

## **CHAPTER 4. SYSTEMATIC POSITION OF THE TRADEMARK LAW**

### **I. The Trademark Law and other intangible property right laws**

#### **1. Law on Original Works and Law on Marks**

The Trademark Law is a subset of industrial property right law, and of the broader category intellectual property law (or intangible property law). Intellectual property law is defined as "the right or benefit of exclusive control over intangible things that are products of a person's mental activity."

Intellectual property can be roughly divided into two kinds. The first kind is the product of a creative activity. The second kind differs from the first because, although it is still a product of a person's creativity, it is a distinctive mark for industrial activity.

Some examples of a "product of a creative activity" may include the following: inventions; ideas; designs; and literature, science, art, and music, among others. The laws that regulate these items, respectively, include: the patent law; the Utility Model Law; the Design Law; and the Copyright Law, among others. These "products of creative activity" already have value during the time they are being produced under the each applicable law. Distinctive marks for industrial activity include: trademarks for goods; service marks; trade names; and marks or other indications the country of origin. Trademark Law regulates trademarks for goods and marks indicating country of origin. The Unfair Competition Prevention Law deals directly with service marks and also is used to protect marks indicating country of origin. The Commercial Law regulates and protects trade names. The value of these products of creative activity increases as consumer trust in the products associated with these marks grows. This trust is gained through use and advertisements that increase the customer base.

#### **2. The Industrial Law and Cultural Law**

Another perspective divides intangible property rights law into two categories: (1) laws purposely designed to contribute to the development of industry and (2) laws purposely designed to contribute to the development of culture.

The Industrial Property Rights Law is a law of the first type, with a goal of directly contributing to the development of industry. Copyright Law, is a law of the second type, with a goal of directly contributing to the development of intellectual culture. The subject matter of the Copyright Law has come to have a purpose of contributing to cultural industries in recent years; additionally, its relationship to the protection of computer software is strengthening. Fundamentally, however, Industrial Property Right Law has a purpose of advancing industries and the Copyright Law has a purpose of serving the intellectual and cultural development. Moreover, the Copyright Law has a greater weight on personal rights. The Trademark Law, as one type of industrial property law, belongs to the first category.

#### **3. The Statute of Monopolies and the Profit Sanctuary Law**

Another way to view industrial property rights law is to consider the level of protection granted by the various laws. There are two categories: 1) laws that establish a monopoly right, and 2) laws that merely grant an exclusive right or protect profit.

Industrial property laws that set out monopoly rights are: the Patent Law, the Utility Model Law, the Design Law, and the Trademark Law. The second category consists of laws that only grant exclusive rights, such as the Copyright Law. The Unfair Competition Prevention Law is a law that protects profit. With regard to the trademark right, when a person uses a trademark that is the same as or similar to a registered trademark without permission of the trademark right owner (or the holder of the exclusive right toward that trademark), that person will be unable to continue using the trademark due to the trademark holder's exclusive right. In comparison, when a person obtains a copyright for his artwork, he has no right to exclude another who happened to produce the same work of art by coincidence. In that case, both artists are granted copyrights independently, and two copyrights would attach to the same work of art. This is what is known as a "copyright approach."

Well-known unregistered trademarks are protected under the Unfair Competition Prevention Law as discussed earlier. However, just as with the above example of the two copyrights that attach simultaneously to the same work of art, there could be more than one well-known trademark existing at the same time, each as an independent well-known trademark, as long as they are in different and geographically distinct commercial markets.

The grant of a monopoly right means that even if a person, who has no knowledge of the patent right owner's patented invention or the trademark owner's registered trademark, creates something similar in good faith and uses it, he will still be prevented from using the patented invention or registering trademark without authorization. This is called the "patent approach." Trademarks are also approached this way. In contrast, the protection provided by the Profit Sanctuary Law is not the same as having a monopoly right. The Law merely grants the ability to stop a third party from using what is already someone else's.

