

16 Use as a Trademark

- The Interpretation in an Infringement Lawsuit, and its Problems -(*)

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A trademark holder may demand an injunction and damages if a third party uses a mark (Article 2, paragraph (3) of the Trademark Act) that is identical or similar to the registered trademark for any goods or services that are identical or similar to the designated goods or services. However, Japanese courts have adopted the interpretation that the use of a mark that technically falls under Article 2, paragraph (3) of said Act would not constitute a trademark infringement as long as the use does not constitute “use as a trademark.” The concept “use as a trademark” has been interpreted as the “use of a mark in such a way that it exercises the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied.” While this concept is not explicitly specified in the Trademark Act, this is a requirement for a trademark infringement.

In view of the facts that new ways of using a mark are expected to evolve and that protection of famous trademarks needs to be improved, it would be meaningful to discuss what “use as a trademark” means and whether the current interpretation thereof is appropriate.

If “use as a trademark” is a requirement for an infringement, the burden of proving it must be shouldered either by the plaintiff or the defendant. Although this issue is closely related to the utilization of the concept “use as a trademark” in trials and also to the provisions concerning the limitations on the effect of trademarks (Article 26 of the Trademark Act, etc.), research from these perspectives has shown little progress.

The purpose of this study is to identify and discuss the actual meaning of the concept “use as a trademark” by addressing such issues as the theories based on which this concept was established, the situations in Europe, the burden of allegation and proof, and the utilization of this concept as a requirement for an infringement.

I Introduction

This is a study on the utilization of the concept “use as a trademark” in trademark infringement lawsuits.^(*) A trademark holder may demand an injunction and damages if a third party uses a mark (Article 2, paragraph (3) of the Trademark Act) that is identical or similar to the registered trademark for any goods or services that are identical or similar to the designated goods or services (Articles 25, Article 36, Article 37, item (i) and other provisions of the Trademark Act; hereinafter the name of the Trademark Act will be omitted if the provision belongs to said Act.). Article 2 paragraph (3) of said Act lists an act of affixing a mark to goods, etc. (item (i)), an act of assigning goods to which a mark is affixed (item (ii)), etc. Therefore, strict literal interpretation of these provisions would lead us to conclude that any person who affixes a mark to

goods commits a trademark infringement. In order to limit such a wide scope of the effect of a trademark right, courts have developed a theory that the use of a mark that technically falls under Article 2, paragraph (3) of said Act would not constitute a trademark infringement as long as the mark is not used in such a way that it exercises the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied. This type of use is called “use as a trademark” and is widely recognized as a requirement for a trademark infringement.

However, in recent years, there have been cases where this requirement, “use as a trademark,” is speculated to have hindered appropriate resolution of disputes. For example, in the case of a famous trademark, the trademark holder would suffer damage if a third party uses

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(*1) Japan, the term “Shohyoteki shiyou” is also used in place of the term “Shohyo to shitenno shiyou.” Both are translated into English “use as a trademark”. In Europe, such terms as “trademark use”, “use as a trademark,” and “use in the course of trade” are in use.

the trademark even if the use would not constitute “use as a trademark.”

“Use as a trademark” is a concept that has established a firm position in the trademark system. Although the roles of the concept have been sufficiently discussed by now, it would be meaningful to reevaluate the appropriateness of the current interpretation of the concept because the social circumstances surrounding the trademark system have changed since the birth of the concept.

The purpose of this study is to shed light on the actual meaning of “use as a trademark” by discussing such issues as the theories based on which this concept was established, the situations in Europe, the burden of allegation and proof, and the utilization of this concept as a requirement for an infringement.

II The Meaning of “Use As a Trademark”

1 Interpretation of “Use as a trademark”

(1) Change of Interpretation of “Use as a trademark”

In cases for approximately 20 years after the present Trademark Act revised in 1959, such interpretations had coexisted that without using the expression “to distinguish the goods of the trademark holder from those of others”, “it was understood that it was used neither as an advertisement of goods nor the other use as trademark” (the Omocha no kuni case^{(*)2}), and that “it was not recognized that it was used with a form to function as a mark distinguishing the own from the others.” (the TV Manga case^{(*)3}). In the POS case^{(*)4}, the term “source designating function” was used instead of “use as a trademark”. To date, the interpretation of “use as a trademark” by the court has been made clear, by stating, e.g. “the defendant’s act using defendant’s mark in the form recognized in the

above in the defendant’s goods cannot be interpreted as an act using the defendant’s mark in a form having the function to distinguish the own goods from those of the others or the source designating function, *i.e.* a use as trademark.” (the Brother case^{(*)5}).

