companies and foreign individuals. To develop their respective businesses, companies in Japan and ASEAN countries need to establish trademarks well known throughout the world. Among Japanese companies, there are some that have achieved internationally well-known trademarks. Unlike in Europe and the U.S., however, there are only a few that do business on a small scale and that have become well known for their particular characters. Companies in Japan and ASEAN countries should strive to develop themselves not as sub-contractors of European and American counterparts but as independent, unique companies. To achieve this goal, it is essential to establish trademark rights.
11. Issues concerning License Agreements for the Use of Trademarks

(1) Non-exclusive license for use (Article 31 of the Trademark Law)

The old Trademark Law, effective until 1960, did not include a provision allowing the holder of a registered trademark to license to a third party the right to its use. The present Trademark Law, effective since 1960, stipulates in Article 31 that the owner of a trademark right can grant a right to non-exclusive use with respect to a trademark. Thus, under the present Trademark Law, the owner of a trademark right can freely, without any restriction, grant other parties the right to its use. Among scholars, however, there are many opposing views to the present non-restrictive grant system in favor of the protection of consumers. Furthermore, the present law allows for the right to exclusive use (Article 30 of the Trademark Law) to be granted. A right to exclusive use must be registered. The exclusive right system is unique in Japan, with its equivalent not found in any other country. A right to exclusive use, even if granted under a contract, only takes effect once registered at the Patent Office. Failure to register an exclusive use right will result in loss of the exclusive use right as provided under Trademark Law.

(2) Belongingness of a trademark after termination of a trademark licensing contract

In a case where a trademark licensing contract terminates, to whom does the trademark belong: its holder or the licensee?

A U.S. company, Company X, was manufacturing and selling sportswear under the trademark “TROY.” The company concluded a trademark licensing contract with Company Y1 (Kabushiki Kaisha Toroi). In Section 1, the contract stipulated that “with respect to goods sold under the name of Company Y1, Company X shall license the company name, trade name and trademarks. Section 3 further stipulated that “Company Y1 shall take prescribed legal procedures to have trade names, designs and trademark registered.” An executive Company Y2 of Company Y1 came up with four trademarks, “TROY BROS”, “[a] mark composed of a smoking pipe and stream of smoke”, “SUNFAIR”, and “CASTA WAY”. Trademark applications were filed in the name of Company Y2 with respect to the mark and in the name of Company Y1 with respect to the others. Later, a dispute developed between Company X and Company Y1. Company X terminated the trademark licensing contract with Company Y1 and filed a suit demanding Company Y1 to have the four trademarks transferred and registered. The Osaka District Court accepted Company X’s demand with respect to the three trademarks except for the mark. The ruling was upheld at the Osaka High Court where an appeal against the lower court ruling was filed (Osaka District Court Decision of November 28, 1980, Page 128 of Precedents Bulletin No. 1,184; Osaka High Court Decision of December 20, 1985, Page 114 of Precedents Bulletin No. 1,184).

The court reasoned that the three trademarks were modifications of the trademarks subject to the licensing contract and that they belonged to Company X as the contract terminated. The trademark composed of the pipe mark which had become well known
through business efforts by Company Y1 despite Company X’s criticism of its use was not subject to the licensing contract. In this case, the licensing contract between Company X and Company Y1, which was not clear in content, could not be interpreted to cover such trademarks as the pipe trademark which were not similar to the trademarks of Company X. The court ruling seems adequate and reasonable.

The following is a discussion regarding another case similar to this precedent. Hummel (Company H), a German company, and Company X concluded a contract under which Company X was allowed to use in Japan a trademark owned by Company H in Germany and agreed to receive technical assistance from Company H. Based on this contract, Company X filed a trademark application in its name with respect to Company H’s trademark. After it was registered, Company X sub-licensed the trademark to Company Y. After the sub-licensing contract terminated, Company Y continued to use Hummel’s trademark. Company X sought a court injunction to suspend Company Y’s act and demanded compensation for damages. Claiming that the licensing contract between Company X and Company Y was terminated without Company Y’s knowledge and Hummel went bankrupt with its business right transferred to Pony Hummel of the U.S., Company Y refuted that Company X had no right to the demand. The court judged that as the licensing contract terminated on August 22, 1983, Company Y was required to pay Company X royalty fees pending for a period dating to August 22, 1983.

As for Hummel’s trademark right, the court accepted Company X’s demand against Company Y based on Hummel’s trademark right. The court reasoned that Company X, after the licensing agreement between Company H and Company X had terminated, owned all rights to Hummel’s trademark as did all companies in other countries to which Company H had assigned its trademark and thereby recognized Company X as the owner of Hummel’s trademark right in Japan (Osaka District Court Decision of December 9, 1987, Page 130 of Precedents Bulletin No. 1,268).

