



BRANDING IN THREE DIMENSIONS

A LOOK AT TRADEMARKS IN JAPAN

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INTRODUCTION

When it comes to navigating trademark law in Japan, it helps to have a good flashlight. More specifically, the Mini Maglite® flashlight, which emerged as a beacon of change in the Japanese trademark system when, in 2007, it became the first product officially recognized as a three-dimensional trademark⁽¹⁾. In the years since, several high profile brands, including Jean-Paul Gaultier Classique perfume products, Yakult probiotic drinks⁽²⁾ and Guylian Chocolate⁽³⁾ have all won trademark protection for so-called non-traditional marks based on the shapes of their products. These have set the wheels in motion for systemic change in the way that the highly structured Japanese Patent Office (JPO) operates.

(1) "Jones Day Commentary," Jones Day, August 2007 --jonesday.com
 (2) "Smell of Success for 3D Perfume Container," World Trademark Review, September 20, 2011 -- worldtrademarkreview.com
 (3): "Japan's IP High Court Finds 3D Seashell Chocolate Bar Shape Inherently Distinctive and Registrable Without Secondary Meaning Evidence," Journal of Intellectual Property Law and Practice, Volume 4, Issue 7 -- deepdyve.com

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Change has not come easily. The four trademarks referenced previously were only granted once Japan's Intellectual Property High Court overturned original trademark rejections by the JPO. Though three dimensional marks were introduced to Japan's trademark system in 1997, the JPO's interpretation of the amended law has been conservative at best. With tight standards for distinctiveness and a long history of strict enforcement, the JPO has accepted just a handful of trademarks based on three-dimensional shape.

Hiromichi Aoki, is a partner and patent attorney with the law firm Yuasa and Hara in Tokyo. He describes the current sentiment toward three-dimensional trademarks in the JPO: "It is very difficult to register configuration of goods or packages as three-dimensional trademarks. The percentage of registrability of three-dimensional trademarks is around 40%. However, most of the registered three-dimensional marks are configurations of goods with word marks, packages with word marks or advertisement materials. There are 363 appeal cases involving three-dimensional marks before the Trademark Trial and Appeal Board of the JPO and just 63 of those have been affirmed. Of the 28 court cases involving three-dimensional marks that have been heard, only six were upheld."

With each new challenge, however, the JPO is moving closer to more open acceptance of non-traditional marks based on shape, color, moving images, holograms and sounds.

Shunji Sato, a trademark attorney with Tokyo-based law firm TMI Associates explains the evolution of the JPO's stance on non-traditional marks: "The Japanese government is actively discussing the introduction of new marks – which include holograms and moving images – and we expect that the Trademark Act will be revised to implement the protection of these new types of marks within the next few years."

As Japan's trademark infrastructure continues to evolve both in terms of approvals for non-traditional marks and enforcement for an ever-growing list of non-use trademarks, global firms looking to secure brand protection and expansion in the region will need to monitor the shifting landscape more closely than ever. To get that process started, Thomson CompuMark tracked trends in trademark activity in Japan over the last 20 years, sought input from leading trademark attorneys and analyzed trademark strategies of the world's leading brands. The research finds that although it may never be easy to secure trademark protection in Japan, it is possible to get a leg up on the competition by leveraging the insights of experts.