(2) Cases referring to “use as a trademark”

It is possible to understand the cases with regards to “use as a trademark” as such an issue that “to what a mark attached to goods or services is directed (what does it indicate?).” Therefore, in this study, The cases are categorized in the three kinds as follows.

(i) Cases where the mark indicates goods or services different from these of the registered trademark

There was the Kyoho case^{(*)6}. Such cases are also categorized here that a mark indicated in goods or services is used like a design (the Junishi case^{(*)7}) or that an object attached with a mark cannot be thought as merchandise (the BOSS case^{(*)8}).

(ii) Cases where the mark is explanatory or descriptive indication

In these cases, the defendant’s mark is directed to goods or services to identical or similar to that of the registered trademark, but indicating the attribute, contents, origin, or usage, instead of goods or services themselves. Here are the TV Manga case^{(*)9}, the Brother case^{(*)10} are categorized. The case where ingredient with the registered trademark is used (the Takara Hon Mirin case^{(*)11}) or the case dealing with the title of book (the POS case^{(*)12}) and the Under The Sun case^{(*)13}) are also categorized here.

(iii) Cases where the object which a mark is directed may be different depending on observer

It is the case where depending on who is

(*)2 Tokyo High Court Judgment, July 31, 1973, S48(*ne*)192, *Mutai Shu* Vol.5, No.2, p.250.

(*)3 Tokyo District Court Judgment, July 11, 1980, S53(*wa*)255, *Mutai Shu* Vol.12, No.2, p.304.

(*)4 Tokyo District Court Judgment, September 16, 1988, S62(*wa*)9572, *Hanrei Times* No.684, p.227.

(*)5 Tokyo District Court Judgment, June 23, 2004, H15(*wa*)29488, *Hanrei Times* No.1164, p.264.

(*)6 Iizuka Branch of Fukuoka District Court Judgment, September 17, 1971, S44(*yo*)41, *Mutai Shu* Vol.3, No.2, p.317.

(*)7 Tokyo District Court Judgment, July 16, 1998, H8(*wa*)17221, *Hanrei Times* No.983, p.264.

(*)8 Osaka District Court Judgment, Aug. 26, 1987, S61(*wa*)7518, *Mutai Shu* Vol.19, No.2, p.268.

(*)9 *supra* note 3.

(*)10 *supra* note 5.

(*)11 Tokyo District Court Judgment, January 22, 2001, H10(*wa*)10438.

(*)12 *supra* note 4.

(*)13 Tokyo District Court Judgment, February 22, 1995, H6(*wa*)6280, *Hanrei Times* No.881, p.265.

consumer distinguishing the source or the like, it may vary whether it is evaluated that the mark indicates the goods attached therewith or not (the Ink Bottle case^(*14)).

(3) Summary: Interpretation of “use as a trademark”

(i) Form where the mark functions distinguishing the own goods from the others’ goods

The situation that a trademark of goods functions to distinguish the own from the others is considered to fulfill the followings: a) distinctiveness of the mark; b) it is used in relation to the goods or services; and c) it indicates the goods itself instead of the attribute or the contents of the goods. It may be considered that “in connection with the goods (or services)” in Art.2 (1) shall be one of the elements for the mark to function distinguishing the own goods from the others’ goods. The category (i) of Cases mentioned in the above (2) does not indicate the goods or services in connection with the registered trademark (is not used in relation to the goods or services). That is, it may be said that the mark is not used as a trademark in Art 2(1).