In concluding a trademark licensing contract, the owner of a trademark right needs to include therein safeguard provisions to avoid suffering damage due to a defective good. It is advisable to obligate a manufacturer as a licensee to guarantee the quality of its goods and compensate for damages sought by a third party.

(3) Exclusion of Third Parties by a Franchisee

If a franchiser licenses the use of its trademark, trade name and service mark to a franchisee in business operations under a franchise contract, does the franchisee have the authority to exclude third parties that are not party to the contract?

As explained earlier, a trademark was inseparable from business rights under the old Trademark Law and, therefore, it was not possible for the holder of a trademark right to grant the right to use to a third party. Under the old system, a business allowing a certain trademark or trade name to be used by a third party in the latter’s operation like a franchise system was not admitted (Tokyo District Court decision of June 10, 1958, Page 1,038 of
On April 1, 1960, however, it became legal to license trademarks, which gave rise to greater development in franchise businesses such as U.S.-based fast food restaurants. These franchise businesses have quickly developed not only in Japan but in many ASEAN countries as well. In a franchise business, the use of not only a trademark but a trade name plays a significant part in the contract.

12. Conflict between Domain Names and Trademarks, etc.

Domain names are registered in order of application without examination as to whether they conflict with existing trademarks and trade names. The registerability of a domain name depends on the complete identity with prior registered domain names. Originally, a domain name was nothing more than an address on the Internet, without bearing the character of an intellectual property right or giving rise to a conflict with an intellectual property right. As a matter of practice, however, a domain name can carry out a similar function to that of a trademark by which products or services offered by its registrant can be identified. A domain name, once equipped with this function, may give rise to a conflict with another party’s indications of the source of products such as trademarks and trade names. Such indications of the source of products must be protected from domain name registration aimed at obtaining a free ride on goodwill. The problem of dilution cannot be left unaddressed as it may diminish the distinctiveness of a famous trademark and, in some cases, give rise to the problem of name pollution.

(1) Cybersquatting

Disputes over the registration of domain names representing a trademark or trade name to a famous company and its use for the purpose of causing trouble or demanding purchase of the domain name thereof has markedly increased in number. Some people, called “domain artists,” have a domain name registered and act in order to sell the domain name at an inflated price. Such an act is called “cybersquatting”, an analogy to squatting unduly in cyberspace. Other people commit an act called “reverse cybersquatting.” In contrast to cybersquatting, which involves the registration of a domain name targeted at a famous trademark, reverse cybersquatting involves the registration of a trademark targeting a famous domain name. In the latter case, the holder of the trademark right files a claim against the registrant of the domain name for an infringement on a trademark right and demands the cancellation of the registrant’s domain name or heavy compensation for damages. (Page 25, Domain Name Disputes, Yasuyuki Machimura, edited by Kazuko Matsuo and Keita Sato, Koubundo Publishers Inc., 2001)

Although the registration of a domain name that is not subsequently used is a disturbing act in itself, such acts have additional harmful effects which must be eliminated. This issue represents the unique character of domain name disputes.
(2) Domain Name and Legal Protection

Under Trademark Law, in order for a right to a domain name to come into existence, the domain name must be registered as a trademark. If the registrant of the domain name uses it in connection with goods or services other than those designated, the legal effect of the law does not extend to such use, and therefore, the registrant may have a difficulty in using the domain name as a trademark. Although a trade name, shop name or an individual’s name, even if unregistered, is protectable under the Unfair Competition Prevention Law, both of Items (i) and (ii) of Article 2 (1) of the Unfair Competition Prevention Law require use of such indications of goods in order for such indications to be protectable.

Consequently, an arbitration system was instituted as an alternative dispute resolution system for commonly used top level domains in the .com, .net and .org fields, in conformity with the Uniform Domain Name Dispute Resolution Policy (UDRP) of ICANN (Internet Corporation for Assigned Names and Numbers).

An arbitration system was inaugurated as an alternative dispute resolution system in Japan, as well. As a positive law to underlie this system, the Unfair Competition Prevention Law was amended with the addition of Article 2 (1) (xii) which stipulates the act of acquiring a domain name registration for illicit purposes as an act of unfair competition.

The Japanese Domain Name Dispute Resolution Policy (JP-DRP) and the JP-DRP Rules, for the most part, follow the UDRP and the UDRP Rules in content except for provisions concerning communications, which were modified to match conditions of the Japanese system. The JP-DRP and the JP-DRP Rules do not constitute a law, but provide for the details of domain name registration agreements between JPNIC (Japan Network Information Center) and the registrant. The JP-DRP and the JP-DRP Rules can be found on the website of JPNIC.

The JP-DRP and the JP-DRP Rules established by JPNIC were revised in June 2007.

