

4 Study on the Desirable Form of Protection under the Patent Law and Trademark Law in the Era of Information Technology

E-commerce and other business activities on computer networks are expanding in line with the diffusion of the Internet. In order to respond to such changes of the economy and society, the Japan Patent Office (JPO) has held discussions on strengthening the patent protection of information property such as software, increasing and improving provisions on indirect infringement under the Patent Law, and strengthening the protection of trademarks used in online businesses, with an eye to amending the related laws.

With the aim of contributing to such discussions, this study has analyzed Japanese court decisions concerning indirect infringement and joint infringement acts. In addition, investigation and study has been made on constitutional laws of major western countries that refer to intellectual property rights, the damages awarded in recent patent/utility model infringement cases, the constituent elements of indirect infringement, the handling of claim categories, the handling of divisional applications and continuing applications, the handling of trademarks used on the Internet, and the handling of goods attached with service marks.

I Introduction

The main features of the 2002 bill partially amending the Patent Law and other laws were to review the definition provisions in the Patent Law and Trademark Law so as to respond to the spreading use of information networks, and to improve the provisions on indirect infringement in the Patent Law and other laws. In making such amendments to laws, it is indispensable to investigate and analyze the related systems and court decisions of not only Japan, but also those of western countries.

II Situation Surrounding Intellectual Property Rights

1 Mention of Intellectual Property Rights in National/Regional Constitutional Laws

First of all, investigation and analysis has been conducted on the situation surrounding intellectual property rights (IPR) as a premise for amending the Patent Law and other laws.

First of all, foreign constitutional laws referring to intellectual property have been investigated and analyzed. The intention of the study was to examine the significance and the reasonableness of the existing argument that the pro-patent policy should be clearly set forth by stipulating protection of patent and the like in the national constitution, as in the case of the United States, in amending the laws this time.

The constitutional laws of foreign countries

that refer to intellectual property can be categorized into ones clearly stating that intellectual property should be protected^{(*)1}, ones clearly stating that the nation should be liable to encourage invention^{(*)2}, and ones clearly stating that the authority to regulate IPR is vested in the commonwealth or the like^{(*)3}. The countries of which constitutions clearly state that intellectual property should be protected are mainly countries that have enacted their constitutions relatively recently, such as countries in Eastern Europe and Latin America. The Federal Constitution of the United States merely stipulates that the federal government has the authority to regulate copyrights and patents.

2 Increase in the Amount of Damages Awarded in Patent/Utility Model Infringement Lawsuits

With respect to the measures taken in the 1998 and 1999 amendments of the Patent Law and other laws for extending stronger remedies for infringement of such rights as patents, for examination of their effects, and assessment of the need for making further amendments, the amounts of damages awarded in Japanese IPR-related lawsuits in recent years have been analyzed. Looking at the average amount of damages awarded in patent/utility model infringement lawsuits for the past every five-year period, the average for 1990 to 1994 was only about 46.24 million yen but that for 1998 to 2001 reached about 181.25 million yen.

The following are representative cases indicating the spiraling amount of damages: 760

(*)1 Such countries as Russia, Slovenia, the Republic of Korea, the Philippines, Brazil, Portugal, and Yugoslavia.

(*)2 Such countries and territories as China and Taiwan.

(*)3 Such countries as the United States, Australia, Austria, Germany, and Spain.

million yen awarded by the Tokyo District Court in May 1973 in a design infringement case related to a design of a motorbike of Honda Motors; 1.12 billion yen awarded by the Toyama District Court in February 1997 in a patent infringement case related to a manufacturing process of an antiallergic agent of Kissei Pharmaceutical; a total of 3.06 billion yen awarded by the Tokyo District Court on October 12, 1998 in a patent infringement case related to a manufacturing process of cimetidine, a cure for ulcers, of SmithKline Beecham (U.K.); and a total of 8.41 billion yen awarded by the Tokyo District Court on March 19, 2002 in a patent infringement case related to a pachinko-type slot machine of Aruze.

High amounts of damages awarded in recent U.S. court decisions include about 147 billion yen in *Litton v. Honeywell* in 1993 and about 107 billion yen in *Polaroid v. Kodak* in 1991.

III Basic Research for Amending the Patent Law

1 Analysis of Japanese Court Decisions on Indirect Infringement

A total of 124 cases involving indirect infringement have been extracted from the patent/utility model lawsuits that had been published by 2001 and analyzed from a number of viewpoints.

The percentage of cases disputing indirect infringement of product claims was more or less the same as that of process claims. Indirect infringement was found in whole or in part in 25 cases (about 20 percent) and denied in 99 cases (about 80 percent). The number of cases that were dismissed before the determination of indirect infringement, due to such reasons as “the art does not fall under the technical scope,” was 60, accounting for about 50 percent of the studied cases. In the 64 cases in which the determination was made on whether or not one of the constituent elements of indirect infringement, to be used “exclusively” for working the invention, was fulfilled, judgments that the requirement of “exclusively” was not fulfilled were made in 39 cases (about 61 percent).

