

CHARTER 6. OWNERSHIP OF TRADEMARK RIGHTS

Section 1 Owner of Trademark Rights

I. Requirements for Ownership (Right Capacity)

1. Natural Person and Artificial Person

The owner of trademark rights must be a person with "right capacity." A person with right capacity can be a natural person or an artificial person. The right capacity of an artificial person is declared in its articles of incorporation or acts of foundation, though the scope may be widely interpreted. Right capacity is not given to "unincorporated associations or foundations". (See Copyrights Law, Article 2, Paragraph 6).

2. Foreign Nationals

(1) Purpose

With the rise of an international culture, in many cases foreign nationals receive the same right capacity as do local nationals. This conforms to the ideal theory that both local and foreign nationals should be equally treated. In most countries, however, the practice is to give foreign nationals limited right capacity. As a result, Articles 2 and 3 of the Paris Treaty have provisions to hold member states as closely as possible to this ideal.

Unless otherwise provided in treaties or other similar agreements (Article 77 Paragraph 3; Patent Law Article 25 Item 3), foreign nationals with their domicile or residence in Japan (in the case of artificial person, sales offices) are permitted to enjoy trademark rights and other rights concerning marks (Article 77 Paragraph 3; Civil Code Article 2; Patent Law Article 25).

(2) Definitions

"Domicile" means a person's principal place of living, while "residence" means a place where a person lives for a considerably long period of time. A "residence" implies a length of living time that is not so long as that of a domicile. A "sales office" refers to a base of sales activity. Sales office must be authentic and real (Article 3 of Paris Treaty; Yoshiwara, page 65).

"Non-resident foreign nationals" are granted right capacity based on reciprocity in the following cases.

(1) Japanese nationals are granted right capacity in a country of non-resident foreign nationals under the same conditions as those of its own nationals. (See Patent Law Article 25 Item 1)

(2) If Japan permits such non-resident foreign nationals to enjoy trademark rights, Japanese nationals will also be granted right capacity under the same conditions as those of its own nationals. (Same, Item 2)

"Member State Nationals" and the Paris Treaty are granted the same right capacity as inland nationals. (Paragraph 1, Article 2 of Paris Treaty). The grant must not be conditioned on having inland residence. (Same, Paragraph 2)

A person who has his domicile or sales office in any member state is deemed a member state national (quasi-member state national as defined in Article 3 of Paris Treaty) and is granted right capacity because such person contributes to local industry of the member state.

A person without any nationality is also deemed a "foreign national" under Article 25 of the Patent Law (Article 77 Paragraph 3). (Yoshiwara, page 68). A person without a nationality is classified as a national of nonmember state under Article 3 of Paris Treaty. (Yoshiwara, page 68).

II. Qualification of Ownership

A person who uses a mark with respect to products or services in the course of his own business may apply for trademark registration. The text of Article 3, Paragraph 1 of the Trademark Law indirectly indicates the existence of this right. Application for trademark registration is permitted to not only "a mark that is used with respect to products or services" but also "a mark that is intended to be used." Such a mark must truly be scheduled for use. (Daihan, Oct. 9, 1917, Minroku No. 23, p 1551). This is because business start-up requires a certain period of time for preparation; therefore, it is reasonable to obtain registration of the proposed mark before actually starting the business. However, it is illegal to register or retain a trademark without use beyond a specified period of time.

The owner of a mark can apply for trademark registration for use with its own products or services but not a trademark registration for use by other people (Yoshiwara and Takahashi, page 63). It is illegal to obtain trademark registration just for the purpose of granting the license to use the mark, such as a trademark license broker. The fact that a licensee licenses a trademark for use with its own products or services does not qualify the licensor as the trademark owner under current laws if the licensor is merely engaging in trademark licensing as a business.

A collective mark is to be used not by an organization itself but for the use by its members. Paragraph 2 (1) of Article 7 of the Paris Treaty secures registration rights and, subsequently, protection for collective marks. When the collective mark system (provided in Article 27 and thereafter in the former Trademark Law) was repealed, several problems surfaced, causing its revival in the revised Law of 1996. This will be described in detail in Paragraph III below.

Neither a trademark owner whose registration was cancelled because of its alleged misleading or confusing acts (Article 51 Paragraph 2, and Article 52(2) Paragraph 2) nor a trademark owner/licensee whose registration was canceled because of misleading or confusing acts by the licensee (Article 53 Paragraph 2) may obtain registration for the mark or a similar mark for the designated products or services or similar products or services for five years after the cancellation.