#### **4. Summary**

To summarize, the Trademark Law belongs to "intellectual property law" (or Intangible Property Right Law). The Intangible Property Right Law can be roughly divided into the "Industrial Property Law" (in a broad sense) and the "Copyright Law." "Industrial Property Law" was explained by the Paris Convention. The "protection of industrial property rights concerned protection of patents, utility models, designs, trademarks, service marks, trade names, indications depicting a country of origin or a name of a country of origin, and prevention of unfair competition (art. 1-2)." The Convention also provided that "the term industrial property right is to be interpreted as broadly as possible, and used in connection with products not only of industry and commerce, but also of agriculture, the extractive industry, and manufactured or natural products (art. 1-3)." The term "Industrial Property Right," as used in the Customs Tariff Law, the Law on Export/Import Transactions and other laws on trade and treaties, is used broadly,

including know-how, trade names, marks depicting country of origin and origin names that are subject to the Unfair Competition Prevention Law.<sup>1</sup> The Trademark Law is not only a broadly construed industrial property right, but also considered a narrowly construed industrial property right. Generally, however, "industrial property right law" refers to the Patent Law, Utility Model Law, the Design Law, and the Trademark Law. They are also known as the "four laws" and are considered to be the narrowly construed industrial property right law. It is upon interpretation that the author will rely in this text.

Trademark Law belongs to the above-mentioned "narrowly construed industrial property right." However, it further reflects aspects of "Industrial Law," "Law on Marks" and "Law on the Monopoly Right."

## **5. The Law on Protection of Marks That Are Like Trademarks**

Trademark rights are rights concerning marks used in business. The following regulations protect marks (other than trademarks) used in business.

### **(1) Law on protection of marks for goods on container packaging**

Some examples of marks that can indicate the source of goods are: the shape of the good itself or the shape of the container, the packaging or color of the goods, business related documents, advertisements, and shapes and colors of signs. These marks are examples of indications for goods that can be protected if confusion exists under the Unfair Competition Prevention Law (article 2, paragraph 1, item 1), if they have become well-known. Moreover, famous marks can be protected even if there is no confusion.

### **(2) Law on protection of trade names and business marks**

A trade name is a name that a merchant uses in indicating his own business. Business names officially indicate the business or the enterprise itself. Business marks are mere symbols or designs (not names) that indicate a business. In Japan, trade names are mainly protected by the Commercial Law (the General Law and the Unfair Competition Prevention Law). Well-known business names and business marks are protected under the Unfair Competition Prevention Law.

### **(3) Law on protection of personal names**

When a person's name indicates a business, it is protected as a trade name or as a business name under the Unfair Competition Prevention Law. Original personal full names are protected by the name right, which is starting to become recognized. In one case, for example, a problem regarding under the Civil Law. In that case, the right of publishing publicity rights occurred when an expensive balloon was photographed and used in business without permission. However, the nature of such a problem is outside the

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<sup>1</sup> This is different from narrower interpretations, such as the Patent Law, the Utility Model Law, the Design Law and the Trademark Law.

scope of this book, and the author leaves the subject to the Revised Version of Outline on the Unfair Competition Prevention Law.

#### **(4) Law on protection of indications of geographic production or origin**

The term "geographic origin" can be used to mean two different things. First, the term can refer to the name of a place of origin that is famous and has inherent value. An example is Champagne, an alcoholic beverage from the Champagne region of France. Another example is Nada, known as "Nada-no-Ki Ippon," a kind of Japanese sake. With both examples, the locations have value as names of geographic origin by themselves. On the contrary, markings that indicate from where the clothing items emanate, such as "Made in China," "Made in Korea," or "Made in India," are merely indications of the source of manufacture.

A geographic name of origin may refer not only to the place of production known for the natural condition of the land that guarantees the quality of the product. From time to time it may also refer to the place where the product was collected or the port where the good was loaded, as seen in Nankin Rice and Port Cognac. The Unfair Competition Prevention Law protects such marks. The problems concerning indications of geographic origin are questions often raised in international treaties.

## **II. Unfair Competition Prevention Law and the Trademark Law**

### **1. The objectives of each system**

The Unfair Competition Prevention Law and the Trademark Law are two subparts of a larger legal category that can be called "business competition law." Business competition law is set in distinct contrast to anti-trust law, and these, together, form the existing economic order.

