

2 Trademark System in the 21st Century

Although the current Japanese Trademark Law has undergone several amendments since its promulgation in 1959, these amendments have mostly been technical revisions of provisions to add necessary requirements. Therefore, a fundamental amendment of the law is required in the future.

In this study, we clarified and investigated issues pertaining to the following eight major points that need to be investigated in order to fundamentally amend the current Trademark Law, with promoting the strategic use of brand names as one of the key perspectives.

These points are as follows: (1) adding “distinctiveness” to the definition of “trademark”; (2) protection of trademarks consisting of sounds, colors and smells; (3) whether or not to allow “electricity” as goods under the Trademark Law; (4) whether or not to allow “retailing” as services under the Trademark Law; (5) introduction of a comprehensive definition for “use”; (6) whether or not use by auditory representation should be considered as the “use with respect to a mark” in Section 2 (3) of the Trademark Law; (7) introduction of the consent system; and (8) review of the defensive mark system.

Introduction

The current Japanese Trademark Law was promulgated in 1959, and since then, has undergone several amendments to respond to domestic or international situations such as strengthening the obligation to use registered trademarks, introduction of the service mark registration system, and participating in treaties such as the Nice Agreement, the Trademark Law Treaty, the Madrid Protocol, etc. However, these amendments did not go beyond the scope of adding necessary requirements to the technical construction of provisions. Meanwhile, the trademark systems in the United Kingdom and Germany, which were the models for the Japanese system, have undergone fundamental amendment in accordance with the EC directive of 1988, which may have been one reason that, regarding the necessity for the amendment of the Japanese Trademark Law, the Legal System Subcommittee of the Intellectual Property Policy Committee, Industrial Structure Council (2001) proposed, “It is necessary to promote review of the system in the future in line with international harmonization.” Furthermore, with China’s entry into the international market, full-scale use of brand-name strategy by Japanese companies has become more and more important, and therefore, it is proposed in the Intellectual Property Policy Outline that “The GOJ (Government of Japan) will consider specific measures to enable companies to provide products and services of greater value by using attractive designs and brand-names, including the establishment of ideal design and trademark systems. It will draw a conclusion by FY 2005.” Therefore, in this study, we clarified and discussed the issues that need to be investigated in order to amend the current Trademark Law, with promoting the strategic use of brand names as one of the key perspectives.

Issues for Amendment in the Trademark Law: Specific Issues for which Amendment is Required

1 How to Define “Trademark”

(1) Introduction of a definition of “trademark” that focuses on “distinctiveness”

(i) Nature of the problem

In the old Trademark Law of 1921, Section 1 (2) imposed the requirement of “special distinctiveness” on a trademark, for which there was the “constituent element theory” and the “registration requirement theory.” “Special distinctiveness” was generally interpreted as meaning “distinctive character distinguishing one’s goods from those of others.”

The current Trademark Law does contain a requirement of “special distinctiveness” in its definition of a “trademark,” but Section 3 (1) of the Law specifically provides for cases of a trademark lacking “special distinctiveness” for trademarks for which an application for registration has been made. Therefore, “trademark” as defined in Section 2 (1) is somewhat detached from the socially-accepted idea of “trademark” that has distinctiveness as its character.

Because of the points mentioned above, one of the problems with the current trademark law is that even a use of a mark that is not a so-called “use as a trademark” may be accused of being an infringement of a trademark right.

On the other hand, in recent years, court precedents have established that a use of a trademark in a manner that lacks “distinctiveness” cannot be an infringement of a trademark right, and the opinion has been voiced that there should be no problem with the current definition; but the reasoning regarding such opinion is not yet fixed,

and therefore, the fear of possible confusion cannot be ruled out.

(ii) Examples in other countries

Many countries have the explicit element of “distinctiveness” in their definition of “trademark.”

