

4 Utilization of Industrial Property Right System for Design-Centered Brand Building and Maintenance in Companies' Business Strategies^(*)

In a situation where Japan's competitiveness is sharply falling, the Industrial Structure Vision 2010 was prepared in order to break through the deadlock of the Japanese economy. The Industrial Structure Vision 2010 raised awareness of the issue that the business model of Japanese companies should be converted to succeed in both technology and business. There is a growing recognition that utilization of designs is important in order to win in business.

On the other hand, it has been pointed out that it is necessary to advance consideration on the strengthening of the protection of key concept designs and the effective application procedures in the case of promoting branding through a combination of multiple designs, in order to achieve design-based brand building and maintenance.

Therefore, we conducted this study for the purpose of considering the design system, which is effective for design-centered brand building and maintenance in companies' business strategies through comparison with other countries and other intellectual property right systems. We also aimed to compile the methods of strategically utilizing the design system, etc. and to prepare basic data to be used in considering measures.

I Introduction

1 Background and purpose of this study

As viewed from the perspective of the intellectual property strategies of Japanese companies, Japanese companies have come to adopt strategies in which they acquire and utilize rights for technology, appearance, and names, which are necessary for brand building and maintenance, in a complex manner, not only on the CI (corporate identity) level but also on the product and service level. Furthermore, there is a growing recognition that the utilization of designs is important in order to win in business.

On the other hand, the Report of Fiscal 2009 Survey on the Trends of Design Applications pointed out that it is necessary to advance consideration on the strengthening of the protection of key concept designs, which are continuously used, and the application procedures that are effective in the case of promoting branding through a combination of multiple designs, in order to achieve design-based brand building and maintenance. Moreover, the Expert Committee in the Intellectual Property Strategy Headquarters delved into the relationships

between business strategies and mixing of intellectual property rights (i.e., increasing the competitiveness of a company through a combination of design rights, patent rights, and trademark rights), and also pointed out that further discussions should be held on desirable industrial property rights.

Therefore, we conducted this study for the purpose of considering the design system, which is effective for design-centered brand building and maintenance in companies' business strategies. We also aimed to compile the methods of strategically utilizing the mixing of intellectual property rights and to prepare basic data to be used in considering measures.

2 Method of conducting this study

(1) Consideration at the committee

In order to achieve consideration, analysis, and advice regarding this study from the specialist perspective, a study committee was established consisting of people of learning and experience, patent attorneys, and intellectuals in industrial circles. The committee meeting was held three times in total.

^(*) This is an English translation of the summary of the report published under the Research Study Project on Issues with Industrial Property Rights System FY2010 entrusted by the Japan Patent Office. IIP is entirely responsible for any errors in expression or description of the translation. When any ambiguity is found in the English translation, the original Japanese text shall be prevailing.

(2) Survey on domestic and foreign documents

We gathered relevant information in and outside Japan with the aim of it being used by the committee as basic data in considering problems and as reference data in the domestic questionnaire survey and the domestic and overseas interview surveys.

(3) Domestic questionnaire survey

We conducted a relevant questionnaire survey, targeting about 300 companies in Japan.

We sent the following two types of questionnaires to all companies subject to the survey.

Questionnaire for persons in charge of intellectual property (in particular, design)

- A. Outline of the company
- B. Obtainment and exploitation of industrial property rights and requests for the design system
- C. Intellectual property strategy for the company's products for which the company has succeeded in brand building and maintenance (hit products)

Questionnaire for persons in charge of designing (persons in charge of development)

- D. Brand building and design activities
- E. Intellectual property strategy for the company's products for which the company has succeeded in brand building and maintenance (hit products)

(4) Domestic interview survey

We conducted an interview survey, targeting 30 companies within Japan.

(5) Overseas interview survey

We conducted an interview survey, targeting 12 foreign companies (those in the United States, Europe, and South Korea).

II Design System for Design-Centered Brand Building and Maintenance in Companies' Business Strategies

1 Situation in Japan

The current Design Act provides for the related design system as a way to protect key concept designs (minor changes and derivative designs). Under the related design system, an applicant for design registration may register, as a design that has an independent effect, a design

(related design) that is similar to another design (principal design) selected from the applicant's own designs for which an application for design registration has been filed if the filing date of the application for design registration of the related design is on or after the filing date of the application for design registration of the principal design and before the date when the design bulletin for the principal design is issued. The time restriction on the filing of applications for related designs is provided for on the grounds that it is absolutely appropriate to position applications for related designs as exceptions to prior application before a design bulletin for the principal design has been issued. On the other hand, there is a view that the time restriction should be relaxed so that applications for related designs will not be deemed to be violating the novelty requirement based on the principal design that has become publicly known, for a few years or during the duration of the right of the principal design even after the principal design has become publicly known through issuance of a design bulletin.

