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Protection of Famous Trademarks in Japan and the United States

Abstract

The concepts of trademark jurisprudence in Japan and the United States differ drastically. This difference is apparent in many aspects of trademark protection in both countries and is most evident in the treatment of famous marks. Although Japan and the United States share elements of trademark law that cause some observers to claim that Japan is legally the fifty-first State, the conceptual differences at the foundation of trademark law in each country are so significant that such a claim seems inaccurate and misleading.

Keywords

trademark law, Japan, United States, comparative law

Disciplines

Comparative and Foreign Law | Intellectual Property Law

PROTECTION OF FAMOUS TRADEMARKS IN JAPAN AND THE UNITED STATES

KENNETH L. PORT*

I. INTRODUCTION

The concepts of trademark jurisprudence in Japan and the United States differ drastically.¹ This difference is apparent in many aspects of trademark protection in both countries and is most evident in the treatment of famous marks. Although Japan and the United States share elements of trademark law that cause some observers to claim that Japan is legally the fifty-first State, the conceptual differences at the foundation of trademark law in each country are so significant that such a claim seems inaccurate and misleading.

On the surface, Japanese and United States legal terminologies seem to overlap. For example, in both countries "trademark" (*shohyo*) refers to the symbols corporations use on products to identify the source of their products. Because both countries define "trademark" similarly, many people expect trademark disputes to come to the same resolution in both countries given the same set of facts. When this does not occur, United States corporations are quick to claim that the Japanese do not trade fairly.

Despite the commonality of words, the express objectives of the United States and Japanese trademark laws are not consistent. The statutorily expressed objectives of Japanese trademark jurisprudence are as follows:

By protecting trademarks, this law aims to maintain trust in the businesses of trademark users and thereby to contribute to the growth/development of business and to protect the interests of the consumer.²

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¹A more comprehensive treatment of some of the issues raised herein can be found in KENNETH L. PORT, *JAPANESE TRADEMARK JURISPRUDENCE* (1997). Portions of the material herein were first published as Kenneth L. Port, *A Comparison between Japanese and United States Trademark Laws*, 29 CHUO COMP. L. REV. 23 (1995).

²Shohyoho [Trademark Law], Law No. 127 of 1957, art. 1. All translations of the Japanese Trademark Law herein were done by the author and can be found in the Appendix to PORT, *JAPANESE TRADEMARK JURISPRUDENCE*, *supra* note 1.

In contrast, the United States trademark system has the following objectives: to protect the goodwill of the trademark owner, to protect the public from deception, and to protect third parties' rights to use trademarks.³ Unlike United States trademark law, Japanese trademark law does not aim to protect third parties' rights to use trademarks. The reference to the consumer in the Japanese statute above provides a means to protect the value of the mark and the business associated with the mark, and is not an end in itself as it is in the United States system.⁴

Given the broad conceptual distinctions between the United States and Japanese notions of trademarks, it is not surprising that strikingly different trademark dispute resolutions may occur. Protection that is possible in the United States may be impossible in Japan. This does not mean that the Japanese are unfair, but rather that the Japanese have a disparate conception of the right involved. The fact that this right is conceived of differently does not render the Japanese perspective of the trademark illegitimate as some harsh critics contend.

II. DEFINITIONS

A. Definition of trademarks in Japan

Japanese law defines trademarks as "letters, figures or symbols or three dimensional shapes or any combination thereof including in combination with colors . . . used by a person in respect to the goods it manufactures, certifies or sells as part of its business or . . . used by a person in respect to the services it offers or certifies as part of its business."⁵ Service marks only recently became subject to trademark protection.⁶ Three-dimensional marks (*rittaishohyo*) only became the valid subject of trademark protection when the Trademark Amendments of 1996 took effect on April 1, 1997. The delay in protecting three-dimensional marks in Japan resulted from a fear that protection of these marks could result in a monopoly-like status over common items that society may need to prosper and that businesses need to compete.

³ Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 477 (1994).

⁴ *Bonio Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U. S. 141, 157 (1989).

⁵ MAKOTO AMINO, *SHOHYOHO [TRADEMARKS]* 78-82 (1995).

⁶ *See* *Shohyoho [Trademark Law]*, Law No. 65 of 1992.

B. Definition of trademarks in U.S.

United States law defines trademarks as any word, symbol or device that indicates the source or origin of a good or service.⁷ The U.S. Supreme Court recently found the color green-gold used on press pads in the dry-cleaning business to be protectable by trademark law.⁸ The Court also found the decor inside a Mexican restaurant to be protectable by trademark law.⁹ These cases represent a grand expansion of trademark jurisprudence by the courts. In trademark decisions, courts in the United States continue to "make law" not just "interpret law."

Currently, the Japanese definition of trademarks is more narrow than that of the U. S. As previously noted, April 1, 1997 was the first date that three-dimensional trademarks could be registered in Japan. Therefore, even the most fundamental beginning point — the objectives of the trademark system — and the definition of what is protectable differ greatly between the United States and Japan. The reasons for these differences are explored below.