Major court decisions on indirect infringement of patents/utility models include the case of the method of attaching a decorative laminate to the wall, the interchangeable lens case, the automatic bread baker case, the sand mill hammer case, and the case of a transparent agent for composing

polyolefin^{(*)4}. Examples of court decisions on indirect infringement of software-related patents include the master-copy designing case and the authentication system case^{(*)5}.

2 Joint Acts

The following can be assumed as the typical patterns in which acts of patent/utility model infringement are conducted: (i) a single person conducts an act in full; (ii) each of multiple persons conducts an act in full; (iii) each of multiple persons jointly conduct an act in full; (iv) multiple persons jointly conduct an act by taking charge of their respective parts; (v) physical assistance; and (vi) abetment/mental assistance.

A total of 124 cases involving joint infringement acts have been extracted from the patent/utility model lawsuits that had been published by 2001 and analyzed from a number of viewpoints.

It was clearly indicated in either the statement of claim of a party or the grounds for the decision that the act was either a “joint tort” or based on Article 719 of the Civil Code in 66 cases. Apart from these, the court found “solidarity (including imperfect solidarity)” in the liability for damage in 31 cases, and found a “joint” or “conspired” act of infringement by multiple persons in 18 cases. Of the 124 cases, the act of the defendant was disputed as being abetment or assistance in 14 cases. Among these 124 cases, judgment on “joint act” was made in 28 cases, and a “joint act” was found in 19 cases.

Among the cases in which indirect infringement was also disputed, no case was found that both a joint act and indirect infringement were found.

In the *Napster* case where copyright infringement was disputed in relation to an act of using copyrighted musical works on computer networks in the United States, the U.S. district court ordered an injunction against almost the entire scope of *Napster*’s service. The appeals court also denied application of the fair use doctrine, and found contributory infringement discovering no error in the district court’s judgment that *Napster* encouraged and assisted users’ acts of infringement while being aware that the acts would infringe the plaintiff’s copyrights. Further, it found vicarious infringement, although in a more limited manner than the district court, based on the reason that *Napster* could police illegal files by checking the file names. However, the appeals court reversed a part of the district court’s decision, holding that the

(*)4 Osaka District Court, February 16, 1979 [1977 (wa) No. 3654]; Tokyo District Court, February 25, 1981 [1975 (wa) No. 9647]; Osaka District Court, October 24, 2000 [1996 (wa) No. 12109]; Osaka District Court, April 24, 1989 [1985 (wa) No. 6851]; Osaka District Court, December 21, 2000 [1998 (wa) No. 12875].

(*)5 Tokyo District Court, July 18, 2000 [1999 (wa) No. 1346]; Osaka District Court, February 1, 2001 [2000 (wa) No. 1931].

scope of the injunction was too broad, and remanded the case^(*6).

3 Analysis of the Constituent Elements of Indirect Infringement in Europe

The handling of contributory or indirect infringement in the U.K., Germany, and France are based on the provisions in Article 26 of the Community Patent Convention (CPC). While there are slight differences between those countries, the subjective and objective elements are the same. The objective elements require the means supplied or offered to relate to an essential element of the invention and suitable to be put into effect in the invention. The subjective element is knowledge (or obviousness in the circumstances) of the presumed infringer that the means offered or supplied are suitable and intended for putting the invention into effect. One of the difficulties in lawsuits for contributory or indirect infringement is how to distinguish between essential elements and non-essential elements.

Any infringement of a European patent shall be dealt with by national law according to Article 64(3) of the European Patent Convention (EPC). In the United Kingdom, Germany or France, a “staple commercial product” cannot be embraced in the scope of protection unless the product is supplied or offered for the purpose of inducing the person supplied directly infringe the patent. In U.K. and German court decisions, according to the interpretation of Art.30CPC (current Art.26CPC), the courts have interpreted a “staple commercial product” to be a product of the kind needed every day and generally obtainable, such as nails, screws, bolts, wires, chemicals, fuels and the like^(*7). A product specially designed to co-operate with an invention will be found to fall outside the range of “staple commercial products,” and infringement cannot be denied merely because the product has other usage. France seems to interpret the exclusion of “staple commercial products” from the scope of protection under doctrine indirect infringement more broadly than U.K. and Germany^(*8).

To prevent patent proprietors from unduly

extending their exclusive right, the distinction between essential elements and non-essential elements is inadequate. In the United Kingdom, there is a difference between contributory infringement under the common law and indirect infringement under Section 60(2) of the Patents Act. In an infringement case^(*9) related to an invention for using zinc powder to prevent corrosion in boilers, where a party sold zinc powder with intent to put the invention into effect, the fact underlying the decision of U.K. court are now looked upon as a would-be act of indirect infringement under the Patents Act. However, with the revision of the German Patent Law in 1981, difference between essential elements and non-essential elements is no longer required. Essentiality is to be confirmed if the means supplied differ from those commonly used in the state of art relative to the patent in dispute and enable practicing the invention defined in an independent claim^(*10). In France, the subjective element or a supply or offer of “staple commercial products” is more relevant in indirect infringement than the means relating to an essential element of the invention.

