

## **CHAPTER 8. DISPOSAL OF TRADEMARK RIGHTS (Transfer of Trademark Rights)**

### **I. Separation from Business Operation**

#### **1. Trademark Rights and Business**

Consumers perceive trademarks as being associated with the persons using the trademarks. The former Trademark Law considered trademarks to be inseparable from business, and therefore the law approved the transfer of trademarks only together with a transfer of the relevant business in order to avoid confusion over the source of goods and services or misconception of the quality of goods (Former Trademark Law, Section 12 (1)).

However, in practice, enterprises needed to be able to transfer trademarks alone in their business activities. As both production and consumption increased, greater importance was attached to the function of trademarks to guarantee the quality of goods and services by indicating their source. For this reason, the application of this regulation was not strictly enforced. Initially, the business associated with a trademark was regarded as being a specific or actual business activity. However, afterwards, business under the Trademark Law came to be regarded as something non-physical, existing for the designation covered by the trademark right; that is, conceptual business, or the status of a person doing the business, or the person's inward intention of doing the business (Vol. 18, Daishinin (former Supreme Court), Minshu, p. 261, Mar. 29, 1931; Vol. 6, No. 4, Tokyo District Court, p. 718, Apr. 15, 1955). The transfer of a trademark was approved with only a written business transfer certificate attached, and no substantive examination was conducted. Internationally, trademarks have been considered separable from business in an increasing number of cases, and this trend has begun to allow the use of transferred trademarks.

#### **2. Separation From Business**

In light of these circumstances, the current Trademark Law permits the transfer of trademark rights independently from business. This provision of the Law has made the nature of trademark rights more proprietary (Toshin Report No. 13 (1); The New German Trademark Law of 1995 also provides for the transfer of trademarks separately from business).

Even if trademarks are transferable separately from business, the transfer of a famous trademark is accompanied by the transfer of the reputation of the goods covered by the trademark, and consumers' recognition cannot immediately be directed to a new source.

The controversy over whether the transfer of a trademark is separable from business may never be concluded; however, the current Law has too strictly separated the transfer of a trademark from business (Kaneko/Someno, p. 718; Toyosaki, p. 442; Former Amino, p. 603). The Trademark Law of Germany regards the transfer of a trademark without an assignment of business theoretically ineffective. However, the German Law regards any transfer of a trademark to be effective if it does not mislead the public or if its effectiveness has not been disputed for a long period after the transfer.

The Law in Japan regards that "publication" is sufficient to make consumers aware of any transfer of a trademark (however, publication is made in the official gazette of the Ministry of Trade and Industry - current Ministry of Economy, Trade and Industry - which is not usually read by the public). More consideration must be given to whether this procedure is really sufficient. However, unrestricted granting of the use of trademarks may raise more serious questions than this.

### 3. Registration of Transfer and Abolition of Publication System

Any transfer of a trademark shall be of no effect unless it is registered. This requirement is for clarification (Section 35; Patent Law, Section 98 (1) (i)); therefore, a transferred trademark would not actually take effect if it is merely registered as a formality.

The former Trademark Law stipulated that any transfer of registration must be published in daily newspapers pursuant to the Ordinance of the Ministry of Trade and Industry so as to prevent confusion among consumers with respect to the designated goods or services (Former Trademark Law, Section 24 (3)). However, the Trademark Law Treaty, Section 11 (4), removed the obligation of an applicant for a transfer registration to publish the transfer in daily newspapers, so that the publication system was discontinued.

The purpose for the obligation of Kokoku publication in daily newspapers was to prevent confusion resulting from transfer by widely publicizing the transfer. However, actually, Kokoku publication was regarded as sufficient if made, as in most cases, in the official gazette of the Ministry of Trade and Industry, which is not usually read by ordinary consumers. Moreover, since the registered trademark concerned was not shown in such publications, the effect of publication had long been questioned. Accordingly, the discontinuance of this system had almost no effect on ordinary consumers.