III. Collective Marks

A collective mark refers to marks that are to be used by members of an organization that is composed of members doing business. A collective mark indicates that products or services to which the mark is applied originate from members of the organization; it is not intended to disclose individual sources.

The former Law (1921) expressly provided for a collective mark system. The provision was deleted in the 1959 revision because collective marks can be substantially protected as ordinary trademarks through the licensing system. Nevertheless, the revised law of 1996 expressly revived the collective mark system. The revival was implemented in part because collective marks are different from ordinary trademarks in their character, and in part because the Trademark Law in today's international marketplace should be in harmony with other industrialized countries, all of which have

collective mark systems.

(1) Collective Marks

Collective marks are no different from trademarks; therefore, provisions relating to trademarks are applied to collective marks.

(a) Requirements for Registration

An incorporated association or business cooperation organized under the provision of Article 34 of the Civil Code or other partnership organized under other special legislation (excluding unincorporated entity) may obtain trademark registration for collective marks to be used by its members. (Article 7 Paragraph 1).

The applicant for registration of the trademark is required to submit documents evidencing that it is an artificial person coming under the provision of Article 7 Paragraph 1. (Article 7 Paragraph 3).

Another requirement is that the collective mark for which the trademark application is being filed must be used by members of the organization. (Article 7 Paragraph 2). The examination of collective marks is described in the "Operational Policy for Examination of Collective Marks".

(b) Conversion of Application

An applicant for a collective mark registration can convert its application to an ordinary trademark registration or vice versa. If an application is so converted, the converted application is deemed to have been filed at the time the original application was filed, and the original application is deemed to have been withdrawn. Applications may not be converted after an assessment or decision was made. (Article 11)

(c) Rights of Members of Incorporated Organization

Any member of an incorporated organization has the right to use the registered collective mark of the organization together with its designated products or services, as specified by the organization. There is no need for a member to sign a separate licensing agreement. (Article 31(2) Paragraph 1). Only members have the right to use registered mark; no member has a right to prohibit the use of the registered mark by a third party.

If a collective mark carries with it an exclusive right of use, an individual member is not authorized to be the exclusive user of the registered mark. (Proviso clause in Article 31(2) Paragraph 1).

Often, organizations will internally limit the use of collective marks to products and services that meet specific quality standards. In such cases, the use of collective marks together with items not meeting such standards is not permitted because it is the use "not designated by the organization". (Article 31 (2) Paragraph 1).

The rights of members may not be transferred. (Article 31 (2) Paragraph 2).

Some problems arise when, although users of a collective mark are not ordinary licensees, membership rights that are similar to ordinary licenses are subject to the provisions that are applicable to the ordinary right of use. For example, members are treated as ordinary licensees with respect to the application of the following provisions: Article 24(4) (Notice Claim for the Prevention of Confusion in Relation to Transfer of Trademark Rights), Article 29 (Relationships to the Patent Rights of others), Article 50 (Trial for Cancellation of Registered Trademarks), Article 52(2) (Illegally Transferred

Trademarks and Trial for Cancellation), Article 53 (Illegality of Licensee and Trial for Cancellation), and Article 73 (Notice of Registered Trademarks). (Article 31(2) Paragraph 3).

Additionally, Article 33 Paragraph 1 Item 3 applies to collective marks in trials for invalidation. (Article 31(2) Paragraph 4)

(d) Transfer of Trademark Rights Relating to Collective Marks

Generally, trademark rights, including those relating to collective marks, are freely transferable, except in cases under Article 24(2) Paragraph 2 (Prohibition of Transfer of Trademark Rights by Central or Local Governments or Non-profit Public Organizations) and Paragraph 3 (Prohibition Transfer of Trademark Rights by Non-profit Public Organizations Not Accompanied by the Transfer of Business).

As a result, there is a possibility that a person who is qualified to obtain collective mark registration could transfer the mark to a person who cannot obtain such registration or to a person who is not an artificial person under Article 7 Paragraph 1 (hereinafter called "Public Interest Corporation, including corporations aggregate organized under Civil Code Article 34). It is also possible for the owner of a collective mark to transfer it to a person who is an artificial person under Article 7 Paragraph 1 but who tries to use the registered trademark as an ordinary mark, not as collective mark.

Therefore, when a collective mark is transferred, the transferee is required to submit a document describing that a collective mark is being transferred and a certificate evidencing that the transferee is qualified to transfer the mark (a certificate to show that the person is a public interest corporation) when the application for transfer is registered with the Director General of the Patent Office. If this requirement is not met, the transfer of collective mark rights is deemed to have been converted to the transfer of ordinary trademark rights. (Article 24(3)).