(3) Information Materials Useful in Resolving Domain Name Disputes

1) JP-DRP arbitration cases
2) JP-DRP description
3) Final Report on Examination of JP-DRP Arbitration Cases (covering arbitration cases up to 2006)
4) WIPO Overview of WIPO Panel Views on Selected UDRP Questions

Information material prepared based on some 7,000 UDRP cases handled by the WIPO Arbitration and Mediation Center for five years up to February 2005. It includes views expressed in the past by the WIPO Panel on questions frequently asked during the course of proceedings in accordance with UDRP. It also includes arbitration cases so that the WIPO views can be understood realistically.

5) Explanatory material on the Unfair Competition Prevention Law (Ministry of Economy, Trade and Industry); “Case Report on Partial Revision of the Unfair Competition Prevention Law (relating to Domain Names)

Any of the above materials are retrievable through the Internet.
(4) The actual status of the number of arbitration cases

As affairs stand now, the number of domain name disputes that go to arbitration has sharply decreased. This can be attributable to the availability of an abundance of arbitration cases and the easy accessibility to such arbitration cases and other analyses and studies thereof via the Internet. This seems to have allowed people to more easily anticipate the consequences of a domain name dispute and thereby settle claims from domain artist’s for inordinate sums of money through negotiations in reference with the information material mentioned above.

As a substantive law to underlie the arbitration system acting as an alternative dispute resolution system with respect to domain names, the amendment of the Unfair Competition Prevention Law in 2001 added a provision which stipulates that the act of obtaining a domain name registration for illicit purposes is an act of unfair competition (Article 2 (1) (xii) of the Unfair Competition Prevention Law). The amendment became effective from December 25, 2001.

Article 2 (1) (xii) of the Unfair Competition Prevention Law stipulates, as act of unfair competition, “acts of acquiring or holding a right to use a domain name(s) that is identical or similar to another party's specific indication of goods or services (which means a name, trade name, trademark, mark, or any other indication of a party's goods or services), or acts of using any such domain name(s), for the purpose of acquiring an illicit gain or causing injury to another party.” More specifically, this provision involves the act of acquiring or holding a right to use a domain name(s) that is identical or similar to another party's specific indication of goods or services, for the purpose of acquiring an illicit gain or causing injury (a subjective requirement). In the case where one has a domain name registered illegally with no website established or with a website established but no business operated thereon, the affected party can stop the former from continuing such an act provided that other requirements are satisfied. (Page 341 (Ono) of Horitsu Sodan, edited by Ono and Yamagami, Revised Edition). The provision allows the affected party to demand compensation for damages, but not the transfer of the domain name registration.

Future issues involve the territoriality of a trademark right under the Trademark Law and the Unfair Competition Prevention Law that may limit effective application to a domain name(s) as an address on the Internet which extends over cyberspace where no national borders exist. In addition, the Internet extending across the globe may give rise to a dispute over an infringement on a trademark right in unexpected places, thus forcing a response thereto. However, it is said that resolution of this issue by means of a worldwide convention is under consideration.

13. Parallel Importation of Authentic Goods

With all goods bearing a trademark circulating beyond national borders, protection of a trademark does not extend beyond the country’s territory under the territoriality of trademark (Section 6-3 of the Paris Convention; Principle of Trademark Independence). A trademark
right registered in Japan but not in a foreign country is not exercisable in that foreign country. On the other hand, a trademark right registered in a foreign country but not in Japan is not exercisable in Japan.

In this way, based on the principle of trademark independence, Trademark Law apparently provides the holder of a trademark right with the exclusive right to import goods bearing the trademark. In Article 25, Trademark Law stipulates that “The holder of a trademark right shall have an exclusive right to use the registered trademark in connection with the designated goods or designated services; provided, however, that where an exclusive right to use the trademark is established in connection with the trademark right, this provision shall not apply to the extent that the holder of exclusive right to use has an exclusive right to use the registered trademark.” In Article 2(3)(iii) that defines the use of a trademark that involves an exclusive right to its use, Trademark Law states “an act of importing goods which bear the mark on themselves or their package.” These provisions together provide the holder of a trademark right with the exclusive right to import goods bearing the trademark.

As trade liberalization advanced, however, some people came to try to import trademark goods through channels other than exclusive agents, taking advantage of the differences between domestic and foreign prices of those goods. This was called parallel importation which was handled as an infringement on trademark right(s) registered in Japan in all cases. However, from the perspective of consumers, it is desirable to get authentic goods at a low price, and it is inappropriate for the territoriality of trademarks to result in the profit of only the exclusive agent. Against this, the Parker case (Osaka District Court Decision of February 27, 1970, Page 71 of Civil and Administrative Precedent Cases with respect to Intangible Property Rights Vol. 1, No. 1) marked a turning point. The precedent case clearly showed that parallel importation became a justification for an infringement on a trademark(s), reasoning, based on the principle of trademark functions, that parallel importation was practically not illegal, and hence did not constitute an infringement on a trademark right(s), under prescribed conditions in which parallel importation did not effectively prevent the fulfillment of the trademark functions of indicating the source of goods, advertising and guaranteeing the quality of goods, the establishment of a reputation thereon and the protection of consumers confidence. Given that it is similar to leaving parallel importation unregulated as being legal in exceptional circumstances and constituting a justification for infringement on a trademark(s), alleged infringing parties bears the burden to prove their claim.

