

OVERVIEW OF JAPANESE TRADEMARK LAW

2nd Edition

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PART 1. INTRODUCTION

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PART 1. INTRODUCTION

CHAPTER 1. INTRODUCTORY STATEMENTS

Significance of Trademark Protection

Trademarks play a vital role in day to day choices made by the consuming public. Consider the effect of trademarks on those who purchase goods and receive services, consumers. Consumers rely on trademarks, for example, to more easily facilitate repeat purchases of goods or services based on a previous pleasurable experience or a manufacturer's reputation for quality. Trademarks enable consumers to make repeated purchases without extensive research.

A critical trait of a strong mark is that it uniquely serves to identify source. Marks that are similar not only inadequately designate true origin, but can actually suggest the wrong origin, encouraging confusion and misleading consumers.

Trademarks have significance not only for private consumers but for corporations that sell goods and furnish services as well. Long ago, in an economy of face-to-face trade and of craftsmen and women, merchants considered credibility (or reputation) to be a vital asset. The more credible the merchant was, the more goodwill he or she acquired. At one point, merchants use the word "goodwill" as a mark to indicate consumer satisfaction, on other occasions the word was used to indicate a quality business organization. Marks are more unique in today's highly developed distribution economy, but trademarks still play a role of immeasurable importance in facilitating economic activities.

Trademarks are usually the fruit of extensive corporate effort. All the hard work corporations invest in enhancing the quality of their goods or services and working to lower prices is embodied and accumulated in trademarks. Corporations use techniques of repetition and saturation to publicize their marks as the symbols of their goods or services. They are aware that consumers make purchases using trademarks as their guide.

Imagine for a moment a world in which trademarks on goods are unprotected. Counterfeiters and forgers, seeking to profit from the goodwill of merchants with skill and quality products, are unleashed to flood the marketplace with "knock-offs" and imitations. Consumer confusion as to true source results in inadvertent purchasing of low quality goods. From a merchant's (or corporation's) perspective, the incentive to build a reputation through sincere effort and scrupulous business practices is lost. The likely result of such a scheme is a haphazard distribution economy bordering on disorder and chaos.

Trademarks maintain the important role they have today due to the protection offered under current laws. Trademark Law¹ and other laws² for protecting trademarks exist.

¹ Japanese Trademark Law, known simply as "The Trademark Law," is codified at Law No. 127 of 1959, as amended.

² One example is The Unfair Competition Protection Act, Law No. 14 of 1934, as amended.

The Trademark Law regulates trademarks; but is not directly related to the trademark registration system. However, in many countries, modern trademark laws protect trademarks through registration requirements. Trademark laws originated to protect trademarks because charging offenders (unfair competitors) with fraud under the criminal law was insufficient to protect the credibility of infringed trademarks. A trademark registration system was also implemented that, over time, encouraged the emergence of "trademark as property." As the economy developed further, trademarks became recognized as important intellectual property. As a result of the evolving intellectual property perspective, a number of revisions of trademark legislation have been attempted and various interpretative studies have developed regarding Trademark Law. Because trademarks have great significance for consumers in the distribution economy, future Trademark Law examinations and interpretive studies should significantly take into account the perspective of consumer protection.

Section 1. Functions of Marks

Trademarks are signs that are associated with the exchange of goods and services. A "sign" is a mark; its function is identification. A trade "sign" is a representation enabling an article to be identified and distinguished from others on the basis of its origin.

The history of signs is almost as old as that of human beings. Signs carved in caves and on stones have been studied in archeology. More recently, signs were also found on bricks or glass products. Ancient signs used as marks might identify the objects of some religions or indicate the artist of a work. Then, however, marks were used by artists not for the purpose of repeated transactions, but for indicating their pride in or strong attachment to their works. They were different from today's "manufacture marks" in that they were not intended to encourage repeated transactions. When "potter's marks" began to be used in ancient Greece and Rome, marks began to develop qualities of ownership, i.e. "proprietary marks." Marks also began to appear about that time to indicate tax payment in kind, to attest to warranties of quality, or to demonstrate membership in a guild. These marks were used out of obligation rather than for the benefit of users of the marks. Such obligatory marks are sometimes called, "police marks." Eventually, in the Middle Ages, "trading marks" began to appear, the origin of trademarks that we have today. These were marks intended for repeated transactions and usually indicated the manufacturer, the seller or the place of origin.

The concept of "signs" is far broader than that of trademarks. The category of "signs" includes all of the above-described marks, whether trademarks in today's sense of the word or not.

Signs are applied to a wide range of articles and are not limited to goods and services. A national flag, a coat of arms or a stamp that represents a group, such as a country, are all signs. A name, title, pen name, stage name, or pseudonym that represents a person; a trade name that represents a merchant; a business mark that represents a business operation; and a service mark that represents services are also all signs.

There are many types of signs related to goods and services. Trademarks indicate not only the specific origin of goods and services but might indicate a source or place well known for a product or class of products; generic names define goods and services. Some marks identify the place where services are furnished or the quality, nature or quantity of goods or services. These marks can also be called figures, certification marks and warranty marks. All are included within the scope of the term "sign." Containers, packaging and appearances ("trade dress") that have gained acceptance in trading or have come to serve as a designation of origin or source also belong under the definition of "signs."

Marks essentially serve as distinguishers, helping to identify articles or things and distinguish them from others. For example, the word "liquor" is a sign. When affixed to a bottle or a can, it identifies the contents of the bottle or the can as liquor. On the other hand, if a bottle displays a symbol of a prize, such as a blue ribbon, the mark helps enables a consumer to recognize that the liquor has won that prize.

A mark is defined as a "symbol or device that acts as an appellation of source" in Kojien (the most authoritative Japanese dictionary) (5th edition. p.2277). Its primary purpose is to distinguish between goods and indicate source. If the mark fails to do either one, it is not a sign.

As discussed above, the basic function of a "mark" is distinctiveness. A mark that is the last name of a person (e.g. "Kubota" or "Honda") can be distinguishing. However, use of a commonplace last name as a mark performs only a limited function. A commonplace last name does not indicate to consumers the origin of a good. However, if a commonplace mark is frequently affixed to, for example, agricultural equipment or a bicycle, over time it might begin to indicate a particular origin (also known as "secondary meaning"). Some Japanese examples of surnames used as marks that have acquired distinctiveness through use include Kubota Tekko for iron or Honda Giken for technology research. Consumers need not recognize the specific source identified by a mark, only that the mark identifies some specific source. It is sufficient that the name or mark will induce consumers to recall the manufacturer or supplier. Such distinctiveness enables a trader or service provider to secure repeat purchasers of goods or acquire a reputation. It is not until a mark is associated with a particular company that consumers have a certain expectation about the quality of goods displaying the mark. This is known as a "warranty function" as the mark begins to serve as a warranty of quality or source. As discussed above however, the primary purpose of a sign or a mark is to distinguish between goods and identify source. One effect of this is the genesis of a "publicity function" that will arise out of the distinguishing and warranty functions.

Section 2. Significance of Trademarks

I. Concept of Trademarks

A trademark helps to distinguish the goods or services originating from one person or entity from the goods or services originating from others. It was said when Trademark Law covered only goods that "trademarks are the face of goods." Under the current law, which covers both goods and services, trademarks are said to be "the face of trade.")

That is to say that a trademark represents the credibility, reputation or fame of goods or services in the same way the face of a person represents his or her as a person. We can distinguish a person from others by looking at his or her unique face, even if we don't remember their name. Some Japanese trademarks are likewise very facially distinctive such as merchandise trademarks (e.g., Cannon, National, Sony, or Arinamin) or service marks (e.g., Nichigin (Bank of Japan), JAL, Hankyu, or NHK).

As mentioned above, a trademark is a mark that a business affixes to the goods or services it produces or furnishes in order to distinguish its own goods or services from those of other origins.

1. Marks

(1) Definition of mark

Under the Trademark Law of Japan, marks are defined as "characters, figures, symbols, three-dimensional shapes or any combination thereof, or any combination thereof with colors." (Article 2, Paragraph 1)

As discussed above, "marks" are part of a broader concept called "signs." The "marks" category includes its own subcategories of which "trademarks" is one. A "trademark" is a mark that a business affixes to its own goods or services in order to distinguish them from others.

(2) Composition of mark

Since trademarks under the current Trademark Law are limited only to identifiers that fit the definition of "marks," marks must be those displayed visually in a plane or three-dimensional form with respect to goods or services. Therefore, a mark expressed in sound or voice ("sound mark"), light, or taste cannot be registered in Japan, no matter how unique and how effective it is as a sign indicating particular origin or ownership. In contrast, sound marks in the United States such as the "roaring lion" that appears at the beginning of MGM films, or the creaking of a door made at the beginning of the old program, "Twenty Questions," are potential marks under the U.S. Trademark Act.

The current Trademark Law of Japan allows for registration of three-dimensional marks. For example, wine bottles in France, arches at McDonald's, or a statue of the founder of a shop (sometimes seen in front of a shop in the United States) are registerable as three-dimensional trademarks.

Although marks and trademarks applied to goods were traditionally required to be flat (or two-dimensional) according to former Japanese Trademark Law, a trademark applied to a piece of soap would not remain two-dimensional when applied to the surface of the soap. It was therefore regarded as reasonable to treat such three-dimensional marks as acceptable trademarks. (Chikujo Kaisetsu Commentaries on the Trademark Law, P.981, Monya, 50th lecture, p.16; describing a view that a trademark was required to be flat when registered, but it could be three-dimensional when used. (Yoshiwara and Takahashi, Setsugi (Lecture), p.20). We see some similarities in this

view and the following analogy: Although voice is not allowed to be registered as a trademark under the current law, it can be treated as a trademark when used as an instrument of infringement. That is to say, even though a mark must be two-dimensional for registration, an infringer will not find a safe harbor in embossing the same mark on its product; similarly, although a voice cannot be a registered trademark, that fact alone will not protect an infringer who copies a “signature” vocal mark.

(3) Confusion of terms related to marks and trademarks

There are several trademark-related terms that are frequently misused. The purpose of this section is to clarify what is meant by some of those words. "Name of goods," "trade name," "brand," "mark" and "trademark" are all commonly confused.

Goods can have generic or common names, or trademarked names. The word “camera” refers generically to a piece of photography equipment, while “Cannon” is a trademark that refers to specific cameras. Some words that may once have been trademarks (e.g. "Escalator") are widely used to identify generic goods.

The term "brand" originally meant a mark affixed to a barrel or box with a hot iron. At one time, Britain’s Trademark Law contained the following definition: "'mark' means design, brand, label, sign" From this definition it is apparent that the concept of "brand" was regarded as subordinate to that of "mark." Over time, however, the word “brand” has come to be synonymous with the word “mark,” and, in many places, more widely used. Although service marks of airlines or banks are usually not called "brands," even service marks are increasingly called "brands" now. Still, technically speaking, the term "brand" should be used only for indicating a mark for goods. Fundamentally, the concept of "mark" is far broader than that of "brand." In Japan, however, "brand" is more casually used than "mark" in relation to advertising businesses. Some common “buzz words” now used are brand image, brand loyalty, etc.

The Japanese word for "mark" is "hyosho." "Hyosho" means a shape or form to indicate a specific meaning. In the United States, trademarks can refer to goods or services and even to certification marks or collective marks. Trademarks in the United States may be registered with the Patent and Trademark Office (the “USPTO”) or may remain unregistered. Some dictionaries incorrectly use the following definition: "A trademark is a brand mark that becomes a trademark when registered." This definition reflects confusion of trademark concepts regarding when rights attach.