The Trademark Law uses "registration" as a procedural means of granting the trademark owner a fixed "monopoly right" to a trademark, and protecting his or her private interests.<sup>2</sup> The Trademark Law falls within the ambit of "Industrial Property Law," which uses the patent law, the traditional monopoly law, as a model.

Regarding the above, the Unfair Competition Prevention Law does not protect in the same way as does the "patent approach," but rather, by directly prohibiting acts of unfair competition. This encompasses the protection of well known indications ("indications" includes trademarks) and famous indications, which are typical targets of unfair competition. The result of the Law<sup>3</sup> is that well-known and famous trademarks are afforded rights that are almost just like monopoly rights. The legal character of the provision prohibiting typical unfair competition involving copying of well-known and famous indications is rather similar to that of copyright law. Therefore, if the well-

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<sup>2</sup> This is the so-called "patent approach" and indicates a patent-like protection means, but does not only refer to patent-like protection, but to the Utility Model Law, the Design Law, and the Trademark Law as well. This concept is discussed in greater detail, *supra*.

<sup>3</sup> The Unfair Competition Prevention Law works to "prohibit typical unfair competition involving copying of well known and famous indications."

known or famous trademark and the infringing indication are unrelated to one another, it may be possible for a number of well-known indications to co-exist<sup>4</sup>. This copyright-like protection also encompasses a protection method that is like the Unfair Competition Prevention Law.

The objective of a trademark "registration" is not a "means." The goal of the trademark law is to directly protect individual trademark rights, and indirectly contributes to the public good by protecting consumer interests. That is to say, trademark law's express purpose is to protect the "registered" trademark of a person who is using that mark in the competitive business. But through this protection, competitive business protected, benefiting society. (Article 1).

Both the Unfair Competition Law and the Trademark Law fall under the Business Competition Law, which developed out of the broad meaning of the Illegal Acts Law for the prevention of fraud. However, the legal effect of the Unfair Competition Prevention Law is slightly different from that set forth above. Whereas the Trademark Law is a monopoly law that eliminates trademark infringement by establishing "trademark rights as exclusive monopoly rights," the Unfair Competition and Prevention Law, more than the Trademark Law, intends to maintain fairness of the competitive business order by preventing confusion with indications such as legally beneficial trademarks, trade names, and surnames which have become well known or famous, or by encompassing and prohibiting "individually and fundamentally" unfair competitors who abuse the system. As a result, a phenomenon similar to that of a monopoly right was brought about for well known and famous indications.<sup>5</sup> This is a reflexive result in which acts of unfair business competition are suppressed regarding the legally beneficial well known or famous indication.

Regarding the territorial reach of the trademark right, and whether it extends nationally, the effect of protection of well known indications under the Unfair Competition Prevention Law is limited to the territorial scope forming the market presence.<sup>6</sup> (Supreme Court Decision April 6, 1960, Keisyu Vol. 14, No. 5, page 525, Sendai Kikuya v. Kikuya Case. In this case, there was the famous Kikuya, famous even in Osaka, but not in Sendai. Without looking at the merits of a different case, in the Jet Slim Clinic Case, the plaintiff was enjoined from using its mark in Shizuoka Prefecture, due to the fact that the defendant's mark was more famous (Tokyo High Court Decision, July 4, 1991. Chitekisyu Vol. 23, No. 2, page 555)). The effect of the protection of famous indications under Unfair Competition Prevention Law is similar, and because famous marks are by definition known nationally, it goes without saying that the right extends to the territorial scope forming the market presence, which is national. Moreover, relating to the type of business, the effect of protection of famous indications under the Unfair Competition Prevention Law is not limited to only the relevant trade, but extends to protection of marks in different fields. This method of protection comes under the "copyright approach," where the focus is "use" of an indication, unlike the "patent approach," where the focus is "registration." As a result, in regard to the protection of famous marks under the Unfair Competition Prevention Law, it can be

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<sup>4</sup> Refer, *supra*, to the "copyright approach."

<sup>5</sup> This is a relative monopoly right and is a metaphorical expression.