(2) Transitional Action

The Paris Treaty imposes an obligation on its member states to legalize and protect the registration of collective marks. Before the 1996 revision, the general view was that collective marks were protected by the licensing system. The collective marks rights under the 1959 Law viewed the collective marks registered under the previous Law (1921) to be created under the new Law; applications for collective mark registration were protected as applications for trademark registration according to the Enforcement Law for the Trademark Law.

Therefore, the trademark registration applications made and trademarks actually registered before the revised Law of 1996 are considered to include applications for collective mark registration and registered collective marks. Article 5 of the Supplementary Provisions of the revised Law of 1996 provides for the following transitional actions.

(a) Conversion of Trademarks Applied For or Registered before Enforcement of the New Law to Collective Marks:

If the owner of trademark applications or registered marks pending before the Patent Office or issued as of the effective date of the 1996 revision is an artificial person under Article 7 Paragraph 1 (an incorporated association organized under Article 34, Civil Code), such trademark applications or registered trademarks can be converted to collective mark applications or registered collective marks, if the owner applies for the

conversion within one year after the date of the effective date of the Law. (Revised Supplementary Provisions Article 5 Paragraph 1).

(b) Relations between Overlapping Registration of Trademarks for Services and Rights of Organization Members:

The 1991 revision of the Trademark Law addressed the adoption of the service mark system and provided for overlapping registration of trademarks for services.

Because of the changes in the law described above, it is possible that trademarks under overlapping registrations that are converted to collective marks would then be used by association members. Therefore, in the application for adjustment for overlapping registrations, the members are treated as ordinary licensees under the supplementary provisions of the revised Law of 1991 in order to make clear that the adjustment will be applied to the members,. (Revised Supplementary Provisions Article 5 Paragraphs 3 and 4).

Section 2 Joint Ownership

I. Joint Ownership of Trademark Rights

1. Joint Ownership of Trademark Rights

Trademark rights can be an object of joint ownership. (Article 35, Patent Law Article 73 Paragraph 2). Joint ownership is practical in the case of tangible objects. In the case of trademark rights, however, it is a quasi joint ownership because trademark rights are intangible. Unless otherwise provided, the joint ownership of trademark rights is governed by the provisions about joint ownership in the Civil Code. (Civil Code Article 264).

Because it is intangible, a trademark can be fully used in theory by any joint owners regardless of the amounts of their interest in ownership.

Unless otherwise agreed on, for example in a contract, any joint owner can use the trademark without consent of the other joint owners. (Article 35, Patent Law 73 Paragraph 2). Therefore, the economic value of the trademark is heavily dependent on the individual joint owners.

The balance of financial interests in the joint ownership is an important consideration when allocating assignment or licensing fees from a trademark to the joint owners. That balance will also be helpful in determining shares obligations such as registration fees and maintenance fees for the rights. Unless otherwise provided for in contract, interests of ownership are presumed to be equal for all joint owners. (Civil Code Article 250). If ownership interests are specified in a joint ownership contract, the details thereof should be recorded in reports or notices to public offices, including registrations and other applications or inheritances. (Trademark Law Enforcement Rules Article 22 Paragraph 4, Patent Law Enforcement Rules Article 27, Trademark Registration Law Article 10, Patent Registration Law Article 33).

2. Use and Claim for Division of Trademarks by Joint Owners

The ownership of joint owners does not cover merely a part of a trademark. The interest of each joint owner extends to the whole of the trademark. This right to use the trademark as a whole arises from the intangibility of trademarks.

Each joint owner of trademark rights is authorized to use the trademark as a whole, regardless of its interest in the ownership, without any consent of the other joint

owners, unless otherwise provided for in contract. (Article 35, Patent Law Article 73 Paragraph 2). However, some critics opine that this joint use should require that the use not mislead the public and not be in conflict with the public interest (i.e., confusion should not arise about the sources of products). (Paris Treaty Article 5C(3), Toyosaki page 423; Montani 50 kou, page 126).

One restriction on jointly owned marks is that any joint owner can claim division of the mark because joint holding of a mark is not the purpose of joint ownership. (Civil Code Articles 264 and 256. Toyosaki page 265; Montani 50 kou, page 49. Also see Copyrights Law Enforcement Order Article 31 Paragraph 2). However, because trademarks are intangible, it is impossible to have a division of interests in kind (one exception is where the mark can be divided along designated products or services [Article 24 Paragraph 1]). Because there is a prohibition against assigning interests in a joint ownership, the individual owners may not sell or auction their interests. However, interests may be voluntarily sold at auction if joint owners consent; compensation to one or more owners may also be paid after evaluation of the worth of the mark.