(4) The concept of trademarks and distinctiveness

The current Trademark Law does not expressly require a mark to be distinctive prior to registration. According to "Chikujyo Kaisetsu, Commentaries on the Trademark Law" (1959; p.552), this exclusion has been made for the purposes of (a) simplifying the examination procedure for trademark registration; and (b) avoiding an argument on whether the character, symbol or figure affixed to the goods that is alleged to be infringing is a trademark or not; that is, an argument over infringement based on whether the mark in question is a trademark or not. Such legislation was considered to strengthen the protection of trademarks. (Chikujyo Kaisetsu, Commentaries on the

Trademark Law, p. 552, 1959) On the other hand, the Trademark Law provides that the ability of a trademark to distinguish itself from other trademarks shall be a requirement for trademark registration (Article 3). Nevertheless, these purposes of legislation have not been fulfilled.

Initially, after the enactment of the current Trademark Law as discussed above, the law was criticized as follows: "According to the definition under the Trademark Law, even a symbol affixed to goods to indicate the quality or quantity thereof can be a trademark." (Yoshiwara and Takahashi; Setsugi (Lecture), p.20). A question was even raised as to whether a stain or a price tag on a book was a trademark or not. The distinguished Trademark Law expert, Dr. Amino,³ divided trademarks into the following two categories; "trademarks pursuant to the Trademark Law"⁴ and "generally accepted trademarks."⁵ He argued that the trademarks under Article 1 were generally accepted trademarks, while those under Article 2 were trademarks legally and technically defined pursuant to the Trademark Law. (Amino, p.129)

Despite Dr. Amino's argument, the use of a character, symbol or figure that is not regarded as a trademark in the ordinary sense is not generally considered an infringement of another's trademark right. In every case of trademark infringement, the infringing party has to argue whether the allegedly infringing character, symbol or figure applied to the goods is a trademark or not. At present, "Chikujo Kaisetsu, Commentaries on the Trademark Law" edited by the Patent Office, states, "If all of the purports of the provisions of Article 1, Article 2, Paragraph 1 and Article 3 of the Trademark Law are taken into account, the essential function of a trademark is considered to be its distinguishing ability from others." (Chikujo Kaisetsu, Commentaries on the Trademark Law, p.986)

This view went too far in some cases. One Japanese case involved the unique pattern affixed to a bag produced by Louis Vuitton (a well-known bag maker). Commentators questioned whether a certain character or figure such as the pattern in question was a design or not. They concluded that since it was a design, it should not be regarded as a trademark, even if the design acquired the ability to distinguish source due to use over time. Therefore the legislature intends to change the above mentioned definition.

In reality, a trademark and a design are not mutually exclusive. They are compatible. Whether a character or figure is only a design, or whether it is a design and also a trademark, is judged on the basis of its distinctiveness from others. (Supreme Court, Quick Report No. 154, p.4242, Jan. 19, 1968; Vol. 19, No. 2, Mutaishu, Osaka High Court, p. 256, Jul. 15, 1987; Vol. 19, No. 1, Mutaishu, Osaka High Court, p. 66, Mar. 18, 1987) In other words, a design may be considered a trademark if it performs the function of trademark, and if not, it is only a design.

2. Use with respect to Goods or Services

³ See Mokoto Amino, Shohyo, "Trademark Law" (1999; p. 129).

⁴ i.e. registered marks

⁵ Marks that are being used in commerce, but which have not been registered. Consumers have generally come to accept such marks as "trademarks" though they are not registered.

Trademarks are marks used "with respect to goods" by a person "who produces, certifies or assigns such goods in the course of trade" (Article 2, Paragraph 1, Item 1) or "with respect to services" by a person "who provides or certifies such services in the course of trade" (Item 2).

(1) Use with respect to goods or services

Only marks that are used "with respect to goods or services" are trademarks. (Since price tags and issue dates do not serve to distinguish source, they are not marks.) Marks used with respect to services (service marks) were not included in trademarks before the revision of the Trademark Law. Neither the mark of any local public entity, such as a government or municipal government, nor that of a voluntary organization, such as a commodity center, is a trademark, unless it serves to indicate goods or services. A house mark is not a trademark in the same way a trade name is not a trademark; however the house mark and the trademark may overlap in some cases.

A mark that indicates the State or a local public entity (or public utility corporation) is not a trademark. However governments or public organizations may own a trademark or may change the mark into a trademark for profit. (Article 4, Paragraph 2) In the second case, the mark is the mark of the public corporation, and at the same time the trademark of the profit-making business operated by the company.

(2) Use with respect to goods or services

The Trademark Law lists the following acts as "use of a mark." (Article 2, Paragraph 3)

1. Placing a mark on goods or their packaging.
2. Assigning, delivering, displaying for the purpose of assignment or delivery, or importing, goods on which a mark has been applied (this includes marks applied to packaging)
3. Attaching marks to items used in rendering services and used by parties receiving those services (herein, this shall include items that are sold or leased).
4. Offering services by using such marked items to be used by those receiving the services.
5. Displaying items on which the mark is attached for the purpose of offering those services (herein, these items shall include those to be used by parties receiving those services).
6. Application of a mark to articles related to the provision of services where such items are used by those receiving the services.
7. Displaying or distributing advertisements relating to goods or services on which a mark has been applied, including price lists or business papers.

(a) Trademarks are typically displayed on a label or as a seal impressed on goods. However, attaching a tag displaying a mark on goods, or shaping goods such as soap or buttons into a mark may also be included. Displaying a mark as part of the pattern on a bag, as do Gucci or Louis Vuitton, is included under Item 1 (above) as long as the mark not only makes up a part of the pattern but also indicates origin.

"Packaging of goods" as discussed in Article 2 of the Japanese trademark act refers to packaging in a broad sense that includes all sorts of containers, package boxes, wrapping paper (product wrap) and other articles which cover or wrap goods. If a trademark is applied to packaging that is not yet used in commerce by one other than the trademark owner, the trademark owner can file a claim to prevent infringement. This protection is found in Article 37 under indirect infringement. "Wrapping paper" that has not been applied to a good is not included under the term "packaging of goods." Infringement cannot be determined until it is known what the paper will wrap: paints (Class 2) or soap (Class 3) for example. The "wrapping paper" becomes packaging under the statute only when it covers particular goods; that is, it becomes packaging associated with particular goods as described in Item 1.

Incidentally, there may be substantial problems in prosecution for infringement where wrapping paper (product wrap) is illegally copied or counterfeited. Take for instance a department store having a "house brand." An infringer who copies the department store's product wrap is not infringing a trademark for the mark on paper under Class 16. Trademarks in Class 16 are for printing businesses such as Dai Nippon Printing Co., Ltd., Toppan Printing Co., Ltd. and Kokuyo, or stationery manufacturers. The department store's trademark is for each individual item of good the department store sells under its "house brand." That is to say, the mark only applies to the actual goods to which it is affixed, not to the external packaging that is over the goods. For example, the trademark of a department store may be a trademark with respect to a book case in Class 20, of foodstuffs in Class 30 or of seat ticket arrangement services in Class 41. Until a mark is actually used for wrapping goods (or for wrapping an article related to the provision of services, such as an envelope for tickets), it will be impossible to determine which trademarks are being infringed.

In some circumstances, circumstantial evidence can be used to infer potential infringement. In such a case, a request to prevent infringement may be made under Article 37 (acts denoting infringement) regarding indirect infringement. In such a case an injunction may be obtained by the department store but only for a portion of their trademark portfolio. (Practically, such a claim or action may be filed in a more reasonable manner under the Prevention of Unfair Competition Act.)

One significant Japanese court case held that applying a price tag bearing a trademark to packaging of goods for sale fell under the definition of "transferring or assigning the goods covered by packaging to which a mark has been affixed" under Article 2, Paragraph 3, Item 2. (Vol. 24, No. 2, Chitekishu, Tokyo District Court, p. 440, June 30, 1992, "Tops"). In the Robinson Case, the court ruled that displaying the mark "Robinson" on the body of a helicopter that was imported from a foreign manufacturer fell under Article 2, Paragraph 3, Item 2. It was also held that displaying and distributing pamphlets with regard to the helicopter fell under the provision of Article 2, Paragraph 3, Item 3 of the Trademark Law before the revision in 1991. (Vo. 22, No. 3, Mutaishu, Osaka District Court, p. 651, "Robinson")

(b) Under the former Japanese trademark law, there was significant disagreement as to whether or not displaying a mark was included as distribution under Article 2, Paragraph 3, Item 3. The common view once held that it was. Prior to the 1991

revision, distribution included "displaying" and other similar acts. However, the clause at that time was still imperfectly worded and did an inadequate job protecting trademarks, since the concept of possession was not included in the clause.

For example, assume that goods carrying a counterfeited trademark were discovered in the warehouse of a retail store. Under Article 2, Paragraph 3, Item 2 the manufacturer would be deemed to be using the goods, since it applied the mark to goods manufactured by itself. But the goods are out of the manufacturer's possession. The goods are being stored for sale, but a seller does not apply the mark. A seller uses a trademark by "assigning" the goods on which the mark is applied. Article 2, Paragraph 3, Item 2 of the Trademark Law provides that the acts of a seller are to assign, deliver, display for the purpose of assignment or delivery, or import the goods." The question becomes: what if a person who has purchased goods bearing an infringing trademark keeps the goods in a warehouse before "assigning, delivering, or displaying for the purpose of assignment or delivery"? There is technically no display of the goods and, consequently, no direct infringement. The only remedy in this situation is to assert indirect infringement as "possession for the purpose of assignment" pursuant to Article 37, Item 2.

Under the former Trademark Law, some argued that storage in a warehouse should be deemed to be part of a series of actions: assignment, delivery, and display. Prior to the 1991 revision of the Japanese trademark law, display and storage of goods in a warehouse by a seller had to be interpreted as part of a series of acts such as assignment, delivery, display, etc., to be an infringement. Possession for the purpose of sale was not sufficient.

Absent the preceding circumstances, a mark of goods that was a trademark with respect to the manufacturer of the goods is not necessarily a trademark of the same goods with respect to the person who stored the goods. There is a minority opinion that acts of indirect infringement do not deserve punishment. This opinion is based on the view that indirect infringement is a minor offense. The preceding scenario shows how this cannot work. It would be unjust for the manufacturer to be found guilty of trademark infringement, while the person who stored the same goods (with intent to sell) is not.

"Delivery" means physical transfer of the control of goods, not only transfer of legal rights. For example, assume a seller issues to a purchaser a purchase agreement stating that the purchaser will be in possession of the goods after the sale for the benefit of the purchaser. The legal rights transfer to the purchaser, even though the goods have not been physically transferred. Such transfer is not considered delivery.

"Importing" is an international transaction "for the purpose of bringing goods produced in a foreign country into a domestic market." Some experts maintain that goods stored in a bonded area (a bonded warehouse or bonded plant) should not be regarded as imported goods.⁶ This interpretation of "importing" is only reasonable in when discussing importation in the course of ordinary trade.

⁶ As far as manufacturing is concerned, a bonded plant is regarded as the territory of Japan. If a bonded plant which is part of a bonded area were to be exceptionally regarded as an overseas area, the interpretation would become unreasonable. "Outline of Patent Law," Yoshifuji, p. 442.

These views that regard only goods that have cleared customs to be considered imported ("custom clearance" view) are not appropriate. If a product bearing a pirated mark is exported to an end destination via a Japanese port, and is discovered in a bonded warehouse in Japan disguised as a Japanese product, the "custom clearance" protocol would take all risk of responsibility from the bonded warehouse.