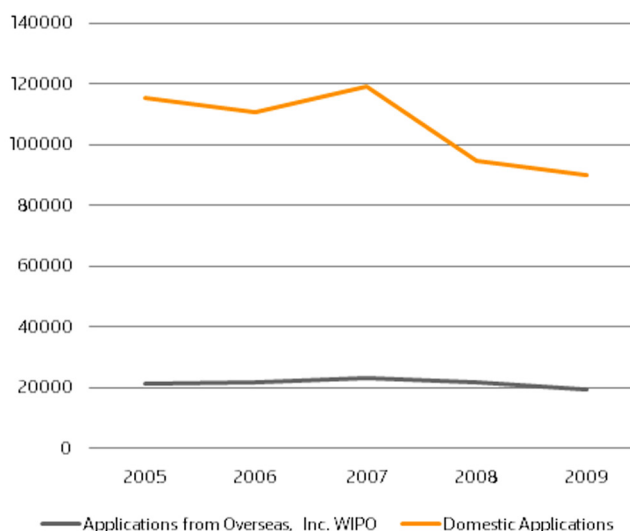
TRADEMARKS IN JAPAN: BY THE NUMBERS

BRAND OWNERS SHOW STRAINS OF RECESSION

Trademark activity in Japan has followed a similar path to other developed economies around the world, showing steady declines in total applications through the recession. The recent peak in trademark applications in Japan occurred in 2007 when 143,221⁽⁴⁾ records were filed. By 2009 that number had dropped 23% to 110,841. As Figures 1 and 2 below illustrate, the vast majority of Japanese marks have been filed by domestic brand owners rather than foreign brand owners looking to secure protection in Japan.

Foreign organizations registering the most trademarks in Japan in 2009 were the US (6,461), Germany (2,089), France (1,649) and Switzerland (1,242).

FIGURE 1
JAPANESE MARKS FILED BY DOMESTIC BRAND OWNERS VS. FOREIGN OWNERS



(4) "Current Status of Applications and Registrations and the Current Status of Examination and Appeals/Trials at Home and Abroad," Japan Patent Office, Annual Report 2010 – jpo.go.jp

FIGURE 2
JAPANESE TRADEMARK APPLICATIONS BY ORIGIN

	2005	2006	2007	2008	2009	CAGR 2005 to 2009
Domestic Application	114 015	111 754	118 155	95 674	90 350	-4.5%
Application from Overseas (Inc. WIPO)	21 781	24 023	25 066	23 511	20 491	-1.2%
Total	135 776	135 777	143 221	119 185	110 841	-4.0%

(4) "Current Status of Applications and Registrations and the Current Status of Examination and Appeals/Trials at Home and Abroad," Japan Patent Office, Annual Report 2010 – jpo.go.jp

MOST ACTIVE BRANDS

The top trademark filers in Japan, based on the number of marks registered in 2009 were Kose Corporation (715), Kao Corporation (525) and Shiseido Co. Ltd. (502). Interestingly, all three are in the cosmetics industry. Figure 3 contains a breakdown of the top 10 trademark filers in the region in 2009:

FIGURE 3
TOP TRADEMARK FILERS IN JAPAN

1	Kose Corporation
2	Kao Corporation
3	Shiseido Co., Ltd.
4	Nintendo Co., Ltd.
5	Hitachi, Ltd.
6	ROHTO Pharmaceutical Co., Ltd.
7	TOMY COMPANY, LTD.
8	Harvey Ball Smile Limited
9	NAMCO BANDAI Games Inc.
10	EZAKI GLICO CO., LTD

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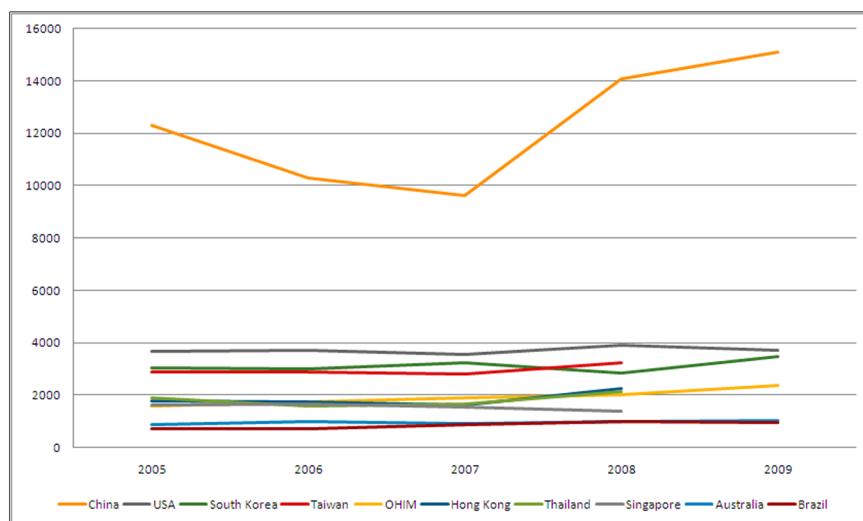
JAPAN'S GLOBAL VIEW

Though domestic trademark filing has continued to trend downward in Japan, Japanese organizations have been expanding their brand presence in emerging markets. As Figures 4 and 5 demonstrate, between 2005 and 2009, trademark applications by Japanese firms have surged in China and increased in Brazil.