With regard to protection of multiple designs, some suggested considering the introduction of the single application for multiple designs system, although one application per design is the principle under the current Design Act and an application is subject to refusal if classifications of two or more articles are stated in parallel in the "article to the design" column in the application or if drawings of two or more articles are indicated.

2 Situation in other countries

(1) United States

As a way to protect multiple designs, it is stipulated that a design patent application shall include a claim for only one design, but may include multiple embodiments of a single design concept.

(2) Europe

As a way to protect multiple designs, applicants are allowed to submit up to seven drawing for one design. Applicants can describe the variations of a design in seven drawings within the scope of the design. In addition, as the single application for multiple designs system is adopted, applicants are allowed to include multiple designs that fall under the same class of the Locarno Classification in one application.

(3) South Korea

The scheduled partial revision of the South Korean Industrial Design Protection Act was announced on March 31, 2010, in steady response to the new needs of the industry, i.e., digitization and globalization. The content of the revision is supposed to radically change the conventional concept of design and the scope of design right, and seems to be intended to contribute to strengthening the international competitiveness of South Korean companies through a national effort to realize stronger design protection. This revision bill did not pass the National Assembly in the fall of 2010 (originally intended) due to vehement opposition by the Korean Patent Attorneys Association. However, it passed the National Assembly in April 2011, and is expected to be put in force in January 2012.

3 Results of the domestic questionnaire survey

(1) Obtainment and exploitation of industrial property rights

We asked persons in charge of intellectual property questions about (i) the number of persons in charge of the intellectual property department, (ii) searches on the designs of competing products and the design rights of competitors, etc. at the intellectual property department, (iii) strategies for design applications, (iv) exercises of rights and licensing with the use of design rights, (v) relationships between product planning/development and the design rights of other companies, and (vi) requests for the design system.

With regard to (vi) requests for the design system, we asked what time restriction on the filing of applications for related designs would be reasonable from the perspective of brand building and maintenance (Question B-26).

Out of 94 persons that answered the question, the largest portion, 45 persons (about 48%), selected "Current system (before the date when the design bulletin for the principal design is issued) is reasonable." Most of them cited "no problem with the current system" as a reason.

Sixteen (17%) selected "Applicants should be allowed to file applications for related designs for a certain period (X years) after the filing of an application for the principal design." As a reasonable "certain period," 10 answered "one year" while five answered "three years." The major reason for answering "one year" was that, under the current system, the time limit changes

depending on the length of the examination period and it is thus difficult to plan a schedule, rather than relaxation (extension) of the time restriction. On the other hand, the major reason for answering "three years" was that this length of time is necessary in consideration of the model change cycle of products.

Seven (about 7%) selected "Applicants should be allowed to file applications for related designs for a certain period (X years) after the date when the design bulletin for the principal design was issued." Among them, the major reason for answering "within two years from the date when the design bulletin for the principal design was issued" was that variations may increase after the design bulletin for the principal design was issued. The major reason for answering "three years or more after the date when the design bulletin for the principal design was issued" was that this length of time is necessary in consideration of the model change cycle of products.

Eighteen (about 19%) selected "Applicants should be allowed to file applications for related designs during the duration of the principal design," which will relax the time restriction most. The major reason was response to model changes and minor model changes.

In addition, we asked about problems with the current design system seen from the perspective of brand building and maintenance (Question B-28). A total of 89 answered the question, and the largest portion, specifically, 56 (about 63%), cited "It is necessary to take procedures with respect to each design (cost burden should be reduced through introduction of a system under which multiple similar designs can be included in one application (single application for multiple designs))."

(2) Brand building and design activities

We asked persons in charge of designing (mainly those in charge of designs) questions about (i) brand building, (ii) product design, (iii) designers' role in the product development process in consideration of brand building, (iv) maintenance of brand in making model changes and minor changes, and (v) products that are developed into overseas business.

In answer to a question about matters to which importance should be attached in terms of products themselves and handling of products in order to enhance the appeal of the products (Question D-5), more than 90% cited "function and performance" and "design," respectively.