## **II. Division and Transfer of Trademark Rights**

### (1) Division of Trademark Rights

The Trademark Law prior to the Law as amended in 1996 prohibited the division of a trademark right unless one of the divided trademark rights was transferred to any other person. (Section 24 (1) of the former Trademark Law was identical to Section 24 (2) of the current Law. Section 24 of the current Law did not exist in the former Law.).

However, according to the Trademark Law Treaty, the owner of a trademark right may divide his own trademark without transferring any one of the trademarks divided as such. (Treaty, Article 7 (2)). The Law as amended in 1996 approves the division of a trademark right not in connection with the transfer to others (Section 24 (1)) as called for in the Treaty. The division of a trademark right may be made even after extinguishment of the trademark right only during pendency of the case in a trial or retrial examination or during litigation (Section 24 (2)).

## (2) Division and Transfer of Trademark Rights

An application for a trademark registration may designate one or more goods or services in respect of which the trademark is to be used (Section 6 (1)). According to the 1996 amendment of the Law, a single person may possess two or more trademarks that are similar to each other (referred to as associated trademarks under the former Trademark Law) and may transfer any one of those trademarks to another party. Two or more trademarks conflicting with each other (associated trademarks under the former Trademark Law) may also be owned and registered, if the owner of the trademark rights is a single person; the ownership by that person is the very reason for the registrability of such trademarks. In contrast, prior to the amendment, one of the similar trademarks (associated trademarks under the former Trademark Law) was not transferable to another party (Proviso of Article 24 (1) of Section 24 of the former Trademark Law). After the amendment, however, the restriction ceased to exist, leaving the unanswered question about whether a system that permits the coexistence of such similar trademarks is appropriate or not. On the other hand, where there are two or more designated goods or designated services, the trademark registration shall be deemed to have been effected, or a trademark right shall be deemed to exist, for each of such designated goods or designated services (Section 69). Therefore, where there are two or more designated goods or designated services, a trademark right may be divided into each of such items and each item is transferable separately (Section 24 (1)).

Because this system was established, if a trademark owner intends to transfer one of his trademarks, which are similar to but independent from each other, or if any of the designated goods or designated services with respect to the trademark to be divided for transfer is similar to any other designated goods or designated services with respect to the original trademark, the transferor is required to transfer the trademark on his own responsibility. Once one of such similar trademarks has been transferred, it becomes an independent trademark owned by the other party. Consequently, the effect of the prohibitive right of the transferred trademark extends to the original trademark, and if the original trademark owner subsequently files a new application for registration of any trademark similar to his original trademark, the trademark application may become unregistrable, because the trademark covered by the application is similar to the trademark owned by the other party (commonly called "mutual kick-out" or "mutual exclusion" of associated trademarks prior to the amendment).

## **III. Restriction on Transfer of Trademark Rights of National or Local Public Entities**

Trademark rights with respect to trademarks that are identical to or similar to famous marks indicating national or local public entities or agencies thereof, or non-profit organizations or enterprises working in the public interest, may not be assigned (Section 4 (1) (vi), (2) and 24 -2 (2)).

This is because such trademarks have been registered for the reason that they indicate non-profit organizations.

## **IV. Restriction on Transfer of Trademark Rights of Non-Profit Organizations**

## **Working in the Public Interest**

Trademark rights with respect to trademarks that are identical to or similar to famous marks indicating non-profit organizations or enterprises working in the public interest may be transferred only together with the organization or enterprise itself (Section 4 (1) (vi), (2) and 24-2 (3)).

This is because such trademarks have been registered for the reason that they are used by non-profit organizations working in the public interest.

## **V. Transfer of Shares of Joint Owners**

Each of the joint owners of a trademark right may, except as otherwise prescribed by contract, use the trademark without the consent of all the other joint owners. However, each of such joint owners may not grant either an exclusive license or a non-exclusive license without the consent of all the other joint owners (Section 35; Patent Law, Section 73 (2) & (3)).

The number of joint owners seriously affects the interests of such owners. Therefore, if the trademark right is jointly owned, each of such joint owners may transfer his share without the consent of all other joint owners (Section 35; Patent Law, Section 73 (1)).