(ii) Cases with different natures are all dealt with “function distinguishing the own goods from the others goods

As seen in categories of cases mentioned in the above (2), both of the cases where it is an issue to which goods the mark attached to the goods is directed (category i), and the cases where the mark indicates the attribute of the goods ‘category ii) are all dealt with “form not to function distinguishing the own goods from the others’ goods or indicating the source. In any events, it finally results in that it cannot function distinguishing the own goods from the others’ goods. However, the case where the goods is different from that directed by the mark can be considered as an issue of similarity of the marks, and cases where the mark indicates the attribute can be considered as an issue of Art 26. Thus, it can be said that the present cases with regards to “use as a trademark” are judged by using such criteria as “function distinguishing the own goods from the others’ goods” or “use as a trademark” that is not included in the provisions also to such

the cases that can be dealt with according to the provision.

Since in the cases where the goods may be different depending on the observer (category iii), the function distinguishing the own goods from the others’ goods shall be considered, it is an issue for whom it is directed. It can be seen, however, that it is not decided whether there is an infringement or not depending on the observer, if deciding the case by reviewing objectively to what the trademark attached to the goods or services is directed.

2 The construction of theories introducing “use as a trademark”

(1) The theories in the cases

The following theories have been presented in court decisions. Most academic theories support either (ii) or (iii).

- (i) A theory that the function to distinguish the goods of the trademark holder from those of other parties should be interpreted as one of the attributes of a trademark that are covered by the definition of a trademark (Article 2, paragraph (1) of the Act) (the Tatsumura case^(*15));
- (ii) A theory that according to provisions in Arts. 1 and 3, the essence of a trademark lies in the function to distinguish the goods of the trademark holder from those of other parties and therefore that a third party’s use of a mark would constitute an infringement only if the mark is used in such a way that it exercises said function (the Junishi case^(*16));
- (iii) A theory that Article 3 and Article 25 of the Trademark Act specify that the “right to use a registered trademark” means the right to use a trademark that has the function to indicate the source of the goods to which the trademark is applied (the POS case^(*17)); and
- (iv) A theory that, in light of Article 26 of the Trademark Act, it is required that the defendant has used a mark in such a way that it exercises the function to distinguish the goods of the trademark holder from those of other parties (Under the Sun case^(*18)).

(*14) Tokyo District Court Judgment, January 21, 2003, H14(wa)4835, unpublished yet.

(*15) Tokyo District Court Judgment, September 29, 1976, Hanrei Jiho no. 867, p. 74

(*16) *supra* note 7.

(*17) *supra* note 4.

(*18) *supra* note 13.

(2) Analysis of the theories based on which the concept, “use as a trademark,” was established

Among the theories presented above, theories (i) to (iii) were established based on the interpretation of a trademark performing an essential function and the registration requirements. I do not support these theories for the following reasons:

(a) A trademark performing an essential function serves as an identification mark. However, said function should not necessarily be regarded as the function of the trademark that should be protected under the Trademark Act; and

(b) The registrations requirements should be regarded as minimum requirements for the grant of an exclusive right. Therefore, it would be necessary to separately determine which functions of a trademark should be protected against an infringement by a third party.

The theory presented as (iv) above seems more reasonable than other theories, though not perfect. Like the concept “use as a trademark,” Article 26 of the Trademark Act is a tool used on the purpose to deny an infringement.

3 Situations in Europe

(1) Statutory grounds for “use as a trademark”

While the European Union Trademark Directive is analyzed to identify possible statutory grounds, none of the grounds were found to be sufficiently credible.

- (i) In recital 11 of the preamble of the Trademark Directive, it is provided that “(t)he protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, should be absolute in the case of identity between the mark and the sign and the goods or services.”
- (ii) In the definition in Art. 2, a trademark is provided that signs are capable of distinguishing the goods or services.
- (iii) The text in Art. 5 (1) “using in the course of trade” is possibly interpreted as “use to indicate the source of goods in which the

trademark is used”^(*19)

- (iv) Since Art 5(5) stipulates “...shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services,...”, it is possible to be interpreted that the Directive shall protect “use of mark for the purpose of distinguishing goods or services”.

(2) “Use as a trademark” in European countries (U.K. and Germany)

It was found that “use as a trademark” is one of the requirements for a trademark infringement under the domestic laws of the U.K. and Germany and its definition was analyzed.

(i) U.K.