III. CONCEPTUAL ORIGINS

A. Origins of Japanese trademark law

In Japan, recognition of symbols having value to indicate origin dates from ancient times. For example, the Taiho Ritsuryo of A. D. 701 included provisions covering marks.¹⁰ However, these provisions were intended only to regulate the overproduction of crudely manufactured goods. Therefore, the basic concepts of trademark protection expressed in the Taiho Ritsuryo may differ from what trademark protection means today. Nonetheless, in 701 in the Taiho Ritsuryo, specific recognition is given to the concept of trademarks. Even in the Muromachi Period (1392-1573), those that used trademarks surreptitiously were punished.¹¹

One of the oldest, if not the oldest, cases in the world where a court or quasi-judicial body explicitly recognized the trademark right occurred in Japan in 1478. In what is known as the *Rokuseimon* case, the prior user of the mark "Rokuseimon" (or Rokusei crest) petitioned the Muromachi bakufu (quasi military government). The bakufu issued an injunction even

⁷ 15 U.S.C. §§ 1051, 1127 (1994).

⁸ *Qualitex Co. v. Jacobson Co.*, 514 U.S. 159 (1995).

⁹ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

¹⁰ SHOEN ONO, *SHOHOYOHO GAISETSU [AN OUTLINE OF TRADEMARK LAW]* 33 (1989).

¹¹ *Id.*

though no trademark statute existed at that time.¹² Therefore, the concept of marks indicating origin of goods and that these marks have value is not a new concept in Japan.

Origins of current Japanese trademark protection lie with the passage of the first trademark law in June of 1884 (Meiji 17). Meiji 17 represents the first modern, comprehensive and statutory protection of Japanese trademarks. This statute established the registration-based system,¹³ which provided a shorter period of trademark duration than that which existed in common law jurisdictions at the time,¹⁴ and which contained the principle of the priority of first registration.¹⁵ This law also included the rule that non-use for any three-year period was grounds for canceling the exclusive rights in the trademark.¹⁶ Although the trademark law has been amended numerous times subsequent to Meiji 17, these axioms remain constant.

The trademark statute in effect in Japan today was enacted in 1957.¹⁷ This law carries forward the rather rigid first-to-file system¹⁸ It has been amended many times, including the Amendments of 1996. However, none of these amendments change the basic conceptual orientation of the manner in which trademarks rights are perceived or enforced.

B. Origins of United States trademark law

The origin of United States trademark law is rooted in the tort of deceit. Although trademarks have been used around the world for more than 3,500 years to designate the craftsman or maker of an article, judicial acceptance in Common Law jurisdictions of the affirmative trademark right started sometime before 1618 in England. In *Southern v. How*, a cause of action was found against a clothes-maker when he copied the plaintiff's mark and placed it on his substandard goods.¹⁹ However, a reference in *Southern v. How* to a prior, unreported and lost case suggests that judicial recognition of trademark rights may have existed before 1816.

From 1618, trademark law was viewed as a part of unfair competition law. Unfair competition law developed from the tort of fraud

¹²This case is reported in the April 18, 1478 entry to the "Oyamoto Nikki" [Oyamoto Diary] which purports to chronicle concurrent events. Discussion of it can also be found in RAISUKE NUMATA, NIPPON MONSHOUGAKU [JAPANESE HERALDRY] 167 (1968).

¹³Shohyo Jorei [Trademark Regulations of 1884], art. 1.

¹⁴15 years rather than 20. *Id.* art. 1.

¹⁵*Id.* art. 3.

¹⁶*Id.* art. 13.

¹⁷Shohyoho, *supra* note 2.

¹⁸*Id.* art. 18.

¹⁹*Southern v. How*, 79 Eng. Rep. 1243 (K.B. 1618).

and deceit. English courts first used the term unfair competition in 1803 in conjunction with terms like "passing off" or "palming off."²⁰ The justification of this tort was that one should not pass off one's goods as those of another and thereby profit from the deception. Some early cases even found that the trademark owner and would-be plaintiff lacked standing because it was the buying public, rather than the trademark owner, that was deceived and therefore damaged. Thus, these courts found that the correct plaintiff was the deceived public, not the trademark owner.

Some commentators in the United States assert that a trademark is property, and therefore, trademark owners can sue in trespass for unauthorized use.²¹ However, these people are either mistaken or pursuing a separate agenda. The confusion about whether trademark sounds in tort or in trespass stems from the old English rule in equity that an injunction could not issue unless a property right was at stake. However, in 1838, an English court in *Millington v. Fox*²² granted an injunction for the first time in equity for trademark infringement. In that case, proof of the defendant's intent to defraud and the defendant's knowledge of the plaintiff's rights in and to the mark were not necessary for the plaintiff to prevail.

Based on this case, some have come to the erroneous conclusion that a trademark is subject to property ownership and that infringement constitutes a trespass and not a tort. The logic behind this conclusion is that the court could not have issued the injunction in *Millington v. Fox* unless the court was also concluding that the trademark itself was property.

U. S. courts have rejected this line of reasoning numerous times. Most recently, the U. S. Supreme Court stated the following:

The law of unfair competition has its roots in the common law tort of deceit: its general concern is with protecting consumers from confusion as to source. While that concern may result in the creation of "quasi-property rights" in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.²³

The U. S. Supreme Court has been consistent in this analysis. In 1918, the Court declared that:

[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection

²⁰Hogg v. Kirby, 32 Eng. Rep. 336 (1803).

²¹See, e.g., Rudolph Callmann, *Unfair Competition Without Competition?: The Importance of the Property Concept in the Law of Trade-Marks*, 95 U. PA. L. REV. 443 (1947).