In addition, in answer to a question about designs to which importance should be attached in brand building (Question D-6), a remarkably large portion cited “design of a product” (63 persons; about 86%) and “design of a group of products” (57 persons; about 78%).

In answer to a question of to which importance is more frequently attached in product development, technology development or design development (Question D-8), out of 70 persons who answered the question, about 79% (55 persons) selected “technology development” while about 21% (15 persons) selected “design development.”

In answer to a question about ingenuity exercised for design when making model changes or minor changes to a product in order to maintain the brand of the product established by prior products or to indicate that the product is of the same brand as prior products (Question D-18), many answered “continuing to use the design of a distinctive part in order to indicate that the product is the successor of prior products” (16 persons; about 38%) or “continuing to use the design of a part that is common to the products of the company” (13 persons; 31%).

4 Results of the domestic and overseas interview surveys

In the interview surveys, we also asked about requests for the design system.

With regard to the time restriction on the filing of applications for related designs, some companies considered that there was no problem with the current system (before the date when the design bulletin for the principal design is issued), for the reason that they are exercising ingenuity, such as utilization of partial designs at the time of initial filing. However, many companies requested relaxation of the time restriction (extension of the time limit) as it is impossible to respond to model changes and minor changes. In addition, there was an opinion that, as an application for the principal design is often filed immediately before the start of selling the relevant products, it is highly likely to become unable to use the related design system because of related designs ceasing to have novelty.

With regard to the single application for multiple designs system, multiple companies requested the introduction thereof from the perspective of reduction of cost burden. On the other hand, some companies requested the

introduction for the reason that it is advantageous if it is possible to determine whether to maintain rights in a lump sum. Incidentally, among companies that agree to the introduction of the single application for multiple designs system, some pointed out that there will remain doubts about whether right holders can exploit design rights in the same manner as where applications are filed with respect to each design. Others said that certain restrictions, such as allowing the filing of a single application only for designs that are within the scope of similarity, are necessary since the burden of monitoring and administration increases if it is allowed to file a single application for multiple dissimilar designs.

5 Summary

As it was revealed through the questionnaire and interview surveys conducted in this study, it is the case that there is a certain level of need for relaxation of the time restriction on the filing of applications for related designs and for the introduction of the single application for multiple designs system among companies that are the users of the design system. However, on the other hand, some of the companies that answered the questionnaire and interview are concerned about an increase in burden caused by the necessity of responding to other companies in the case where the relaxation and the introduction are implemented. It was also pointed out that if the system is changed very often, understanding the content of the changes becomes a burden and it takes time before getting accustomed to and making full use of the system.

Furthermore, in the interview survey, there was an opinion that there are the systems of secret designs, related designs, and partial designs under the current design system and that it is difficult to determine which system is effective though it is good that applicants can use those systems as needed. In addition, it was pointed out that “designs” seem to be less generally recognized compared to “patents.” In this manner, it cannot be said that understanding of the design system has sufficiently pervaded, and we can see the current situation in which users still cannot make full use of the system in many cases.

Therefore, it seems to be necessary to disseminate the methods of effectively utilizing the design system, in addition to continuously carrying forward the consideration of the design system for design-centered brand building and

maintenance, etc. In this regard, the JPO has been making efforts to disseminate the design system and introduce the utilization methods thereof by placing a video that introduces the design system and a manual for exploitation of design rights on its website. However, further efforts are desired.

III Methods of Strategically Utilizing the Design System and Mixing of Intellectual Property Rights

1 General consideration

The Fiscal 2009 Survey on the Trends of Design Applications, titled “Survey on Strategies for Filing Design Applications for Appealing Products and Promoting Services,” reports know-how of designing and key points of utilization of the design system with respect to each purpose of development, and also points out the importance of building a brand by robustly protecting designs through a combination of design rights with patent rights and trademark rights (mixing of intellectual property rights).

2 Relationships between business processes based on specific individual products and intellectual property rights

(1) Results of the domestic questionnaire survey

We requested the responding companies to select one existing product (hit product) for which they think that they have succeeded in design-centered brand building and maintenance, and asked persons in charge of intellectual property and persons in charge of designing, respectively, questions about (i) the relevant product, (ii) involvement of the intellectual property department and the department in charge of designing in each process of business for the relevant product, (iii) development of design of the relevant product, (iv) status of filing applications for industrial property rights for the relevant product, (v) model changes and minor changes to the relevant product, (vi) measures against counterfeit goods and goods similar to the relevant product, and (vii) the effect of the design adopted for the relevant product. Incidentally, we asked the companies to select a common product for both persons in charge of intellectual property and persons in charge of designing.