Importing should be interpreted in accordance with either the "territorial water" or "unloading" view, not with the "custom clearance" view. (The Swiss Federal Supreme Court *See* 18 Swiss Supreme Court Rulings, IIC, 120; *held*, on November 2, 1984, that freight kept at the airport before custom clearance was considered to be domestic freight.) Under this rationale, goods displaying pirated marks are regarded, in most cases, as "imported" once they enter territorial waters. (Ono, "Protection of Intangible Property Right Under Criminal Law," Commemoration of Someno's 70th Birthday/Industrial Property Rights, 240).

(c) Items 3, 4, 5 and 6 of Article 2, Paragraph 3 were added in connection with the 1991 revision of the Trademark Law regarding service marks.

Examples of articles "for use by persons to whom the services are being provided" under Article 2, Paragraph 3, Item 3 include for example, a vehicle used for taxi service, and a first aid kit for medical services. The application of a service mark to such a vehicle or kit is the kind of action provided for in the Item.

Some actions that denote use under Article 2, Paragraph 3, Item 4 include furnishing services using the articles set forth in the preceding Item such as a vehicle for taxi service that bears a service mark under Item 3.

Item 5 (of paragraph 3, Article 2) indicates that "use" may include displaying cars bearing service marks in front of a rent-a-car shop, or using tableware bearing service marks in the food service industry.

Article 2, Paragraph 3, Item 6 includes as use a laundryman attaching a tag bearing a service mark to a shirt after laundry. Unlike goods, it is impossible to apply a mark to intangible services. Accordingly, use of a trademark to indicate services or the furnishing of services may be accomplished by applying marks to tangible articles related to the services.

(d) Acts of display or distribution may include a service provider's employee uniform, a bank book, a box of matches, or an admission ticket to which a service mark is applied (Article 2, Paragraph 3 and Item 7). Other examples include displaying or distributing advertisements, price lists or business papers to which a mark indicating goods or services has been applied. However, advertisements, price lists and business documents are usually not permitted to be used as examples in connection with the registration of trademarks. Before the 1991 Trademark Law Revision, some authorities advocated that advertisements, price lists and business documents did not amount to "distribution" of the mark. The revision clarified the meaning of distribution in the use of trademarks in view of these opinions. (According to "Chikujo Kaisetsu, Commentaries on the

Trademark Law," p.983, and Monya, "50th Lecture," p.18, these words have been newly added.) Business papers include merchandise samples, written estimates, order forms, delivery statements, invoices, receipts and catalogues. To be protected, however, they need to be displayed or distributed. Advertisements include all kinds of advertising means such as fliers, signboards and television.

Using trademarks in publicity is now regarded as "use of trademarks" in the sense that it helps to accumulate goodwill. Use of trademarks in advertising that impairs credibility without permission will be subjected to liability for infringement.

"Displaying or distributing advertisements" includes acts ranging from advertisement placement on printed materials such as newspapers or magazines to display of a mark on signboards, neon lights, ad pillars, or in TV commercials, to application of a mark on coupons distributed to customers. (Vo. 15, No. 1, Mutaishu, Nagoya District Court, p. 15, "Jugoya Store," Jan. 31, 1983). On the other hand, publicity campaigns over radio or public sound systems are not included because they do not actually apply a mark to goods. Recall that sound marks are not protected under Japanese law. ("Chikujo Kaisetsu, Commentaries on the Trademark Law," p.985; Amino, p.153). There is a possibility, however, that a publicity campaign could be taken as infringement if it impairs the value of a trademark.

In a trial for cancellation of a trademark registration (Article 50), it was held that trademarks are not subject to cancellation if they are used for advertising. However, if they are only nominally used, cancellation is inevitable. (Vol. 25, No. 3, Chitekishu, Tokyo District Court, p. 22, Nov. 30, 1993; Supreme Court, Quick Report No. 199, p.5702, Oct. 11, 1991. This judgment was on the question of suitability of the demand for relief, but nominal use of trademarks in advertising was discussed in *dicta*.)

(3) Use with respect to goods or services

Use of marks need to be "with respect to" goods or services.

A company employee's business card often bears the mark (trademark) of his or her company. In most of these cases, the trademark is not used for "advertising goods or services" but for advertising the trademark itself (neither goods nor services). This is not considered to be a mark "applied to goods or services for advertisement."

Trademarks are applied to business cards in an effort to increase trademark recognition, indirectly benefiting the business operations of the company. Merely advertising the mark in such a way does not fall under "use of trademarks" pursuant to Article 2, Paragraph 3, Item 7 because it is not used "in relation to" goods or services. (Vol. 22, No. 2, Minshu, Supreme Court, p.152, Feb. 9, 1968)

However, an unusual business card on which a photograph of goods bearing a trademark is displayed may fall under the meaning of "use of trademarks," because the mark and the goods have a high degree of relatedness and the trademark is used for "advertisement of goods." (See 3-(5) below). When a business card has a trademark on one side and a description of services provided on the reverse side a legitimate use of the mark is more frequently found.

3. Concept and Use of Trademarks

Recall that trademarks are signs, devices, mottos, and others included within the larger concept of marks. As defined in the statute, "trademark" means characters, figures, symbols or three-dimensional shapes or any combination thereof, or any combination thereof with colors which are (i) used with respect to goods by a person who produces, certifies or assigns such goods in the course of trade, or (ii) used with respect to services by a person who provides or certifies such services in the course of trade. (Article 2, Paragraph 1, Items 1 & 2).

(1) Kinds of marks contained in the definition of Article 2

Article 2 defines marks as those "used with respect to goods by a person who produces, certifies or assigns such goods in the course of trade" (Item 1) and those "used with respect to services by a person who provides or certifies such services in the course of trade" (Item 2). Therefore, "production marks" (manufacture marks), "business marks," "certification marks" and "transfer marks" (sales marks) are included as trademarks under the current Trademark Law.

"Goods" are articles that can independently be the objects of business transactions, especially personal chattels. ("Chikujo Kaisetsu, Commentaries on the Trademark Law," p.985). Specifically, "goods" refers to chattels produced for exchange within trading markets and does not include real estate. Accordingly, the components of a prefabricated warehouse are chattel and a trademark may be used thereon. On the other hand, a prefabricated warehouse that has been assembled has become real property and a trademark for goods may not be used thereon.

Instead, a "service mark" for "transaction and management of buildings" (Class 36) or "construction works" (Class 37) could be applied to such a building.⁷

Since trademarks are used "with respect to goods or services" service marks are also included in the meaning of trademarks under the current Trademark Law.

(2) Service marks

Article 2 provides that trademarks are marks "used ... with respect to services by a person who provides such services, in the course of trade."

"Services may be defined as "labor or favorable treatment that is supplied or provided for the benefit of others and can independently be the objects of business transactions." ("Chikujo Kaisetsu, Commentaries on the Trademark Law," p.985). Under this definition, domestic labor and internal training of employees are not included under

⁷ There is an opinion opposing this interpretation and asserting that such a mark should be a "trademark for goods. See Amino, p.63 and No. 2737, Patent News, Osaka District Court, p. 3, May 20, 1941, "Daidarasaurus. In reality, however, no such property can be found in the classification of designated goods and the common opinion is traditionally influential in actual practice.

services. Home delivery of meals by a food service shop can be a "service rendered in procuring food or drink"(Class 42); however could be transportation (Class 39) if the delivery of those meals is the primary business of another company.

For example, bedding, tea and cakes supplied as part of the services of a hotel or a Japanese-style inn are not independent objects of business transactions, but articles incidental to services; that is, "articles supplied for use by persons to whom (other) services are provided" (Article 2, Paragraph 3). Trademarks affixed to such bedding, teabags, or cakes are service marks incidental to services and fall under Class 42 ("services rendered in procuring food or drink, and lodgings"). In contrast, trademarks affixed to the same type of cakes sold at a souvenir shop in the hotel or inn are trademarks for goods included under "processed vegetables" (Class 30).

Applying marks to paper wrappings covering disposable table ware at fast food restaurants is not regarded as use of trademarks, while applying marks to bags that contain take-out bread or cakes is regarded as applying a mark to the packaging of goods. (8491, Supreme Court, 2d, p.84, Jul. 3, 1990; 1333 Tokyo High Court, p. 151, Aug. 16, 1989; Comments on Rulings, Vol. 41, p.872, Patent Management, "Chaen Seiju"). If a food service shop continually and repeatedly sells cooked meals, "take-out meals," the meals are considered goods under the Trademark Law, in contrast to meals served in the shop. The Tokyo High Court addressed this issue in Tenichi, holding that "goods" under the Trademark Law must be interpreted as tangible articles distributable in business transactions (as the objects of the transactions); namely, articles produced for the purpose of distribution on general trading markets. Therefore, take-out meals exceptionally prepared at the shop (of the appellee) as a coming-home present for a customer, for a fee, at his or her special request, or a customer's leftovers which he or she requested to take out in a box are comparable to meals eaten on the spot (services). Contrast the case in which take-out meals are continually and repeatedly sold at the shop, tangible articles produced for the purpose of distribution. (Vol. 20, No. 1, Tokyo High Court, Mutaishu, p. 98, Mar. 29, 1988).

In another case, a restaurant was designed so that rock concert audiences could enjoy meals before or after the show. One floor was a restaurant while the basement was used for concerts. Also in the basement, food was sold to the audience in plastic boxes or paper packaging bearing the mark of the business. Some members of the audience purchased the food available in the basement and took home leftovers in a paper shopping bag provided by employees. This was not necessarily a regular occurrence, having occurred only three times. The court stated that "the restaurant had not prepared paper shopping bags for the purpose of offering take-outs to customers, but had supplied shopping bags, only meant for employees' private use, only upon requests by the customers." This practice was not held to demonstrate a routine practice of offering take-outs. The court found that the plastic boxes and packaging should have been regarded as tableware in a food service business. The mark affixed to the packs would have been recognizable by the customers as a mark representing the services of the restaurant (i.e., music performances together with meal services). (Tokyo High Court, Quick Report No. 243, p.6900, Oct. 26, 1994) In particular, the court denied the claim for trademark infringement in this case because the mark applied to the packaging of the food actually represented the services provided in

relation to it. The Supreme Court affirmed, holding that "the original decision is valid because cooked meals sold by the restaurant do not fall under the goods pursuant to Article 37 of the Trademark Law...." (Supreme Court, Quick Report No. 259, p.7350, Oct. 14, 1996).

This concept is sufficiently vague as to invoke a substantial amount of litigation.

(3) Color as a component of trademarks

Recall that the Trademark Law defines "trademark" as "characters, signs, figures, symbols, three-dimensional shapes or any combination thereof, or any combination thereof with colors, which are used with respect to goods by a person who produces, certifies or assigns such goods in the course of trade."

Prior to 1991, trademarks with different colors were generally regarded as identical. However, it became apparent over time that each "identical" figure actually creates a different impression depending on its color. (Recall the red polka dot futon cover or Dunhill's⁸ trademark with white polka dots. Red polka dots, white polka dots and black polka dots respectively give greatly different impressions.) The former Trademark Law stipulated a color-limited registration system, under which any commonplace figure such as a polka dot pattern could attain distinction through use if the color was limited and it was otherwise registerable under Article 1, Paragraph 3 (of the former Act). If a mark was registered with its color restricted, it was treated differently from a mark without color. Under current Trademark Law, color is regarded as a component of a trademark; it is considered unreasonable to deal with color on a case-by-base basis.

However, unlike characters, figures or symbols, color is not an independent component. Color alone, or a combination of colors, is not sufficient to be registered as a mark. Color can be a mark only when combined with another element, such as characters, for example. It could be said that color is a secondary component.