²²3 Myl & Cr. 338, 352 (1838).

²³Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 157 (1989).

with which the mark is employed.²⁴

Therefore, the conceptual origins of Japanese trademark law and United States trademark law are fundamentally different. The United States concept of trademarks is based on the tort of deceit where the consumer had standing to sue, not the trademark owner. The plaintiff's rights in the mark commence upon and are justified by use of the mark in commerce. In contrast, the Japanese concept resembles a property right conferred by the government. Japanese law has many more incidents of property ownership than trademarks in the United States. Some of these examples are pursued below.

IV. ACTUAL ISSUES

A. Significance of prior registration

1. Japan

McDonald's experience of attempting to protect its famous trademark in Japan provides perhaps the best example of the differences between a system based on prior registration and a system based on prior use. In 1966, before McDonald's established a formal presence in Japan, the name "McDonald's" became known there as the name of a United States restaurant. In July 1969, as the name McDonald's become widely recognized in Japan, K. K. Marushin Foods first acquired the mark BAAGAA (a transliteration of the Japanese word for "burger") and then filed trademark registrations for a variety of marks that were identical to or closely similar to the marks used by McDonald's. In January 1971, McDonald's announced its intention to open restaurants in Japan and on July 20, 1971 its first store opened in the Mitsukoshi department store in Ginza, Tokyo. In May 1972, after receiving other trademark registrations, K. K. Marushin Foods started selling hamburgers from vending machines using the marks such as MAKKU BAAGAA and MAKKU.

McDonald's sued Marushin under the Trademark Act and under the Unfair Competition Prevention Act. McDonald's demanded an order restraining the defendants from using any of the Appellee's Trademarks and requested damages in the amount of 30,000,000 yen (about \$300,000) or five percent of sales from February 23, 1974. McDonald's argued that its trademarks were "well-known" marks under the Unfair Competition

²⁴United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1918).

Prevention Act and therefore even though K. K. Marushin Foods registered similar marks first McDonald's should still prevail in preventing K. K. Marushin Foods from using their marks.

The Tokyo District Court dismissed McDonald's cause of action and ordered McDonald's to pay costs. The Tokyo District Court held that the "well-known" mark exception applied only to marks that were truly well known in Japan, not in any other parts of the world.²⁵

The Tokyo High Court ultimately reversed²⁶ and the Japanese Supreme Court upheld that reversal.²⁷ The High Court's analysis was as follows:

One may conclude that most of Appellant's marks are conceptually included in Appellees' Marks (2) and (3) [and therefore the prior registration of these marks by Appellee should result in a dismissal for the Appellant as the lower court concluded]. However, although a trademark owner does have the right to exclude the use of another's mark that is within the scope of similarity of the registered mark, that trademark owner has no absolute right to use that registered mark. Using a [registered] mark [in light of a similar, well-known mark] is not an exercise of the trademark right as provided in Article 6 of the Unfair Competition Prevention Act. Therefore, Appellees' claim that its use of Appellees' Marks (2) and (3) because it had previously registered Appellees' Registered Marks (4) and (5) is unsustainable.

2. United States

In the United States, the significance of the registration is different. Under common law, trademark rights extended geographically and substantively only as far as the first user had advanced the user's trade under the mark. Under this old system, a good faith second user could use the mark in a remote geographic market²⁸ or in a vertically distinct market.²⁹

The Lanham Act³⁰ codified this common law and at the same time made one national system of trademark protection. Section 33(b)(5) of the

²⁵ McDonald's Co. (Japan), Ltd. v. Mac Sangyo K.K., 35 MINSHU 1169 (Tokyo Dist. Ct., July 21, 1975).

²⁶ McDonald's Co. (Japan), Ltd. v. K.K. Marushin Foods, 10 MUTAI ZAISAN HANREISHU 478 (Tokyo High Ct., Oct. 25, 1978).

²⁷ McDonald's Co. (Japan), Ltd. v. K.K. Marushin Foods, 1020 HANREI JIHO 15 (Sup. Ct., Oct. 13, 1981).

²⁸ Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916); United Drug Co. v. Rectanus Co., 248 U.S. 90 (1918).

²⁹ Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959).

³⁰ 15 U.S.C. § 1051, et seq. (1946).

Lanham Act was enacted to clarify a user's superior rights over subsequent registration. This is exactly opposite to Article 18 of the Japanese Trademark Law. Article 18 of the Japanese Trademark Law declares that "the trademark right shall subsist upon registration."³¹

However, although Section 33(b)(5) secures a prior user's rights in a mark even subsequent to a junior user's registration, registration by the junior user completely freezes the senior user's rights to their scope at the time of the junior user's registration.

Therefore, in *Burger King of Florida v. Hoots*,³² Burger King of Florida (the major multinational hamburger chain) opened a "Burger King" restaurant in Florida in 1953. In July 1961 it opened its first restaurant in Illinois. In October 1961 it obtained a federal registration for the mark BURGER KING for use on hamburger restaurants. In 1966 its mark became incontestable.³³

The defendant in the *Burger King* case, a small businessman in Mattoon, Illinois, opened a hamburger restaurant in Illinois in 1957. In 1959, he obtained a state registration for the mark BURGER KING. In Japan, the outcome of this case would not be difficult. Because the defendant's mark was not "well-known" or famous, the federal registration of BURGER KING by the multinational company would have extinguished all rights by Hoots, the defendant.