<sup>6</sup> I would footnote this parenthetical.

said that famous indications can be limited to the scope of the relevant trade forming market presence. The protection of famous marks that are extremely strong extends to every trade, but it should be understood that if the strength of the distinctiveness of a famous indication is not that strong, there will be a limitation on the scope of business areas to which the protection will extend. (Reference page 47 for a discussion of what is meant by strong indication).

## **2. The relationship of the Trademark Law and the Unfair Competition Prevention Law**

We have already discussed the fact that the Unfair Competition Prevention Law and the Trademark Law both form a part of business competition law. It is important to remember that the Unfair Competition Prevention Law and the Trademark Law are both self-sufficient and complete laws, and, as a result, it is not appropriate to expend too much energy trying to decide which to apply to a legal relationship. Both laws, while differing in the legal perspective, frequently overlap in application. For example, it is not appropriate to imagine that the Unfair Competition Prevention Law is applicable only to protection of unregistered marks. (Long ago, it was theorized that the Unfair Competition Prevention Law was only applicable to unregistered marks, but nowadays, there are precedents acknowledging overlapping application. Osaka High Court Decision August 27, 1963, Kamin-syu, Vol. 14, No. 8, page 1610, and Tokyo High Court Decision, April 28, 1970, Mutai-syu, Vol. 2, No. 1, page 213 (acknowledging that application of the laws can overlap in precedent and common explanation). Additionally, there are many other cases, including many Supreme Court cases that indirectly support the contention).

It is not the kind of question that can be answered in one glance, like whether a trademark is registered or not. As a practical matter, it is very often the case that the situation is not clear even when it is known whether a trademark is registered or not. For example, a trademark may be registered, designating goods or services, but frequently it is unclear in which classes the goods or services belong. (For example, would a sewing set for cutting cloth and creating clothes by merely sewing be classified as "woven material" or "clothing." If we cannot decide which, then what class should we use in an application?). In particular, this is often the case with new products. (For example, when the first music tape was filed as a good, the applicant corporation must have been confused as to whether to register the mark in the class for tape or in the class for records. Further, even recently, discs with software input are registered in many different classes). Moreover, goods change based on the era, and one good that is the subject matter of one class might be moved to another class. For example, it is often the case that there is the problem of whether a good classified in one class in the Taisei Era should be classified in the same class as usual if it uses the same product name as those days, but is a new product of the modern era. (For example, in which class of Tsukigoromo would a novel clothing article like the recent "new mode shirt" belong.)

Furthermore, the question of what is a similar trademark, and the question of to what structural sphere we can go to define a similar trademark, and the question of where we draw the line on the degree of similarity, are all unclear. Even if the letters are displayed on an infringer's sign, pamphlet, or name card, etc., such letters form a

trademark if related to the goods or services, and not a trademark if not related. Fundamentally, case precedent is also varied.

In such a situation, the decision to protect a trademark under the Trademark Law or an indication under the Unfair Competition Prevention Law, may require inquiry into whether the potentially infringing mark is unregistered or not. When the decision has been made, it is meaningless to try to bring another suit under the law that is not initially used. Furthermore, traditionally, under current trademark law, trademarks are visible things, and audible use of trademarks should not fall into the category of trademark use. For example, even if a two-dimensional mark appeared on the television screen, when the mark is only expressed by sound, not expressed visibly, like in the case of oral advertisements on the street, or radio advertisements, this theory would say that such use is not trademark use. (Conversely, under the infringement doctrine, vocal use injures trademark value, and such use is infringement). Under the recent changes in the Trademark Law under the 1996 revision, vocal use of marks was included along with the inclusion of three-dimensional marks. Consequently, now, when the interpretation is made that the Trademark Law does not apply to such marks, such arguments are usually thrown out. Under the Unfair Competition Prevention Law, because there is no inquiry into whether an indication is registered or not, when a suit is brought under the Unfair Competition Prevention Law, this question does not arise.