Section 10 of the UK Trademark Act provides the act to be regarded as trademark infringement and is similar to Art.5 of the Directive. As for the text “if he uses in the course of trade” among the requirements for infringement, there are two split opinions: the one interprets that requires “use as a trademark” and the other does not. In British Sugar case^(*20), it is decided that the text “uses in the course of trade” in Section 10 (1) shall be interpreted as not meaning “use as a trademark”. Considering the preamble of the Directive states to guarantee the trade mark as an indication of origin, however, the majority of opinions require “use as a trademark”.^(*21)

(ii) Germany

One of the grounds for “use as a trademark” to be required shall be Section 16 (limitation of the effects of a trademark) of the old Act (Warenzeichengesetz 1968). Section 16 of the old Act stipulated, with respect to name, trade name, etc., “no one shall be prevented to use... in the course of trade, as far as the use is not caused in a manner of trademark” (“...wird niemand gehindert,...im Geschäftsverkehr zu gebrauchen, sofern der Gebrauch nicht warenzeichenmäßig erfolgt.”) That is, even if an indication falls under such categories, it may be regarded to constitute an infringement if it is used as an trademark. In Section 23 of the current Act regarding to the limited effect of trademark, however, similarly to

(*19) Ilanah Simon, ‘How Does “Essential Function” Doctrine Drive European Trade Mark Law? – What Is the Essential Function of a Trade Mark?’, 36 IIC 401, 412 (2005).

(*20) British Sugar plc v. James Robertson & Sons Ltd. [1996] RPC 281.

(*21) Chiaki Kawai, “Shohyo no Teigi, Touroku Yoken oyobi Shiyo (U.K. Trademark Act 1994 tono Hikaku noite)” (Definition of Trademark, Requirements for Registration and Use (in comparison with U.K. Trademark Act 1994), AIPPI Vol.46, No.12 (2001) p.784.

the Directive, it is revised as “if the use does not offend against the good customs.” (“sofern die Benutzung nicht gegen die guten Sitten verstößt.”) Therefore, in Germany, intense disputes have been developed whether “use as a trademark” could be a requirement for infringement under the new law.^(*22)

(3) Precedents of the European Court of Justice

There have been some precedents of the European Court of Justice such as the BMW case where the Court required “use as a trademark.”^(*23) However, subsequent judgments have made it unclear whether such a requirement needs to be satisfied. In the Arsenal judgment^(*24) and the Adam Opel judgment,^(*25) domestic courts referred to the European Court of Justice a question as to “whether the defendant’s act constitutes use as a trademark.” The Court has not directly answered the question. Instead, the Court mentioned that an infringement judgment should be made based on whether the use does or is likely to affect an essential function of the trademark. In these judgments, the Court mentioned what functions of the trademark should be taken into consideration. The fact that the plural form, “functions,” was used indicated that the functions include not only the essential function but also other functions. The details about the functions had been unclear until the L’Oreal judgment revealed that the functions include the function of “guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.”^(*26)

(4) Situations in Europe --- Conclusion ---

The judgment criteria employed by the European Court of Justice seem to be in a process of shifting from whether the act of an alleged infringer constitutes use as a trademark to whether the act has damaged a function of the trademark. The concept “use as a trademark,” which was used under former domestic laws as well, varies in terms of underlying provisions and the types of act that are considered to be “use as a trademark.” Therefore, in order to fill the need for uniform criteria for infringement judgment in

the whole of Europe, it was probably necessary to shift to the approach of judging which trademark function has been damaged.

3 Summary: the meaning of “use as a trademark”

Among the theories based on which the concept “use as a trademark” was established, those that have been supported by many precedents and academic theories seem to be imperfect. This is probably because those theories were formulated afterward in order to limit, to some extent, the scope of the effect of a trademark right, which cannot be sufficiently limited by the literal application of infringement requirements alone. As shown in recent precedents in Europe, it would cause no harm even if the court adopts an approach of judging an act of damaging a trademark function as an infringement.

It should be noted that the definition of a trademark performing an essential function and the registration requirements should be discussed separately from the definition of an act that constitutes an infringement. This is because the definition of an act that constitutes an infringement should change according to social situations. Therefore, the trademark functions that should be taken into consideration in making an infringement judgment should not be limited to the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied.