Incidentally, black and white are regarded as colors under Japanese Trademark Law. ("Chikujo Kaisetsu," Commentaries on the Trademark Law p. 985). The background color of a specimen in an application for trademark registration does not form part of the trademark. (Article 5, Paragraph 4).

(4) A trademark may be two-dimensional or three-dimensional

The Trademark Law defines "trademarks" as "characters, signs, figures, symbols, three-dimensional shapes or any combination thereof, or any combination thereof with colors" which are used with respect to goods by a person who produces such goods or with respect to services by a person who provides such services in the course of trade.

From this definition, it can be inferred that trademarks are flat or three-dimensional shapes and are visual. In Japan, sound, smell and taste cannot become registered

⁸ A major Japanese cigarette manufacturer.

trademarks.⁹ Three-dimensional marks were not recognized before the revision of the Trademark Law in 1996. There were a few exceptions. After the "Nyrol spectacle frames" Case (Vol. 5, No. 1, Mutaishu, Tokyo District Court, p. 42, Mar. 9, 1973), protection of three-dimensional marks was recognized under the Unfair Competition Prevention Law. After the revision of the Trademark Law in 1996 three-dimensional marks were added to the marks under protection.

The protection of sounds is best dealt with not as an issue of registerability of sound marks at the Patent Office, but as an issue of trademark infringement, because such infringement violates the rights of the trademark owner. For example, radio advertising that uses a mark of another without permission could be treated as infringement of a trademark right. Before three-dimensional marks were recognized as registerable, the act of creating a three-dimensional character from a two-dimensional graphic was a questionable act capable of harming a trademark right. At that time, the mark had to be represented as a flat (two dimensional) graphic for registration. However, strictly speaking, a trademark, once applied to goods, will never keep its original flat shape at all times. Although a shape in relief on the surface of goods or a carved trademark on the surface of soap was not deemed to be use of the mark as a flat shape in the strict sense, it was recognized as the use of a trademark within a generally acceptable range. In this light, the improper use of a sound or voice mark may be interpreted as trademark infringement, even though sound marks are not allowed to be registered.

(5) Relationship between marks and goods or services

Article 2 of the Trademark Law defines trademarks as marks used "with respect to goods or services" by a person who produces such goods or who provides such services in the course of trade.

A trademark right does not necessarily grant exclusive rights to the mark. The right granted is tied to the relationship between the mark and its user. A person who has registered the trademark FUJI for "futons" does not exclusively possess the word FUJI. The trademark embodies the goodwill the owner has gained by manufacturing or selling futons under the mark FUJI. It creates a relationship between the mark, FUJI, and the goods, futons. A trademark may serve to distinguish one product's source from another, it may also represent customer trust or serve as a guarantee as to quality. To some, the mark FUJI is sufficient inducement to buy a product. Trademark law seeks, therefore, to protect this relationship between a mark and the associated goods.

The significance of a mark has a direct relationship to goods or services to when it is affixed. In one case, a trademark registrant affixed the mark KYOHO to a package of grapes. The mark was intended to indicate the source of the grapes, not the source of the packaging, but the owner registered KYOHO for the packaging of grapes and

⁹ Sound trademarks are recognized under the Unfair Competition Prevention Law, but not approved as marks under the current Trademark Law. In one Unfair Competition case, Harley Davidson Co. argued that the sound of its motorcycle was a distinctive mark. In other cases, types of smell are alleged to be distinctive under the Unfair Competition Prevention Law (Vol. 5, No. 1, Mutaishu, Tokyo District Court, p. 42, Jan. 28, 1980; No. 5662, Patent News, Tokyo High Court, p. 1, Feb. 25, 1981).

subsequently filed for a preliminary injunction against a competitor. The injunction was refused because it was related to the packaging of the grapes, not the grapes themselves. (Vol. 3, No. 2, Mutaishu, Fukuoka District Court, Iizuka Branch, p. 317, Sep. 17, 1971.)

In a similar case, the owner of a trademark "Shumi-no-Kai" ("Hobby Club"), which had registered its mark for use on printed materials, brought an infringement action against a person who independently distributed a monthly advertising brochure for ceramic wares bearing the same mark to the Hobby Club members. The court held that the actual goods being distributed were ceramic wares, not booklets. Because the booklet was printed matter distributed free of charge for advertising purposes, it did not have any exchange value and, therefore, was not a good (Vol. 12, No. 3, Kaminshu, Tokyo District Court, p. 410, Mar. 22, 1961). The conclusion was here was correct, but the court applied incorrect reasoning in getting there. The act of distribution in this case was not regarded as infringement because the booklet had no exchange value as printed matter. However, the court should have found that the mark, "Shumi-no-Kai," was not infringing the prior mark because it was registered and used for ceramic wares, not printed matter. (The actual value of the printed advertisements should never have been a consideration).

In another similar case,¹⁰ a drug store chain having a registered mark and operating under a large pharmaceutical company distributed origami paper free to customers. The court stated that the origami was delivered (by the plaintiff) to Takeda Kai (the drug store chain), and then to an individual employee or pharmacist, together with the goods (pharmaceuticals) to be sold, for the purpose of distributing the origami free of charge to customers. The origin of the origami is obvious to the purchaser, and the trademark affixed to the origami does not further enhance that knowledge. The drug store that purchased the origami distributes it to customers as a free gift for advertisement purposes. The court found that the origami was not a tangible article for distribution in general trading markets.

There was no evidence to show that the drug store that purchased the origami was distributing it for consideration. The court further clarified that even if the store had received incidental consideration, the origami was not "goods" pursuant to the Trademark Law, since "it was not intended for distribution as an object of commercial transactions." (Vol. 21, No. 3, Mutaishu, Tokyo High Court, p. 832, Nov. 7, 1989)

(6) Trademarks indicating goods or services

The current Trademark Law defines trademarks as "characters, figures, symbols or three-dimensional shapes or any combination thereof, or any combination thereof with colors which are used with respect to goods by a person who produces, certifies or assigns such goods in the course of trade, or used with respect to services by a person who provides or certifies such services in the course of trade."

Dr. Amino has a theory that trademarks include all of the characters, figures, symbols or

¹⁰ There are many other similar infringement cases. (See Vol. 9, No. 2, Mutaishu, Tokyo High Court, p. 572, Aug. 24, 1973, "Sunday Evening News"; Vol. 19, No. 2, Mutaishu, Osaka District Court, p. 268, Aug. 26, 1987, "Boss")

three-dimensional shapes or any combination thereof, or any combination thereof with colors which are used by a trader or dealer with respect to its goods or services. According to this theory, company names, indications of grade or quality, price tags and warning labels are all trademarks if they are used with respect to goods or services. The proponents of this theory assert that these "signs" are trademarks pursuant to the Trademark Law, although they are not generally accepted as trademarks. (Amino, p.129).¹¹

An opposing, more comprehensive theory uses Article 1, Article 2, Paragraph 1, and Article 3, to reinforce the assertion that trademarks essentially serve to distinguish the goods of particular manufacturers from those of others. ("Chikujo Kaisetsu," Commentaries on the Trademark Law, p.986).¹²

In the *Tenichi*, the court ruled that trademarks registered under the Trademark Law are intended to indicate the origin of the goods bearing the trademark. The purpose of the Trademark Law is to ensure the maintenance of the accrued goodwill of trademark owners by protecting their marks, thereby contributing to the development of industry and protecting the interests of consumers (Article 1). Article 2 of the Trademark Law provides that trademarks are marks to indicate goods or services.¹³

In one unusual case, an instruction manual was placed inside transparent packaging that surrounded certain goods. The manual displayed the registered trademark associated with the goods and was affixed to the inner surface of the plastic bag. The trademark, which was recognizable from the outside, served to distinguish the goods from other goods and to avoid confusion as to the origin of the goods. The court held that putting the manual in a plastic bag fell under "the acts of applying a mark to the packaging of the goods" provided in Article 2, Paragraph 3. (Vol. 20, No. 3, Tokyo High Court, Mutaishu, p. 457, Sep. 29, 1988, "Othello" Sponge Case).

If the phrase, "used with respect to goods or services" is interpreted to mean "used in order to distinguish goods or services," any symbol indicating for example, quantity, that does not also serve to distinguish goods or their origin, does not indicate its association with goods or services. If the purpose of Trademark Law lies in the protection of the association between a mark and goods (also called "goodwill"), there may be no discrepancy between the concept of "trademark under the Trademark Law" and that of "generally accepted trademark." [Commentaries in "Chikujo Kaisetsu," Commentaries on the Trademark Law, attempt to eliminate such discrepancy.]

(7) Use of three-dimensional trademarks with respect to goods or services

¹¹ Even in the minority opinion trademarks do not include everything used with respect to the "goods." Only marks visible from the outside of the goods are intended to be included. (In fact, some critics in challenging the theory refer to flaws and stain spots on the goods.) Eguchi, p.22. It is obviously incorrect to include flaws and stain spots of goods in the discussion of marks, even if they are visible from outside.

¹² The commentaries in "Chikujo Kaisetsu" have been changed since the legislation. (Nakamura, p.29, Goto, Haruo, Vol. 77, No. 4 & 5, Invention, Interpretation of Registered Trademarks in Rulings, Books I & II)

¹³ Price tags or flaws are not trademarks because they do not identify goods.

Three-dimensional trademarks were added to the Trademark Law in 1996 and must also be used with respect to goods or services. The revised Trademark Law explicitly clarified that a three-dimensional trademark can consist of the shape of goods or other articles. "Application of a mark to goods or other articles as prescribed in the preceding subsection shall include goods or their packaging, or articles that are supplied for use in the provision of services and advertisements relating to goods or services, that are shaped into a mark" (Article 2, Paragraph 4).¹⁴

Goods are, as discussed above, corporeal things produced or traded for the purpose of distribution in general trading markets. Buildings fixed on land are not included in the meaning of goods.¹⁵ Creating an entire building such as a retail store into a three-dimensional shape is not by itself a trademark for goods. However, if an entire building in which goods and services are offered is recognized as a three-dimensional sign (e.g. a full-size model of a registered three-dimensional mark)), it is regarded as use of a mark. "Commentaries on Industrial Property Rights" as revised in 1996, Edited by the Council for Amendment of the Patent Office, p.161).

Three dimensional "packaging" includes containers of goods (bottles of liquor or drinking water, etc.). Three dimensional "advertisements" include ad towers (such as building discussed, *supra*), dolls, figures or statues (e.g. a figure or statute in front of a shop, a mascot, or a doll attached to a signboard). However, it is not sufficient for registration purposes to merely have a three-dimensional sign or figure, the must also be able to distinguish goods or services from others.

Three-dimensional trademarks are discussed more comprehensively in the following section.

4. Three-dimensional trademarks

(1) Types of trademarks and three-dimensional trademarks

(a) Introduction

Recall that trademarks are a kind of mark, defined as "characters, figures, symbols, or three-dimensional shapes or any combination thereof, or any combination thereof with colors." (Article 2, Paragraph 1).

Before the 1996 amendments, registered trademarks were limited to two-dimensional marks. Neither the promotional figure depicting the founder of Kentucky Fried Chicken often seen in front of its stores nor the three-dimensional signboards of McDonald's were permitted to be registered under the old Trademark Law, although they were undoubtedly serving as trademarks. Because trademark law did not protect three-dimensional marks from imitation, famous three-dimensional marks facing a likelihood

¹⁴ Because Paragraph 4 is a continuation of Paragraph 3, "other articles" in this provision is understood to mean packaging of goods, articles for use in the provision of services and advertisements relating to goods or services.

¹⁵ (An opposing opinion was presented by Amino.)

of confusion with other marks were protected under Unfair Competition Laws.

