

# Trademark Distinctiveness in a Global Context

Sachiko Shudo\*

## 1. Introduction

GLOBALIZATION AND the scope of trademarks is not a new subject. However, unlike the rather slow widening of the scope along with the physical traffic of products in the past few centuries, the information traffic through the Internet in the past decade has made the scopes of symbols, such as trademarks, rapidly extend beyond national borders. In this paper, I will introduce several disputes in Japanese courts involving foreign trademarks. These cases are presented here as examples of the types of disputes that can arise involving foreign trademarks. It is not my intention to indicate that the decisions themselves are necessarily problematic.

## 2. Examples of suits in Japanese courts by foreign companies alleging infringement

### 2.1 *The Carrefour Case*<sup>1</sup>

The first case is a dispute between the French hypermarket Carrefour and a Japanese clothing maker named Suzuya. Suzuya owned a trademark consisting of two lines, the first of which is Carrefour in Romanized letters and the second is the transliteration of Carrefour in Japanese Katakana<sup>2</sup> (see Figure 1). The Japanese trademark was filed in 1991 and granted in 1993.

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\* Research Center for Advanced Science and Technology, University of Tokyo, shudo@ip.rcast.u-tokyo.ac.jp.

1. In the presentation given on August 5, 2003 at the ATRIP congress, I did not present the Carrefour case, but instead described how a Japanese venture company changed its name in response to the presence of another foreign company with a similar name.
2. Katakana is a Japanese phonetically-based orthographic system. What I refer as 'transliteration in Katakana' is the Japanese practice of representing a foreign word in Katakana.



Figure 1

In July 1998, the French supermarket filed a petition to the Japanese Patent Office (JPO hereafter), opposing the registration of the Japanese trademark. In June 2000, the Japanese Patent Office (JPO hereafter) ruled in favor of the opposition. The JPO stated as the reason that, even though 'carrefour' means "gathering spot" or "intersection", since the mark under examination is the name of the opposer, which is "the name of another person" that shall not be registrable under Article 4-1-8 of the Japanese Trademark Law.

Following the JPO decision, Suzuya, the Japanese clothing company, filed a lawsuit. The main argument for the plaintiff was that the stipulation the name of another person shall not be registrable in Article 4-1-8 should be interpreted to mean that, when the other person is a corporation, the only unregistrable name should be its official name including the legal status ('soshiki keitai') of the corporation and that this requirement should apply to the names of foreign as well as Japanese companies.

In July 2001, the Tokyo High Court affirmed the JPO decision. On the above mentioned issue of the name of a foreign company, under Article 4-1-8, its opinion was that 'the name of another person' under Article 4-1-8, in case that the person is a foreign corporation, refers to its official name under the law of the foreign nation. It further specifies that, when the name that does not include the legal status is an official name under the foreign law, it is appropriate to interpret that the official name without the legal status is the name of another person under Article 4-1-8. Since the defendant's corporate registry document indicates that the name of the corporate is 'Carrefour' without 'Societe Anonyme', the legal status of the company, Carrefour's successful opposition still could stand.

Another issue the plaintiff (Suzuya) argued concerned that the scope and extent of use of the defendant's name, Carrefour. While the French Carrefour was established in France 1974, it was not until the 1990s that it began overseas expansion. Its first store in Japan opened in December 2000. However, the Tokyo High Court decision dismissed the issue, reasoning that since Article 4-1-8 is meant to protect the character right of another person, the condition and extent of the use of the name should not be an issue. Needless to say, the plaintiff's argument that they were not aware of the presence of the defendant at the time of filing was dismissed as irrelevant.

While I agree that the plaintiff's argument that it was not aware of the presence of the defendant was irrelevant to the issue of whether Carrefour was registrable, we must not ignore that this rather "naïve" argument indeed captures the fundamental problem underlining the dispute. This leads to the question, "How broad should be the prohibition against registering what turns out to be the name of another person"? Article 4-1-8 of the Japanese Trademark Law states that the following trademarks shall not be eligible for registration:<sup>3</sup>

Trademarks which consist of another person's portrait, name, title, well-known pseudonym, stage name, pen name, or any well known abbreviation thereof (except by that person's consent).

In Japan, the official name of a company must include its legal status, such as *kabushiki kaisha* ('stock corporation'). When the name of the company is well-known, the part without the legal status is considered to be an "abbreviation" and thus included in the prohibited list.