III Utilization of the Concept “Use As a Trademark” in Lawsuits

In many trials, the concept “use as a trademark” is regarded as a prerequisite for a trademark infringement claim. Therefore, in the current situation where “use as a trademark” is interpreted as “use in such a way that the mark exercises the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied,” if the defendant

(*22) Shin-ichi Kukuminato, “Shin Doitsu Shohyohou no Tokucho (10) Shoyo teki Shiyo”(Characteristics of the New German Trademark Act (10) Use as a Trademark) AIPPI Vol.42, No.7 (1997) p.531-542, which coordinates academic theories regarding “use as a trademark” in Germany.

(*23) Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Deenik (C-63/97) [1999] ECR I-905.

(*24) Arsenal Football Club v Reed (C-206/01) [2002] ECR I-10273.

(*25) Adam Opel AG v Autec AG (C-48/05) [2007] ECR I-1017.

(*26) L’Oreal SA v Bellure NV (C-487/07) [2009] ECR 00.

uses a mark in a way that it does not exercise such a function, the court would find the defendant's use as non-infringing without taking other requirements into consideration. This Chapter examines two issues, 1. Burden of allegation and proof and 2. Utilization of the concept "use as a trademark" as a requirement for an infringement.

1 Burden of allegation and proof

The academic theories on the burden of allegation and proof may be divided into three types that claim that the burden of allegation and proof lies in (i) the plaintiff, (ii) the defendant, and (iii) both parties because the requirement, "use as a trademark," is an evaluation requirement.

An analysis on infringement cases from the perspective of the claims made by the parties concerned and the court judgment has revealed that a significant relation with the burden of allegation and proof, etc., was found only in a case where the plaintiff's claims were made based solely on the literal interpretation of statutory infringement requirements, about which the defendant did not dispute. This case suggests that if the defendant does not claim that its use of a mark did not constitute use as a trademark, the court would make a judgment based solely on the literal interpretation of statutory infringement requirements. It should be noted, however, that, in this case (Popeye undershirt case (Tokyo District Court) ^(*27)), the defendant did not take part in oral proceedings.

2 Consideration of the concept "use as a trademark" in lawsuits

(1) The requirements for a trademark infringement taken into consideration in judicial proceedings

This section gives a general idea on what ultimate facts, evidentiary facts, etc., mean and who should bear the burden of allegation and proof and examines the approaches taken in trademark infringement lawsuits. Furthermore, this section analyzes the utilization of the concept "use as a trademark" in infringement lawsuits and categorizes them into four models entitled Model A to D. Each model is evaluated from the perspective of the burden of allegation and proof

and the utilization of the concept "use as a trademark."

Model A: The concept "use as a trademark" is adopted as an independent requirement for a trademark infringement

An analysis of court decisions has shown that, in cases where the applicability of the concept "use as a trademark" is at issue, the court first judges whether this requirement is satisfied. It is also revealed that the parties concerned make claims and determine the validity of the claims based on the presumption that "use as a trademark" is an independent requirement.

In this model, either the plaintiff or the defendant may be considered to bear the burden of allegation and proof. As explained in "1. Burden of allegation and proof," if the defendant does not make a claim with regard to this requirement, the court would not make a judgment on this requirement. This court decision suggests that the burden of allegation and proof lies in the defendant.

Model B: The concept "used as a trademark" is utilized in trademark similarity judgment

In the case where a trademark that is identical or similar to the plaintiff's registered trademark is affixed to certain goods, if the identical or similar trademark is considered to be used as an identification mark for goods different from the designated goods of the plaintiff's registered trademark or if the identical or similar trademark is considered to be used not as an indicator of the source of the goods but as an ornament, those goods could be judged as non-similar. The example cases include "Kyoho case^(*28)" and "Popeye undershirt case."^(*29)

In cases that fall under this model, the plaintiff should claim and prove that its registered trademark is used for goods. In response, the defendant shall determine the validity of the claims.

Model C: "Use as a trademark" is regarded as a requirement for the types of use specified in Article 2, paragraph (3) of the Trademark Act

This is an approach taken based on the interpretation that the use of a mark constitutes

(*27) Tokyo District Court Judgment, April 19, 1974, Mutaishu (Collection of court decisions on intangible assets), vol. 6, no. 1, p. 114

(*28) *supra* note 6.