(iii) Points to be investigated

· Whether it is necessary to provide for the requirement of “distinctiveness” in the definition of “trademark,” thus clarifying the scope of protection, or to the contrary, whether it is better to keep it as it is so as not to cause confusion with the already established theories and court precedents.

(iv) Main opinions of the Committee

① Adding “distinctiveness” as a constituent element in the definition of “trademark”

Most voices were generally in favor of adding “distinctiveness” as a constituent element.

As mentioned above, the reasoning in the court precedents is not yet fixed. Rather, such precedents draw decisions without clarifying the points in question; furthermore, it was pointed out that adding “distinctiveness” would clarify the meaning of “trademark” in the provisions of not only Section 37 but also Section 3, 4, 26 and others.

② Meaning of “distinctiveness”

There was one suggestion of letting it have a meaning that includes the concept of Section 3(2) of the Japanese Trademark Law, i.e., “capable of acquiring special distinctiveness as a result of the use,” referring to the term “capable” that is used in the U.K. as “capable of distinguishing,” and another opinion suggested limiting it to an objective requirement and excluding any subjective ones.

③ Problems with adding “distinctiveness”

There was the opinion that when judging whether trademarks are identical or similar to each other, it may always become necessary to break them down into the distinctive part and non-distinctive part.

2 Expansion of Scope of Protection under Trademark Law

(1) Expansion of component elements of a trademark: Protection of sounds, colors and smells, etc.

(i) Nature of the problem

Trademarks protected under the current Trademark Law can consist of only the elements that are recognizable by sight such as characters, figures and signs, etc., and the demand from companies for the trademark protection of other elements including sounds, colors, and smells has not been very high. The question is, in this modern society with increasing diversification of the concept of goods and services and the manner of use of trademarks, whether to recognize a mark consisting of sounds, colors, and smells as a trademark in line with the examples of European countries and the United States.

(ii) Examples in other countries

Mainly European countries and the United States allow registration of trademarks consisting of sounds, colors or smells, and they have various examples of registration. However, the number of registrations itself is not so large, and it seems that the examination criteria or qualifications for the subject of examination have yet to be established.

(iii) Points for investigation

· Whether the Trademark Law is an appropriate framework for the protection of distinctive sounds, colors, or smells

· Considering protection by the Trademark Law, how to deal with the question of exhaustion of colors, the manner of description on the application form, the measure of examination and the specification of the scope of the right.

(iv) Main opinions of the Committee

As for trademarks by sounds, colors, or smells, the demand from the user side is not so strong, and meanwhile, there was the opinion that if these trademarks were allowed, they would be difficult to manage.

Another opinion that was voiced was that if the registration of these trademarks were allowed, the Japan Patent Office could be expected to incur a great burden for the preparation of the system to accept them and for the examination, etc.

On the other hand, there were opinions that such registration might as well be allowed if those trademarks are objectively distinctive, the scope of the right identifiable and their publication possible, and that from the standpoint of brand strategy, companies should positively consider making use of these trademarks.

(2) Review of the Concept of Goods and Services (1): Treating “Electricity” as Goods

(i) Nature of the problem

Under the 9th edition of the Nice Agreement, “electricity” is certain to be added to the International Classification of Products and Services as Class 4 goods, and in Japan also, with the amendment of the Electric Utility Law, the liberalization of electricity retailing has begun. Under these circumstances, should it be allowable to obtain trademarks for goods for “electricity”?

(ii) Views in other countries

In the U.S. and U.K., “electricity supply” is included as a service but “retailing” is not recognized as such. Therefore, their view is in favor of allowing trademarks for electricity as trademarks for goods to protect the activity of electricity retailing.

(iii) Points to be investigated

· How to apply the definition of “use” in Section 2 (3) to “electricity,” which is intangible and cannot be kept in a container (supplied through a wire), and whether “electricity” can be regarded as goods in Section 2 (1) (i).

(iv) Main opinions of the Committee

There was no objection to allowing electricity to be treated as goods under the Trademark Law.