Going back to the dispute over 'Carrefour', let us ask a rather simple question: why did Suzuya come up with the name? The answer is also simple: the word 'carrefour' is an expression in French that is generally used to refer to 'gathering spot' or 'intersection'. It is a quite common practice to seek a trademark in the pool of foreign expressions. Even though the word may be a common term in French, the distinctiveness of the term in a country such as Japan is considerably high. The Tokyo High Court opinion states that the significance of Article 4-1-8 is to protect the character right of another person. When the prohibition under Article 4-1-8 applies to the official name of a company who is registered in a nation where the law requires that the legal status be included in the official name while the same prohibition applies to the official name of a company who is registered in a nation where the law does NOT require that the legal status be included in the official name, it should be noted that the character rights of companies in the former nation is less protected than those in the latter nation. While it is important to protect the character right of another under Article 4-1-8, when the name of another is the name of a corporation which originates in a common word, the issue is obviously more complex.

In Japan, many registered trademarks are such general expressions in foreign languages. It is highly likely that some of these expressions are the names of companies in the foreign countries where the laws happen not to require that the legal status be included in the official company name. The issue of whether a foreign company's name without the legal status should be considered to be as the name of another person under Article 4-1-8 needs to be discussed alongside with the issues of whether the name of

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3. Port, Kenneth, *Japanese Trademark Jurisprudence* (London: Kluwer Law International, 1998).

another person originates in a common term or expression and how strong the secondary meaning of the mark as the name of a company is. The Carrefour case is merely an example. A surprise for Suzuya (assuming that their intention in registering the mark was coincidental) was the French company's business extension in Japan. However, it is absurd to assume that a similar surprise will not happen.

## 2.2 *The Snack Chanel case*

In 1994, a Swiss corporation Chanel, s.a., which handles the intellectual properties of the French Chanel, s.a., filed an unfair competition suit against a small bar in Matsudo, Japan, named SUNAKKU SHANERU. The name of the bar was not Romanized but in Katakana (see Figure 2).

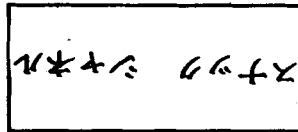


Figure 2

The Chiba District Court held that the name of the bar is confusing, ordered the bar to cease the usage and awarded the plaintiff two million yen (about \$16,000) for damages.<sup>4</sup> The Chanel company appealed to the Tokyo High Court claiming the damages were too low.<sup>5</sup> The 1994 Tokyo High Court decision<sup>6</sup>, while granting that the two marks are identical, overturned the District Court decision. The High Court reasoned that it is unlikely that the bar's use of the mark leads consumers to the misconception that the defendant is related to the well-known Chanel when the type of business activity, the actual activity, and the size of operation of the defendant are taken into consideration. This decision was made on the basis of the Unfair Competition Prevention Law before its 1993 amendment. With the 1993 amendment, under Article 2-1-2, an act of abusing a famous mark is viewed as an unfair competition act even though it does not cause confusion. Chanel appealed to the Supreme Court, whose decision came in 1998.<sup>7</sup> It overturned the High Court decision. The Supreme Court stated that its

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4. Judgment of January 26, 1994, Chiba District Court 673, Chitekisaishu 26-3-1132.
  5. However, the real reason may have been to continue the suit to gain more publicity to increase the "demonstration effect" of the suit. After this series of suits, many other commercial establishments carrying the name SHANERU in Japan voluntarily ceased using the name.
  6. Judgment of September 29, 1994, Tokyo High Court, 571-2678.
  7. Judgment of September 10, 1998, Supreme Court 637.

ruling is not based on the 1993 amendment, but rather its decision that naming the bar SNAKKU SHANERU is 'an act that may cause confusion' under Article 2-1-1.

While the identity of the marks in the Carrefour case was not an issue, since both marks clearly originate in the same common term, the identity of the marks in the Chanel case was an issue. All the three decisions grant that they are identical. All the decisions accept the argument that the mark used by the bar originated in the very mark owned by the Chanel company. Obviously, if the bar were to attempt to register the mark, it would not be possible. However, there is no constraint on the act of naming a commercial establishment except a legal dispute involving the Unfair Competition Prevention Law.