3. Assigning or Pledging the Interests of Joint Owners

Each joint owner is free to use his mark(s) as a whole regardless of the amounts of his interest in ownership. Therefore, with respect to the use (or granting an exclusive right of use or licensing an ordinary right of use) of registered marks, joint owners are materially interested in each other on a personal basis. If trademark rights are jointly owned, no joint owner may assign or pledge his interests in the rights without the consent of other joint owners. (Article 35, Patent Law Article 73 Paragraph 1). As a result, interests cannot be attached either.

4. Licensing of Exclusive or Ordinary Right of Use by Joint Owners

Both exclusive and ordinary usage rights are do not change when used by either joint owners or other (external) persons. Therefore, no joint owner may establish its own exclusive right of use or grant any ordinary right of use for trademark rights to any other persons. (Patent Law Article 73 Paragraph 3). A person who is not a joint owner who uses the trademark rights pursuant to a license granted in violation of this provision is infringing the rights of other joint owners. (Supreme Court Decision of December 24, 1974, Sokuho 64 No. 1525; Akita Division of Sendai High Court Decision of December 19, 1973, Sokuho 64 No. 1518; Akita District Court Decision of February 7, 1972, Mutaishu Vol. 4, No. 1 page 19).

II. Joint Ownership and the Exclusive Right of Use

1. Assignment and Pledging of Interests

If the right to exclusively use a mark is jointly owned, no joint owner may assign or pledge its interests in exclusive right of use without consent of the other joint owners. (Article 30 Paragraph 4, Patent Law Article 73 Paragraph 1, Article 77 Paragraph 5). Because of the nature of trademarks, this provision does not refer to partial use based on interests. This is based on idea that if the right to exclusively use a mark is jointly owned, each joint owner may, unless other wise provided in contract, fully use the registered mark without consent of the other joint owners and regardless of the ratios of its interests. (Article 30 Paragraph 4, Patent Law Article 73 Paragraph 2, Article 77 Paragraph 5).

2. Grant of License

If the right to exclusively use a mark is jointly owned, no joint owner may grant an ordinary license of its exclusive right of use to any other persons without consent of the other joint owners. (Article 30 Paragraph 4, Patent Law Article 73 Paragraph 2, Article 77 Paragraph 5). The rationale for this is the same as described above.

III. Joint Ownership of the Ordinary Right of Use

If the ordinary right to use mark is jointly owned, no joint owner may assign or pledge its interests without consent of the other joint owners. To do otherwise could cause the other joint owners to suffer unexpected damage. Each joint owner with ordinary usage rights is authorized to fully use the marks. As a result, each person who jointly owns ordinary rights of use in a mark may not assign or pledge his interests therein without the consent of the other joint owners, as in the case of joint ownership of trademark rights. (Article 31 Paragraph 4, Patent Law Article 73 Paragraph 1).

IV. Exercise of Trademark Rights in Joint Ownership

Typically, in litigation, trademark rights in joint ownership would be exercised by all joint owners as a party. In contrast, a motion to enjoin the infringement of trademark rights in joint ownership may be filed separately; based on the trademark rights in joint ownership, each joint owner may act to preserve the jointly owned trademarks. (Proviso clause in Civil Code Article 252). Additionally, claims for damages can also be filed separately by each joint owner. (Osaka High Court Decision of January 22, 1965, Minshu Vol. 16, No. 1, page 63; Montani 50 kou, page 126). In this case, the court said that a joint owner can claim damages according to its interests in joint ownership. (See Copyrights Law Article 117. Another opinion says that a joint owner can claim whole damages).

In the case of a trial regarding trademark rights in joint ownership, the trial must be jointly requested by all joint owners as plaintiffs. On the other hand, if such trial is requested against one or more joint owners, all joint owners will be defendants. (Article 56 Paragraph 1; Patent Law Article 132 Paragraphs 2 and 3). In action of annulment of the trial decision, it is understood that all joint owners should act as plaintiffs or defendants in the particular joint action as required. (Supreme Court Decision of August 31, 1961, Minshu Vol. 15, No. 7, page 2040 and accepted theory, and Naoto Komuro, Tokkyo Hyakusen [first edition] page 110, claim that it should be similar joint action required).