Effective from 1972, the Customs and Tariff Bureau of the Ministry of Finance has altered the handling of parallel importation in adherence to the spirit of the court decision of the Parker case.

The court decision in the Parker case articulated the prescribed condition mentioned above as a case where the holder of a trademark in Japan is identical with the holder of trademark in a foreign country or a case where the former has a special relationship with the latter in which the former is identified with the latter. Such a relationship involves cases where: (i) The former is a parent company or a subsidiary of the latter; (ii) the former belongs to the same corporate group as that to which the latter belongs; (iii) the former is the latter’s licensee to use the
trademark in Japan; and (iv) the former is the exclusive general agent of goods produced by the latter. Needless to say, as far as parallel importation of counterfeit goods or controlled goods through illegal channels is concerned, parallel importation by a former licensee to use the trademark or a former exclusive general agency is not justified and constitutes an infringement on a trademark right(s) if such a relationship has terminated.

After the court decision in the Parker case, a stockpile of precedent cases grew with respect to infringement on a trademark right(s) and parallel importation. On February 27, 2003, a Supreme Court decision was given in the FRED PERRY case.

The Supreme Court Decision in the FRED PERRY case, which was also based on the theory of trademark functions, reads as follows: In view of the fulfillment of the quality guarantee and the protection of consumer confidence, among other things, as well as the function of indicating the source of goods, parallel importation lacks illegality as an infringement on a trademark(s) if the following three requirements are satisfied:

(a) Requirement of authenticity

The trademark shall have been lawfully applied to the goods by the holder of the trademark in a foreign country or another party who has been licensed to use it by the holder of the trademark.

(b) Requirement of substantial identity with domestic and foreign holders of a trademark

As evidence of the identity of the holder of a trademark right in the relevant foreign country with the holder of the trademark right in Japan or the existence of a relationship in which the former is identified with the latter, the relevant trademark shall indicate the same source of goods as the trademark registered in Japan does.

(c) Requirement of being in the position to be able to conduct quality control of goods

As evidence of the fact that the holder of a trademark right in Japan is in the position to be able to conduct, directly or indirectly, quality control of the relevant goods, it shall be recognized that there is no substantial difference in the quality guaranteed by the relevant trademark between the relevant goods and those goods in connection with which the holder of the trademark in Japan uses its registered trademark.

In this precedent case, relating to the terms and conditions of a licensing agreement, the clauses limiting the place of manufacturing were violated. These clauses were included in the licensing agreement because an unstable supply of electricity would have an effect on the quality of products, and, therefore, it was deemed crucially important to have stable supply of electricity assured by limiting the place of manufacturing so that the holder of the trademark can oversee the quality of the goods in order to achieve perfect quality control. The court decided that a polo shirt bearing the FRED PERRY mark manufactured in violation of these limitation clauses stood outside the reach of the trademark right holder's quality control. The court ruled that the goods concerned and the goods bearing the concerned registered trademark placed on the market by the appellee Hit Union Co., Ltd. are likely to make a substantial difference in the quality as guaranteed by the registered trademark concerned and that there is
the possibility that a trademark's function of guaranteeing the quality of goods may be injured, confirming that the concerned trademark right was infringed.

Later, in the Body Glove case (Tokyo District Court Decision of June 20, 2003, Page 149 of Precedents Bulletin No. 1831), the court weighed the importance of a limitation clause of a license agreement and ruled that a violation of a clause limiting sales territory was not materially illegal and that parallel importation did not constitute an infringement of a trademark right(s). The court reasoned that the clause concerning the limitation of sales territory was only included in the license agreement for reasons that the licensor’s sales policy and that sales of the goods in violation of the clause would not cripple a trademark’s function to indicate the source of goods or impede maintenance of the quality of or customer confidence in the goods. Although, at a glance, the conclusion of the Body Glove case differs from that of the Supreme Court decision mentioned above, the grounds for the decision of these two cases are both consistent and reasonable. As explained earlier, parallel importation of authentic goods can constitute a justification for an infringement on a trademark right(s), and a matter of parallel importation depends upon whether it involves material illegality or not. A violation of a clause of a license agreement does not automatically lead to a finding an infringement on a trademark right(s), taking no account of the importance of such clause.