As a specific opinion, one member gave the view that since industry is in effect treating electricity itself as goods, electricity can obviously be regarded as goods under the Trademark Law and there should be no objection to that, but it will be necessary to review the definition for “use.”

(3) Review of the Concept of Goods and Services (2): The Question of Introducing “Retailing” as a Service

(i) Nature of the problem

In Japan, under the current Trademark Law, “retailing” is regarded as assignment (sales) of goods and not as provision of a service. This is because “retailing” does not fall under the current definition of services, i.e., “the act of providing labor or benefits to others which can in itself be the object of commercial trade”

On the other hand, in addition to the U.S. and Canada who have been treating “retailing” as a service, the Office for Harmonization in the Internal Market (OHIM) and the U.K. have also recently begun recognizing “retailing” as a service, which is an international trend that we will have to face and take into consideration.

Meanwhile, while retailers have the opinion that if it were sufficient to file an application for a service mark designating only Class 35, it would exclude the burden of applying for trademarks for goods designating plural classes of goods, helping also to reduce costs, concerns were also voiced about possible conflicting registrations by others.

Is it desirable to allow service marks for “retailing” in Japan under these circumstances?

(ii) Views in other countries

European countries, the United States, Taiwan and others have allowed service mark registration for “retailing.”

(iii) Points to be investigated

· Why “retailing” does not fall into the category of “services” under the current Japanese Trademark Law

· Even if the registration of a mark designating “retailing” is admitted, isn’t the scope of the right vague? Furthermore, in the examination, is judgment required on similarity with various kinds of goods in Class 1 to 34?

· What range of “retailing” should be admitted for the registration of a service mark?

(iv) Main opinions of the Committee

Many were of a positive opinion towards admitting service marks for “retailing.” On the other hand, there was an opinion that the scope of “retailing” to be admitted should be determined by taking the social effects into consideration.

Specifically, there was an opinion that the necessity under the Trademark Law for a service to be “the object of commercial trade in itself” is

unclear; since in the retail business also, the name of a store may have the power to attract customers, retailing should be admitted as a service. Meanwhile, as to the scope of “retailing” that should be admitted as a service, one opinion was that it should be determined with consideration given to small retailers, and, when it is introduced, a transitory measure should be considered like that of the right of continuous use that was adopted when the service mark system was introduced.

3 Responding to the Diversification of the Manner of Use

(1) Review of the definition of “use” of a trademark: Introduction of a comprehensive definition for “use”

(i) Nature of the problem

A problem with the current Japanese Trademark Law is that its definition of “use” prescribes the acts in too many segments, especially for services prescribing peripheral acts around the act of providing services, without stipulating the essential act itself. Furthermore, in order not to be forced to add to or modify the provisions for “use” of a trademark each time a new business emerges with the changes of the times, it is necessary to consider introducing a comprehensive definition for “use” while making reference to the examples of legislation in European countries or the U.S.

(ii) Examples in other countries

European countries and the United States have generic definitions of “use.” For instance, in Germany and U.K., they have provisions like “offer or provision of services under a mark,” which covers all acts under Section 2 (3) (iv)-(vi) of the Japanese Trademark Law, which defines the “use” of trademark for services.

(iii) Points to be investigated

· If a comprehensive definition for “use” is introduced, will it not make the definition of “use” of a trademark vague? Furthermore, what considerations need to be made concerning the effects of such definition on other provisions?

· How about providing for the term “use,” like in Germany and the the United Kingdom, in the provisions on infringement rather than providing for the definition of “use” of marks as in the current trademark law?

(iv) Main opinions of the Committee

For example, Section 10 (4) (b) of the U.K. Trade Marks Act stipulates, “offer or expose goods for sale, put them on the market or stock them for those purposes under the sign,” and if we provide for a comprehensive definition for “use” based upon this, it would be, “providing or offering to provide goods under the sign,” which is vague in Japanese, and thus requires further investigation.