(b) History

The system of registering three-dimensional trademarks originated in the U.S, but as countries revise their trademark law, protection of three-dimensional trademarks under a registration system is becoming the norm.¹⁶ Japan also introduced a registration system for three-dimensional trademarks so as to be in line with trademark systems of other countries.

Three-dimensional trademarks were introduced after the 1996 amendment of the Trademark Law, as a new category of trademarks. In making this change, Japan realized that evolving transactional circumstances required the introduction of a three-dimensional trademark system. This was particularly true in light of recent international treaties. In order to become a signatory to the treaties, all countries needed to provide registration for three-dimensional trademarks.¹⁷ The three-dimensional trademark system was adopted after the 1996 amendment of the Trademark Law, in order to meet this requirement.

(c) Revision of the definition of trademarks

The addition of three-dimensional marks to the trademark registration system made it necessary to revise the definition of trademarks set forth in Article 2, Paragraph 1. This was done by adding the words "three-dimensional shapes" and "any combination of characters, figures, symbols and three-dimensional shapes" to the definition of marks constituting trademarks.

The change also affected the word "use" in Article 2, Paragraph 3, and in Paragraph 4. Therefore, the meaning of "applying a mark" in the definition of "use" in the Trademark Law was modified to include "goods or their packaging, articles that are supplied for use in the provision of services, and advertisements relating to goods or services that are shaped into a mark."

(2) Distinctiveness of three-dimensional trademarks

The biggest problem surrounding three-dimensional trademarks is that of distinctiveness. Relaxed distinctiveness requirements lead to more registrations, but also to increased barriers for future market participants. Rigidly defined distinctiveness requirements impede the efficiency of the system set up to protect three-dimensional marks in the first place.

The amendment in 1996 of Article 3, Paragraph 1, Item 3 of the Trademark Law, further granted protection to the trade dress of a product. However, three-dimensional

¹⁶ Industrialized countries recently agreeing to register three dimensional marks include: France (1991), Great Britain (1994), and Germany (1995).

¹⁷ The incorporation of a registration system of three-dimensional trademarks was temporarily delayed at the time of the Trademark Law amendment that introduced service marks, in view of the need to align the Trademark Law with the Design Law.

trademarks or trade dress that merely depict common usage (or are “functional”) are not eligible for trademark registration, unless they are considered by consumers to be distinctive as being a mark having become associated over time with particular goods or services (acquisition of distinctiveness through use).¹⁸ It is fully expected that some of the ambiguities surrounding three-dimensional trademarks and trade dress will be more clearly defined in the coming years as they are dealt with by the Patent Office.

(3) Potential treatment of distinctiveness in three-dimensional trademarks

An analysis of the operational policies of the Patent Office may shed some light on how distinctiveness is likely to be dealt with in the future with regard to three-dimensional trademarks.

(a) Understanding Trademark Law, Article 3, Paragraph 1, Item 3

Article 3, Paragraph 1, Item 3 states that trademarks which describe in a common manner the goods’ place of manufacture, place of sale, quality, raw material, efficacy, use, quantity, shape (including the shape of its packaging) price or method or time of manufacture and use will not be registered. This provision applies to not only such written descriptions, but to figures or diagrams.

A mark that merely indicates the shape of goods or their packaging, or the shape of articles used in services will not be registerable under Article 3, Paragraph 1, Item 3. If a three-dimensional mark is merely fashioned after commonly known goods, it will be treated strictly in accordance with Article 3, Paragraph 1, Item 3.¹⁹

(b) Construction of Trademark Law, Article 3, Paragraph 1, Item 5

Prior to the 1996 amendment, extremely simple and commonplace designs were not permitted to be registered.²⁰ With the implementation of the three-dimensional trademark system, shapes such as spheres, cubes, cuboids, cylinders and triangular prisms were added to the list of "simple and commonplace marks," under Article 3, Paragraph 1, Item 5 and thereby denied registration.

(4) Trademarks...whose shapes are essential to the function of the product or the packaging of a product (Article 4, Paragraph 1, Item 18)

When the shape of goods or packaging is undeniably functional, the shape will not be registered as a mark. Allowing functional shapes of goods or packaging to be registered as three-dimensional trademarks would effectively create a monopoly of that product by the trademark owner. Registration of functional shapes would hinder the development of industry and inhibit fair and free competition in conflict with the purpose of the Trademark Law as stated in Article 1.

Functional shapes are not eligible for registration even if their distinctiveness increases

¹⁸ This concept is commonly referred to as “secondary meaning” in the United States.

¹⁹ For example, a baker may not register a three-dimensional loaf of bread as a trademark because a loaf of bread is a symbol commonly used to describe a generic product.

²⁰ Some examples include: a single line, a wavy line, or the outline of a triangle, square or circle.

as a result of use (Article 3, Paragraph 2). However, in the case of a shape mark that has acquired distinctiveness as a result of use over a long period of time, an action for infringement will undoubtedly raise questions as to whether that three-dimensional trademark is in fact solely functional. The primary focus in such a case would be the feasibility of "circumventing" the shape by using an alternative shape. This could likely be proven by showing that a functional portion was combined with a non-functional shape to form the distinctive three-dimensional shape.

Examination under Article 4, Paragraph 1, Item 18 focuses on the elements of the shape of goods or packaging that put the product at a practical advantage. Frequently the courts do this by referring to advertisements or business papers that have been submitted to comply with Article 3, Paragraph 2.²¹ The courts will look to see whether the shape is indispensable to the function of the goods or their packaging and whether any other alternative shapes exist that could secure the same functions. If alternatives are found, the court will look at the feasibility of those alternatives as a function of cost.

(5) Limits of the trademark right

Based on the preceding rationale, Article 26, Paragraph 1, Item 5 says that a trademark right does not extend to "trademarks which are merely three-dimensional shapes of goods or packaging and are essential for the packaging of a product."

This is a protective provision. Even if a trademark that consists solely of a functional three-dimensional shape is erroneously registered, anyone using the same shape will not be held liable for infringement of trademark rights.

(6) Application procedures

The application procedures for registering three-dimensional trademarks are the same as those for registering two-dimensional trademarks except as follows.

(a) Description indicating the three-dimensional nature of the trademark on the application form

A three-dimensional trademark will be displayed on the flat surface of an application form, and often it is difficult to detect whether the trademark is three-dimensional or not. It is therefore necessary to indicate on the application form that the trademark in question is in fact three-dimensional. (Article 5, Paragraph 2) The description must clearly indicate the mark's three-dimensional nature in the space provided for description of the trademark, even if it is a "diagrammatic drawing." Otherwise, the mark's "composition and style" as a three-dimensional trademark will not be evident. When registering a three-dimensional trademark, an explanation must be made so as to clarify the composition and style of the three-dimensional shape, etc.²² Submission of

²¹ Article 3, Paragraph 2 says "Even trademarks which would fall within [the exceptions listed in] Items 3-5 of paragraph 1 above may still be eligible for trademark registration if, as a result of the mark's use, consumers come to distinguish the goods or services of the applicant from those of others...."

²² More than one diagram or photograph is not necessarily essential; a photograph taken from one angle may suffice. In practice though, two or more diagrams or photographs are often required to

both a written description and a graphic indication in the form of a diagram or photograph is required.

(b) Changing from a two- to three-dimensional trademark

Unless a trademark is stated to be a three-dimensional mark in the application for registration, it will be treated as a two-dimensional mark.

Changes to a submitted application that allege that the trademark is three-dimensional, will be treated as an amendment which introduces a new matter.

(c) Application for Trademark Registration in which the composition and style of a three-dimensional trademark is not specified

When it is stated in a trademark application that the trademark is three-dimensional, and its shape is indicated in the space designated on the application form, the mark will be understood as a three-dimensional trademark if the mark is clearly shown to be a three-dimensional object. Even if it is impossible to fully represent a three-dimensional object in a two-dimensional format, the three-dimensional trademark is deemed to be specific and will be treated as such.

If a trademark application lists the mark as three-dimensional but the shape provided on the application falls into one of the following categories, it will not be recognized as a three-dimensional trademark.

Nothing in the description indicates that the mark is three-dimensional.

The mark cannot be distinguished as a three-dimensional trademark because there is absolutely no indication of the shape of its outward appearance, such as the thickness or depth of the mark.

Indicating separate composition and style elements for a three-dimensional shape that is combined with a two-dimensional trademark in the mark's description.

Although both the three-dimensional shape and the two-dimensional trademark are shown together, the two are not affixed to each other in a way that shows their relationship. Since the merged whole is seen as consisting of two separate and detached units, each with individual characteristics, the mark as a whole, cannot be recognized as one.

Two or more drawings are provided, yet the three dimensional marks indicated do not correspond to them.

Despite using two or more drawings, the marks made up of three-dimensional shapes, characters, figures and colors, etc., do not match and therefore cannot be recognized as a three-dimensional object.

(d) Submitting explanations

"indicate clearly" without a doubt that it is a three-dimensional trademark.

In order to examine a trademark being considered for registration, it is necessary to understand it accurately. Sometimes this requires explanations, such as which of the multiple diagrams or photographs is the frontal view or side view. Other requirements could include a specimen of the trademark being considered for registration, or a depiction of the mark's shape.

(7) Determining when three-dimensional trademarks are similar

One factor to consider when deciding if three-dimensional marks are similar, is the principal consumer class to whom the goods or services are directed (e.g., experts, the elderly, children, or women). Consumer sophistication is also used to decide whether the outward appearance, name and concept of the trademark are recognizable. In these ways the similarity of three-dimensional marks is analyzed no differently from the analysis for two-dimensional marks.

It should be noted that when a three-dimensional trademark is viewed from certain angles, its overall impression might not be evident. A characteristic unique to three-dimensional trademarks is that one's perception of the image differs according to the angle from which it is viewed.

To be similar to a two-dimensional mark, a three-dimensional trademark must be perceived as similar when viewed from an angle that corresponds to the representation of the two-dimensional mark. Three-dimensional trademarks which appear identical to one another when viewed from a particular angle must also appear to be generally similar.

Names and concepts that are associated with three-dimensional trademarks often become associated with the images as perceived from certain angles, not necessarily only when seen as a whole. Where a three-dimensional trademark consists of a combination of a three-dimensional form and characters, it is possible (and usually the rule) that the consumer may respond primarily to the part of the trademark consisting of the characters, the portion which actually provokes recall of the associated names and concepts.

(8) Adjustment of rights when conflicting with patent and other rights

The Trademark Law prior to 1991 had provisions for the adjustment of rights when trademark rights conflicted with rights under the Design²³ and Copyright²⁴ Laws. The introduction of the three-dimensional trademark, however, has given rise to a new problem. The shapes involved in patented inventions and registered utility models can conflict with a three-dimensional trademark in ways they would not conflict with a two-dimensional trademark. It was therefore decided that the Trademark Law, Article 29, would be revised to deal with the conflict between trademark rights and patent utility model rights. In the new Law, Article 29 addresses not only cases where trademarks conflict with rights under the Design and Copyright Laws, but also where they conflict

²³ Article 26

²⁴ Article 29

with patent and utility model rights.

Under the new Trademark Law, when the use of a registered trademark for goods or services conflicts with another person's patent, utility model or design right under an application that predates the trademark, or with another person's copyright taking effect prior to the date of the trademark, the owner or licensee of the trademark shall not use the mark in connection with the part of the goods or services giving rise to the conflict.