However, the U.S. court applied section 33(b)(5) and allowed Hoots to remain in business and to continue using the BURGER KING trademark. The court then limited Hoots to the geographic and substantive scope of the mark's use as of the date of Burger King's registration.

B. Treatment of Famous Marks

1. Japan

Famous trademarks in Japan have a reputation of being "under protected." This impression has largely been caused by horror stories told in the press and by apparent victims. These stories (some of them only partially accurate) have a foreign corporation as the primary victim and a competing Japanese company or even the Japanese government itself as part

³¹ Shohyoho, *supra* note 2, art. 18.

³² *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968).

³³ "Incontestability" refers to §§ 14, 15 and 33 of the Lanham Act whereby a registration that has survived for five consecutive years can only be challenged on certain, specified grounds. The specifically enumerated grounds are as follows: 1) fraud in obtaining the registration; 2) abandonment; 3) used to misrepresent the source of the goods or services; 4) fair use; 5) prior use; 6) prior registration and use; 7) antitrust violations; 8) equitable defenses. See 15 U.S.C. § 1115 (1994). All other grounds become unavailable to a would-be challenger. See Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519 (1993).

of a conspiracy to keep foreign competition out of Japan. Without intending to debate the accuracy of these reports, the following is a brief overview of the protections and presumptions that famous trademarks receive under the Japanese Trademark Law, the Japanese Unfair Competition Prevention Law, and the Japanese courts.

a. Famous Marks Under the Trademark Law

As stated above, because the Japanese system is a rigid first-to-file system, virtually all trademark rights are derived from first application and then registration of a trademark and not from use. The only meaningful exception to this rule is the treatment of so-called famous marks.

The Trademark Law provides protections for famous marks. However, the statute never refers to "famous" marks. Rather, it only refers to "recognized" marks and "widely recognized" marks.

Below are the author's translations of the provisions of the Japanese Trademark Law relating to the protection of famous marks:

Article 4-1-10

Trademarks which are widely recognized by consumers as marks indicating the goods or services of another--or trademarks that are similar thereto--and are used on goods or services similar to those of the other party [may not be registered].

Article 4-1-19

Trademarks which are the same as or similar to trademarks that are widely recognized among consumers either in Japan or in foreign countries as identifying the goods or services related to another's business and are used for illicit purposes such as trading off the goodwill of another or causing damage to another may not be registered.

Article 32

1. Any person who has continuously used a trademark the same as or similar to a third party's trademark in Japan which the third party subsequently attempts to register on or in connection with the same or similar goods or services as identified in a third party's trademark application without an intent to commit unfair competition shall have the right to continue to use the trademark on or in connection with those goods or services if, at the time of the third party's trademark application (in the event a trademark application is considered to have been filed at the time of filing an Amendment Form pursuant to the provisions of Article 9C of this Law or Article 17B-1 of the Design Law applied in Article 17A-1 and Article 55A-2 (including its application in 16A-1), as a result of such prior

use consumers have come to widely recognize the mark as a trademark identifying the goods or services of that person's business and the prior user has continuously used that trademark on or in connection with those goods or services. This shall apply to the successors to the business of the prior user.

2. The trademark registrant or its exclusive licensee may request that the party who has prior use rights pursuant to Article 32-1 show appropriate disclaimers in its use of the trademark to prevent confusion of the goods or services of each party.

Article 33 The Right to Use a Trademark by Virtue of Use Prior to Invalidation by the Patent Office

1. Any person that satisfies any one of the following items and has used a registered trademark or a mark similar thereto on or in connection with the Identified Goods or Services or goods or services similar thereto in Japan without knowledge that its registered trademark falls under any of the items provided for in Article 46 prior to the registration of the request of a third party to invalidate the trademark pursuant to Article 46-1 has the right to continue to use the trademark on or in connection with these goods or services, if that mark has become widely recognized by consumers as an indication of that person's goods or services related to its business and if that mark has been continuously used on or in connection with those goods or services. This Article shall apply to the successors of the relevant business.

1. The original trademark registrant where there were two or more identical or similar registered trademarks used on or in connection with identical or similar Identified Goods or Services and one of those marks has been determined to be invalid.

2. The original trademark registrant where a trademark registration has been invalidated with regard to the original registrant and rewarded to the appropriate party for the identical or similar trademark for use on the same or similar Identified Goods or Services.

3. In the instances contemplated under Articles 33-1-1 and 33-1-2, the exclusive licensee which has been subject to invalidation at the time of the registration at the request of a third party to invalidate the trademark pursuant to Article 46-1 or a nonexclusive licensee which has the effect as determined in Article 99-1 of the Patent Law applied in Article 31-4 herein regarding such an invalidated trademark right or the exclusive license.

2. The trademark right holder or exclusive licensee has the right to receive appropriate consideration from any party that possesses the right to use the mark based on the provisions of the Article 33-1.