The Customs and Tariff Bureau of the Ministry of Finance handles parallel importation at customs in accordance with standards as stated in guidelines issued by the Ministry of Finance under Customs Law which reads as follows: “In a case where an article bearing the same mark as a trademark involving a trademark right is imported by any other party than either of the holder of the trademark right or another party who has the right to import the article, the article shall be handled as a parallel imported article that shall not constitute an infringement on a trademark right if the article was lawfully applied with the mark and distributed and if the party who lawfully applied the mark on the article and distributed it is the same party as the holder of the trademark right or has a special relationship with the holder of the trademark right in which the former can be identified with the latter, except for a case where the mark applied on the distributed article indicates a different source of goods or guarantee a different level of quality of good from that the mark involving the holder of a trademark right in Japan does or a case where these marks thus used are recognized as distinct one from each other.” (MOF-Customs Document No. 0100, Guideline concerning Customs Law, Chapter 6 Customs Clearance, Section 8 Intellectual Property-Infringing Goods (Importation) 69.11-7).

14. Port Border Control by Customs

Intellectual property-infringing goods are export- and import-prohibited goods. More specifically, such goods are prohibited from export under Article 69.2 (1)(iii) and (iv) of Customs Law and from import under Article 69.11 (1)(ix) and (x) of the same law. Violators of the law are to face a criminal punishment comprised of a maximum seven years of imprisonment or a fine of up to seven million yen or a combination thereof (Article 108.4 (2) and Article 109 (2) of Customs Law). Would-be violators are also to face a punishment
On March 12, 2009, Tokyo Customs Headquarters announced that “Tokyo Customs brought an accusation, on March 13, 2009, against four suspected violators to the Saitama District Public Prosecutors’ Office due to suspected violation of Customs Law in an attempt to smuggle counterfeit goods from China into Japan for the purpose of marketing. The suspected violators attempted to smuggle 99 purses and wallets that infringed upon the Gucci trademark by sending 43 out by Express Mail Service to 32 locations in Saitama Prefecture, but failed in the attempt when an official of Tokyo Overseas Mail Sub-Branch detected the plot. This represents port control by customs. If the public prosecutors’ office brings charges against suspected violators to the court and they are found guilty, they are to face the above mentioned criminal punishment, which will follow a separate procedure from that of port border control by customs as administrative control.

In 2006, the law underlying port border control by Customs changed from Customs Tariff Law to Customs Law as illustrated by the latter’s stipulation in Chapter 6, Section 4 which reads as “Goods prohibited from export or import” (Article 69.2 or Article 69.21). Following this change, Chapter 6, Section 7 Intellectual Property-Infringing Goods (Exports) and Chapter 6, Section 8 Intellectual Property-Infringing Goods (Imports) of Guideline concerning Customs Law were issued (MOF-Customs Document No. 0100 issued on March 1, 1972 and last revised on October 29, 2009). An amendment to Trademark Law in 2006 (enacted on January 1, 2007) added to “use” of a trademark(s) an “act to export,” thereby making an act of exporting trademark-infringing goods from Japan to a foreign country an infringement of a trademark right(s). To prevent the export of trademark-infringing goods to a foreign country, Customs Law was amended to subject the exports of trademark-infringing goods to port border control by customs and include a provision for a system allowing demands for an injunction to suspend the export of trademark-infringing goods (Article 69.2 or Article 69.10 of Customs Law). As the system allowing demands for an injunction to suspend the export of intellectual property-infringing goods is essentially equivalent to the system allowing demands for an injunction to suspend the import of intellectual property-infringing goods, a brief overview of the latter is provided below.

A holder of a trademark right(s) who files a demand for injunction under the above mentioned system can draw not only on details of the guidelines discussed above but also on information posted on the websites of the Finance Ministry and customs, including descriptions of procedures for filing a demand for injunction, required accompanying documents and the paperwork for a demand for injunction.

(1) The status of intellectual property-infringing goods suspended from import by customs as of 2008 (The Ministry of Finance’s press release of March 6, 2009 as accessed through the Finance Ministry’s website)

In 2008, there were 26,415 cases in which customs suspended intellectual property-infringing goods from import, an increase of 16.6% from the previous year, setting
a new high record over the past eight consecutive years.

The number of articles suspended from import by customs was approximately 940,000, which represents a decrease of 9.2% from the previous year.

This increase in the number of cases involving a decrease in the number of articles suspended, which averages approximately 36 articles suspended per case, shows a stronger tendency toward a smaller lot size as compared to 46 in the previous year and 50 in the year before.

Factors behind this include heavier use of Internet-based methods in which the manufacturer of counterfeit goods in a foreign country receives an order through its website and sends out counterfeit goods to Japan in small lots via international mail.

