

Trademark/Administrative Law/Requirements for Appellants

Tamaruya K.K., et al v. Maki Shoji Y.K., et al.

Supreme Court, First Petty Bench / Decided Feb. 28, 2002 / Case No. 2001(*gyo-hi*) 12
(Trademark Law, Section 56-1, Section 46 *bis* / Administrative Law, Section 32-1)

SUMMARY

When a jointly owned trademark registration is held invalid by the Japan Patent Office (“JPO”) through trial proceedings, each joint owner of a trademark may individually appeal the decision.

FACTS

Tamaruya Kabushiki Kaisha and ten other owners of noodle restaurants (“Joint Owners”) filed a trademark application for the mark “MIZUSAWA UDON” on September 21, 1990. The trademark, which was registered on August 31, 1993 (Reg. No. 2564665), identifies goods in local class 32 for *udon* (or wheat) noodles. The trademark is comprised of the term “*Mizusawa*” in Kanji characters, and “*udon*,” in Kana characters, written vertically. *Mizusawa* is the name of the region where the Joint Owners have their restaurants and souvenir shops.

Maki Shoji Yugen Kaisha (“Maki Shoji”) opened an *udon* restaurant in the region where the Joint Owners were doing business. Maki Shoji used the MIZUSAWA UDON trademark for its restaurant and on various related commercial materials without authorization from the Joint Owners.

The parties attempted to amicably resolve the dispute, without success. On March 27, 1995, the Joint Owners sent Maki Shoji a warning letter threatening to institute legal proceedings to enjoin its use of the mark. In response, Maki Shoji initiated a proceeding with the JPO to invalidate the MIZUSAWA UDON mark.

Agreeing with Maki Shoji, the JPO invalidated the trademark, ruling that the trademark was descriptive because it was a combination of a geographical name and a generic word and therefore the trademark lacked the requisite level of distinctiveness at the time of registration.

The Joint Owners appealed the JPO’s decision to the Tokyo High Court. The Tokyo High Court dismissed the claim without a hearing, stating among other things, that the Joint Owners had failed to meet the statutory requirements to qualify as joint appellants. Specifically, the Court noted that, under Japan Law, all joint owners of the trademark at issue had to be listed as appellants before a court could accept an appeal of a JPO decision. In this case, however, two of the eleven Joint Owners had waived their interest in the trademark following the JPO decision, and were therefore not named in the appeal to the Tokyo High Court. Although the waiver had been expressed within the statutory time limit for an appeal, i.e., 30 days from the JPO’s decision, entry of the waiver into official records was not completed until later.

The appellants subsequently appealed the Tokyo High Court’s decision to the Supreme Court and the Supreme Court accepted the case.

HOLDING

The Supreme Court vacated and remanded the High Court decision for the following reasons.

1) Qualification as Appellant

The Supreme Court reasoned that where joint owners of a registered trademark demand an invalidation trial of a jointly owned trademark, the demand has to be made jointly by all the joint owners. (Trademark Law, Section 56-1 referring to governing and applicable Patent Law provisions). When an individual joint owner wants to dispose of a registered trademark, such individual joint owner is required to obtain the consent of the other joint owners. In all other cases, however, the law assures free use of the trademark by each individual owner without the consent of the remaining joint owners.

Once a registered trademark is held invalid by the JPO and no appeal is filed against an invalidation decision within the statutory time limit, the trademark in question is deemed to have never existed, and the right to exclusively use the trademark would retrospectively be extinguished. (Trademark Law, Section 46 *bis*). Appealing a JPO invalidation decision thus amounts to a *hozon koi* (act to prevent a right from extinguishing). Each joint owner may invoke such revocation suit individually. Construing the provisions in this way would not harm the rights of the remaining other joint owners.

The Supreme Court reasoned that in cases of a jointly owned trademark, the interests of individual owners may differ from each other. Such differences may result in a failure of a single owner to obtain the consent of the other owners to file an appeal. Some owners may want to waive their legal interest in the trademark, and such waiver may not be completed within the statutory time limit for an appeal. Still others may not be reachable due to geographical and/or other physical reasons. Based on this reasoning, the Supreme Court stated:

The lower court construed that a partial listing of joint owners as appellants was illegitimate. If this were so, the JPO's invalidation decision would become final immediately upon the lapse of the statutory time limit for filing an appeal and the trademark in question would be deemed to have never existed. However, such a construction by the lower court is inappropriate in view of justice.

2) Requirements of Same Effects

To the contrary, the Supreme Court went on to state that a construction of the law permitting a joint owner to individually file an appeal against a decision of invalidation by the JPO would not cause any harm to the other joint owners. Where the lower court accepts an appeal of a JPO decision, the effect of the court's decision would extend to all the joint owners (Administrative Procedure Law, Section 32-1). In such a case, the JPO would be required to rehear the case. On the other hand, where the court decides not to accept an appeal, a JPO decision would become final immediately upon expiration of the statutory time limit. In either case, the decision permitting individual claims would go against the "rule of same effects" (*Goitsu Kakutei no Yosei*), which is a requirement under the Civil Code that the purpose of a jointly filed suit has to be adjudicated so as to cause a same legal

effect to each joint plaintiff.

When an appeal is invoked jointly or individually, the cases would be consolidated and heard by a single court. Nothing would go against the “same effects” rule. The Supreme Court stated:

Therefore, the appropriate construction is that where the JPO decides to invalidate a jointly owned registered trademark, each joint owner of the trademark is allowed to appeal the JPO’s decision individually. Thus, the lower court’s dismissal of the claim for a revocation suit apparently construed the law improperly.

COMMENTS

Japan Trademark Law contains no provisions directly applicable to standing requirements for appellants of a JPO invalidation decision. Therefore, the question of whether an appeal must be filed collectively (i.e., in the name of all the joint owners), or individually was considered in accordance with provisions of the Civil Code.

There are two underlying theories that are applicable to this situation. On one hand, there is an absolute requirement for all joint owners to participate in an appeal. The Tokyo High Court applied this theory because two of the joint owners were not named in the appeal.

On the other hand, there is also a requirement for flexibility, which is similar to a “rule of reason” approach, under which it would be permissible for some, but not all, of the joint owners of a trademark to appeal a JPO decision. In this case, the Supreme Court clearly stated its preference for a flexible approach, so long as the requirements of the “same effects rule” are met.

The decision therefore reflects a fundamental reality that the interests of individual joint owners may differ, depending upon the facts presented in individual cases. A rigid application of the “absolute requirement” would allow a challenger to adopt unfair tactics, such as attempting to persuade one joint owner not to join in an appeal of a JPO invalidation decision. If the challenger is successful, the remaining joint owners would have no recourse, and that would be the end of the story.

In this case, two of the joint owners relinquished their interest in the trademark because they did not want to continue arguments with Maki Shoji, fearing that further pursuit of the dispute could damage their standing in the community. Under these circumstances, the Supreme Court ruled that an application of the “absolute requirement” would be inappropriate, given the overarching requirements of justice, in an appeal of a JPO decision invalidating a jointly owned registered trademark.

Interestingly, the Supreme Court issued a similar ruling in a case decided one week earlier. In *Komaryo K.K. v. Pier F. Senizerg* (spelling uncertified), decided February 22, 2002, the Supreme Court vacated and remanded the High Court’s decision for substantially the same reasons as discussed in case above. In *Komaryo*, one of the two joint owners had no interest in legal proceedings because it was no longer involved in a related business.

Both Supreme Court decisions are applicable to appeals of JPO decisions invalidating jointly-owned patents.

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