4 Handling of Claim Categories in the Examination Phase in Europe

Since the categorization between “product inventions” and “process inventions” would be an important point of issue in amending the Patent Law to correspond to the spread of information networks, the claim categorization in the examination phase in Europe has been analyzed.

The claim categories of products and processes also exist in Europe. The U.K., German, and French patent laws have provisions about the relationship between the claim categories (product/process) and infringement^(*11). Although no provision can be found that other categories than products or processes are barred from patentability, from practical experience, patent claims can be understood as either product claim, process claim, or a hybrid form of these two, regardless of the designation made by the applicant.

Article 84 EPC provides that the claims “shall be clear and concise” and C-III-4.1 of the

(*6) *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 2000 U.S. Dist. LEXIS 11862, Copy. L. Rep. (CCH) P28126, 55 U.S.P.Q.2d (BNA) 1780 (N.D. Cal. 2000); 2001 U.S. App. LEXIS 1941, 2001 Cal. Daily Op. Service 1255, 2001 D.A.R. 1611, 57 U.S.P.Q.2d (BNA) 1729 (9th Cir. Cal. Feb. 12, 2001). The district court’s decision based on the remand and the appeals court’s decision on it were also later rendered. See 2001 U.S. Dist. LEXIS 2186 (N.D. Cal. Mar. 5, 2001), 284 F.3d 1091, (9th Cir. Mar. 25, 2002).

(*7) For the British case, see *Andreas Pavel v. Sony Corp, Sony (UK) Ltd. and Toshiba Ltd.*, Patent County Court, BL CC/14/93, noted in IPD 16070, pp. 60-61; for the German case, see *Landgericht Düsseldorf 25.2.1997 4 O 204/95 Klemmhalter*, *Entscheidungen* 1997 Heft 2, pp. 25-31, p. 30.

(*8) *Tribunal de Grande Instance Paris 26.9.1986*, EPO OJ 10/1991, pp. 544-546; IIC 1989, pp. 217-220.

(*9) *Innes v. Short and Beal*, High Court, Queen’s Bench Div. June 27, 1898, [1898] 15 RPC 18, pp. 449-452.

(*10) *Bundesgerichtshof 10.12.1981 XZR 70/80 Rigg*, GURU 1982 Heft 3, pp. 165-168; *Bundesgerichtshof 24.9.1991 X ZR 37/90 Beheizbarer Atemluftschlauch*, EPO OJ 1993, pp. 89-93; *Bundesgerichtshof 10.10.2000 X ZR 176/98 Luftheizgerät*, GRUR 2001, Heft 3, pp. 228-232.

Guidelines for Examination in the EPO stipulates, “In view of the differences in the scope of protection which may be attached to the various categories of claims, the examiner should ensure that the wording of a claim leaves no doubt as to its category.” Thus, during prosecution, an applicant would be requested to clarify the claim, possibly by precisely stating the category. Such hybrid claims as a “product by process claim” will be the exception to the general rule of lack of clarity.

Since it is recognized that there is sometimes an overlap between product claims and process claims, the practice before the U.K. Patent Office does not know substantial difficulties with prosecuting hybrid product/process claims^(*)12). The Guidelines for Examination^(*)13) 3 in Germany states “the generally unlimited choice of applicant as regards the category of claims is thereby restricted” and hybrid claims are allowed only if no more suitable way is available. As to France, there is a provision similar to Article 84 EPC, but no full substantive examination as those of the EPC, the United Kingdom, and Germany, and no notable court decision on this issue is known.

5 Handling of Continuing Applications by Divisional Applications in Europe and the United States

The Japanese Patent Law does not impose any special restrictions with regard to divisional applications, so the divisions cause delay in examination. Thus, there are strong demands for restricting the number of times applications can be divided.

(1) Situation in Europe

(i) EPO

According to the EPC, in the case of a mandatory divisional application to be filed in response to a communication to notify an objection based on lack of unity (Article 82 EPC), the parent application is refused if the divisional application is not filed within a period. On the other hand, a voluntary divisional application can generally be filed at any time until the (final) approval under Rule 51(4) of the Implementing Regulations to the EPC (Rule 25(1) EPC). If an applicant declares this approval only with the proviso of amendments and the Examining Division does not consent to the amendments, the examination procedure is resumed and a divisional application can be filed (A-IV-1.1.2 of the Guidelines for Examination in the EPO). A further divisional application can be filed based on a divisional application. A divisional

application must not contain subject-matter which does not extend beyond the content of the earlier (parent) application as filed (second sentence of Article 76(1) of the EPC). A divisional application directed to subject matter originally contained in a claim of the parent application, which was later cancelled during prosecution is only allowable if the applicant has clearly stated that the deletion is without prejudice to the filing of a divisional application (EPO Board of Appeal Decision J 15/85). In order to avoid double patenting, the same subject matter must not be claimed in the parent and divisional applications (Article 125 of the EPC).

According to the EPO’s comment, no abuse of the divisional application system by applicants has been found in particular.