3. The provisions of Article 32-2 shall be applied to any case arising from Article 33-1.

Article 60

1. In the event a canceled or invalidated trademark is reinstated on retrial or in the event there is an order on retrial to register a trademark, the registration of which has been rejected on retrial, any person who subsequent to the issuance of the administrative appellate decision or the decision to cancel the trademark but prior to registration of the motion for retrial, has continuously used the registered trademark or a trademark similar thereto in good faith on or in connection with the Identified Goods or Services or goods or services similar thereto in Japan shall have the right to continue to use the trademark on or in connection with those goods or services if, as a result of such use, at the time of the registration of the motion for retrial, the trademark has become widely recognized among consumers as a symbol of the goods or services related to that party's business and that party continuously uses the trademark. This shall apply to the successors of the business of that party.

2. The provisions of Article 32-2 shall apply to situations that arise under Article 60-1.

b. Famous Marks Under the Unfair Competition Prevention Law

The Unfair Competition Prevention Law protects famous marks regardless of their registration status. However, two significant restrictions exist regarding the application of this law. First, to be protected under this law, the mark must truly be "well recognized" and, second, use of such a well-recognized indicator of source must also amount to unfair competition.

While neither the Trademark Law nor the Unfair Competition Prevention Law defines "well recognized," Article 2-1 defines "unfair competition" as "using a symbol which identifies a business (defined herein as a person's business name, trade name, trademark, mark, a container or package of goods related to a person's business or any other goods or business representations) which is the same as or similar to another's symbol identifying a business on goods which are widely recognized among purchasers..."

c. Selected Judicial Application of Famous Mark Doctrine

1. DEFENSIVE MARKS

Under the defensive mark registration system, "widely recognized" marks can be registered to cover other Identified Goods or Services than

those listed in the original registration. These additional goods or services need not be similar to the original goods or services and the registrant need not use or have any intent to use to mark on additional goods or services. The requirements are only (1) that the mark be "widely recognized by consumers" and (2) that confusion is likely if the mark is used on these additional goods or services by a third party.

The Japanese Patent Office has published *Guidelines for Examination of Trademarks*. According to these Guidelines, whether a mark is widely recognized should be determined by referring to the following list:

1. Duration and area of use; the range of goods on which the mark is used;
2. Extent of advertisement used or other methods of publicizing the mark;
3. The nature of the user's business and scale of use of the mark; and
4. The amount of recognition the mark already enjoys within the Patent Office.

Not surprisingly, very few marks have been registered as defensive marks because of the strict requirement of proving a mark is widely recognized. Furthermore, courts are also restrictive in granting defensive mark registrations. For example, the Tokyo High Court affirmed an Examiner's rejection of a defensive mark application to register the trademark MERCEDES-BENZ by the famous automobile company, who sought to prevent the marks' use or registration by another on string, rope, or netting. Because the mark on the string, rope or netting was not identical to the principle mark "Mercedes-Benz" as used on automobiles, the requirements of Article 64 were not satisfied.³⁴ The court held that "if the plaintiff [Mercedes-Benz Auto] wanted to prevent the use of its mark in this fashion, it ought to elect to register the mark as an Associated Trademark. Attempting to interpret this as a Defensive Mark registration is absurd (*sujichigai*)."³⁵ The court's statement is absurd, of course, because the statute also requires a likelihood of confusion (*kondo no osore*).

The Guidelines also inadequately attempt to establish criteria for determining when confusion is likely and when the defensive mark registration is appropriate. The Guidelines merely ask if the goods generally are recognized as coming from the same company considering the nature of the manufacturers or channels of trade or in light of the raw materials used or customary usage.

³⁴ Daimler Benz Aktiengesellschaft v. Fink, 1326 HANREI JIHO 145 (Tokyo High Ct., July 27, 1989).

³⁵ *Id.* at 147.

2. USE ALONE AS GROUNDS FOR PRIORITY

Although Japan's trademark system is a strict first-to-file system, very limited circumstances exist where prior use of a mark does create some trademark related rights. Some commentators consider the fact that a prior user of a mark can supersede a registrant's rights "a contradiction within the statute itself."

If one entity's mark becomes widely recognized by consumers, that prior user may be able to use that fact to prevent another from registering the same or similar marks for use on the same or similar products. The Tokyo High Court has defined "trademarks widely recognized by consumers" to mean marks recognized nationwide by the primary purchasers of the same goods or those recognized regionally by at least half the primary purchasers of the same goods.³⁶

Furthermore, Article 32 provides that prior users of marks that have become widely recognized can continue to use the mark on or in connection with those same goods or services despite subsequent registration of the mark by another. However, if the registration does issue even in light of the prior use notwithstanding the provisions of Article 4-1-10, the registrant can demand that the prior user/non-registrant take appropriate steps to assure that confusion will not occur in the marketplace.

In the well-known *DCC Case*,³⁷ the court held that although a thirty percent recognition rate within a specific region was not sufficient to invoke the provisions of Article 32, attempts to enjoin the use of a mark by a prior user when the use was continuous for twenty-three years amounted to an abuse (*ranyo*) of the trademark right and was not allowed. This case is well-known in part because of its amazing facts representing the harsh competition between companies in Japan and because it also illustrates how companies use trademarks to accomplish larger competitive goals.

In the *DCC Case*, the plaintiff was the manufacturer and seller of a famous brand of coffee known as "U.C.C." The defendant sold a brand of coffee it called "DCC", but failed to register the mark. After the defendant apparently closely copied the plaintiff's sales techniques (conduct that was not actionable), the plaintiff registered the mark DCC for use on coffee and tea. The plaintiff then sued and moved for a permanent injunction to have the defendant cease using the mark DCC — a mark the defendant had been using regionally for twenty-three years.