The Tokyo High Court decision indicates that, while granting that Chanel is the name of the company, the Japanese expression SHANERU was not confusing enough to assume that the commercial establishment was related to the French company. Although the issue has become less problematic since the 1993 amendment was made, the fact remains that there are many commercial Japanese establishments which carry names that are transliterated versions of famous foreign brand names. A part of the reason is that in Japan foreign names, especially Western names, are popular as names of commercial establishments. There is also a naïve assumption that when it is transliterated into Katakana it is not as 'bad' as a straight use of the foreign name. Naïve as it may be, the intention is obviously a free ride of the foreign name, or at least of its image, which is indisputably the value of the foreign mark. We may expect similar legal disputes to arise unless the general public is educated that such naïve defense is obsolete.

### **2.3 The *L'Air du Temps* case**

The third case is a dispute involving a Japanese trademark REERU DU TAN in Japanese Katakana. In July 1992, the French company Nina Ricci, the producer of the perfume named *L'Air du Temps*, filed a petition to the JPO that some of the goods identified for the Japanese Katakana trademark that are in conflict with the Identified Goods for the name of the perfume be removed from its Identified Goods. The Katakana trademark, owned by a Japanese shoemaker named Madorasu, identified the classification of 'accessories and the like' as the Identified Goods.<sup>8</sup> The goods under question were cosmetic tools, accessories including jewels and hair accessories, and bags. Madorasu's trademark (see, Figure 3) was filed in 1986 and granted in 1988.

In February 1997, the JPO denied the petition. Among the reasons offered by the JPO, the most prominent was the dissimilarity between the

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8. JPO decision of February 24, 1997, 1996-12599.

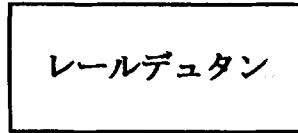


Figure 3

two marks. The JPO states that "the trademark owned by Nina Ricci, L'AIR DU TEMPS, is not a phrase that is familiar in sounds or meaning. Since it is natural to assume that such an unfamiliar expression is pronounced as reverse-Romanization<sup>9</sup>, or as English since English is the most familiar foreign language in Japan, it is appropriate to consider that the trademark L'AIR DU TEMPS is pronounced as [REAA DU TEMPUSU] (my transliteration)."

Following the JPO decision, Nina Ricci filed a lawsuit in the Tokyo High Court.<sup>10</sup> The Tokyo High Court decision affirmed the JPO opinion. In the discussion of similarities between the two marks, the Tokyo High Court repeats the JPO reasoning, stating that "in the light of the foreign language education of our nation, since it is obvious that general traders and consumers cannot correctly pronounce French, it cannot be assumed that general traders and consumers who come across the trademark of the plaintiff, L'AIR DU TEMPS, which consists of several French words, recognize that it should be pronounced as [REERU DU TAN], which is a French-style pronunciation. ... The most likely possibility is that, since English is the most familiar foreign language in Japan, most traders and consumers will assume the English-style pronunciation [REAA DU TEMPUSU], (my transliteration)." and thus the marks are sufficiently dissimilar.

Nina Ricci took the case to the Supreme Court, which reversed the Tokyo High Court decision in 2000.<sup>11</sup> The Supreme Court reversed the Tokyo High Court's reasoning and held that, for the purpose of determining

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9. Reverse Romanization refers to the practice of pronouncing a foreign word expressed in Roman letters according to the Japanese convention of Romanization. While the pronunciation of foreign words in Japan usually relies on the original pronunciation, pronunciation sometimes is determined by reverse-Romanization. An illustrative example is the co-existence of the loan words PURIN and PUDINGU, both referring to 'pudding'. While the former is closer to the original English pronunciation, the latter takes the presence of the 'g' in the English spelling into account in the conventional manner. This is the result of reverse Romanization in which the [g] sound is transliterated into GU.
  10. Judgment of May 28, 1998, Tokyo High Court, Admin-KE 164.
  11. Judgment of July 11, 2000, Supreme Court, 85.

degree of similarity between the two marks, the native French pronunciation has influenced the Japanese pronunciation. The Supreme Court reversed the Tokyo High Court's reasoning and held that the two marks are identical in sound. The Supreme Court compared the unregistered Katakana mark REERU?DU?TAN (my transliteration from Katakana) used by the French company in Japan and the Madorasu Katakana mark and rule that they are identical in sound and similar in appearance.