(ii) The United Kingdom

In the United Kingdom, Rule 34 of the Patents Rules provides for the period for putting application in order for acceptance, and according to Rule 24 of the Patents Rules, a divisional application may be filed not later than the beginning of the third month before the end of the so-called acceptance period for the parent application. Since a parent and all divisional applications therefrom are likely to proceed to grant on or about the same date, a divisional application cannot be used to prolong the examination procedure. The filing of a further divisional application on an earlier divisional application is not prohibited, but inhibited due to the overall time limit for acceptance.

According to the UK Patent Office, no abuse of the divisional application system by applicants has been found.

(iii) Germany

In Germany, there are a mandatory divisional application “separation (Ausscheidung)” filed in response to a lack of unity objection (Section 34(5) of the Patent Law) and a voluntary divisional application “division (Teilung)” that may be filed at any time (Section 39 of the Patent Law). The “separation” lacks an explicit regulation in the German Patent Law. While “separation” may also be declared in the appeal proceedings before the German Federal Patent Court, the consent of the Senate is necessary. A divisional application itself may be further divided. If a divisional application is deliberately used to delay the examination, the applicant may be impeded from enjoying the benefit. The division of a granted patent during the opposition proceedings pursuant to Section 60 of the Patent Law is unique in Germany. After the German Federal Supreme Court took a stance that the complete disclosure of the original application

(*)11) Article 64 EPC, Rule 29(2) of the Implementing Regulations to the EPC, Section 60(1)(a)(b) of the U.K. Patents Act, Section 9 of German Patent Act, Articles L.613-2 and L. 613-3 of the French Intellectual Property Code (Legislative Part), and Article R. 612-18 of the French Intellectual Property Code (Regulatory Part).

(*)12) U.K. Patent Office, Manual of Patent Practice, Sec. 14.108 and 14.109.

(*)13) German Patent and Trademark Office, Richtlinien für das Prüfungsverfahren (Prüfungsrichtlinien) 3.3.7.2. Patentkategorie.

may be used in a divisional application pursuant to Section 60 of the Patent Law^(*14), the number of declarations of division in the opposition proceedings increased. However, courts have tended to take a more restricted stance recently^(*15).

The German Patent and Trademark Office's remarks have not pointed out any problem of abuse of the divisional application system.

(iv) France

In France, a divisional application (Article R. 612-33 of the Regulation) may be filed within a time limit in response to a lack of unity objection (Article L. 612-4 of the Legislation) and a voluntary divisional application (Article R. 612-34 of the Regulation) that may be filed until the payment of the issue fee. Since there is no substantive examination in France, unless it is refused in the case where it is *prima facie* non-patentable, the applicant has no reason to file a divisional application claiming the same subject-matter as the original application in order to achieve a re-examination of the invention.

(2) Situation in the United States

In the United States, a divisional application is filed for a claim that has been found to be a separate invention, and a continuation application is filed irrespective of a requirement for restriction (also known as a requirement for division). The scope of claims may be enlarged by a reissue patent application within two years from the grant of the original patent. However, the recent decision of CAFC has been prohibiting restoration of a portion once abandoned in the examination procedure of the application by a reissued patent application in recent cases. There is no such rule for continuation applications.

When an applicant wants to have the examination further continued without increasing the number of applications, he/she can have the examination commence by viewing the application as a new one by filing a request for continued examination (RCE). On the other hand, when an applicant wants to have the allowed claims patented as it is and to have the rejected claims further examined, a continuation application is filed.

The examiner may issue the requirement for division when claims are to be classified into different classes. A requirement for division not only reduces the burden the examiner bears from having multiple inventions in a single application, but is also necessary from the viewpoint of the technological expertise of the examiner. Thus, education of the practices is conducted on examiners to help them give requirements for division appropriately. Despite that the requirement for division is often used by the examiners to fulfill their quota, the USPTO welcomes continuation

applications that create no additional substantial burden and RCEs that bring additional revenue, and sees no particular problem in it. As the standard for unity of the PCT is used in the national phase of an international application under the PCT, recently, the proportion of applications for which a requirement for division can be issued is decreasing in some technical fields due to a growing number of PCT applications brought into the national phase. Therefore, whereas there seems to be considerable unfairness in the quota system, the quota system has never been reviewed since the launch of the system and is not likely to be in the future either. A separate continuation application can cause burden to the examiner, but the number of examiners can be increased relatively easily if necessary.

Since the term of a patent has come to expire in 20 years from the filing date in principle, the submarine patent is no longer considered to present a special problem.

IV Basic Research for Amendment of the Trademark Law

Revision of the definition provisions in the Trademark Law to correspond to the spread of information networks is one of the important pillars of the law amendment this time. Therefore, research and analysis have been conducted on the protection of trademarks on the Internet in Europe and the United States in order to provide basic material for the deliberation.

1 Handling of Trademarks on the Internet in Europe and the United States

(1) Trademark Infringement by Using Signs for Intellectual Property on the Internet

The trademark infringement that occurs when a trademark is used in relation to the downloading of such intellectual property as computer programs and music from the Internet (the same applies to transmission media other than the Internet) will be studied below.