Answers to the questions about the degree of involvement of the intellectual property

department and the department in charge of designing in each process of business for the relevant product (Questions C-7 and E-7) revealed that the department in charge of designing is significantly involved in business processes from their initial stages while the intellectual property department is little involved in the initial stages of the processes.

In answer to a free-answer question about the advantages of the intellectual property department’s involvement in “consideration of product planning” and “decision of product planning” (targeting persons in charge of intellectual property who answered that they “got involved” at least in either process) (Question C-8), many cited “avoidance of the risk of infringing other companies’ intellectual property rights.” In addition, some cited “consideration of a design strategy” or “planning of a business strategy in consideration of the intellectual property power.” In addition, in answer to a question about the advantages of involvement of persons in charge of designing (targeting persons in charge of designing) (Question E-8), the persons in charge of designing cited “being skilled at analyzing user needs” and “making the product concept visible.”

In answer to a question about whether industrial property rights concerning the relevant product have had the effect of putting brakes on/preventing entry of other companies (targeting persons in charge of intellectual property) (Question C-32), more than half answered “yes.” In answer to a question about which industrial property right has had such effect (Question C-33), 90% cited “design right” and the percentage was higher than that for “patent right.”

(2) Results of the domestic interview survey

In the domestic interview survey, we had interviews about business processes from planning to selling (in particular, the design development process) and the involvement of the intellectual property department in the processes, focusing on the individual products of companies.

We analogized the status of strategic utilization of industrial property right systems (in particular, the design system) in business processes for individual products and typified it into the following six types based on the point to which particular attention is attached.

Type A: Making the scope of protection visible

- through utilization of partial designs and related designs
- Type B: Obtaining rights while focusing attention on the key points (distinctive parts) of product designs
- Type C: Obtaining rights for the entire appearance of products
- Type D: Obtaining rights early at the stage of conceiving product designs
- Type E: Obtaining rights (not only design rights but also patents, etc.) for product designs that express functions in a complex manner
- Type F: Using a common design for multiple products

(3) Results of the overseas interview survey

In the overseas interview survey, we had interviews about business processes from planning to selling (in particular, the design development process) and the involvement of the intellectual property department in the processes, focusing on the individual products of companies, in the same manner as the domestic interview survey.

3 Design-centered brand building and intellectual property activities of companies utilizing the design system (results of the domestic and overseas interview surveys)

(1) Strategies for filing applications for intellectual property rights

Many domestic companies decide the number of applications to file for design registration based on cost-effectiveness. Though the same is true of overseas companies, some overseas companies file many design applications, including those for designs that they do not work, while attaching more importance to strategies than costs, to prevent other companies from imitating their design concepts.

(2) Utilization of the related design system, partial design system, and secret design system

There were companies that utilize the related design system for the purpose of encompassing protection rather than point-like protection. There were also companies that file design applications with the aim of making it possible to widely develop designs for the brand in the future by strengthening rights through the

filing of applications for partial designs as needed, and companies that will think of filing applications for partial designs if a design that expresses the distinctive part of the company well was created for part of a product and the company decides to continue to use the design for a long period of time. However, many companies express their intention to make full use of the related design system and the partial design system in the future. For example, some companies stated that they have not obtained design rights in a net-like, or encompassing, manner through utilization of related designs and that the strategic obtainment of rights is a future task. Others stated that they intend to aim at multifaceted design protection in the future by utilizing related designs, partial designs, etc. though the intellectual property department is trying to obtain rights for final designs, that is, the whole designs of products on which the designs are worked (mass-produced products).

(3) Mixing of intellectual property rights

Many companies are implementing the mixing of intellectual property rights. For example, some companies are aiming at multifaceted protection, which is neither protection of only designs nor protection of only technologies, through utilization of patent rights, trademark rights, etc. as well as design rights. Other companies are making sure to protect products through a combination of patent rights and design rights, as it is difficult to protect products based only on design rights since the scope of similarity is sometimes unclear, though they think that design rights serve as a deterrent against infringement by counterfeit goods and are useful on the occasion of disputes.

(4) Involvement in business processes for products

With regard to the involvement of the intellectual property department (mainly persons in charge of designs) in business processes for products, the department is often involved in the processes for taking application procedures after a design is completed. For the stages prior to that, at many companies, the intellectual property department conducts search on other companies' rights upon special request from the design development department.