(*29) Osaka District Court Judgment, February 24, 1976, Hanrei Jiho no. 828, p. 69.

the type of use specified in each item of Article 2, paragraph (3) only if the mark serves the function to distinguish the goods of the trademark holder from those of other parties.^(*30) This model is the same as Model A in substance. In this model, however, the plaintiff should allege and prove that the defendant's use of a mark constitutes use as a trademark because the plaintiff is in a position to allege and prove that the defendant's use falls under a certain item of Article 2, paragraph (3).

In both Model B and Model C, based on the presumptions that the similarity or non-similarity of the trademark in question and the use that falls under Article 2, paragraph (3) constitute ultimate facts and that requirements including use as a trademark constitute evidentiary facts, the court could judge whether the use in question constitutes use as a trademark based on the information presented by the parties concerned even if those parties have not alleged and proved it explicitly. The academic theories introduced in the section entitled "1. Burden of allegation and proof" include a theory that, "while the plaintiff should bear the burden of allegation and proof in principle, the plaintiff does not have to allege and prove it explicitly because the plaintiff's allegation always covers use as a trademark. This theory is workable if use as a trademark is considered to be an evidentiary fact.

Model D: "Use as a trademark" is interpreted from the perspective of denial of illegality or the perspective of defense

In this model, the occurrence of an infringement is considered to be proved if the following requirements for an infringement are satisfied: the enforceability of the plaintiff's trademark, trademark similarity, and the use that falls under any item of Article 2, paragraph (3). However, this may be disproved in the case where the mark in question falls under any item of Article 26, paragraph (1), where the use of the mark damages the function to distinguish the goods of the trademark holder from those of other parties, or where the right is abused. The burden of allegation and proof is expected to be shouldered by the defendant.

In this model, special attention should be paid to the relation between the applicability of Article 26, paragraph (1) and the scope of the concept of "use as a trademark." Article 26,

paragraph (1) is applicable in some cases where the use of a mark does not constitute use as a trademark. The following section further examines the relationship between Article 26 and the concept "use as a trademark."

3 Relationship with Article 26 of the Trademark Act

(1) Interpretation of Article 26

The registration requirements (Article 3, paragraph (1)) should be interpreted separately from Article 26, paragraph (1). Article 26, paragraph (1) is useful in dealing with an act that is technically regarded as an infringement based on the literal interpretation of the relevant provisions of the Trademark Act. Since the scope of the effect of a trademark right would be too wide if the scope is determined based on the literal interpretation of the relevant provisions of the Trademark Act, said Article is designed to explicitly specify, in advance, typical types of trademarks that should be excluded from the scope of the effect of a trademark right (in particular, the trademarks that do not perform the distinction function). Understandably, it was difficult for the legislator to list all of the types of trademarks that should be excluded from the scope of the effect of a trademark right. Therefore, it should be permitted to apply Article 26, paragraph (1) by analogy to other types of trademarks that are not listed in said Article.

(2) In a common manner

The issue of how to interpret the phrase "In a common manner" used in Article 26, paragraph (1), items (i) to (iii) arises when determining what kind of act falls under said paragraph.

Use in a common manner could mean either that simply the appearance of the mark in use is common or that the method of affixing the mark onto goods or services is common as well. Since Article 26 covers trademarks that are actually affixed to goods or services, there are no reasons for disregarding the indication method. The criteria for determining whether a certain indication method is common or not would vary depending on the industry to which the goods or services belong. It should be interpreted that common indication means not only an indication not performing the distinction function but also an indication that should be excluded from the

(*30) Makoto Amiya, "Shohyohou dai 2 jou, dai 3 kou ni okeru shohyo no 'shiyou' no teigi ni tsuite" (Definition of "use" of a trademark in Article 2, paragraph (3) of the Trademark Act), Patent, Vol.26, No.3 (1973) pp. 16-22 (cited from pp. 18-19).

scope of the effect of a trademark right.

(3) The relationship between the concept “use as a trademark” and the applicability of Article 26, paragraph (1)

If Article 26 is interpreted as above, Article 26, paragraph (1) is applicable to some of the trademarks that are not in use as a trademark. For example, if the defendant’s mark is regarded as an indicator of the attributes, contents, origin, etc., of goods, Article 26, paragraph (1), items (ii) to (iv) would be applicable.