(i) Trademark infringement by use of a sign on the Internet

First of all, it will be examined whether or not a trademark, being present in the form of data on the Internet and only visible when it is displayed on a computer monitor, constitutes trademark infringement.

① Situation in Germany

In Germany, as no decision has yet been issued by the German Federal Supreme Court concerning the interpretation of infringing use of trademarks pursuant to the current Trademark Law

(*14) Bundesgerichtshof 1.10.1991 X ZB 34/89 (BpatG) Strassenkehrmaschine, GRUR 1992 Heft 1, pp. 38-40.

(*15) Bundesgerichtshof 14.5.1996 X ZB 4/95 (BpatG) Informationssignal, GRUR 1996 Heft 10, pp. 753-756.

(Markengesetz) since it came into force, infringing use is interpreted in the traditional sense as in the old Trademark Law 1968 (Warenzeichengesetz). According to this interpretation, trademark infringement is found:

- if a sign is used in the course of trade;
- if a not completely irrelevant part of the public considers the sign as a designation of the origin of the goods or services; and
- if the signs and the goods or services are identical or similar, or in the case of a trademark with a reputation if the sign is identical with or similar to the trademark and the use of that sign without due cause takes unfair advantage of, or is detrimental to, the repute of such trademark.

It is generally acknowledged that neither a corporeal nor spatial connection is necessary between the trademark and the goods or services for trademark infringement.

The current Trademark Law formulates infringing use broader than the former Trademark Law, setting forth that offering goods or services under the sign constitutes trademark infringement (Section 14(3)(ii) and (iii) of the Trademark Law). Since the function of trademarks is regarded as not only designation of the origin of goods and services, but also an advertisement and communication of images, many theories no longer support the traditional concept, but hold a view that any use of a sign for any economic activity could constitute an infringing use^{(*)16}. According to this view, use of a sign on the Internet, transmission of a sign by sound, or use of a sign for an advertising purpose could also constitute trademark infringement.

A final interpretation under the current Trademark Law based on a first Council Directive on trademarks^{(*)17} must wait for decisions of the German Federal Supreme Court and the European Court of Justice. In the meantime it appears to be recommendable to apply the traditional interpretation adopted by the German district courts.

It will be examined with regard to use of a trademark on the Internet whether the requirement under the traditional interpretation is fulfilled. The industries concerned regard domain names used for Internet domains, links, and meta-tags as designations of the origin and the use of mark as a trademark is affirmed^{(*)18}. It is acknowledged that displaying a trademark on a monitor also constitute trademark infringement if it is considered to be designation of the origin, as stated in the German Federal Patent Court's decision of the Vision case^{(*)19}. Neither use for a decorative purpose nor use as a model, such as

a car of car race simulation in a computer game, is assumed as designation of the origin and is likely to constitute trademark infringement. However, such use constitutes trademark infringement according to the up-dated interpretation. The current Trademark Law explicitly clarify that advertisement in any form can constitute trademark infringement. When a downloaded trademark is transmitted to the public in the form of sound, a designation of the origin is traditionally denied, but the new interpretation accepts trademark infringement.

The prerequisites of trademark infringement under the current Trademark Law are:

- any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is protected (Section 14(2)(i) of the Trademark Law);
- any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark and the sign, there exists a likelihood of confusion on the part of the public (Section 14(2)(ii) of the Law); and
- any sign which is identical with or similar to a trademark with a reputation and where the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of such trademark (Section 14(2)(iii) of the Law).

According to court decisions, a domain name or a meta-tag is a product to be compared with goods or services for which the infringed trademark is registered, and the goods or services offered under the trademark on the website have to be compared with the goods or services for which the trademark is registered^{(*)20}.

② Situation in the United Kingdom

In the United Kingdom, Section 10(1) of the U.K. Trademarks Act provides that a person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered. If a trademark is used on the Internet, it must be used as a sign in the perception of the public. According to court decisions, use of a trademark on the Internet for offering goods or services can also be a trademark infringement if it becomes sufficiently clear for the industries in the United Kingdom that the goods or services are offered in the United Kingdom^{(*)21}.

(ii) Trademark used in an intangible form

Secondly, it will be examined whether or not

(*)17) First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, Official Journal L 040, 11.02.1989 pp. 0001-0007.

(*)18) Landgericht Mannheim 7 O 291/97 1.8.1997 ARWIS, Computer und Recht 1998, p. 306.

(*)19) Bundespatentgericht 18.4.2000 24 W (pat) 185/99 VISION, Marken Recht 11-12/2000, pp. 439-445.

(*)20) Landgericht Düsseldorf 4.4.1997 34 O 191/96 Epson.de, Computer und Recht 11-12/2000, pp. 439-445.

(*)21) Trebor Bassett Ltd. v. Football Association, High Court Chancery Div. 16.10.1996, [1997] FSR p. 211; Euromarket Design Inc. v. Peters & Anr, High Court Chancery Div. 25.7.2000 HC1999 NO. 04494.

intangible intellectual property can be regarded as goods or services in the meaning under trademark law when a trademark is used for intangible intellectual property.