(5) Prior design search

There were companies where the division of roles between persons in charge of designing and

persons in charge of intellectual property is clear. For example, some companies make sure that it is not the creation department but rather the intellectual property department that conducts search on other companies' design rights as determination of similarity is difficult. At some other companies, persons in charge of designing conduct search on goods placed in competitors' catalogs and persons in charge of intellectual property conduct search on patent bulletins and design bulletins.

(6) Measures against counterfeit goods/similar goods

Many companies evaluated the effects of design rights. For example, some companies said that a design right was a strong weapon in exercising rights as infringement of a design right is clear in many cases. Some other companies said that they felt the effects of possessing design rights, as a business operator selling products that appear to counterfeit goods stops selling the goods immediately after receiving a letter of warning. However, there were also companies which stated that they did not think of taking any measures (including institution of a lawsuit and customs suspension) against counterfeit goods of their products in Japan based on design rights, as Japanese design rights are narrow in their scope and are thus difficult to exercise (however, the companies conduct negotiations between the parties as needed).

4 Summary

(1) Specific methods of exploiting design rights

Although the effects of design rights are not directly visible for the holders of design rights in many cases, design rights can be said to have the strong effect of putting brakes on/preventing entry of other companies.

It seems that many persons believe that design rights cannot protect the "scope in which they do not want other companies to manufacture products" and the "scope for which they do not want other companies to obtain rights," which they want to protect by design rights.

Example cases where a company exercises ingenuity in obtaining design rights, which were gathered through the interview, can be said to be cases where the company is taking actions to bridge the gap between the scope it ideally wants to protect by design rights and the scope that can actually be protected by design rights.

Therefore, it is considered necessary to disseminate examples of utilization of the design system, which were gathered through interviews, including "encompassing" protection by design rights, so that companies that are feeling a gap between the scope they ideally want to protect and the scope that can actually be protected can achieve ideal protection based on design rights. Moreover, it is desired that cases to be disseminated will be continuously gathered and enriched.

(2) Brand building using designs

According to the results of the interviews, there were companies which evaluated design rights as contributing to building product brands. In addition, it was pointed out in discussions at the committee that it is important that the intellectual property department prepares a design map (right map) at an early stage of business processes in order to build the company's own brand. In this manner, it can be said that intellectual property rights (in particular, design rights) and the intellectual property department play a very important role in companies' brand building.

On the other hand, according to the results of the domestic questionnaire survey, there was no major difference between technology development-oriented companies and design development-oriented companies in terms of the items to which importance should be attached to increase the appeal of products and designs, etc. to which importance should be attached in brand building. However, there was a difference between them in terms of the awareness of ingenuity in designs for brand maintenance. Although it is not necessarily clear how such difference in the awareness affects brand building by using designs, it is necessary to give consideration to this point in considering the design system from the perspective of brand building in the future.

In this regard, the committee pointed out as follows: it is conceivable, for example, to extend the duration of design rights in order to promote design-based brand building and maintenance; however, in that case, long-term monopolistic protection will be granted not only to designs that contribute to brand building but also to designs that are integral with and inseparable from functions that should be opened to the public after passing of a certain period of time in the same manner as inventions; therefore, it is necessary to note that negative effects may occur

thereby.

(3) Involvement of designers and persons in charge of intellectual property in product development

According to the questionnaire survey, the intellectual property department is little involved in the initial stage of business processes while the department in charge of designing is actively involved therein. On the other hand, there were cases in which persons in charge of intellectual property are involved in the initial stage of business processes not only for avoiding other companies' rights but also for considering the concept of product development. Furthermore, some cited, as the advantages of involvement of the intellectual property department in the initial stage of business processes, "consideration of a design strategy" or "consideration of a business strategy in consideration of intellectual property power" becoming possible.

Therefore, involvement of the intellectual property department in the initial stage of business processes can be said to be the way which many companies should aim for, though the form of involvement differs depending on the environment surrounding the company.

(4) Conclusion

It can be said that intellectual property rights (in particular, design rights) and the intellectual property department play a very important role in companies' brand building. In particular, involvement of the intellectual property department in the initial stage of business processes can be said to be the way which many companies should aim for, though the form of involvement differs depending on the environment surrounding the company.

Moreover, it is considered necessary to disseminate examples of utilization of the design system, which were gathered through interviews, including "encompassing" protection by design rights, so that companies that are feeling a gap between the scope they ideally want to protect and the scope that can actually be protected can achieve ideal protection based on design rights.

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