(9) Right to use three-dimensional trademarks after expiration of the term of patent right

Where a patent right, utility model or design right (herein collectively referred to as "patent right") under a patent application filed prior to or on the date of an application for registration of a trademark, conflicts with a trademark right, the patentee has the right to use the patent freely without restrictions imposed by the owner of the trademark. However, when the term of the patent right expires, there was speculation that the continued use of patented inventions by the original patent owner would suddenly infringe the three-dimensional trademark right still valid after expiration of the patent right. Article 33-2 was written to address this concern. It states that where a patent right under a patent application filed prior to or on the date of an application for registration of a three-dimensional trademark conflicts with the trademark right under that trademark application and the term of the patent right has expired, the patentee shall have the right to continue to use the invention to the extent of the original patent protection. (Paragraph 1 of the same article). However, this provision shall apply only where the registered trademark is used without the intention of violating the rules of fair competition. This means that if, for example, a person plans on continuing to use an expired patent, and a competitor with trademark rights uses its mark in a manner suggesting an aim of unfairly damaging operating profits of the former patent holder, the right to continue use of trademark will not be permitted.

(10) Transitional measures

(a) The right to use three-dimensional trademarks by virtue of prior use

The introduction of three-dimensional trademarks has had a significant impact on trademark management, making it necessary for those who have been using three-dimensional trademarks prior to their introduction into the law to have a plan for protecting the present value and goodwill of their marks. (Trademark Law, Supplementary Provisions, Article 2). It would be more accurate to refer to the use of these marks as the use of three-dimensional shapes, as opposed to three-dimensional trademarks, because the "three-dimensional shape" mentioned in the Supplemental Provisions, Article 2, Paragraph 1 does not need to "have become well known among consumers," as is the case for three-dimensional shapes referred to in Article 2, Paragraph 3 of the same statute. The protection therefore covers three-dimensional shapes that would not be considered trademarks. Even if a three-dimensional shape which had not been considered to have trademark status became a three-dimensional trademark after the enforcement of the new Law, the description in Article 2, Paragraph 1 leaves no doubt that the right to continue the use would be acknowledged.

When a person used a three-dimensional trademark prior to the new Law coming into effect without any intention of violating the rules of fair competition, he had the right to use the trademark with respect to the same goods or services provided he does so continuously. (Supplementary Provisions, Article 2, Paragraph 1). Furthermore, when a trademark had "acquired distinctiveness among consumers" as an indicator of the goods or services which were connected with his business at the time of the enforcement the new Law, he had the right to use the trademark beyond the scope of his business. (Supplementary Provisions, Article 2, Paragraph 3).

In other words, a person who, prior to the 1996 amendments, continuously used a three-dimensional trademark without any intention of violating the Unfair Competition Prevention Law, had the right to continue using the trademark even if another person had registered a trademark upon which the mark would infringe (including those submitted for trademark registration after the enforcement and since registered). The same applies to a successor-in-right who has taken over the business concerned.

The owner or licensee of the three-dimensional trademark is allowed to request of the owner of the continuous-use right, "an indication appropriate for avoidance of confusion" between goods and services in question. (Supplementary Provisions, Article 2, Paragraphs 2 and 4).²⁵

(b) Transitional measures for exceptional cases at the time of the application and claim of priority.

If goods or services bearing an unregistered three-dimensional trademark have been displayed (for example, at exhibitions) and an application for registration is filed for the same trademark, the date of the exhibition or display is taken as the date of application. (Supplementary Provisions, Article 9). When a priority claim based on an application for trademark registration that was filed in one or more countries that is a signatory to the Paris Convention, the Japanese application will be considered to have a filing date that is the same as the date of the application in the first contracting country. (Supplementary Provisions, Articles 9-2, 9-3; Patent Law, Article 43, 43-2, Paragraphs 2 and 3 applied mutatis to Supplementary Provisions, Article 13, Paragraph 1). In cases where the exhibition or display date of goods or services of an application filed in or for the first country falls before April 1, 1997, the application would be treated as if the Trademark Law prior to the 1996 amendments was in effect and would be unacceptable.²⁶

II. Classification of Trademarks

Trademarks can be categorized according to (1) composition, (2) function, (3) user, (4) others. Below is a list of terms commonly used in the Trademark Law.

1. Classification according to Composition

²⁵ As previously mentioned, the same applies to utility or design rights. (Supplementary Provisions, Article 2, Paragraph 3)

²⁶ (Revised Trademark Law, Supplementary Provisions 2(5) and 2(6))

(1) Character trademarks

Japanese character trademarks refer to trademarks such as SONY, Wakamoto, Toyobo, and NTN-4"H, which are made up entirely of characters. Characters can be in katakana, hiragana, Chinese characters, Roman letters or numbers. However, when Japanese people are unable to decipher the characters used in a character trademark, (trademarks in Arabic, Thai, etc.), it may be more appropriate to consider them as design trademarks rather than character trademarks.²⁷

(2) Design trademarks

Design trademarks are trademarks made up entirely of graphics. Design trademarks may be any of the following: realistic graphics (such as a picture of a feather), a stylized picture (the moon-shape used by Kao²⁸), a geometric diagram (Mitsubishi's logo), a combination of pictures (the moon and star combined used by Tsukiboshi²⁹), or a stylized set of characters which give an impression completely different from the common use of characters (POLA's logo³⁰). Design trademarks are historically the most basic of trademarks. (The first registered trademark in Japan was comprised of realistic graphics). The popularity of character trademarks is a more recent phenomenon.

(3) Symbol trademarks

Symbol trademarks are made up entirely of symbols. They are the oldest known examples of marks and are believed to date back several thousands of years. A symbol today can be one with a long history, such as the "noren" symbol³¹ used in shop entrances or the "monsho," (family-crests).³² On the other hand, they may be encircled Roman or kana characters, (UC's card logo in a circle, OLFA's cutters logo in a circle³³) or modern monogrammed letters (Louis Vuitton's LV logo).

(4) Color Trademarks

There are many problems associated with color as a component of trademarks. Under the Trademark Law, color is not recognized as a trademark in its own right, but a trademark's distinctiveness may be achieved through its color. (Vol. 21, Ohan, Minroku, ??p. 647, May 5, 1915, for the old Trademark Law). One case brought under the Unfair Competition Prevention Law found that the color orange as applied by the manufacturer to its sliding doors, had become a well-known appellation of source. Vol. 17, 5-6, Osaka District Court, Kaminshu, p. 562, June 29, 1967). A trademark with identical graphics but differing colors may on rare occasions be considered not to be

²⁷ In the past when the author visited the Patent Office in Great Britain, Japanese trademarks were filed as design trademarks.

²⁸ A famous Japanese cosmetic manufacturer.

²⁹ [American readers will not understand this reference...please clarify as in FN 28, above.]

³⁰ [Same as FN 29.]

³¹ A decorative cloth, usually bearing a logo or symbol, hung in a doorway or entrance.

³² Such as the Mitsui logo, Shimadzu's logo with a cross in a circle.

³³ [See FN 29, above]

similar. Consider for instance, when color is added to characters or designs, such as to a circle with a red ball. A circle with a black ball or a circle with a blue ball, for example, would result in a totally different impression.

Despite the Trademark Law's recognition of color as a component, a trademark application is generally submitted in black and white. There is no need to apply for different colors since color trademarks that are similar to a black and white registered trademark would be considered identical. (Article 70, Paragraph 1). Some trademarks may have slight differences in color or shape. If they exceed reasonable limits of similarity (with respect to color and shape) such that consumers would mistake them for being identical, even if they are merely similar, they will usually be considered the same trademark.³⁴

Article 70-3 states that if two trademarks are similar and only distinguishable because of their color, the use of the second mark would still infringe upon the prior mark. Furthermore, because it is absurd to have trademarks cancelled on the basis that using marks similar to another but only of different colors amounts to an intent to confuse, the applicability of Article 51-1 is limited.³⁵

(5) Three-dimensional Trademarks

Until 1996, when the Trademark Law was revised, the registration of trademarks was limited to two-dimensional marks. However, the promotional figure standing in front of the Kentucky Fried Chicken store and Victor's statue of a dog listening intently to "his master's voice" on a gramophone are clearly associated with their origin and serve to function as trademarks. Prior to 1991, the more commonly known three-dimensional marks have been protected as business indicators under the Unfair Competition Prevention Law when their use without permission would have resulted in likelihood of confusion. The trend now is for all developed industrial nations to protect three-dimensional trademarks under a registration system. In Japan, the three-dimensional trademark was introduced in the Amendment of 1991 as a new category of trademark subject matter according to composition.

(6) Combined Trademarks

Trademarks can be categorized into the following groups according to their content: character trademarks, design trademarks, symbol trademarks and three-dimensional trademarks. Any combination of characters, symbols, graphics and three-dimensional shapes are called combined trademarks. "Characters and design" "characters and symbols" "design and symbols" and their three-dimensional counterparts, as well as "characters, designs, symbols and three-dimensional shapes combined" are all examples of combined trademarks.

A combination of characters, such as "Minolta," is not included because it is only a sequence of characters: "M" "i" "n" "o" "l" "t" and "a." "Moonstar," however, made up of two distinct words "moon" and "star" would be a combined trademark in the

³⁵ See also Sec. I, 3(3) of this book on color as a component of trademarks.

narrower and more accurate definition of "character combination." Likewise two or more marks, characters, designs, or symbols each of which could be a trademark independently, could join together to form a combined trademark.

2. Clarification according to function

A Trademark can be categorized according to its function as a mark and what it is indicating.

(1) Merchandise trademark

When marks are used in connection with a product or a piece of merchandise, they are considered "merchandise marks." Some merchandise marks have gradually increased in prominence to the point where they indicate not only merchandise itself but the business from which the merchandise emanates. The "Sony" trademark from Sony's Totsuko era (Sony was previously known as Tokyo Tsushinki Kogyo) demonstrates this. The employees of Totsuko were themselves called "Sony-san." Over time, the trademark began to indicate both the merchandise ("Sony") and the business (Tokyo Tsushinki Kogyo) as a whole, so that the merchandise mark also functioned as a business mark. Eventually, Totsuko changed the company name to "Sony."

Trademarks were, originally, marks for use on individual products (individual trademarks). The term "trademarks" is now often used in the context of individual trademarks, in that the differentiation of one specific product from another is the main function of the trademark. Toshiba, for example, uses "Toshiba," the trademark of the company, for its television sets. (Toshiba, in this case, is a general mark and a house mark.) The company also uses individual trademarks such as "Meimon" and "Kokage" for specific types of television sets.

(2) Service Trademarks

Service trademarks are commonly referred to as service marks. Service marks (Dienstleistungszeichen) are marks used by businesses in the service industries in order to differentiate between their own services and those provided by another. Examples of service industries include: advertising, finance, construction, electronic communications, transport, film development, education, and hotel industries.

Prior to the amendment of 1991, trademarks meant "merchandise marks." The Law has since defined trademarks to include services, similar to the United States' definition of a "trademark." The trademark of the old Law (merchandise mark) is now called a "merchandise trademark" in order to distinguish them with "service trademarks."³⁶

Services can be separated into those that deal with the sale of goods, such as restaurants that deal with food, and those that do not deal with selling goods, such as advertising,

³⁶ In the Trademark Law, the term "service trademark" is expressed as "trademarks which are used with respect to services" (Article 2) or "trademark with respect to services" (Article 64). The term "service trademark" is only now starting to become familiar and accepted. Therefore, the terms "service trademarks" and "service marks" are used interchangeably.

broadcasting and transport. The services that deal with the sale of goods can be further classified as services where the goods are a part of the everyday transactions, such as food service, and services that treat or handle goods, such as by processing, dying or cleaning them.³⁷

Marks used on the premises of the first type of service are easy to recognize as service trademarks, but it becomes more difficult to classify the latter type of service as either "merchandise trademarks" or "service trademarks." (Masanobu Ono "Introduction of the Service Mark Registration System" Tokkyo Kenkyu 2, page 18.)