GROWTH IN NON-TRADITIONAL TRADEMARK APPLICATIONS

According to data compiled by Yuasa and Hara's Hiromichi Aoki, there have been 3,765 three-dimensional trademarks filed between April 1997 and December 2007 in Japan.

FIGURE 4
TRADEMARK APPLICATIONS BY JAPANESE FIRMS OUTSIDE OF JAPAN



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FIGURE 5
GROWTH OF JAPANESE TRADEMARK APPLICATIONS BY REGION

	2005	2006	2007	2008	2009	CAGR 2005 to 2009
China	12 306	10 314	9 625	14 090	15 113	4.2%
USA	3 672	3 698	3 557	3 910	3 721	0.3%
South Korea	3 038	3 010	3 240	2 828	3 472	2.7%
Taiwan	2 868	2 890	2 810	3 223		3.0%
OHIM	1 578	1 721	1 882	2 026	2 365	8.4%
Hong Kong	1 763	1 743	1 601	2 256		6.4%
Thailand	1 880	1 598	1 667	2 126		3.1%
Singapore	1 605	1 648	1 526	1 373		-3.8%
Australia	859	1 001	909	993	1 024	3.6%
Brazil	699	697	855	987	951	6.4%
Russia	640	759	757	1 002	532	-3.6%
Italy	910	716	675	654	579	-8.6%
Switzerland	527	628	511	541	495	-1.2%
Phillipines	525	503	465	477		-2.4%
UK	512	368	384	358	295	-10.4%
Turkey	334	275	391	472	330	-0.2%
France	475	333	334	340	252	-11.9%
Germany	439	312	336	320	245	-11.0%

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NON-TRADITIONAL MARKS CHALLENGE THE STATUS QUO

As Shunji Sato of Tokyo's TMI Associates points out, "Non-traditional marks are the biggest issue on the horizon for the JPO."

Three-dimensional marks were officially introduced into the Japanese trademark system in 1997 with an amendment to existing trademark law. However, in its current configuration, the wording of the law makes it extremely challenging for brand owners to secure protection based on shape.

The confusion starts in Item 3 of Paragraph 1 of Article 3 of the Japanese Trademark Law. It provides that a trademark consisting solely of a mark indicating the shape (including that of packaging) of the goods at issue cannot be registered. Specifically, it provides that trademark registration cannot be obtained:

"In the case of a trademark that consists solely of a mark indicating in a common way the place of origin, place of sale, quality, raw material, efficacy, use, quantity, shape (including packaging shape) or price of the goods, or the method or time of manufacturing or using them; or the location of provision of services, quality, articles for use in such provision, efficacy, use, quantity, modes, price or the method or time of the provision of services."

However, a small window of opportunity exists to obtain a trademark for a three-dimensional shape if consumers are able to recognize the goods or services pertaining to the business of a particular person as a result of the use of the trademark. Paragraph 2 of Article 3 of the law provides that:

"In the case of a trademark falling under Items 3 through 5 of the preceding paragraph, where, as a result of the use of such trademark, customers are able to recognize the goods or services as being connected with a certain person's business, trademark registration may be obtained notwithstanding the provisions of the preceding paragraph."