(2) Use through auditory representation

(i) Nature of the problem

The current Trademark Law defines acts of use of a trademark as acts in which distinctiveness is recognizable by visual perception. Consequently, sounds (radio commercials, etc.) recognizable by auditory perception are excluded from the scope of use of marks. On the other hand, there is a theory that, "If another person repeats an appellation on a radio commercial, it would be no less likely to cause confusion....[Therefore, it] should be regarded as a use of a trademark from the perspective of infringement." Hence, investigation is required on whether to admit the use of trademarks through auditory representation.

(ii) Examples in other countries

Australia and Norway are among the few countries that admit use through auditory representation.

(iii) Points to be investigated

· Considering the developments in the advertising function of trademarks and the advertising media, is it not necessary to include the "use through auditory representation" in the definition of the use of trademarks, thus strengthening the protection of trademarks?

· Meanwhile, for example, where there is a registered trademark on the Chinese characters for "the sun" (pronounced "taiyou" in Japanese), if one read aloud the Chinese characters for "the ocean" (different characters to the letters for "the sun" but with the same pronunciation), would it constitute an infringement?

(iv) Main opinions of the Committee

There was an opinion that, like an advertisement being read aloud, there are naturally cases where a trademark is expressed by auditory representation, and, even if use of a mark in "auditory representation" does not fall under "use" in Section 2 (3), such use is most likely to be subjected to the right to demand injunction under Section 36 (1), presenting no problems with regard to trademark protection. However, from the standpoint of strengthening trademark protection, such use might as well be included in the concept of "use," and for this purpose, it is advisable to clearly stipulate that a use in "auditory representation" also falls under "use" as defined in Section 2 (3).

4 Other Issues

(1) Introduction of consent system

(i) Nature of the problem

By the amendment of the Japanese Trademark Law in 1996, the transfer of a similar registered trademark separate from the main registered trademark came to be allowed, which made it possible, as a response to notification of reasons for refusal of an application for registration of a trademark citing the existence of similar prior

registered trademark, to "transfer the application once to the right owner of the existing registered trademark and get it transferred back after having it registered by the existing right owner."

At the time of the amendment of the law in 1996, the introduction of a "consent system," which would enable the applicant in the preceding paragraph to obtain the same legal position as that obtained through the convoluted procedure described above, was investigated, but was not adopted for the reason of a possible delaying effect on the examination process. However, many other countries have adopted this system, and with some users desiring its introduction, the introduction of the "consent system" needs to be investigated.

(ii) Examples in other countries

Many countries have adopted the "consent system." The U.K has, so to speak, a "complete consent system," in which "even if there is a relative reason for rejection, the registration is allowed if there is consent." The U.S., Australia and others have, as it were, the "consent system with some reservations" in which "if there is a danger of causing confusion, registration is not allowed even if there is consent." And OHIM, Germany and France, etc. have what you might call the "hidden consent system," in that they conduct examination only for an "absolute reason for rejection."

(iii) Points to be investigated

· Which should have more weight in allowing registration, public interests or private interests? For example, while there are different views on the purpose of each paragraph of Section 4 (of the Japanese Trademark Law), suppose the purpose of Paragraph 11 is private interest, and Paragraph 15 public interest, when there is consent, even if the examination will not be conducted if it is regarding Paragraph 11, as for Paragraph 15, should it not be conducted for the sake of protection of public interest?

· If the consent system were introduced, would it not work to cause consumer confusion?

· Is the fact that a trademark was registered by consent to be publicized?

· What would be the scope of a right that has been registered by consent?

(iv) Main opinions of the Committee

As a whole, there were many opinions in favor of introducing the consent system. Among the opinions in favor, one was from the standpoint of having a user-friendly system, and another pointed out that the introduction would enable the examination to be more based on the reality of business. On the other hand, one alarming opinion was that due consideration should be given to cope with possible examination delay, consumer confusion and misuse of right. Furthermore, there was an opinion that if the system to be introduced is the "consent system with some reservations," the law as it currently stands already

accommodates this in its operation.