It is not always necessary to determine whether a mark is a "service trademark" or a "merchandise trademark." If the same disposable chopsticks are used inside a sushi shop offering take-out as well as eat-in service, the advertisement on the shop's rooftop, for example, will promote both the eat-in and the take-out aspects of the shop. There are trademarks which designate a product (a car for example) that are also used as a sign for a service (the maintenance service of the car company). When a trademark is used as a product trademark and a service trademark simultaneously, or, as in the latter example, not simultaneously but encompassing both, it is called a "double-role trademark."

(3) Business Trademarks

A house mark is a typical example of a business trademark, although the house mark can sometimes be used for individual products or services. It is usually a corporate mark indicating the company's operation, but can also function as a mark indicating a product or a service. (Toshiba and Gunze are examples of this.) Sometimes an individual trademark is used over a period of time to indicate many of the goods and services of a particular company so that it begins to indicate the business where these goods and services originated. In this case the individual trademark has developed into a company mark. (Sony is a prime example, but there are many others, such as Citizen, Suntory and Ozeki.)

In most cases, business trademarks such as house marks indicate the business as a whole, but on rare occasions, they indicate a particular operation of the business.

(4) Collective Trademarks

Collective trademarks are trademarks that an association allows its members to use, the association having businesses as members. The use of a collective trademark is not to clarify the origins of individual goods and services, but rather to indicate a characteristic that is common to all the goods and services associated with the members.

Take the Metalworkers Association in Tsubame City, for example. The Association allows its individual metalworker members of that region to use the collective

³⁷ No. 146, Flash News, Supreme Court, June 18, 1987, p. 3987: The High Court upheld the ruling of the lower court that items consumed in the shop, for example, the food and drinks at a restaurant, will be considered as goods under the Trademark Law. The ruling should apply to take-out services as well, but only on the condition that the business provides take-out service on a regular basis.

trademark "TSUBAME" on their metal goods. The Association itself does not use the mark as a trademark indicating its goods or services.³⁸ It is the members who use the mark on their goods and services as trademarks. In transactions, collective trademarks function mainly as guarantees of quality.

Under the trademark system of Japan, the rules concerning collective marks were established in 1921, but were then abolished in 1959 with the introduction of the "consent to use system" which was considered sufficient to provide protection similar to that afforded other trademarks.

The collective trademark, however, possesses qualities which differ from those of regular trademarks, such as the non-use by the owner of the trademark. The need for international alignment with countries such as the U.S., Great Britain, Germany and France, led to the restoration and clarification of the collective trademark, so that corporate judicial persons established under the Civil Law, Article 34, could hold collective trademarks.³⁹

(5) Grade trademarks

A company may attach a trademark not only to one particular product, but may make and attach more than one trademark to the same product to enable the consumer to distinguish between various grades of the product. Such a trademark is called a grade trademark. Sometimes a company will use a particular mark as a foundation and will add ornamentation to it, change its form, or add other words, in order to create marks that will be used as grade trademarks. These are sometimes referred to as "family marks" or, seen from the perspective of compositional characteristics, "derivative trademarks." Suntory Co., for example, uses various grade trademarks: Toris, Suntory Red, Suntory Select, Suntory Custom, Suntory Old, Suntory Reserve, Suntory Royal, Imperial, etc. (All of the above except Toris and Imperial are also derivative trademarks and family marks.)⁴⁰

3. Classification according to user

Trademarks can be classified according to their users into three categories: (1) manufacturer trademark, (2) retailer trademark and (3) certification trademark. Unlike goods, the provision of services cannot be divided by manufacturer and retailer, and the same applies to their trademarks. There is no distinction in the service sector which coincides with the distinction between manufacturing and retail of goods. Certification trademarks do, however, apply to services as well to goods.

(1) Manufacturer trademarks

A "manufacturer trademark" is a product trademark used by the manufacturer to indicate

³⁸ Because of this, the old Law referred to this type of mark as a "collective mark," but the present Law uses the term "collective trademark."

³⁹ The main points of registration and other details will be discussed later, starting on p. 150.

⁴⁰ [Please refer to FN 28]

that it is the manufacturer of the product. The quality and characteristics of the manufacturers' craftsmanship are manifested in the product and associated with the trademark. This results in an advantageous position for the manufacturer, compared to marketing the product with only a retailer trademark. This advantage is critical because the retailer wants to impress upon the customers their own retailer trademark. This is why so frequently a power struggle ensues between manufacturer and retailer when choosing which trademarks are to be used.

(2) Retailer trademarks

A "retailer trademark" is used by the retailer to indicate that it is the particular retailer itself who selected the product for sale. A retailer trademark can act as a guarantee of quality based on selection. Trademarks have slightly different roles when used by retailers as opposed to manufacturers.

When the manufacturer has very little leverage in a business transaction, the retailer trademark alone may be used. Sometimes both the manufacturer trademark and the retailer trademark are used side by side (when two or more trademarks are used in connection with a product like this it is called "double chop").

(3) Service Trademarks

A service mark is used by the provider of a service to identify the service as one that he is providing. The mark reflects the qualities and characteristics associated with the service provider and its function in this respect is no different from the manufacturer trademark in its relationship to the manufacturer. The service mark can act as a guarantee of quality in regard to the service provided and is similar in function to that of both manufacturer trademarks and retailer trademarks.

In the 1991 amendments, the word "processing" was eliminated from the definition of trademarks, which had stated that trademarks were "used by persons who produce, process, certify or transfer the designated product." This change took effect at the same time as the introduction of the service trademark. Processing of fabrics and clothing involve services that fall into Class 40. Under the revised Law, Class 40 service trademarks are viewed as marks representing processing services as a whole.

In the past, trademarks relating to processing industries were filed under the category of product trademarks. Services involving processing, such as dyeing, used these trademarks, but the marks did not represent the service *per se*. Instead, based on the assumption that the product that was processed was going to be transferred, the trademark was filed as a product trademark because the mark signifying the dyer indicates the goods involved.

(4) Certification Trademarks

Certification trademarks are used by quality assurance examiners in guaranteeing the quality of goods. Under the U.S. Trademark Law, the certification mark is defined separately from laws governing regular trademarks and provisions exist to ensure that

they are not abused or used to adverse effect. (U.S. Trademark Law, Article 4 and Article 14, Paragraph 5).

4. Other Terms and Phrases

(1) Family Marks

A family mark is the name given to a family of trademarks where trademarks derived from one main trademark are created by adding various characters to it to form “new” trademarks for use on other products of the same company. The trademarks created subsequently within the family are called derivative trademarks. For example, Kodacolor, Kodachrome, Kodaline are derivative trademarks of Kodak.

(2) Coined Marks

These are marks coined by the user of the trademark, and are made up of character trademarks which do not intrinsically possess specific concepts. They are considered as strong marks in terms of their distinctiveness as soon as they are selected. For example, prior to the 1986 amendment of the British Trademark Law, only coined marks could be adopted as defensive marks. Kerorin, the frog used in connection with dental pain-relief, for example, is a suggestive trademark and considered weak, but with use over a long period of time, the mark acquired distinctiveness and became a strong mark. Unfortunately in this case, the trademark could not be registered under the British Law as a defensive mark because it was not a coined trademark.

Coined marks are also known as “arbitrary marks.” An arbitrary mark could be selected from a list of arbitrary words with no meanings attached which have been generated by a computer.⁴¹

(3) Stock marks

Trademarks which are stored by a company for future use are called stock marks (Vorratszeichen). In Germany, trademarks whose "non-use extension period" has expired are considered illegal as failing to meet the "duty of use" requirement. In Japan however, examination procedures take longer and, therefore, the considerable number of stock trademarks which are kept for product development are not considered to be illegal.

(4) Promotional Trademarks

When a trademark functions predominantly as a promotional tool, it is called a promotional trademark. Slogans and one-liners, like "good medicine tastes good" by Asada Ame, are promotional trademarks.

(5) Private Brands

⁴¹ Arbitrary marks can also be arbitrary with respect to the good or service to which is applies. In other words, the word “cat” is generic for a feline animal, but is arbitrary when applied to a piece of clothing or machinery, for example.

In the past, when manufacturers wielded more power, most merchandise trademarks were brand names, but with the emergence of discount stores and huge retailers, the retail sector has grown stronger to the point that the retailer trademark became more frequently becoming the sole trademark on the goods, eliminating the manufacturer trademark altogether. These retailer trademarks are casually referred to as private brands. Private brands are one kind of retailer mark.

III. Signs similar to trademarks

Trademarks are often confused with designs, trade names, business signs, slogans, etc. that are similar conceptually to trademarks. They are not the same, however, and some of those differences are discussed below.

(1) Trademark and design

A mark is a sign that is attached to goods in order to distinguish those goods from others. In contrast, designs are shapes, patterns, colors or combinations thereof that appeal to visual sense of beauty. Marks and designs are common in that both of them maybe used to stimulate purchasing power of users. However, they are fundamentally different from each other in their purposes: Marks serve a primary purpose of identifying goods, while designs primarily focus on taste and aesthetics. In exceptional cases, some marks, like fancy marks, combine function with taste and aesthetics). However, motivating purchase through taste or aesthetics is not a typical function of marks.

In some circumstances, one form can be a subject of trademark applications in one case, and a subject of design applications in another case. Further, it may be difficult to evaluate whether a certain form, when used on goods, is a design, trademark or a combination of those functions, until function is identified through use over time. In a criminal case, patterns on shoes made by Vuitton were differently evaluated among Public Prosecutors. Some asserted application of the Trademark Law claiming that the patterns are showing origin, and others insisted on application of the Unfair Competition Prevention law by pointing that they are just a background pattern. Later, it was settled by the Supreme Court in a civil case that marks and designs are neither exclusive of each other nor a matter of choice. They commented that designs that can be a pattern shall be considered marks as far as used to identify certain goods from others, and supported the original judgment. Thus, Vuitton's shoe patterns were found to be a trademark. (Supreme Court Judgment Jan. 19, 1988, No. 154-4242; Osaka High Court Judgment Jul. 15, 1987, Mutaishu, Vol. 19, No. 2, page 256; Osaka District Court Judgment Mar. 18, 1987 Mutaishu, Vol. 19, No. 1, page 66). Determination of whether a mark is a trademark or design should depend on whether or not it possesses power to indicate origin through gaining a reputable position. The Trademark Law and the Design Law can be applied in an overlapping manner.

In practice, it is a delicate matter to determine whether a sign on goods indicates origin or contents, or if it is merely a pattern. A pattern applied to goods should be considered a mark if it indicates origin. In a case involving baby T-shirts bearing a large "HEAVEN" logo at the breast, the court found that the sign functioned to indicate origin

of the goods even though it could have been perceived as a pattern. It found that the logo violated a registered trademark having "Heaven" in a first row and "Hevan" in the second row. (Tokyo District Court Jan. 29, 1990, Case [Second Session Edition] page 7992).

(2) Trademark and Work

Works are external expression of thoughts and feelings belonging to literature, science, arts, etc. In some cases works or portions of them become subjects of trademark applications or are used as signs on goods. Heroes or heroines and characters of cartoons, for example, are often used as trademarks on goods. The use of heroes or characters for example, does not mean that the subjects of those works intend to indicate origin simply because they have been utilized by chance to function as trademarks. Strictly speaking, therefore, the subjects of works such as thoughts and feelings, or fancy characters in case of cartoons, have nothing to do with the subjects of marks such as relationships between marks and goods or indication of origin.