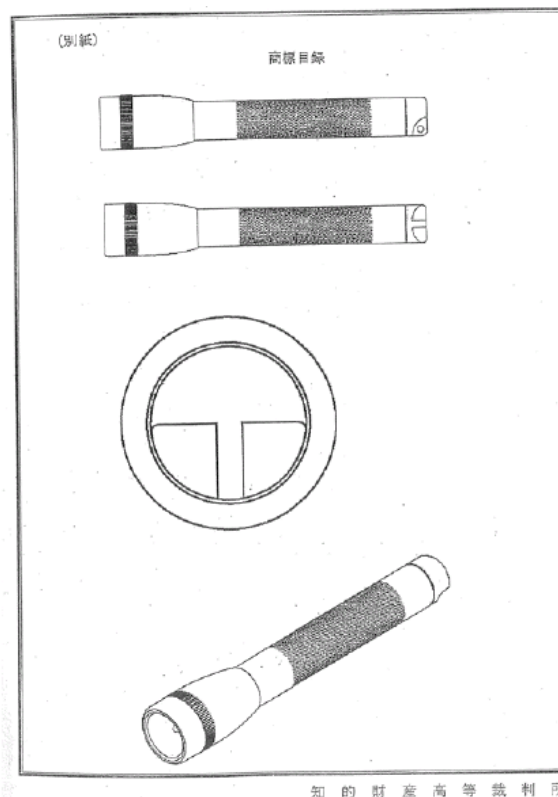
This is where Mag Instrument, owner of the Mini Maglite® brand, was able to make its case. After having its original trademark application for a three-dimensional mark for Class 11 flashlights rejected in November 2002 and a subsequent appeal rejected in 2006, the company filed an action with the Intellectual Property High Court of Japan. Their original application was rejected on the

grounds that the product shape lacked inherent and acquired distinctiveness, traits that allow a three-dimensional mark to meet the requirements of Paragraph 2, Article 3 of the trademark law.

However, the High Court vacated the JPO's decision largely on the grounds that the shape of the Mini Maglite® had appeared widely in advertisements for the product and that the shape of the flashlight had never been seen in traditional flashlights prior to its introduction in 1984 (Figure 6). The case also set a precedent for the use of the brand name in conjunction with a three-dimensional trademark. While the trademark law clearly prohibits the use of words, lettering and logos in combination with the product shape, in the case of the Mini Maglite®, the brand lettering was unobtrusive enough to get a pass.

Hiromichi Aoki of Yuasa and Hara explains: "The IP High Court held that the flashlight is registerable because it acquired secondary meaning even though it is not inherently distinctive. This was a landmark case in Japan with global repercussions: the same shape was registered in the United States and in the European Union after proving secondary meaning."

FIGURE 6
MAGLITE FLASHLIGHT





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NAVIGATING A SEA OF NON-USE MARKS

While the ongoing evolution of three-dimensional marks in Japan will continue to grab headlines over the next several years, another challenge smoldering quietly in the JPO is the widespread proliferation of non-use marks in Japan.

Daan Teeuwissen, Managing Partner at Knijff Trademark Attorneys, a Netherlands-based law firm specializing in international trademarks, describes the non-use mark issue as follows: "It is believed that approximately 80% of registered marks in Japan are not in use. Under Japanese law, the use of a trademark is not required when registering or renewing that mark. In principal, these marks are protected, but they are blocking the registration for other brands. This creates a big problem when trying to find new marks for clearance."

Hiroshi Nemoto, an attorney with Tokyo-based TMI Associates echoes the sentiment: "Non-use marks become obstacles for the applicant who wants to file a new trademark application. In order to decrease the risk that the JPO cites such non-use trademarks, we advise our clients to limit their applications to the goods/services they really want to use in Japan. A mark with no limits is very often subject to citation of non-use marks."

The non-use mark phenomenon in Japan is part structural and part cultural. On the structural side, the fact that no proof of use is required for a trademark application removes one of the major obstacles to filing by trademark squatters. On the cultural side, it is common business practice in Japan to file trademarks early, when fledgling businesses are still in the planning phases. It is also common in Japan for large firms to file for the trademark names of their foreign manufacturers as an additional layer of brand protection. Together, these contribute to a crowded field for new applicants.

Patrick Van de Vorst, Business Development Manager for Multisearch®, a Knijff Trademark Attorney service in The Netherlands expanded further: "We hear from our clients in Japan that it is common for businesses in the region to designate goods and services to cover a number of different trademark classes to obtain broader rights. This results in a very crowded trademark landscape for firms looking to secure new brand protection."

