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Protection of Well-known Marks and Marks of High Reputation in Japan*

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1. An Outline of the Protection of Marks of High Reputation in Japan under the Trademark Act.

(1) Basic Principles of Trademark Protection

The Japanese Trademark Act establishes a system of protection based on registration. Under this system, a trademark must be registered at the Patent Office in order to confer exclusive use rights upon the registered owner of the trademark. Trademark rights do not, therefore, arise merely through usage of a trademark, regardless of how well-known the trademark may be. On the other hand, it is evident that the usage system adopted in other countries has had some influence on the Trademark Act. For example, according to section 3 of the Trademark Act which stipulates distinctiveness of a trademark as a requirement for registration, even where a trademark is not distinct it may still be registered if it has acquired distinctiveness through usage. Other examples are: section 19, subsection 2, paragraph 2 (Requirement of usage in order to renew trademark right); section 32 (prior use right). Furthermore, in certain circumstances, the Act provides for the registration of an associated trademark or defensive mark thus expanding the scope of a trademark right "in order to maintain the goodwill of persons who use trademarks, contribute to the advancement of industry and protect the interests of users" by preventing confusion as to the source of goods or services.

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For the same reasons, the Trademark Act also prohibits an improper application for and registration of a well-known trademark or trademark of high reputation by a third party. Where a trademark has been registered improperly, both the Act and case law provides for removal from the Register or limitations on the use of such a trademark right.

The Trademark Act adopts the principles of examination, first-to-register, and territorial jurisdiction.

According to the examination principle, a trademark right arises only after examination as to both formality and substance by an expert official in the Patent Office.

The first-to-register principle applies where two applications are lodged in respect of an identical or similar trademark relating to identical or similar goods or services: the trademark will be granted to the person who lodged the first application. In the case where an application for a registration of a trademark of high reputation was the later application, the problem of determining “high reputation” arises. For example, where a trademark which is neither well-known nor of high reputation was in usage before the application for registration was made by a third party, whether or not protection will be granted under the Act depends on whether the other party’s application was the first or the second application, unless there has been an improper application made by an agent or representative of the user of such a trademark.

According to the territorial principle, all matters relating to the granting, changing of, or validity of a trademark right granted under the Act, will be subject to the Act, and conversely, any trademark rights granted in a foreign country will not be valid in Japan. In a time of globalization in many areas, not only the sale of goods but also of services, the problem of how to give protection to foreign trademarks of high reputation under the Japanese Trademark Act needs to be addressed, particularly in relation to the territorial principle.

(2) The Concept of a Trademark of High Reputation

The words “trademark of high reputation” are not to be found anywhere in the Trademark Act. In this respect, the Trademark Act differs from the Unfair Competition Prevention Act which protects trademarks of high reputation as “goods’ indications or other indications of high reputation” (Section 2, sub-section 1, paragraph 2). It is clear, however, that the Trademark Act provides for the protection of trademarks of high reputation, distinguishing these from well-known trademarks.

Firstly, the distinction is apparent from the difference between paragraphs 10 and 15 of Section 4, sub-section 1. Paragraph 10 protects widely known (well-known) trademarks from confusion as to source by preventing the registration of a trademark

which is similar to the well-known trademark of another person where both trademarks cover the same or similar goods or services. Paragraph 15, on the other hand, prevents trademarks which cause confusion in relation to another person's goods or services from being registered. Unlike paragraph 10, there is no requirement in paragraph 15 that the goods or services be similar. Trademarks of high reputation will thus be further protected under this section from dilution.

Secondly, section 64, sub-section 1 provides further protection for the owner of a trademark of high reputation, by allowing the registration of a defensive mark. An owner of a registered trademark is permitted to apply for the registration of a defensive mark under this section where the use by another person of an identical trademark in relation to goods or services would be likely to cause confusion with the registered goods of the former trademark owner. According to sub-section 1 goods and services includes those which are similar to the first-mentioned trademark owner's, as well as those goods and services which are not.

In this way, it can be said that the Act marks a clear distinction between well-known trademarks and trademarks of high reputation. Academic opinion, however, is divided with regard to what constitutes a trademark of high reputation. Two theories exist on this point; one is the "nationally well-known" theory and the other is the "confusion as to source of different goods" theory. Legal scholars who support the first theory assert that a trademark of high reputation is one that is well-known all over Japan. According to this theory, a foreign trademark of reputation would, theoretically, have to have a reputation in at least a particular country or area, as well as all over Japan.

On the other hand, academics who support the latter theory argue that the existence of a high reputation in regard to a registered trademark is necessary only in a specific area of Japan; the determination of a trademark of high reputation turning on the question of whether confusion exists between goods or services which are not similar. However, other factors such as whether the trademark is known all over Japan or not, will still be amongst the factors to be considered. One such factor will be the percentage to which a trademark is known amongst consumers. It is worthy of note that this particular factor is treated as merely a factor to be taken into consideration, unlike in Germany where it is considered one of the main factors (See, for example, the German *Dimple* case.).