Under these facts, the court determined that the regional use of the mark did not rise to the level of granting the defendant statutory rights under Article 32 to continue use. However, the court also held that the plaintiff's

³⁶Kamijima K.K. 15 MUTAI ZAISAN HANREISHU 501 (Tokyo High Ct., June 16, 1983).

³⁷DCC Coffee v. Daiwa Coffee K.K. 499 HANREI TIMES 21 (Hiroshima Dist. Ct., Sept 30, 1982).

conduct was an abuse of the trademark right and, therefore, the defendant could continue using the mark. This case demonstrates that although the Japanese trademark system is generally believed to be a rather unrelenting system with catastrophic consequences to nonregistrants, there are instances when Japanese courts are willing to use other doctrine such as the abuse of rights concepts to arrive at a more reasonable outcome.

3. WELL RECOGNIZED MARKS OF ANOTHER

One reason to reject a trademark application is that the mark constitutes a "well recognized" mark of another. However, this is a very difficult standard to overcome for a prior user/nonregistrant and all presumptions go against it. In the *DCC Coffee Case* above, the court held that though the mark had been used for twenty-three years and was recognized as a trademark by at least thirty percent of its targeted market, the trademark DCC as used on coffee and coffee related products were not "well recognized" for purposes of Article 4-1-10. Thus the standard for being "well recognized" is a very difficult standard and not easily met by regional sellers of products that are mass consumed by the general population.

Although the general rule is that marks must be well known in Japan to satisfy the rule of Article 4-1-10, courts occasionally overcome that specific requirement if the mark becomes well known to professionals in the field where the relevant goods or services are offered even if those goods or services are never offered for sale in Japan.³⁸ Therefore, although the magazine *COMPUTERWORLD* was never offered for sale in Japan, the fact that it had become famous in the minds of computer professionals in Japan made the mark "well known" for purposes of Article 4-1-10.

The uncertainty about whether a court would find a mark to be "well known" prompted the Japanese legislature to amend Article 4 to include Article 4-1-19 as quoted above. The purpose of this amendment was to standardize the rule allowing courts to look at use abroad rather than use in Japan as grounds for denying a trademark registration of a mark that is famous elsewhere.

Because Japan is a first to register system and because registration confers property status on the mark in the name of the owner, granting significantly broader protection for famous marks than other marks is not conceptually inconsistent with its objectives. Therefore, Japanese commentators conclude that trademark laws include the right to protect even

³⁸C.W. Communications, Inc. V. K.K. Denchi Shinbunsha, 1430 HANREI JIHO 116 (Tokyo High Ct., Feb. 26, 1992) (sale of the magazine *COMPUTERWORLD* outside of Japan and its resultant fame inside Japan found sufficient even though the magazine itself was never offered for sale in Japan).

a mark's social function. Because the trademark right includes the publicity or advertising function, conduct that weakens the personality (*kosei*) or the distinctiveness or dilutes the product identity should be an infringement of the trademark right.³⁹

In the *Yashica*⁴⁰ case the defendant manufactured and sold cosmetics bearing the trademark YASHICA. The plaintiff was a major manufacturer of cameras and related equipment. Since 1959 the plaintiff has been the leader in exports of cameras and camera equipment. It employs approximately 2,500 people and is a large conglomerate (*keiretsu gaisha*). In the *Yashica* case, the plaintiff contended that the mark YASHICA was widely used on products other than just cameras and that it has been used specifically on film, radios, tape recorders and other optical equipment.

The defendant argued that its products, cosmetics, were so dissimilar to cameras and related equipment that no consumer confusion (*kondo no osore*) could possibly occur and that therefore no infringement existed. The court disagreed with the defendant and held for the plaintiff, stating as follows:

However, Defendant's use of a mark that was identical or similar to Plaintiff's mark YASHICA (also the trade name of the Plaintiff's corporations) which had become widely recognized as an expression of Plaintiff's business simultaneously with the Defendant's registration of the mark [cannot be allowed by this court]. Moreover, the mark actually used by the Defendant resembles the Plaintiff's mark right down to the penmanship. The use of Defendant's mark in this manner was clearly intended to be a free ride on Plaintiff's mark. Objectively speaking, this amounts to the use of Plaintiff's expression of its image already registered and made popular by the Plaintiff. Since this amounts to the gratuitous use of the Plaintiff's ability to instill confidence and ability to attract customers, the Defendant's use of this mark in this manner must amount to an exception to the trademark right of the Defendant based on Article 6 of the Unfair Competition Prevention Law. Therefore, the law must protect [the Plaintiff] from this type of use and this use amounts to an abuse of the trademark right.⁴¹

Significantly, the *Yashica* case arose as an exception to the

³⁹MAKOTO AMINO, SHOYO [TRADEMARKS] 3-4 (1995).

⁴⁰K.K. *Yashica v. Daiya Kogyo K.K.*, 196 HANREI TIMES 62 (Tokyo Dist. Ct., Aug. 30, 1966), translated in KENNETH L. PORT, *COMPARATIVE LAW: LAW AND THE LEGAL PROCESS IN JAPAN* 801-03 (1996).