In 2008, there were four cases in which customs suspended intellectual property-infringing goods from export, with 5,691 articles suspended from export.

◆ Past record by the type of intellectual property rights

In terms of the types of intellectual property rights, no major changes were observed in trends from the previous year, with trademark-infringing goods, such as brand-name-bearing handbags, involved in 26,140 cases accounting for the largest share of cases, 98.7%. Next came copyright-infringing goods, such as pirated DVDs and fake character goods, which were involved in 226 cases and accounted for a 0.9% share.

In terms of the number of articles suspended from import, 685,529 pieces of trademark-infringing goods, 97,487 pieces of copyright-infringing goods and 91,472 pieces of design right-infringing goods were involved, accounting for 72.6%, 10.3% and 9.7% of all shares, respectively.

In 2008, the first case took place in which goods violating Unfair Competition Law, as added to the target of port border control in 2006, were suspended from import.

(2) Outline of the system allowing demands for injunction to suspend the import of intellectual property-infringing goods

1) Procedure for finding the existence of an infringement (Article 69.12 of Customs Law)

The procedure for finding the existence of an infringement refers to a procedure in which the superintendent of customs finds whether the goods to be imported infringe on a trademark right(s) or not under the provision of Article 69.12 of Customs Law. The superintendent of customs can only subject such goods to disposition such as condemnation, destruction or reshipment after procedures for finding the existence of an infringement have been completed (Article 69.12, Item 4 of Customs Law).

The superintendent of customs shall notify the holder of the trademark right(s) concerned and the party importing the relevant goods of the commencement of the procedure (Article 69.12, Item 1 of Customs Law; Article 69.16 of Regulations for Enforcement of Customs Law), while also providing them with an opportunity to produce evidence and state an opinion (Article 69.12, Item 1 of Customs Law; Article 69.16, Item 2 of Regulations for Enforcement of Customs Law), notifying them of the results of the procedure to find
existence of an infringement (Article 69.12, Item 5 of Customs Law) and decide on the disposition of the goods concerned such as condemnation, destruction, etc. (Article 69.11, Item 2 of Customs Law). It is left to the discretion of the superintendent of customs which disposition the relevant goods shall be subject to.

2) The procedure for finding the existence of an infringement enacted by the superintendent of customs and the procedure in which the trademark right holder files a demand with the superintendent of customs

Since these procedures are detailed on the websites of the Finance Ministry and Customs, only an outline is given below.

◆ A demand filed by the trademark right holder (Article 69.13, Item 1 of Customs Law)
   Notification of receipt or refusal of receipt of the demand (Article 69.13, Items 2 and 3 of Customs Law)
◆ Documents required in accompaniment of a written demand for injunction to suspend the import of intellectual property-infringing goods (Article 69.13-(3) of Guideline concerning Customs Law)

   The following documents must accompany a “written demand for an injunction to suspend the import of intellectual property-infringing goods”:

   (i) Documents certifying the substance of the intellectual property right concerned
   A copy of a register (not need to be a certified copy) and the relevant official gazette; or else facts showing that requirements for indication of goods provided in Article 2, Paragraph 1, Items 1, 2 and 3 of the Unfair Completion Prevention Law are satisfied if the relevant demand for injunction is filed under the said law

   (ii) Written material to substantiate the fact of infringement
   Written material substantiating the fact that the goods found to be infringing on an intellectual property right(s) with respect to the demand for injunction to suspend imports thereof fall under intellectual property-infringing goods, which can be disclosed to all parties concerned including the importer in the procedure for finding the existence of an infringement or in a referral to an expert in response to a demand for injunction to suspend imports of intellectual property-infringing goods; or else written material showing the mode of use of the mark applied on the goods intended for a finding the existence of an infringement if the intellectual property right concerned is a trademark right; a written judgment confirming that the relevant goods constitute an infringement on the intellectual property right concerned, a notice of determination of a provisional disposition to suspend the act of an infringement, a written advisory opinion (Hantei) or a written expert testimony prepared by an attorney can serve as the written material mentioned above.

   (iii) Written material describing features that can serve as key to distinguishing alleged infringing goods
Written material describing features that can serve as a key to or method of detecting alleged intellectual property-infringing goods when customs carries out the procedure for finding the existence of an infringement based on the relevant demand for injunction or distinguishing between authentic goods and the goods intended for finding the existence of an infringement, the said features including an indication(s), configuration, packaging, etc. that are unique to authentic goods or the goods intended for finding the existence of an infringement. The party filing a demand for injunction to suspend importation may produce additional written material when the demand is received or at any time thereafter (Guideline concerning Customs Law, 69-4-4).

◆ The procedure for finding the existence of an infringement

The superintendent of customs shall enact the procedure for finding the existence of an infringement for the goods concerned.