(3) Protection of Trademarks of High Reputation Through Registration

(i) Requirements for Registration

Section 3 and section 4 set out the substantive requirements for trademark registra-

tion. Section 3 provides for the requirement distinctiveness and section 4 lists unregistrable trademarks. In addition, the Act also sets out in section 15 the reasons for which an application for registration will be refused.

Where an application for registration of a trademark of high reputation is made by the relevant person, the fact that the trademark is one of high reputation, will not, of itself, be taken into consideration in examining the application, except where it might have some influence in determining the similarity with an earlier registered trademark (relevant to section 4), and where this is a requirement for applying for registration of a defensive mark (see later discussion on this point).

In relation to the requirement of distinctiveness, the Trademark Act recognizes distinctiveness acquired through usage, and a trademark which has become distinctive through usage will be protected through registration, in the same way as a trademark which is inherently distinctive. Thus, even a trademark which consists of a so-called descriptive mark, commonplace name (including a business name), or a very simple commonplace mark, can be registered, if such trademark, through usage, has become capable of distinguishing goods or services.

If the trademark is well-known or has a high reputation, it will normally be recognized as having acquired distinctiveness through usage; however, theoretically the characteristic of reputation is completely different from that of distinctiveness, and it is questionable whether there is such a requirement that the trademark be well-known or have a high reputation in order to recognize distinctiveness through usage. This line of thinking is evident in some cases, however, there are other cases in which the courts have not made such a requirement necessary.

(ii) Effects of Registered Trademark

(a) Scope of Trademark Right

The effect of a registered trademark right is not directly related to whether or not it is one of high reputation. In an action relating to an alleged infringement of a registered trademark, however, the issue of whether the trademark is one of high reputation or not has an influence on the determination as to whether the two trademarks are similar, in the same way as it does in assessing an application for registration of a trademark.

The exclusive rights of the owner of a registered trademark consist of the right to use the trademark (section 25), and the right to prevent others from infringing the trademark (section 37). These rights extend only to an identical or similar trademark and identical or similar goods or services. Other situations involving the likelihood of confusion as to source in relation to goods or services are not within the scope of

protection conferred by the trademark right.

It is important to note, however, that in practice the Patent Office has made a positive effort since the late 1970's to try to give greater protection to trademarks of high reputation through revision of its examination guidelines.

(b) First-to file doctrine

An effect of registering a trademark is that a later application will be rejected.

(c) Other Effects

The other effect of registration which is particularly relevant to trademarks of high reputation is that the owner of a registered trademark has the right to apply for registration of a defensive mark.

(4) Registration of a Defensive Mark (section 64)

(i) Purpose

As mentioned before, the owner of a registered trademark has the right to prevent others from using a similar trademark in relation to goods or services which are similar to those for which the trademark is registered. The defensive mark system gives greater protection to trademarks of high reputation because it allows the owner of a registered trademark to obtain a defensive mark registration of a mark identical to his registered trademark where a third party's use of the registered trademark for goods or services which are different from the designated goods or services will give rise to the possibility of confusion between the goods or services of the third party and the designated goods or services pertaining to the trademark owner's business.

(ii) Requirements

The requirements which must be satisfied in order to register a defensive trademark are:

- (a) a registered trademark already exists
- (b) there exists a likelihood of confusion
- (c) the two trademarks are identical
- (d) the applicant is the current trademark owner

The likelihood of confusion must exist in relation to goods or services which are dissimilar to those for which the trademark is registered. In this way, the concept of "likelihood of confusion" is broadly interpreted.

(iii) Effect of Registration of a Defensive Mark

The owner of a registered trademark who obtains a defensive mark registration is

entitled to bring an action for infringement against anyone who uses the registered defensive mark in respect of designated goods or designated services (section 67). In addition, a third party will be prevented from registering a trademark which is identical to another person's defensive mark which is used in relation to the designated goods or designated services (section 4, sub-section 1 paragraph 12).

(5) Protection of Unregistered Trademarks of High Reputation

(i) Prevention of Unauthorized Registration by Third Parties

(a) Prevention of Registration by an Unregistered Trademark of High Reputation (section 4, sub-section 1, paragraph 10/paragraph 15)

The purpose of these provisions is to prevent the unauthorized registration of a trademark by a third party in Japan.

These provisions are used to prevent an unauthorized registration of a trademark of high reputation by a third party. Previously, it was stated that the Act makes a distinction between trademarks of high reputation, which are protected under paragraph 15, and well-known trademarks, which are protected under paragraph 10. However, it is paragraph 10 which is applied to prevent a third party from registering, without permission, a trademark which is identical to, or similar to, an unregistered trademark of high reputation which is used in relation to the same, or similar goods or services.