⁴¹*Id.*

trademark right. Once registered, the owner of a mark is presumed to have the exclusive right to use the mark⁴² unless it conflicts with a well-known mark⁴³ or causes dilution as in the *Yashica* case. Therefore, any restriction on the exclusive use right has to be conceptualized as an exception to that right. If the mark itself is property, this makes sense. When a mark is registered, the registrant can use the mark. The registrant can use it because the registrant owns the mark unless an exception to the rights granted under the registration exists. However, under U.S. law this scenario is unlikely. Under U.S. law, one can only register a mark after proof that there is no infringement.

2. U.S.

In the United States, a dilution cause of action is the only method for protecting famous marks beyond the scope of goods or services claimed and used by the trademark registrant or user. However, such broad protection does not make sense because the mark itself is not owned as property.⁴⁴ Therefore, while some commentators claim that courts are more receptive to dilution cases, the Second Circuit has rejected one dilution claim, holding that LEXIS computer services were not famous enough to be diluted by Lexus automobiles.⁴⁵ In *LEXIS*, the Second Circuit exercised tortured reasoning to avoid the plain language of the New York dilution statute. The Second Circuit first concluded that the marks were not confusingly similar because any educated orator would pronounce them differently. It then concluded that because no competition existed between LEXIS and Lexus and that because LEXIS was not famous, no dilution could be found.

The Second Circuit's finding ignored the plain language of the New York dilution statute which stated that:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, *notwithstanding the absence of competition between the parties or the absence of confusion as to the source of the goods or services.*⁴⁶

The New York statute does not require a mark to be "famous" to be

⁴² Shohyoho, *supra* note 2, art. 25.

⁴³ Fuseikyosoboshiho [Unfair Competition Prevention Law], Law No. 14 of 1934, art. 6.

⁴⁴ See Port, *supra* note 3, at 433.

⁴⁵ Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026 (2d Cir. 1989).

⁴⁶ N.Y. GEN. BUS. LAW § 368-d (McKinney 1992) (emphasis added).

afforded protection. The requirement that marks be famous before they can be protected is a judicial creation that other courts have followed under factual settings similar to the *LEXIS* case. For example, the Ninth Circuit recently held that the mark FRUIT OF THE LOOM was not famous enough to be protected from alleged diluting use by the marks FRUIT CUPS for bustiers and FRUIT FLOPS for use on thongs.⁴⁷

According to Amino,⁴⁸ and the Tokyo District Court in *Yashica*, dilution is precisely the harm that trademark law itself is intended to compensate. No dilution statute is necessary in Japan. The concept of what a trademark is and the objectives of the trademark system include the right to be free from diluting use by others because once registered, the registrant owns the mark just like a piece of land. The use of that property is absolute and exclusive unless one of the few exceptions can be shown. Because one principal function of the trademark right is to proffer protection from dilution, outcomes like *Yashica* in Japan are natural. In contrast, the trademark itself is not property in the United States. Therefore, a specific federal statute is necessary to create a new property right, to redefine the trademark and to delineate the objectives of a trademark law before such a right will be recognized on a federal level.

C. Trademark transfers

1. Japan

Article 24 of the Trademark Law states that trademark rights may be assigned on a severed basis (*bunkatsu*). The Trademark Law does not require that the goodwill of the business be assigned with the mark.⁴⁹ The only meaningful restriction to assignment appeared in Article 24-2 which required rights in associated marks to be assigned with the principal mark to be valid. This makes sense because without the principal mark, the associated mark registration was meaningless. However, the 1996 Amendments abolished the associated mark system and therefore marks continue to be freely alienable and severable from goods and no assignment of goodwill is necessary to make the transfer valid.

2. U.S.

In the United States, transfers in gross are invalid. A trademark

⁴⁷Fruit of the Loom, Inc., v. Girouard, 994 F.2d 1359 (9th Cir. 1993).

⁴⁸See generally AMINO, *supra* note 5.

⁴⁹*Id.* at 647-54 (1992).

may only be transferred with business goodwill.⁵⁰ However, the transferee needs only to assign the portion of the goodwill attached to the mark. The transferee need not assign the entire business, personnel, machines, equipment, etc. In fact, some courts in the United States have held that the transferee may merely cease manufacturing or selling that good or service to make the transfer valid.⁵¹

The reasoning for this rule relates back to the fact that a mark itself is never subject to property ownership in the United States. Therefore, the mark can never be assigned alone because no property right would be assigned without the business the mark has come to represent. As stated above, the U. S. Supreme Court addressed this issue more than eighty years ago:

There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.⁵²

D. Geographic marks

1. Japan

In both the United States and Japan, marks that have only geographic significance cannot be registered.⁵³ However, the Japanese interpretation of this similar provision is remarkably different.

For example, in the *Georgia Coffee* case,⁵⁴ the Japanese Supreme Court upheld the Japan Patent Office's [JPO's] refusal to register the mark GEORGIA by Coca Cola. The Japanese Supreme Court upheld the refusal for different reasons than those of the Japanese Patent Office — reasons that will significantly influence the development of precedent in Japan. Instead, the Supreme Court's reasoning is very similar to that of the United States. Despite the virtually identical statute and the similar reasoning, the outcome in *Georgia Coffee* is completely inconsistent with United States notions of the geographic exclusion.