① Situation in Germany

In Germany, many courts and theories uphold the position that trademarks can only be registered for intellectual property in a corporeal form even after introducing service marks in 1979. The German Federal Supreme Court held that a standard computer program is not a service, but can be goods as long as it is stored in any corporeal form^(*22). According to this view, an opinion that software to be downloaded is a service could be denied with an argument that intellectual property products are mass-produced. On the other hand, an opinion that it is goods would probably be also denied with an argument that temporary storage of the intellectual property products in computer RAM cannot be regarded as a corporeal form of intellectual property.

The current Trademark Law foresees the possibility of service marks. Therefore, based on an argument that intellectual property products can either be supplied in a corporeal form of goods or services like licenses,^(*23) most theories and several district courts have taken the view that trademarks can be registered for intellectual property products^(*24). Furthermore, it is also argued that trademark protection is necessary for any economic activity and supply of intellectual property cannot be excluded from trademark protection. Thus, the current view of trademarks for intellectual property will prevail.

② Situation in the United Kingdom

The issue above is not discussed so actively in the United Kingdom. As the current Trademarks Act provides that a sign can be used in relation to goods and services, the aforementioned modern concept adopted by many German courts and theories could also be adopted in the United Kingdom.

(2) Preparatory or Abetting Act of Trademark Infringement Concerning Information Property

It will be examined next whether preparatory or abetting act, such as possession of website data including the data of a trademark, constitutes trademark infringement.

(i) Situation in Germany

In Germany, the qualification of preparatory or abetting act as trademark infringement depends on mainly on the question of whether the supply of intellectual property via the Internet is qualified as

goods or services.

If it is qualified as a service, offering of trademark data on the Internet constitutes trademark infringement under Section 14(3)(iii) of the Trademark Law.

Section 14(3)(ii) and (iv) of the law stipulate that mere possession of goods under a sign can be trademark infringement, and it is a trademark for goods that can be infringed by mere possession. Therefore, if the supply of intellectual property via the Internet is qualified as offering or selling of goods, the mere possession of the trademark data included in the intellectual property data to be supplied via the Internet are qualified as trademark infringement by viewing the trademark data to be related to goods. Import and export of the data can also constitute trademark infringement.

With regard to trademark data for advertising, Section 14(3)(v) of the law stipulates that “use” of a sign for an advertisement constitutes infringement. Therefore, many theories deny that mere possession of the sign constitutes trademark infringement^(*25).

(ii) Situation in the United Kingdom

In the United Kingdom as well, assessment of preparatory or abetting act constitutes trademark infringement depends on the qualification of the intellectual property product as goods or services. If it is qualified as a service, mere offer of the trademark data via the Internet can constitute trademark infringement without being downloaded or displayed, because the Trademarks Act stipulates that offer or supply of services under a sign can constitute trademark infringement. When the intellectual property supplied via the Internet is regarded as goods, there is a provision in the Trademarks Act stating that stocking of goods under a sign can infringe a trademark. Export and import of the data can also constitute trademark infringement.

2 Handling of Goods Attaching Service Marks in Europe and the United States

In Japan, there are no penal provisions under the Penal Code for counterfeiting credit cards. Therefore, it is being handled as a trademark infringement issue in actual practice. Thus, there have been requests for reviewing how such issue should be handled in practice. It will be examined whether a third person's act of manufacturing or selling goods by attaching a service mark constitutes trademark infringement in Europe and the United States.

(*22) Bundesgerichtshof 2.5.1985 I ZB 8/84 Datenverarbeitungsprogramme, GRUR 1985, p. 1055 et seq.

(*23) Supra note 16, Fezer, Markenrecht; Ingerl/Rhonke, Margengesetz.

(*24) Oberlandesgericht Frankfurt am Main 15.7.1996 Gelbe Seiten; Landgericht Frankfurt am Main 15.10.1997 2/6 O 300/97 yellow pages; Oberlandesgericht München 30.4.1999 6 W 1563/99 FTP-Explorer; Landgericht München 25.5.2000 4 HK 06543/00 FTP-Explorer; Landgericht Düsseldorf 25.11.2000 2a O106/00 FTP-Explorer.

(*25) Supra note 16, Fezer, Markenrecht; Ingerl/Rhonke, Markengesetz.

(1) Situation in Germany

In Germany, with respect to the use in course of trade as a prerequisite for trademark infringement, it is generally acknowledged that it is sufficient if the user has the intention to use the trademark. Therefore, an act itself of affixing of a service mark to goods can infringe the service mark if it is intended to use the mark affixed on the goods for offering the goods for sale.

It is generally acknowledged that an assessment of the likelihood of confusion implies some interdependence in particular between the similarity of the trademarks and the similarity of the goods or services. A lesser degree of similarity between the goods or services may be offset by a greater degree of the similarity between the marks, and vice versa^(*)26). Consequently, infringement of service mark by affixing it to goods depends on whether the trademarks are identical or similar and whether the goods and services are similar so that the public can confuse the marks. The problem is whether the services and goods are looked upon as being similar by the industries concerned.