For example, in the *Omocha no Kuni* case,^(*31) the plaintiff, who owned the registered trademark “Omocha no Kuni” (designated goods: toys), demanded damages, etc., from the defendant, who had used indications including “Omocha no Kuni” and “TOYLAND” as guidance and signs for customers in the section where toys were sold. In this case, it can be interpreted that the trademark was used in a common manner as an indicator of the place where service similar to designated goods was provided (Article 26, paragraph (1), item (ii)).

In the *CALGEN* case,^(*32) the plaintiff, who owned the registered trademark “CALGEN”, demanded damages, etc., from the defendant, who had affixed an indication consisting of words including CALGEN to the packages of strawberries on sale because the soil conditioner “CALGEN” was used for the farming of the strawberries. Based on the interpretation that the soil conditioner “CALGEN” was a raw material to grow strawberries, Article 26, paragraph (1), item (ii) would be applicable to this case.

4 Summary: Utilization of the concept “use as a trademark”

As described in Section 1 above, there are various academic theories on the burden of allegation and proof. Section 2 has examined different models. Model A shows that, if use as a trademark is regarded as an independent requirement, the burden of allegation and proof should be shouldered by the defendant. This view is supported by some court decisions. In the case of Model B and Model C, the burden should be shouldered by the plaintiff in principle. It should be noted, however, that if use as a trademark is regarded as an evidentiary fact, it would be unnecessary to make an explicit allegation. In

Model D, the defendant may make a defense by utilizing the concept “use as a trademark” in order to determine the applicability of Article 26, paragraph (1) or in order to make an allegation (e.g., a function of the trademark is not damaged).

In all of Model B, Model C, and Model D, the concept “use as a trademark” is useful regardless of how the concept is utilized as a requirement. Therefore, judgment from the sole perspective of this concept would expedite dispute resolution. Currently, most court judgments are made based on the interpretation that use as a trademark is an independent requirement as shown in Model A. In a trial, the court first examines whether this requirement is satisfied or not. It is suspected that this practice has been adopted for the purpose of serving the interest of judicial economy. If this is the case, the approach currently taken by courts would not be the most appropriate one.

An analysis of cases where the use of a mark does not constitute use as a trademark has revealed that some cases may be judged from the perspective of trademark similarity, while other cases may be judged from the perspective of the applicability of Article 26, paragraph (1). When cases are judged from these perspectives, a decision as to which party should bear the burden of allegation and proof must be made on a case-by-case basis. The plaintiff should bear the burden if a judgment is made from the perspective of trademark similarity, whereas the defendant should bear the burden if a judgment is made from the perspective of the applicability of Article 26, paragraph (1).

IV Discussion

1 Cases where it is difficult to find the use of a mark as an infringement based on the currently accepted interpretation

The following are cases where it is difficult to find the use of a mark as an infringement based on the currently accepted interpretation. An analysis of the following cases has revealed that the currently accepted interpretation of “use as a trademark” could prevent a court from settling a case in an appropriate manner, while it would be appropriate to find the use of a mark to be non-infringing in some cases.

(*31) *supra* note 2.

(*32) Tokyo High Court Judgment, October 2, 1996, Chizaishu, Vol.28, No.4, p.695, Supreme Court Judgment, September 4, 1997, H9(o)58.

(1) Cases where the defendant used a mark not for the purpose of distinguishing the defendant's goods, etc., from those of other parties

These cases typically involve comparative advertisement. Based on the currently accepted interpretation, the use of a mark in such a case does not constitute use as a trademark because the mark is used not for the purpose of distinguishing the defendant's goods from those of other parties. These cases will be dismissed by courts without considering the possibility of infringement from other perspectives.

(2) Cases where, at the time of sale, the mark in use does not perform the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied but could damage the functions of the trademark after the sale

These cases include a case where a customer requests alteration of goods to which a trademark is applied (Callaway Golf case^(*33)) and a case where the content of a product is refilled by recycling the container upon customer request (Ink bottle case^(*34)).^(*35) In these cases, the mark in use does not constitute use as a trademark because the customer is aware that the registered trademark on the product does not indicate the source of the altered or refilled product.