◆ Opportunity to inspect the goods concerned (Article 69.13, Item 4 of Customs Law)

The superintendent of customs shall provide the party filing the demand for an injunction to suspend importation of the goods concerned or the importer of the goods concerned with an opportunity to inspect the goods concerned at its respective request.

◆ Upon receipt of a demand for an injunction to suspend import, the party filing the demand for an injunction to suspend import of the goods concerned can make an inspection of a sample(s) of the alleged infringing goods (Article 69.16, Item 1 of Customs Law).

◆ Deposit, etc. involved in a demand for injection to suspend imports of goods (Article 69.15 of Customs Law)

This measure is designed to cover damages that the party who is to import the goods concerned may incur from or in connection with the goods concerned being suspended from import pending the completion of the procedure for finding the existence of an infringement with respect to the goods concerned if a demand for an injunction to suspend the goods concerned from import is accepted. The measure is not designed to determine whether or not the holder of the trademark concerned has a right to file a demand for an injunction to suspend import by virtue of the effect of a trademark right under a positive law, and if it is determined that the holder of the trademark right has such a right, to have the right enforced. This is why the measure involves a different coverage for damages from that involved in a security deposit set aside as preservative measures under a civil procedure.

◆ Appeal (Article 89 or Article 91 of Customs Law)

A party who is not satisfied with the disposition decided on by the superintendent of customs can file an opposition thereto (Article 89 of Customs Law). In Article 90, Customs Law stipulates the period within which a request for examination can be filed with respect to the disposition thus challenged. Or else, the party can directly file a suit against the Government (the superintendent of customs) for the revocation of the
disposition with regard to receipt or refusal of receipt of a demand for an injunction to
suspend imports of the goods concerned under the Administrative Case Litigation Law
without filing an opposition thereto or a request for examination.

Filing an opposition or a suit for the revocation of a disposition does not automatically
cease and desist the effect of the disposition decided as a result of the procedure for
finding the existence of an infringement. The importer concerned needs to take the
procedure for suspension of execution in accordance with provisions of Article 34 of
Administrative Appeal Law or Article 25 of the Administrative Case Litigation Law.

A party who is to import the goods concerned is not entitled to commence opposition
to the disposition decided on by the superintendent of customs with regard to receipt or
refusal of receipt of a demand for an injunction to suspend imports of the goods
concerned. This is because the opposition system is designed to detain the goods
concerned as allegedly infringing goods at customs for a fixed period of time (usually
extending for two years of the receipt of a demand for an injunction to suspend imports)
to prevent importation thereof, and the system is directed for an “article” as represented
by the goods concerned, thus making the party who is to import the goods concerned
nothing more than an interested party. Consequently, there would be no problem if the
holder of the trademark right concerned states “unknown” in the relevant space of a
written demand where he/she is supposed to state “the party who is to import the goods
concerned” at the time he/she files a demand for an injunction to suspend import of the
goods concerned. This is quite different from the situation with a civil case such as a
trademark infringing case where a demand for an injunction, in itself, shall not be
received unless the debtor subject to the preservative measure is identified. In the latter
case, from the perspective of the relevant alleged infringing party, it matters whether or
not the holder of a trademark right, as the plaintiff, has a right to file a demand for an
injunction to suspend imports by virtue of the effect of a trademark right under a
positive law, and, therefore, the identification of the party against whom the right is
enforced, as the defendant, is required.

In contrast, the subject system as port border control by customs is designed to seize
and hold an “article” or “import-prohibited goods,” irrespective of whether or not the
holder of a trademark right has a right to file a demand for an injunction to suspend
imports by virtue of the effect of a trademark right under a positive law.

15. Needs for Trademark Management (in light of preventing a trademark from becoming a
common name)

When a third party uses a famous indication without any authorization for an extended
period of time, the indication loses its strong distinctive feature thus preventing its exclusive
right from being claimed. This phenomenon is called “dilution.” In the U.S., the
Anti-Dilution Act prevents acts that result in dilution or free rides on famous indications. A
right holder needs to make efforts to prevent dilution caused by free rides.
Here is one example. Kabushiki Kaisha Mimiu, with a trademark right to “うどんすき (Udonsuki),” demanded a trial for invalidation against 株式会社グルメ杵屋 (Kabushiki Kaisha Gourmet Kineya) with a registered trademark right to “杵屋うどんすき (Kineya Udonsuki),” but their demand was rejected. Therefore, they filed a suit against appeal/trial decision. The court rejected the claim of Kabushiki Kaisha Mimiu (Tokyo High Court Decision of November 27, 1997, Page 146 of Precedents Bulletin No. 1,638).