As paragraph 10 focuses on the registration of identical or similar goods, the test of high reputation is satisfied where the trademark is well-known in a particular area.

The Act lacks a distinct legal basis for considering the usage or reputation which a foreign trademark has in a foreign country as a factor to be taken into consideration in assessing the degree to which a trademark can be considered to be well-known.

With the expansion of international trade, however, and the increasing flow of goods and services bearing foreign well-known trademarks or trademarks of high reputation into Japan, it has become necessary to consider the protection of such trademarks under Japanese law. To this end, the Patent Office has made efforts to allow for this new situation in applying the examination standards in relation to section 4, sub-section 1, paragraphs 10 and 15; and the courts have tried to find appropriate solutions in particular cases.

According to the Patent Office's trademark examination standards, in determining how well-known a foreign trademark is in Japan, the fact that the trademark is well-known in a foreign country, and the fact that goods bearing the trademark are exported to several countries will be taken into account (*See*, Trademark Examination Standards,

page 31.). The general standard, however, remains based on how well-known the trademark is in Japan.

Furthermore, in a recent case, the Tokyo High Court stated that a well-known trademark includes one that is “mainly in usage in a foreign country, and has become well-known in Japan through the media or by references to it”. This judgment is considered to support the view that it is not necessary for a trademark to have been used in connection with goods or services in Japan in order for it to satisfy the requirement of being well-known.

- (b) Use of marks of high reputation belonging to non-profit public organizations or public utilities (paragraph 6).

A mark of high reputation which belongs to a non-profit public organization or public utility cannot be called a trademark because it is not used in relation to goods or services. However, as such a mark is usually used for some purpose, third parties will be prevented from unauthorized registration of the mark as a trademark, without having to prove the element of confusion as to source.

- (c) Protection of portrait, name (paragraph 8)

A trademark of high reputation which consists of the portrait, name, well-known pseudonym or pen name of a person other than the applicant cannot be registered by a third party without permission.

- (d) Improper Registration by an Agent (section 15, sub-section 4, section 53-2)

An improper application for registration by an agent or representative of a trademark, of which the owner possesses trademark rights in a foreign country, will be rejected (section 15, sub-section 4); or where such a trademark has been registered, the proprietor of the trademark can bring an action for cancellation of its registration (section 53-2). These provisions do not require that the trademark be one of high reputation; however, this section has several limitations. Firstly, the meaning of agent or representative is strictly interpreted to mean a person who has been an agent or representative for less than one year. Secondly, the proprietor can bring an action for cancellation, but is not given the right to bring an action to have the trademark declared invalid.

- (ii) Revocation of Trademark Improperly Registered by a Third Party (section 51, section 53)

The Act provides that, where a third party uses a registered trademark which is similar to another person's trademark of high reputation, any person may demand a trial hearing in order to have the trademark registration revoked.

(iii) Limit on Effect of Unauthorized Registration of Trademark

It is a well-established that a person who registers a trademark without the permission of the owner cannot exercise any trademark rights obtained therefrom. The Act provides for such cases by establishing a prior use right (section 32). In addition, case law and academic opinion supports the application of the abuse of rights doctrine to deal with this situation.

(a) Prior Use Right

Section 32 of the Act provides that a person who has been using a trademark, without any intention of engaging in unfair competition, which is similar to one for which another person is applying for registration in respect of goods or services which are similar to those which are the subject of application for registration, since before the date of such application, and that trademark is well-known amongst consumers in Japan as indicating the goods or services of that person, may continue to use that trademark, provided he does so continuously.

(b) Abuse of Rights Doctrine

Decided cases indicate that where a third party has registered the trademark of an unregistered trademark owner without permission, the courts will apply the doctrine of abuse of rights in order to prevent the third party from using the trademark right for an improper purpose.

(c) Parallel Imports of Genuine Goods

Where genuinely trademarked goods are imported into Japan by a person who is not authorized by the owner of the trademark to do so, the question arises as to whether or not the trademark owner or the exclusive license holder can prevent such conduct. In the *Parker Pen* case, the exclusive licensee of the trademark "Parker Pen" registered in Japan was not allowed to prevent an unauthorized person from importing "Parker" pens into Japan. The court expressed the view that the Trademark Act, by protecting the functions a trademark which are to identify the source of goods and guarantee the quality, protects both the interests of the trademark proprietor and consumers. The opinion of the court was that there was no infringement because the consumers would not be misled as to the origin or quality of the Parker pens, as the imported pens were exactly the same as the pens sold locally.

The Parker Pen decision was welcomed in Japan by academics and the Japanese Government; however, it was not followed in a later case. At present, therefore, there is no clearly defined legal principles regarding the parallel importation of genuine goods.