In the German Federal Supreme Court and theories, it is generally acknowledged that an assessment of a similarity between goods and services must be based on the same principle that applied when assessing the similarity of one goods or service with another^(*)27). A similarity of goods and services is assumed if the industries concerned who take into account all relevant economic factors, draw the conclusion that the goods and services are offered by the same company or by companies economically-linked^(*)28). It is decided in general that there is no similarity of goods and services if the goods are only means for providing the services or if the goods are the result of the services, unless the goods are offered in a manner economically independent of the services as viewed by the public^(*)29). The cases in which the court found similarity between the goods and the services include the KNIPPING case, the MEDICE case,

and the White Lion case^(*)30). On the other hand, cases in which the court denied similarity between the goods and the services include the DEUS case and the MICROTONIC case^(*)31).

A well-known service mark can be infringed if: an identical or similar trademark is attached to goods; it is unfairly used in such a manner that its reputation may be transferred to the goods to which the trademark is attached; and the use of the trademark harms the capacity to distinguish and the repute of the service mark. An identity or similarity of the goods or services is not necessary. In contrast to the similarity of the goods and the services, taking unfair advantage of a well-known service mark is already possible even if the goods and services are only very remotely similar. However, an image transfer was denied in some decisions such that the image of a fast-food restaurant cannot be transferred to paint and varnishes, T-shirts, or other clothing.^(*)32) Detrimental use is only assumed if there is certain similarity between the services and goods. To assume similarity, mereassociation is sufficient, and very well-known trademarks, such as Coca Cola, Rolls Royce, and Mercedes, must be respected for all goods or services. If a service mark is used for poor-quality products, or if the using company has a bad reputation, or if the products do not fit with the image of the service mark, the use is regarded to be detrimental to the reputation.

(2) Situation in the United States

In the United States, while mere reproduction of a trademark or a service mark does not by itself constitute trademark or service mark infringement, the Lanham Act imposes liability for infringement of a mark on any party, including any manufacturer, who uses an infringing mark in connection with the sale, offering for sale, distribution, or advertising of goods or services when such use is likely to cause confusion. Those who are not directly responsible for the sale of goods or services to the consuming public are liable as contributory infringers. If a manufacturer continues to supply a product to one

(*)26) European Court of Justice 29.9.1998 C-39/97 Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation, Reference for a preliminary ruling: Bundesgerichtshof - Germany, European Court Reports 1998 I-5507.

(*)27) Bundesgerichtshof 21.1.1999 I ZB 15/94 (BpatG) Canon II, GRUR 1999 Heft 8-9 pp. 731-733; Bundesgerichtshof 6.12.1990 I ZR 249/88 MEDICE, GRUR 1999 Heft 4 pp. 317-318; Werner Althammer/Paul Ströbele/Rainer Klaka, Markengesetz, 2000, p. 246, Carl Heymanns; supra note 13, Ingerl/Rhonke, MarkenG, p. 440 et seq.

(*)28) Bundesgerichtshof 23.2.1989 I ZB 11/87 (BpatG) MICROTONIC, GRUR 1989 Heft 5 pp. 347-349; supra note 26, the court decision for the Cannon case.

(*)29) Bundesgerichtshof 7.11.1985 I ZB 12/84 (BpatG) RE-WA-MAT, GRUR 1986 Heft 5 p. 380 et seq.; Bundesgerichtshof 11.2.1999 I ZB 16/97 (BpatG) White Lion, GRUR 1999 Heft 7 p. 586-587.

(*)30) Bundespatentgericht 30.11.1983 27 W (pat) 132/82 KNIPPING, GRUR 1984 Heft 4, p. 77; supra note 27, the court decision for the MEDICE case. Supra note 29, the court decision for the White Lion case.

(*)31) Bundespatentgericht 29.5.1984 25 W (pat) 399/82 DEUS, GRUR 1985 Heft 1 p. 49; supra note 28, the court decision for the MICROTONIC case.

(*)32) Oberlandesgericht Düsseldorf 14.1.1997 20 U 5/96 Mac Paint, WRP 1997, pp. 588-592; Oberlandesgericht München 22.9.1994 6 U 6371/93 McDonald/McShirt, Mitt, 1996, pp. 92-96; Oberlandesgericht München 21.9.1995 29 U 5214/94 McDonald's, GRUR 1996 Heft 1, pp. 63-66.

whom it knows or has reason to know is engaging in infringement of a trademark or a service mark, the manufacturer is contributorily responsible for any harm done as a result. A manufacturer may also be liable for direct infringement of a service mark if it sells a product bearing a mark that is the same or similar to a mark already in use for related goods. It is well established that confusion is likely to occur from the use of the same or similar marks for goods and for services. Accordingly, a manufacturer who sells coffee cups bearing a mark that is identical or similar to a mark already in use for restaurant services would likely be found to be infringing the restaurant's service mark.