The above case illustrates the problem arising in legal disputes in Japan (and perhaps other countries) in which similarities between marks of foreign linguistic origin are not systematically analyzed but impressionistically reviewed. The finding of dissimilarity by the JPO and the Tokyo High Court revolves around how the French phrase should be pronounced. The JPO and Tokyo High Court decisions cite the language education situation of Japan, which emphasizes English, to support the argument that the phrase normally receives the English-style pronunciation. However, the language education situation is not relevant to the issue of how the phrase has been pronounced. How a foreign phrase, that happens to be used as the name of a commercial product, has been pronounced is a factual issue in which the language education for the general public plays no role. It is a social practice that has been influenced by how the product is introduced and perceived in commercial settings and the media. While Nina Ricci was able to provide evidence that the phrase was transliterated in Katakana as REERU?DU?TAN (with the dots between words) in magazines and books, this evidence was only used to show that the mark was famous among general traders and consumers, not to indicate how the French mark has been actually recognized and how it should be taken into consideration when the similarity between the two marks is analyzed. The fact that quasi-linguistic reasoning was used out of context to argue against the similarity between the marks is another tragic outcome of absence of linguistic experts in Japanese trademark disputes.

2.4 The following chart summarizes how issues that were discussed in the above three cases differ.

Cases	Suits	Similarities between (or identity of) marks	Irregistrability of the Japanese mark	Confusion
Carrefour	JPO	Presumed (and Not discussed)	Affirmed	Not an issue
	Tokyo High Court	Presumed (and Not discussed)	Affirmed	Not an issue

Chanel	Chiba District Court	Affirmed	Not applicable	Affirmed
	Tokyo High Court	Affirmed	Not applicable	Negated
	Supreme Court	Affirmed	Not applicable	Affirmed
	JPO	Negated	Negated	Negated
L'Air due	Tokyo High Court	Negated	Negated	Negated
	Supreme Court	Affirmed	Affirmed for the Goods in question	Affirmed

**3. Conflicts between a trademark and a generic term (as products globalize faster than linguistic awareness)**

The above three cases all involve a dispute between a Japanese and a foreign commercial entity over the marks that they use. However, the globalization in the scope of a mark can give rise not only to disputes between two parties claiming the same mark, but also to conflict between the scope of a generic term and the scope of a trademark. To illustrate this, I would like to introduce a case, not a legal dispute, involving a rather peculiar Japanese trademark, KYOHO (in Chinese characters). It is probably safe to say that the expression is now viewed by the majority of Japanese as a generic term to refer to a type of grape. These succulent large dark grapes were developed by a Japanese scientist in the 1940s. The scientist's agricultural cooperative named Kyoho-kai ('kyoho association') managed to register this name as a Japanese trademark in 1955. The cooperative has licensed the use of the trademark to producers who produce the grapes according to the cooperative's quality standards and agree to pay a royalty. In the 1960s, the grapes became widely popular under the name kyoho (both in sound and in the Chinese characters). There have been at least two cases which involve the trademark. In both cases, the final court decision ruled that the mark had become a generic term to refer to the type of the grapes.<sup>12</sup>

12. Both of the cases involve a box maker with an exclusive license to the Japanese trademark who sued another maker of fruit boxes for using the mark. In the most recent case, the Osaka District Court held in 2002 that the term is a generic noun referring to a type of grapes and, therefore, the scope does not extend to the defendant's usage. The Osaka High Court upheld the above decision in May 2003.



That is not the end of the story. The cooperative obtained a US trademark in 1985, but because its US sales efforts failed, the registration died in 1992. In 1997, a California agricultural supply company dealing in grapes registered this same name with the US PTO. It is possible that the preceding trademark registration by Kyohokai may have led to the US PTO's decision as the translations of the two marks show striking similarity:

[Kyohokai's now-dead trademark]<sup>13</sup>

Word Mark: KYOHO

Translation: THE TERM "KYOHO" IS A TRANSLATION OF THE CHINESE CHARACTERS IN THE APPLICANT'S MARK. "KYOHO" MEANS "GREAT MOUNTAIN" OR "MT. FUJI."

Owner: (REGISTRANT) NIHON KYOHO KAI CO., LTD. CORPORATION

[Trademark owned by the California company]<sup>14</sup>

Word Mark: KYOHO

Translation: The term "KYOHO" is a Japanese term (i.e., phonetic when spoken), the English translation of which is "great mountain".