### **3. Exercise of Trademark Rights and the Unfair Competition Prevention Law**

As for the exercise of Trademark rights, Section 6 of the old Unfair Competition Prevention law (hereinafter referred to as "Old Section 6") was not applied to the "acts regarded as the exercise of the right," according to the Trademark Law. Accordingly, it was defined that the actions falling under Items 1 and 2 of article 1 paragraph 1 of the old Unfair Competition Prevention Law (as well as the actions falling under article 1, paragraphs 1 to 3 of the Old Unfair Competition Prevention Law) did not come under unfair competition acts.

Therefore, the relation between the Trademark Law and the Unfair Competition Prevention Law has always been a subject of discussion on whether or not rights under the Trademark Law are "allowed as actionable rights" in an injunction lawsuit brought under the exceptional provision of the old Unfair Competition Prevention Law.

Old Section 6 was repealed by the 1993 legal reform of the Unfair Competition Prevention Law. As a result, rights of claims based on the Unfair Competition Prevention Law and the Trademark Law compete with one another. Accordingly, it has become more important to make the relationship clear.

#### **(1) Circumstances of Legislation**

From the viewpoint of history, the reason for enacting Old Section 6 was based on the perceived importance of registrations, i.e., a right of action established by a governmental grant (registration) should be protected. Abstractly, the Unfair Competition Prevention Law was drafted so as not to exceed the Trademark Law.

Fundamentally, first, the trademark right should be respected because the right was approved through examination procedures. Second, it is not appropriate to regulate the right under the Unfair Competition Prevention Law without invalidation or cancellation procedures, because the right is approved by the government.

The deletion of Section 6, without invalidation or cancellation procedures of the trademark right, has made it possible to directly regulate an action of a registered trademark right under the Unfair Competition Prevention Law. (However, the Trademark Law was not amended, and therefore the right to use trademark by virtue of prior use under Section 32 of the Trademark Law is still limited to a passive right of refutation).

The formal explanation stated: "while the trademark right is an exclusive right, the Unfair Competition Prevention Law merely protects factual benefits. Therefore, the Trademark Law does not always take priority over the Unfair Competition Prevention Law." The Unfair Competition Prevention Law was therefore amended, and as one legislator recognized: "The adjustment between the benefits of both the laws is performed under such a general principal that an improper use of right is not allowed. Therefore, in the case where an action is considered as a proper action based on an Industrial Property Right, the case should be treated the same as in the past" (Report dated December 14, 1992, p.44, issued by Sangyou Kouzou Singikai Titekizaisan Seisakubukai).

## **(2) Influence of the deletion**

However, under the Old Law, there was a debate about Old Section 6. According to Professor Toyosaki, the priority relationship between a registered trademark and a well known trademark is determined based on the timing, that is, when the former application was filed and when the latter became well known (Tohosaki, Industrial Property Rights on page 473; Year Report (1) entitled "Mixture of Protections of Trademarks and Tradenames" issued by the law department of Gakusyuuin University, p. 82; Industrial Property Right Handbook p.419). In contrast, Professor Shibuya argues that Professor Toyosaki's opinion is considered to only be applicable at the legislative stage because of the existence of Old Section 6. He further argues that a well known indication can be classified as first, an indication meeting the criteria for a well-known mark as defined by Item 10 of paragraph 1 of article 4 of the Trademark Law, second, an indication based on the right to use a trademark by virtue of prior use and third, an indication that does not have the benefit of prior use. The priority relationship between a registered trademark and a well known trademark should be determined based on whether or not the trademark registration was made based on an illegal registration with objective and substantive defects (see Shibuya, p.296). Due to the deletion of Old Section 6, at least, the adjustment proposed by Professor Shibuya under Old Section 6 became the actual practice.

In cases of brand or mark confusion, it is possible that a person having a well known indication could file an injunction against a person using a registered trademark based on the Unfair Competition Prevention Law. Here, the issues of priority and region and the issue of the right to petition for the prevention of confusion may be important

matters for a dispute solution.

A person who owned a well known trademark called Hataserukana "Tateyama," which was well known in respect of Japanese sake in Toyama Prefecture, was allowed to enjoin the sale of Japanese sake called "Echino Tateyama," (a registered trademark) under Item 1 of paragraph 1 of article 2 of the Unfair Competition Prevention Law (Toyama District Court, Report No. 288-8683 dated August 12, 1996). The decision was reached at the High Court without careful discussion of the abuse of rights (Nagoya High Court Kanazawa branch, Report No. 288-8681 dated March 19, 1997). Further, at a trial at the court of final appeal, the decision was upheld by a so-called "model precedent" decision (Supreme Court Report No. 288-86254 dated December 18, 1998). Thus, the Unfair Competition Prevention Law is slowly being established as setting precedent.