Furthermore, everyone who participates in the preparation, distribution, or sale of infringing goods or services is potentially liable for trademark infringement. Therefore, the seller of the tableware may be found liable as a contributory infringer, rather than a direct infringer, if it was induced to offer the products by the actual manufacturer of the tableware. Related court decisions include *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.* 183 USPQ 148 (S.D. Fla. 1974) and *Century 21 Real Estate Corp. v. R.M. Post, Inc.*, 8 USPQ2d 1614 (N.D. Ill. 1988).

3 Handling of Counterfeit Credit Cards in Europe and the United States

It will be examined whether distribution or use of counterfeit credit cards constitute trademark infringement or violate any other laws in Europe and the United States.

(1) Situation in Germany

When a credit card has been copied and distributed to a third person, "use in the course of trade" under the Trademark Law must be assumed since the activity serves business purposes, although these purposes are illegal. In the case of copying a credit card together with the trademark and purchasing goods with this card for a private use, it is doubtful if this activity cannot be considered an economic activity, as it does not belong to business.

With regard to designation of the origin, using the trademark on a copied credit card for purchasing goods does not use the trademark for goods or services, so the industries concerned will not regard the trademark as the designation of the origin. However, a trademark on a credit card that has been distributed to a third person by pretending

to enable use of the credit service would be considered as designation of the origin by the industries^(*)33).

In the case that a trademark is used for offering alleged credit service by a copied credit card, the trademark is identical or similar and the service is identical as viewed by the public. Therefore, likelihood of confusion, unfair advantage, and detriment to the distinctiveness and the reputation of the well-known service mark would be found for the use of the trademark.

The design of the credit card or the trademark can be protected by copyright law, design law, or unfair competition law if it is not used for a private purpose. An act of using a counterfeit credit card for purchasing goods and an act of selling or distributing a counterfeit credit card to a third person are, if it causes any damage, considered as fraud with the corresponding penal consequences.^(*)34) It is also possible to claim compensation for the damage pursuant to the laws on torts.

(2) Situation in the United States

In the United States, counterfeiting is the act of producing or selling a product with a mark that is an intentional reproduction of a genuine trademark (15 U.S.C. 1116(d)(1)(B)). Counterfeiting a credit card results in a product, i.e., a counterfeit credit card, which may be used in securing credit services. Because credit cards themselves are subject to trademark protection in International Class 16, producing a counterfeit credit card results in trademark infringement under the Lanham Act.

The Trademark Counterfeiting Act^(*)35) of 1984 and the Anticounterfeiting Consumer Protection Act^(*)36) of 1996 also address trafficking in counterfeit trademark goods including credit cards. These acts also amend the Lanham Act to create stronger remedies in civil cases involving the intentional use of a counterfeit trademark. The acts provide a mechanism for obtaining statutory damages, treble damages, and the attorney's fee (15 U.S.C. 1117). In order to be both applicable to criminal and civil actions, the Anticounterfeiting Consumer Protection Act also amends the RICO Act^(*)37) to add certain intellectual property offenses as predicate offenses under the RICO Act, and it specifically adds language proscribing trafficking in counterfeit goods and services bearing counterfeit marks (18 U.S.C. 2320). The actual items prohibited under the RICO Act for civil and criminal actions are:

(a) use of proceeds of racketeering activity to

(*)33) Bundesgerichtshof 22.6.1962 I ZR 27/61 Strumpf-Zentrale, GRIR 1962 pp. 647-650; Bundesgerichtshof 3.4.1981 I ZR 72/79 Champion du Monde, GRUR 1981 p. 563.

(*)34) The main corresponding crimes are assumed to be (a) computer fraud (a fine or imprisonment of no more than five years) and (b) abuse of credit cards (a fine or imprisonment of no more than three years) in Section 263 "Fraud" of German Penal Code (Strafgesetzbuch).

(*)35) Trademark Counterfeiting Act 1984, Pub. L. No. 98-473, Tit. II, §1502(a), 98 Stat. 2178 (1984).

(*)36) ACPA - Anticounterfeiting Consumer Protection Act, Pub. L. No. 104-153, 110 Stat. 1386 (1996).

- acquire an interest in an enterprise;
(b) acquisition of an interest in an enterprise through a pattern of racketeering activity;
(c) conduct or participation in the affairs of an enterprise through a pattern of racketeering activity; and
(d) conspiracy to violate subsection (a), (b), or (c).

The report of this study includes the following in its reference material section: a list of foreign constitutional laws that mention IPR; a list of damages awarded in IPR disputes; analysis of the damages awarded in IPR disputes, a list of court decisions related to indirect infringement of industrial property rights in chronological order; a list of court decisions related to indirect infringement of patent rights and utility model rights by case; patterns of joint acts in patent infringement and their legal effects; a list of court decisions related to joint acts in infringement of patent rights and utility model rights by case; a list of cases concerning trademark infringement on the Internet in Europe and the United States; a tentative Japanese translation of commentaries on Sections 9 and 10 of the German Patent Law; a tentative Japanese translation of treatises on German Trademark Law; and the provisions of treaties and laws that are concerned.

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(*37) Racketeer Influenced and Corrupt Organizations Act: a law for regulating penetration of crime organizations in businesses.