(6) Remedies/Sanctions

(i) Civil Remedies

Civil remedies available to a person whose trademark rights have been infringed are:

(a) Injunction (section 36)

(b) Damages (section 38)

(c) Measures to restore the business reputation of the plaintiff (section 39 and Patent Act, section 106)

(ii) Criminal Sanctions

The penalty for infringement is penal servitude with hard labor not exceeding 5 years, or a penalty not exceeding 500,000 yen.

2. Protection of Well-known Marks and Marks of High Reputation Under the Unfair Competition Prevention Act

(1) Protection of Well-known marks

Section 2, sub-section 1, paragraph 1 of the Unfair Competition Prevention Act prohibits the use of an “indication on goods or other indication” which is identical to, or similar to the widely known (well-known—author’s note) indication of another person, thereby causing confusion with that other person’s goods or business. A “goods indication or other indication” is defined in the Act as a name, tradename, trademark, mark, container, packaging or other indication of goods or a business. The section also prohibits the sale, distribution, export or import of goods which carry such indications.

In order to be granted protection under this section a trademark need not be registered, but it must be “widely known among users”. The concept of “widely known” is not defined in the Act; however, case law and academic opinion indicates that this requirement will be decided according to two factors. These are:

(i) The geographical extent to which the indication is known.

(ii) The extent to which the indication is known by the relevant class of customers.

With regard to (i), it is not necessary for an indication to be well-known all over Japan. It is sufficient for the purposes of the section if the indication is well-known in a specific area. It is, however, an accepted principle that the indication belonging to the person seeking protection should at least be well-known in the trading area of the person accused of using a similar indication. In this way, the geographical extent of

protection is limited.

As regards (ii), the relevant class of “users” may be other traders, consumers, or both depending on the type of goods or services in question. Where consumers are considered to be amongst the relevant class of “users”, it will be sufficient if the indication is well-known amongst a specific class of consumers, for example, potential purchasers of computers. The element of being widely known be assessed by reference to the state of knowledge of the class of customers related to the person accused of using a similar indication.

The courts have stated that if an indication is only known to a few specific people this will not be enough to satisfy the requirement of being well-known. However, beyond this, no specific standards have been laid down. According to academic opinion, however, the requirement of being widely known should be interpreted flexibly in order to prevent confusion as to source in relation to goods or services.

The requirement of being widely known functions as a standard below which the section’s other requirement of likelihood of confusion will not be satisfied. Many legal scholars question the necessity of this element, and they advocate its the removal.

(2) Protection of Marks of High Reputation

Section 2, sub-section 1, paragraph 2 prohibits the use of a goods indication or other indication which is the same as, or similar to, an indication of high reputation belonging to another person. The section also prohibits the sale, distribution, export, import, or display for these purposes, of such an indication. The difference between this section and paragraph 1 of section 2, sub-section 1, is that an indication must be one of high reputation, and the element of likelihood of confusion is not required.

This new paragraph was inserted into the Act to deal with the increasing problem of people who “free-ride” the trademarks of high reputation belonging to others.

In order for to be considered an indication of “high reputation”, it must be shown that the number of persons to whom the indication is known as one which distinguishes particular goods, must be greater than the number required to satisfy the requirement of “widely known” in paragraph 1. One the other hand, however, the geographical extent of reputation is the same as for paragraph 1: in other words, a high reputation in a particular area, including that where the person accused of using a similar indication carries on business will satisfy the requirements of the section.

(3) Unauthorized Use of a Trademark by an Agent or Representative

Section 2, sub-section 1, paragraph 12 prohibits the unauthorized use of a trademark, without a legitimate reason, by an agent or representative, which is the

identical with, or similar to, that of a person who owns an industrial property right in a member country of the Paris Union. Under this section, for example, a person who owns a trademark registered in Germany can seek an injunction or claim damages against an agent who uses that trademark without permission in Japan, even though the trademark is not registered in Japan and is not well-known in Japan.

This section focuses on the conduct of an agent or representative, but there are cases where a person other than an agent registers a trademark in Japan in order to stop a foreign company which may be well-known overseas, but not in Japan, from using that trademark in Japan. In such a case, the foreign company whose trademark is not well-known in Japan cannot rely on paragraphs 1 or 2 in order to stop this conduct. It is argued that the scope of this section should be widened to include this type of situation as well.

(4) Remedies/Sanctions

(i) Civil Remedies

Three types of civil remedies are available to a person whose business interests are infringed by any of the above conduct. These are (1) injunction (section 3), (2) damages (section 4) and (3) restoration of plaintiff's business reputation (section 7).

(ii) Sanctions

The Act provides for a fine of 3,000,000 yen or up to 3 years imprisonment for anyone engaging in certain acts of unfair competition (section 13). A company may also be fined up to 100,000,000 yen.