### **(3) Position of a person having a non-registered trademark in the registration system**

Under the registration system, a trademark right is created by registration. The trademark right allows the registered trademark owner (hereinafter referred to as "X") to exclusively use the registered trademark (hereinafter referred to as "A") and has superior rights in many cases of conflicting trademarks.

A more problematic circumstance is found, however, in the case where a trademark user (hereinafter referred to as "Y") was using an established trademark A in good faith, without limiting the effect of the registered trademark right. By allowing X to prevent Y's use of the mark A, the goodwill of Y in respect to the trademark A would be captured by X, an unfair result. In an attempt to create an equitable solution, the laws attempt to balance the rights of both X and Y. Two considerations are paramount: first, what conditions are required to allow the right of Y to continuously use the mark by virtue of prior use (article 32 of the Trademark Law) and second, what conditions are required to grant the registered trademark owner X an injunction against the acts of confusion of the person Y (paragraph 1 of article 3 of the Unfair Competition Prevention Law). That is to say, when the benefits to X and Y are compared, it should be determined whether or not it is appropriate to make an exception and deny the rights the trademark owner acquired under the first-to-file registration system.

Suppose an injunction is entered under the Unfair Competition Prevention Law against the applicant X after registration, because applicant X had filed the application while fully aware of Y's use of the trademark A? In this case, it would be considered fair that protection was afforded to Y based on Y's prior use. The protection of a mere mark user, such as Y, in contrast to an applicant for a registered mark, such as X, may differ depending on the status of use of the trademark A by X and Y and the status of whether the mark A used by Y is well known or not.

### **(4) Position of the prior user against the trademark right owner**

Under a registration-based system, a person who merely uses a trademark (hereinafter, "A") prior to a filing of an application by another will not have any relief based on

merely the fact of use, due to the need to stabilize registered trademark rights.

Because of Y's prior use or A, the Unfair Competition Prevention Law prevents registration of a conflicting trademark A when Y's trademark A becomes well known. This is one effect of the abolition of the Old Section 6. There is significant debate as to whether this is still the case under the new law. Even under the Old Law, the position or right of the non-registered, well known trademark owner was strongly debated (see Pater by Toyosaki & Shibuya). Accordingly, the trademark owner X who filed a trademark application with knowledge of Y's use of the mark was prohibited from exercising his right only when he abused his rights. However, due to the deletion of Old Section 6, the owner was now prohibited from exercising his rights even if he did not know of Y's use and was not considered to be abusing his rights.

According to judicial precedents in Japan, courts have traditionally been truly faithful to the concept of the registration system. Where a registrant under the first-to-file system has priority over another trademark user, the registrant will prevail if he has not abused his rights, even if he acted in bad faith or the registration was obtained in order to obtain the other person's clients. More recently, however, the situation has changed. There is a possibility that use of a well known trademark and a registered trademark may co-exist and compete with each other. Although the Report on the amendment of the Unfair Competition Prevention Law states that there is no change in the law as a result of the deletion, due to the deletion of Old Section 6, the problem on how to balance mark registrants and mere users will become more important. Since the timing and the content of the phrase "widely recognized" in each law is different, the term should be applied to the respective Laws differently, because the purpose of Section 32 of the Trademark Law and the Item 1 of paragraph 1 of article 2 the Unfair Competition Prevention Law are different from each other.

Comparative law discussions find that provisions such as Old Section 6 are rather exceptional ones from the international point of view. Even if there had been no provision such as Old Section 6, it is likely that the trademark legal order would have been stabilized by an accumulation of judicial precedent. Because Old Section 6 was omitted after the fact, however, the ramifications of its deletion should have been sufficiently discussed. As of today, the law is scattered and there is confusion regarding the presumption of the effect of the trademark right.