(2) Review of the defensive mark system

(i) Nature of the problem

The defensive mark system is for the protection of well-known trademarks. However, unlike when the system was introduced in 1959, the protection of famous trademarks by the Unfair Competition Prevention Law has been enhanced, and therefore, on the occasion of the revision of the Trademark Law in 1996, the abolition of the defensive mark system was investigated, with the conclusion being to maintain the system for the reasons that under the Unfair Competition Prevention Law, an act of misusing a well-known trademark (Section 2 (1) (ii) of the Law) is not punishable by criminal penalties and violation of the law is not subject to border regulations under the Customs Tariff Law. Meanwhile, the U.K., which had had a defensive mark system, abandoned the system in the amendment of the law in 1994, replacing it with a new system in accordance with the EC Directives. In light of these situations, it is necessary to investigate the necessity of the defensive mark system, and the method of adequate protection of well-known trademarks.

(ii) Examples in other countries

Currently, India, Hong Kong, Australia and others have a defensive mark system.

(iii) Points to be investigated

Should the defensive mark system be maintained or abolished? Even if it were abolished, would the Unfair Competition Prevention Law cover it for the protection of well-known trademarks? And, can a new provision for the protection of well-known trademarks be conceived as a substitute for the defensive mark system?

(iv) Main opinions of the Committee

① Necessity of the defensive mark system

As there have been very few cases of enforcement of a defensive mark right (it seems there has been no case for the border regulation either), the necessity of the system is low. There was also an opinion that since a defensive mark registration lasts ten years even if the trademark has ceased to be well-known, the system may not be appropriate for the protection of well-known trademarks.

On the other hand, there was another voice in support of maintaining the system for the reasons that while, under the defensive mark system, the mark will be protected by registration for the scope of the right, if, without utilizing the system, one tries to protect a mark by trademark registration for broader designated goods, there is a possibility the registration may face a demand of trial for cancellation of registered trademark not in use, and furthermore, an infringer of a defensive mark is subjected to criminal penalties, which could be a deterrent to infringement. This opinion added that even if the defensive mark system were abolished,

another similar system should be introduced in its place.

② Well known trademark protection to replace the current defensive mark system

(a) Protection by the Unfair Competition Prevention Law

One member stated that in order to give protection, under the Unfair Competition Prevention Law, of the same degree as under the defensive mark system, it is necessary to make violation of the Unfair Competition Prevention Law subject to the border regulations under the Customs Tariff Law, and make an act of misuse of a well-known trademark (Section 2 (1) (ii)) subject to criminal penalties. And, in that case, additional provisions in the Unfair Competition Prevention Law for the appropriate constituent elements would be needed.

(b) Protection by the Trademark Law

Expansion of prohibitive right

Although a trademark that is liable to cause confusion with another person's well-known trademark cannot be registered, the use of such a trademark, unless the trademark and goods or services with regard to which the trademark is used are identical or similar to a registered trademark and its designated goods or services, will not constitute an infringement of the registered trademark even if it is a well-known trademark. One suggestion was for legislation to the effect that, even if the goods or services with respect to which a trademark is used are not similar to the designated goods or services of a registered well-known trademark, if the use is liable to cause confusion, the use shall be subjected to the prohibitive right of the registered well-known trademark.

Legislating a provision based on Section 5 (2) of the EC Directive

By putting into legislation a provision such as the one mentioned above, a well-known registered trademark will have an expanded prohibitive right that extends to un-similar goods or services. This measure may be better than the defensive mark system for the protection of well-known trademarks in that the judgment of whether the trademark is well-known will be made at the time the owner makes use of this provision. There was an opinion, however, that when this measure is taken, it will be necessary to fully investigate how to deal with the requisites for free ride, which is not covered in the Japanese Trademark Law or the Unfair Competition Prevention Law, and how to make a judgment on the famousness of a trademark.

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