The California company originally filed two applications in November 1995, the first (serial number 75018944) to identify "rice" as its goods and the second (serial number 75018945) to identify "fresh fruits, namely, grapes" as its goods.<sup>15</sup> The documents available from the U.S. PTO show that the first one was abandoned on December 1997 and its status is now "DEAD" while the second (for grapes) was registered in June 1997 after its first use in September 1996.

This is an example to illustrate the possibility that a generic term in one country may be trademarked in another country. Such a story leads to the following question, "Are common generic terms in danger of becoming privatized in foreign countries? If so, it may disadvantage exporters from the original countries since they cannot use the generic term. From the opposite perspective (i.e., that of foreign holders of foreign origin marks) there is the danger of genericide (that is, the danger that after long legal battles they will eventually lose their marks because they are held to be generic terms - as globalization increases awareness of their generic nature in their source countries). This raises the question whether trademark offices dealing with foreign origin marks should investigate and monitor the use of the foreign terms in their countries of origin.

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13. <http://www.uspto.gov/main/trademarks.htm>.

14. *ibid.*

15. *ibid.*

#### 4. Conclusion

In the first three cases, we have seen that, when the scope of a mark is in conflict with the scope of a mark in another country, at least three issues are involved, namely, whether one mark is registrable, whether the two marks are similar, and whether there is an element of confusion even though there is or is not similarity. Needless to say, the three cases did not independently illustrate the three points, but, quite contrary they are mutually related. The last case was not of a legal dispute, but it also concerns with the issue of the registrability of a mark and the similarity between the mark and the generic term.

Some of the questions that a trademark owner X who considers the international extension of its business in country A faces are:

- (1-a) whether mark Y that X has been using (or a similar mark Z) has been registered in country A by another company,
- (1-b) if the answer to 1-a) is yes, whether the trademark Y or Z in country A can be cancelled,
- (2-a) whether mark Y that X has been using (or a similar mark Z) is used as the name of an existing commercial establishment, Y' (identical mark to Y) in country A,
- (2-b) if the answer to 2-a) is yes, whether there is an element of confusion (possibly pollution) between Y and Y' (or Y and Z),
- (3) whether mark Y that X has been using is registrable in country A in the light of its trademark law.

The Japanese orthographic system which includes the Katakana transliteration, has allowed many cases of registration of a simple transliteration of a foreign mark, some of which have benefited from free riding on the renown of the foreign mark. Even when there is no element of confusion, the free riding on the image may be an issue of pollution of the trademark. As argued above, the owners of such foreign marks are no longer tolerant with the practice. It is the time for the user (or future user) of such a foreign-origin mark or a mark that may be viewed as such (whether it is actually of a foreign origin is not much of an issue) to consider the following questions:

- whether the mark consists of the transliteration of a foreign name which may be applicable to the name of another under Article 4-1-8,
- whether the mark consists of the transliteration of an abbreviated version of a famous foreign mark under Article 4-1-19,
- whether the mark consists of the transliteration of a foreign generic expression which may be in conflict with the Identified Goods.

As much as the trademark system should protect the rights of trademark owners, the issue of what should be kept free for the general public should be also incorporated in the framework of trademarks. This does not entail that general expressions in the linguistic commons should never be trademarked. It is absurd to presume that all trademarks should be coined expressions and therefore 'fanciful'. Image and memory retention are important elements of trademarks since the most important function of trademarks is to help consumers identify the source of products. Taking into consideration the factors of image and memory retention, it is not linguistically economical not to use the conventional meaning of an existing word. We are after all provided with a limited number of linguistic expressions. As the Carrefour case illustrates, there is a possibility that a common expression is monopolized by a commercial entity. There should be reasonable limits on the enforceability of marks that arise from general expressions. Otherwise, we may soon find ourselves living in a world in which every common expression can have only one commercial association.

Since we are not yet equipped with a global system of trademark registration or monitoring the use of marks, but still operate with a nation-based or a community-based trademark system, the issues of what shall not be registrable and how strong the protection of a mark should be, must be discussed in each trademark system. Whether the trademark system takes into consideration the need of the linguistic commons generated by the globalized society or not, what should be kept free in the global era has become more and more complex.