In this case, the court judged that the term “うどんすき (Udonsuki)” had become a common name at the time of the decision to register “杵屋うどんすき (Kineya Udonsuki),” and it did not have the capability of distinguish itself. If the term “うどんすき (Udonsuki)” had had a strong distinctive feature, any additional words to this term would have caused confusion and other words could not have co-existed. The court decided that it did not have such a strong distinctive feature; it had already become a common name.

16. Regulation on Indications

The protection of indications, including trademarks, is provided under Trademark Law and Unfair Competition Prevention Law. These laws, however, are not designed to directly protect consumers.

Under the current system in Japan, indications are regulated under the Act against Unjustifiable Premiums and Misleading Representations. In earlier times, the Fair Trade Commission had the jurisdiction over the regulation of indications, which was transferred to the Representation Division of the Consumer Affairs Agency on September 1, 2009. An amendment was made to Article 6 of this law to allow the Consumer Affairs Agency to order (a) measure(s) in place of the Fair Trade Commission’s issuing a cease and desist order. Another amendment was made to Article 1 of the act stating the purpose as follows: “Article 1. The purpose of this Act is, in order to prevent inducement of customers by means of unjustifiable premiums and misleading representations in connection with transactions of goods and services, by establishing provisions that limit or prohibit an act which is likely to impede free and rational choice of general consumers, to protect the interests of general consumers.”

The Act against Unjustifiable Premiums and Misleading Representations stipulates in Article 10 that a qualified consumers’ group has the right to file a demand for an injunction against any entrepreneurs making superior or advantageous representation with respect to goods or services it provides. More specifically, in cases where an entrepreneur is actually making or is likely to make any of such representations as provided for in the said clause, as cited below, to a large number of general consumers, a qualified consumers’ organization as defined in Article 2, Paragraph 4 of the Consumer Contract Act may demand that (a) measure(s) be taken to suspend or prevent the entrepreneur from making the representation: “(i) Any representation by which the quality, standard or any other matter relating to the substance of goods or services are shown to general consumers to be much better than the actual one or much better than that of other entrepreneurs who are in a competitive relationship with the
entrepreneur concerned contrary to the fact. (ii) Any representation by which price or any other trade terms of goods or services will be misunderstood by general consumers to be much more favorable to the general consumers than the actual one or than those of other entrepreneurs who are in a competitive relationship with the entrepreneur concerned.” With respect to accreditation and supervision of qualified consumer organizations, a guideline was established by the Social Policy Bureau of the Cabinet Office, Government of Japan on February 16, 2007 and enforced on June 7 of that year.

The Act against Unjustifiable Premiums and Misleading Representations was enacted on August 15, 1962, due to a case involving the sale of false canned beef in 1960. Canned horse meat falsely indicated as beef was sold, cheating consumers. This brings up a famous old Chinese proverb that reads “selling dog meat as mutton.” That false indication is the same as a signboard reading “mutton” in order to sell dog meat. Although its appearance and substance are different, false and unfair indication still finds its place in society today. Thus, the law was created as an administrative method of protecting the interests of general consumers. Before the enactment of this law, unfair indications had been regulated under the Unfair Competition Prevention Law with “acts of unfair competition” individually specified. The Act against Unjustifiable Premiums and Misleading Representations was enacted to regulate unfair indications more effectively.

Article 4, Paragraph 1 of the law, prohibiting any entrepreneur from making unjustifiable representations, stipulates that: “No entrepreneur shall make such representation as provided for in any one of the following items in connection with transactions of goods or services supplied:

(i) Any representation by which the quality, standard or any other matter relating to the substance of goods or services are shown to the general public to be materially better than the actual one or better than that of other entrepreneurs who supply goods or services of the same or similar kind as that of the entrepreneur concerned contrary to the fact, and thereby which tends to induce customers unjustly and to impede free and rational choice of general consumers.

(ii) Any representation which misleads general consumers to believe price or any other trade terms of goods or services to be much more favorable to the general consumers than the actual one or than those of other entrepreneurs who supply goods or services of the same or similar kind as that of the entrepreneur concerned, and thereby which tends to induce customers unjustly and to impede free and rational choice of general consumers.

(iii) In addition to that listed in the preceding two items, any representation by which any matter relating to transactions of goods or services is likely to be misunderstood by general consumers and which is designated by the Prime Minister as such, finding it likely to induce customers unjustly and to impede free and rational choice of general consumers.”

The underlined portions of Article 4, Paragraph 1 of the law as cited above represent amendments to the clause. Item (i) relates to a so-call representation of excellence and Item (ii) a so-called representation of advantages. In seeing whether or not a representation of
excellence and/or advantages will fall under those provided for in the clause and hence subject to the Consumer Affairs Agency’s order for (a) measure(s), a useful reference is the old guideline concerning the law established by the Fair Trade Commission as regulating authority before the jurisdiction over indications was transferred to the Consumer Affairs Agency and news reports on cases involving a violation of the law.