While there is no imminent resolution planned for the non-use mark issue, the JPO is aware of the situation and has, over the last two years, commissioned studies to track the proliferation of non-use marks.

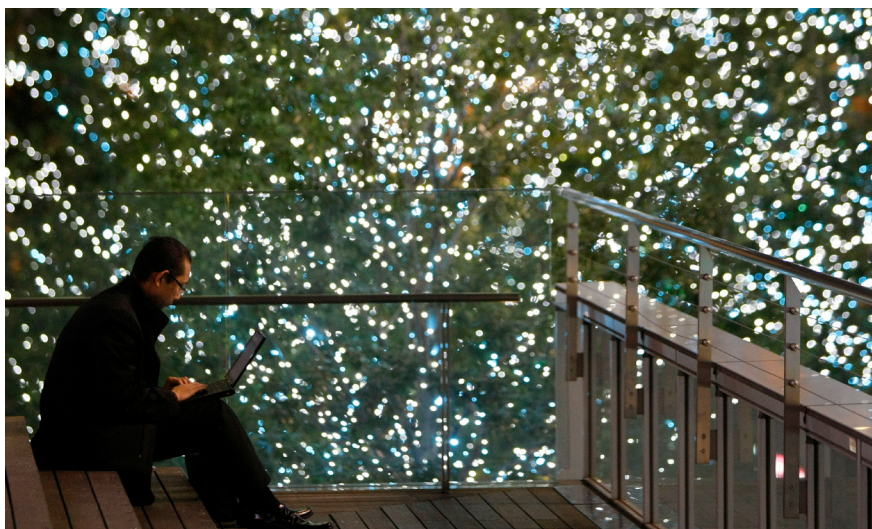
BEST PRACTICES

As the trademark landscape in Japan continues its gradual shift, new challenges are sure to emerge. Beyond three-dimensional shapes, the non-traditional mark issue is sure to produce fascinating trademark disputes over applications for everything from color marks without delineated contour to patterns of movement in a holographic image.

While there is no silver bullet for assuring trademark success in Japan's complex IP infrastructure, with the right cultural know-how, investment of time and resources, and shrewd navigation of a complicated regulatory evolution, brand owners can position themselves to capitalize on changes as they happen.

Based on our analysis of the industry's current thinking on the matter, the following are five key steps for a successful trademark strategy in Japan:

- **Sweat the Details on Non-Traditional Marks:** There is a razor thin line between a granted trademark and a rejection when it comes to the JPO's current interpretation on three-dimensional marks. Every last detail, from the size of lettering on the object to overall distinctiveness of the product is weighed in the evaluation process, so it pays to acknowledge these details at the application phase.
- **Conduct Thorough Searches:** With upwards of 80% of all Japanese trademarks currently not in use, it is not enough to search the local retail outlet for evidence of similar marks. A deep, thorough search of all in-use and non-use marks is required to ensure that prior marks do not get in the way of a new application's approval.
- **File as Early as Possible:** Japan's first-to-file system for patent and trademark registration, combined with the culture of early filing among Japanese businesses, makes it essential for brand owners to file a mark well in advance of a Japanese brand introduction.
- **Leverage Local Experts** Japan's IP laws are among the most complicated in the world. It is important for foreign firms moving into the market to leverage local expertise on how best to navigate the nuances of the country's legal and regulatory infrastructure.
- **Focus Filing:** When it comes to Japanese trademarks, the more specific the better. When filing a new mark, the best way to avoid getting caught in the sea of non-use marks is to limit applications to the goods/services at the heart of the product's profile.



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HOW THOMSON COMPUMARK CAN HELP

Thomson CompuMark understands the specialized challenges of clearing, registering and protecting trademarks and we offer a wide range of solutions to safeguard brands in the region. Among these are SAEGIS on SERION trademark screening services, trademark searching and Watch on SERION, which offer brand owners the information they need to make informed and strategic decisions.

To find out more about our specialized trademark services, or to learn more about any of the details covered in this report, please contact Victoria Poor at victoria.poor@thomsonreuters.com.

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