Sometimes, works and protected marks overlap. This is most often seen with respect to book titles, character patterns used as marks, or marks created through slogan contests held to make out new slogan trademarks. In a case involving the word POPEYE as a mark, the court held that the right to prohibit use of the mark may not be exercised against goods of a person who is duly granted license from the copyright owner, because the word POPEYE does not constitute any copyright, and therefore, Trademark Law Article 29 shall not be applied. [Osaka High Court, Sep. 26, 1985, Mutaishu Vol. 17, No. 3, page 411]. The Supreme Court supported the original judgment.⁴²

(3) Trademarks and slogans

Slogans express characteristics of goods in a simple manner suitable for advertisement. In principle, it is almost impossible to have slogans registered as trademarks because slogans, even if used in marks, do not function to distinguish goods from others. It is also inappropriate to permit a monopoly on descriptive slogans. In exceptional cases, some slogans may be helpful for identification of goods. Those slogans gain power to distinguish goods from others over time from extensive use.

(4) Trademarks and the form of goods

The German Trade Law (Item 1 of Article 3) provides for protection of forms of goods. This protection is similar to the conception of "Get Up" of the English law and "Trade Dress" of the American Law. These concepts do not carry over directly into Japanese Trademark Law. They are mainly concerned with external forms such as the shapes of goods themselves, packaging, container shapes, colors or decorations. Trade dress or "form of goods" protections can include some advertisements or sign boards relating to trademarks, and can be two-dimensional or three-dimensional. If trade dress is perceived as a sign for goods in certain business transactions, it needs to be given trademark protection to prevent adverse effects caused by misappropriation of "usual"

⁴² For an opposing viewpoint, *see* Copyright Cases 100, page 56, Takeshi Kikuchi

trademarks.

In Germany, when conflicting “forms of goods” must be decided under the Trademark Law or the Unfair Competition Prevention Law, the issue is settled in accordance with the "principles of priority" (Grundsatz der Prioritaet; Priorotaetsprinzip). This means that priority between two signs is determined by which form of goods is generally accepted in transactions first and by which forms of goods have been applied for trademark registration. In Japan, containers, packaging, and other matters indicating merchantable goods are protected under the Unfair Competition Prevention Law Article 2, Paragraph 1, Item 1.⁴³ Because there have been no cases on point, any potential conflict for the protection of “form of goods” (trade dress) between the Unfair Competition Prevention Law and the availability of registration for three-dimensional trademarks has not been unified into a single view and is still the subject of much academic discussion.

(5) Marks and Names

People use names to identify themselves in society. Names usually refer to a natural person, but other names can include professional names, screen names and pen names, and can further include "family names" only, or forenames in exceptional cases.

Names constitute a subject of personal rights. Article 12 of the German Civil Law provides for protection of names. The Civil Code of Japan similarly protects names under “rights of names” or “rights of designations” theories. There is, therefore, significant support for protective injunctions.

Names are not only a subject of personal rights but can also be a subject of trademark registrations because they can be used as a sign of goods. Generally speaking, however, family names or forenames are an indication of persons, and therefore, public policy dictates that they should be available for use by many people. For an ordinary name to receive protection as a mark, it needs to have reached a level of distinctiveness over time that indicates a specific supplier of goods. This is often an exceptional situation.

(6) Marks and trade name

Trade names⁴⁴ differ from marks in that they are the names of merchants and not signifiers of goods. In some cases, however, trade names also function as a sign of goods, and may be protected as registered trademarks in practice. Sanyo Electric Co., Ltd. (known in Japan as Sanyo Denki Kabushiki Kaisha) is an example of trade name. Previously, the entire name “Sanyo Denki Kabushiki Kaisha” was not accepted for a trademark; only the material element (Sanyo Denki or Sanyo) was recognized as having identification power. However, because trade names may over time also function to identify goods, the entire trade name (Sanyo Denki Kabushiki Kaisha) is now accepted as a trademark for assurance of protection. In fact, many trade name type trademarks have been registered.

⁴³ See also, "Protection of Goods Appearance" by Akinobu Ono in Theses Works for 70th Birthday of Prof. Nobuyoshi Sugibayasi, pages 191 to 216

⁴⁴ For a definition, see "General" in the Commercial Code.

While some trade names have been registered at Legal Affairs Bureaus, others are not but are still being used as trade names in the course of business. Relative to Trademark Law, the difference is immaterial. Although trade names and trademarks are technically different (the former is the "name of merchants" and the latter the "sign of goods"), in reality, many people are unable to distinguish trade names from trademarks appearing on packaging materials or other materials. This is principally because both trade names and trademarks (such as Sanyo Denki or Sony) are usually printed or scattered across the materials. In fact, trade name-type trademarks are the typical case. In respect to this point, there is no need to distinguish them from each other. The one should not be exclusive of the other. It is very probable that the same letters function as a trade name in one case, and as a trademark in another case.

(7) Trademark and service mark

Service marks (Dienstleistungszeichen) are used by service companies such as those in finance, transportation, construction, or hotels, in order to distinguish their services from those of others, or to distinguish their trademarks from those that represent goods. Service marks were discussed in the preceding section (Marks for service).

Section 3. Functions of Marks

The primary function of marks is to distinguish goods or services from others. The ability to distinguish producers is a very powerful characteristic of trademarks. The ability to distinguish is also an underlying basis for other functions of marks. Some of those functions are discussed below.

Ordinary names of persons and places such as Kubota and Toyota have little identification power on their own. However, common names can become distinctive, even strong, if they acquire a significant reputation through long-term use. Generally, coined words have strong distinguishing power, while marks merely indicating quality or performance are weak. Yet even weak marks can become strong if they become distinctive through use.

There are a variety of opinions as to what functions trademarks have. Generally speaking, however, trademarks are considered to have the following functions: (1) to indicate origin and ownership (2) as a guarantee, and (3) as an advertisement.

(1) Marks that serve to indicate origin or ownership

Marks that are attached to goods or services serve to indicate the origin and ownership of those goods or services. This function is based on the identification power of marks. Through use, identifying marks acquire goodwill as they increasingly gain recognition in society. If no mark is attached to goods or services, the consumer will be unable to ascertain their origin.

Origin, with respect to goods, means not only manufacturers but also sellers, including owners, processors, and importers. It is widely known that department stores and

supermarkets attach their own trademarks ("private brands") to some of the goods they sell that were manufactured by others. Sometimes different "private brand" marks are attached to goods made by the same manufacturer. This kind of arrangement is made to clarify distribution channel of goods if distributed in different routes, or to avoid customers' potential complaints arising from a price difference which can occur if, for example, full-time sales personnel are assigned to goods in one distribution channel, and not in other distribution channels. Additionally, there will be cases where either a manufacture mark or sale mark (or a combination) is attached to goods.

Merchants use their own marks so that their goods or services (and presumably, their excellence or uniqueness) will be recognized by users. For this reason, they try to embody their marketing efforts in their marks.

Finally, a mark that indicates origin or ownership does not necessarily indicate details about manufacturers or sellers of goods or providers of services.⁴⁵ Marks have fulfilled their purposes if consumers, when seeing the marks, are able to recognize origin. Consumers may recall seeing or purchasing the product previously, or may recall having received the same services or having visited the same service provider on a prior occasion. In such cases, the trademark is said to have satisfactorily performed its function of indicating origin and ownership.

The function of indicating origin and ownership is derived from the identification power of mark. The power of indicating origin and ownership in turn gives rise to the guarantee and advertising functions, discussed below.

(2) Guarantee function

The original purpose of a mark may be to indicate origin and ownership. If a mark is used repeatedly, however, users of goods or services will come to expect that goods or services under the same mark hold the same quality. Users are usually more interested in the quality or performance of their purchased goods or services than their origin. Similarly, sellers or providers of goods or services will make efforts to maintain the quality associated with a mark.

This cycle is known as the "guarantee function" and it helps to facilitate business transactions. The guarantee is taken from the viewpoint of buyers, in contrast to indication of origin or ownership, which is taken from the viewpoint of sellers and providers. Typically, marks associated with the production of goods or provision of services are in a better position to serve as guarantees of quality if they are produced or provided on a very large scale. This can be very important for high-end products especially.^{46 47}

⁴⁵ Things that are not included include trade names or addresses.

⁴⁶ Some products in which this might be especially important include cosmetics or fashion goods.

⁴⁷ This point has been addressed by many researchers in Europe surrounding their "optional sales system." The "optional sales system" is a sales protocol that permits only shops satisfying certain elevated standards to sell high-quality items. Remedies include damage to a store image that arises from discount sales. The issue is discussed in reference to advertising function described below. See page 163 of this book.

The guarantee function of a trademark is not a literal guarantee as to the quality of goods or services. Unlike a liability guarantee, defective goods or services will not be replaced or repaired. There is no guarantee of the payment of damages. If a liability guarantee is provided for contractually, no legal remedy will attach under the Trademark Law. Attaching marks to goods or services means that consumers can expect goods or services to be of consistent quality. This also supports the advertising function discussed below and acts to attract customers to particular goods and services. Research shows that attaching marks to goods plays an important role in the salability and pricing legitimacy of goods.

However, if marks are transferred as part of a license or transfer of business, new owners or licensees of those marks will be responsible to assure and maintain the quality of the transferred goods and services. Consumers and the general public could be easily misled by previous confidence in marks. Confusion could result regarding the transferred marks and any marks that were not part of that transfer or license.

Sellers and providers of goods and services consider the guarantee function of marks to best satisfy the purpose of Article 1 of the Trademark Law because their primary reliance is on the goodwill associated with their goods and services and maintaining consumer confidence. In this way, the Trademark Law accomplishes the social purposes of contributing to the development of industries and the protection of owners' profits. It is critical that the sellers and providers of goods and services take into account consumers' reliance on the trademark guarantee, and commit to the improvement and maintenance of the quality of their goods and services.

(3) Advertising and other functions

The function of a trademark is not limited to the notification of origin and the creation of expectation that identical marks ensure consistent quality. Marks may also serve to advertise goods and services.

Consumers tend to remember trademarks or associate them with certain images. They may also feel an attachment to goods or services bearing certain marks. As a result, marks can be very effective beyond mere quality assurance tools as a promotional weapon. (F.I. Schechter, "Historical Basis of Law Regarding Trademarks," p. 64). This can be known as the "advertising function" of a mark (Werbefunktion).

Sometimes, owners of marks focus on the advertisement of marks rather than advertisement of the goods and services to which the marks are attached. Although this does not technically meet the basic requirement that advertising should be informative, it still works to create valuable, competitive assets in the sense that the marks are a result of accumulated corporate efforts. Traditionally, in the case of widely known trademarks, substantial financial expenditures are invested in the advertisement of marks, and the accumulated value (worth) of the marks therefore becomes extremely large.⁴⁸ This would be understood if we suppose what price amount Ajinomoto Co., Inc.

⁴⁸ Consider the price Ajinomoto Co., Inc. would set if their trademark "Ajinomoto" were for sale;

would set if they were to sell their trademark "Ajinomoto."⁴⁹

Some problems associated with using marks for advertisement include the concept of "free ride" of the advertising function of marks, dilution (Verwässerung) of the advertisement value of marks, and the violation of the motif of marks.⁵⁰

A large portion of the value of a trademark is as an advertising asset. This function can command significant attention regarding the evaluation of the value of marks and in the granting of business and trademark licenses.

though such assumption is totally impractical.

⁴⁹ A major foodstuffs manufacturer, much like General Mills or Pillsbury Companies in the United States.

⁵⁰ The legal theory of dilution originated in Germany and was introduced and used (and later, further developed) in the U.S.A. This shows that the theory can also be implanted in Japanese law.