In *Georgia Coffee*, the JPO initially refused registration simply because the mark is the name of a well-known place and the petitioner, Coca Cola, is located in Georgia. The JPO then determined that the mark was customarily used to describe these goods, i.e., that coffee originating in

⁵⁰15 U.S.C. § 1060 (1994); *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838 (9th Cir. 1969).

⁵¹*See e.g.*, *Hy-Cross Hatchery, Inc. v. Osborne*, 303 F.2d 947 (C.C.P.A. 1962).

⁵²*United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

⁵³Shohyoho, *supra* note 2, art. 3(3); 15 U.S.C. § 1152(e) (1994).

⁵⁴593 HANREI TIMES 71 (Sup. Ct., Jan. 23, 1986).

Georgia is customarily described as "Georgia coffee." Essentially, the JPO reasoned, the petitioner was attempting to register a word that described the source or origin of its goods.

The Japanese Supreme Court rejected the JPO's reasoning. Rather, it adopted a test similar to that used in the United States. The Court required that the consumer should play a role in the analysis. If the consumer could not differentiate between the word as a trademark and the word as a geographic term, then registration should be denied. If, however, the consumer could differentiate then registration should be allowed. Finally, the Supreme Court affirmed the refusal to register and held that a Japanese consumer could not differentiate between the word Georgia as a place name and Georgia as a trademark to indicate the source or origin of a line of beverages.

From the United States perspective, this case is almost impossible to imagine.⁵⁵

2. U.S.

In the United States, a mark is not registrable and not protectable at common law if it is of primarily geographic significance.⁵⁶ It does not matter if the mark includes some geographic reference, no matter how famous. When determining whether a mark is primarily geographic, courts examine whether the public associates the goods with the referenced place. Therefore, the same geographic mark may be unregistrable and unprotectable on one good, yet valid on others.⁵⁷

For example, in *Nantucket*,⁵⁸ the court found the mark NANTUCKET for men's shirts valid and registrable because there was no indication that the purchasing public expected the shirts to originate in Nantucket. The test, in the end, was whether the public associates the place with the goods on which the mark is used.

VI. CONCLUSION

⁵⁵In fairness, I should point out that this decision is criticized by many Japanese commentators including Makoto Amino. See MAKOTO AMINO, *SHOHOHO ARE KORE* 171 (1993).

⁵⁶15 U.S.C. § 1052(e) (1994).

⁵⁷*Compare* National Lead Co. v. Wolfe, 223 F.2d 195 (9th Cir. 1955), *cert. denied*, 350 U.S. 883 (1955) (trademark DUTCH BOY not geographically deceptive or misdescriptive of paints), *with* National Lead Co. v. Michigan Bulb Co., 120 U.S.P.Q. 115 (BNA) (Comm'r 1959) (trademark DUTCH BOY deceptively misdescriptive of flower bulbs not imported from Holland).

⁵⁸*In re Nantucket, Inc.* 677 F.2d 95 (C.C.P.A. 1982).

The protection of famous marks in Japan is as conceptually different from protection in the United States as the protection of all trademarks in Japan differs from trademark protection in the United States. Trademark jurisprudence in Japan exhibits more of the traditional signs of property ownership than trademark jurisprudence in the United States. In Japan, trademark protection begins with registration. Although the test for subject matter of trademarks is far broader in the United States than in Japan, registration in Japan offers far broader protection and is far more difficult to lose than in the United States.

Trademark dilution is also a readily accepted notion in Japanese trademark jurisprudence where no federal dilution statute exists in the United States. Furthermore, trademark rights in Japan can be assigned in gross; in the United States such rights cannot be assigned without the appurtenant business. Geographic marks are more difficult to register in Japan presumably because the rights conferred are so much greater than those in the United States.

Because trademarks themselves in Japan are subject to property ownership, the trademark owner in Japan obtains more protection. Due to this conceptual difference behind the two systems, Japanese courts seem more interested in protecting the investment of trademark owners than protecting the consumer from confusion. Therefore, trademark protection in Japan is actually stronger once obtained yet harder to secure than in United States.

Although the Japanese system does have a reputation of being rather inexorable to foreign famous mark owners, foreign corporations might avail themselves of several strategies to protect their famous marks. For example, while the Associated Mark system is being abolished in April of 1997, the addition of Article 4-1-19 is a significant change that allows Japanese courts to specifically look to foreign use to establish the fame of a mark.

However, although the new Article 4-1-19 does allow an owner of a famous mark to oppose a trademark application in Japan based on the fame established for its mark abroad, Article 4-1-19 restricts such use to situations where the application in Japan is done "for illicit purposes." Therefore, innocent registration of a foreign mark made famous abroad is not specifically covered by the new statute and will continue to be possible. Although I entirely expect this to be rectified via judicial application as in the *Computerworld* case discussed above, the clear language of the statute allows for this possibility.

As such, the most significant protection for famous marks in Japan remains the conceptual approach of Japanese judges as they apply the statutory provisions discussed herein. Because the United States' concept of trademark rights is premised on the Common Law notion of first use and

protection was granted only to the extent one used the mark, the Trademark Dilution Act of 1996 was necessary to further protect famous trademarks. Because the mark itself is already considered property in Japan, such a broadening of the trademark right via a statute such as the Dilution Act would be entirely superfluous.