(3) Cases where a famous trademark is used for a decorative purpose or in the form of free-riding

These cases includes a case where a model gun carries an indication that is identical with that of a real gun (Beretta case^(*36)) and the case where a miniature car of a real car carries the logo of the car maker (Adam Opel case^(*37)) In these cases, the famous trademark applied to the goods is not considered to be performing the function to indicate the source of the goods. Therefore, it is likely to be found that such use of a mark does not constitute use as a trademark. Consequently, in such a case, trademark use even for goods similar to the designated goods of the registered trademark would be found to be non-infringing.

Under the current legal system, use of a famous trademark is subject to Article 2, paragraph (1), item (ii) of the Unfair Competition Prevention Act. Since said Article requires "use as an indication of goods or business" (which corresponds to the concept "use as a trademark" in the Trademark Act), said Article would not be applicable if the mark used by a third party does not perform the function to distinguish the goods of the trademark holder from those of other parties. As a result, in such cases as described above, the trademark would not be protected by the Unfair Competition Prevention Act either.

2 Conclusion --- based on the cases where it is difficult to find the use of a mark as an infringement based on the currently accepted interpretation ---

(1) Approach used in trials

The scope of the effect of a trademark right technically defined by the relevant provisions of the Trademark Act is excessively wide. The concept "use as a trademark" plays a role in limiting the wide scope to a practical range and adjusting the competing interests of the plaintiff and the defendant to a reasonable extent. However, the approach taken by courts based on the interpretation that "use as a trademark" is a requirement for an infringement has made it harder for them to find the use of a mark to be infringing as shown in the above-described cases where the currently adopted approach seemed inappropriate. As discussed in the section on consideration of the concept "use as a trademark" in trials in III. 2., the concept is used as a requirement, even as a prerequisite, for an infringement. Since such use of the concept is primarily for the sake of efficiency and simplicity of judicial proceedings, the concept should be regarded as neither an independent requirement nor a prerequisite.

(*33) Tokyo District Court Judgment, December 25, 1998, *Hanrei Jiho* No.1680, p.112.

(*34) Tokyo High Court Judgment, August 31, 2004, *Hanrei Jiho* No.1883, p.87, Tokyo District Court Judgment, January 21, 2003 (not contained in a collection of court decisions).

(*35) In both cases, however, the claims of the trademark holder were eventually accepted.

(*36) Tokyo District Court Judgment, June 29, 2000, *Hanrei Jiho* No.1728, p.101.

(*37) *supra* note 25.

(2) Trademark functions other than the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied

Companies' behavior exhibited in their marketing activities shows that they use various methods such as TV commercials, Internet advertisement, presentation of monitor survey results, and distribution of samples to pedestrians in order to promote consumption. Some companies conduct activities to improve consumers' image of their trademarks. A trademark plays a role as a symbol of all the information generated in the course of such marketing activities. Therefore, even if the use of a mark does not damage such function as the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied, the use of a mark would hinder the accumulation of "power" in the trademark as long as the strategic activities to increase product sales are interfered with in one way or another.

It has been revealed that trademarks have various functions including the function to communicate information through advertisement or by other means, the function of image building, and the function of investment. These functions depend on the existence of an essential function of the trademark (the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied.). Each of those non-essential functions could be damaged individually. If left unaddressed, such damage could spread from the damaged function to an essential function such as the distinction function. Therefore, when judging whether the use of a mark constitutes an infringement, the court shall take into consideration not only the distinction function and the source-indicating function but also other functions.

V In Closing

A history of trademarks shows that members of craft guilds in the middle ages affixed marks to their goods in order not to assist consumers to choose particular goods but to clearly indicate producer responsibility. The placement of such marks was obligatory. After the dissolution of guilds, craftsmen were given the freedom to choose their own trademarks and use them as

indicators of their goods. Currently, the function to distinguish the goods of the trademark holder from those of other parties or the function to indicate the source of the goods to which the mark is applied is considered to be an essential trademark function in Japan. History has shown that such currently accepted interpretation might change in the future. Economic and social changes will require readjustment of the scope of protection against an infringement by a third party. As mentioned in the discussion about cases in Europe, various trademark functions will be newly recognized. Consequently, the concept "use as a trademark" could hinder, rather than assist, judicial proceedings. In each trademark infringement case, the court should take into consideration various functions performed by the trademark and adopt a more flexible approach in judging the case.