(2) the establishment of heavy industries;
(3) the development of petrochemical industries to support the needed supply of raw material and semi-finished products;
(4) the promotion and development of machinery industries and the industries for manufacturing electronics parts and components;
(5) the further development and improvement of textile industries;
(6) the promotion of chemical industries of all kinds;
(7) the promotion of an organized effort to continuously explore new investment opportunities;
(8) the introduction of the concept of modern management to medium and small size industries;
(9) the promotion of an anti-pollution program among the industries;
(10) the industrialization of the agricultural sector.

If any of you is planning to visit Taiwan either for pleasure or business please let me know and I will be most happy to provide you with all the assistance needed. I will be happy to introduce you to the gentlemen heading the Industrial Development Bureau, any other government organizations and business communities with whom you would like to have contact. I would like to conclude my talk by saying "there are plenty of opportunities waiting for you in Taiwan".

**About the Speaker: Paul S. P. Hsu was born in Hong Kong, British Crown Colony, March 25, 1939. Legal education, National Taiwan University School of Law (LL.B., 1962), Fletcher School of Law and Diplomacy, Tufts University (M.A., 1965) and New York University Law School (LL.M., 1969). Author: "The Enforcement of American Arbitral Award in the Republic of China," 1969; "Some Observations on the Legal Aspects of the Specific Risk Investment Guaranty Program Sponsored by AID", 1970. Co-author: "Joint Ventures in the Republic of China", 1971. Formerly associated with Burlingham, Underwood, and Lord, Attorneys-at-law, New York, 1968-1969. Lecturer in law, Soochow University Law School, Taipei, China, 1969-1971. Lecturer in law, National Taiwan University Law School, Taipei, China, 1969-present. Associate, Lee & Li, Attorneys-at-law, Taipei, 1969-present.*

TRADEMARK LICENSING IN JAPAN

by
*Keinosuke Ozawa**

I am afraid I cannot tell you how to make money in licensing since my experience in making money has been on the poor side. Instead, I would like to speak about fundamental aspects of trademark licensing from the angle of the trademark law. I believe knowledge about fundamental matters in our trademark law is essential in order to successfully handle trademark licensing in Japan.

In 1970, there was a very important court decision concerning an exclusive trademark license which I am going to take up later. This decision has caused many of us to feel that our trademark system has to be revamped.

According to statistics published by the Science and Technology Agency of the Japanese Government, a total of 2,007 patent and know-how license agreements concluded between foreign licensors and Japanese licensees were approved by the Japanese government during the year ending March, 1972 and of the total, only 84 accounted for agreements involving trademarks. However, the significance of the role trademarks will play in licensing is expected to increase in the future. It must be pointed out that unlike patents and technical know-how, a trademark is long lasting and the value of a well managed trademark will be enhanced as time goes on. Therefore, there will be many cases where you will find it advisable to include trademark licensing clause in a patent or technical know-how agreement or conclude a separate trademark licensing agreement in order to cover the relatively short life of a patent and technical know-how. If the good quality of the trademarked products has become associated with a certain source in the mind of the purchasing public, the trademark has its own value as a powerful tool to maintain and increase sales of the products. Japan's postwar industrial and commercial developments have reached a point where the need for a new pattern of cooperation with foreign partners is essential. In the trademark field also, there have been some noticeable developments in recent years both within and without our country. The Trademark Registration Treaty was signed by eight countries in Vienna last June and although Japan did not sign the treaty, it is generally considered to be only a question of time before Japan will join it, but before doing so, we will have to revise our law.

At the time when the influx of foreign technical assistance began around 1950, trademark licensing was not allowable under the Trademark Law of 1921. It has only been possible since the trademark law was revised in 1960 that a trademark owner could grant a license under his tradmark rights. Under the 1921 law, a trademark registration could be assigned only when it was assigned together with the goodwill of the business. Assignment, however, could be effected by merely including the wording "together with the goodwill of the business" in the deed of assignment of by recording the assignment with the Japanese Patent Office, while there was no actual transfer of the goodwill. Then, the view was gaining strength that the value of a trademark per se should be recognized separately from the goodwill of the business and should be made transferrable and licenceable separately from the goodwill of the business. In the light of the value of a trademark which functions to attract customers there was a demand for such trademark licensing among companies having subsidiaries or affiliate companies desiring to sell products with the same brand, licensees under patent or know-how license agreements desiring to put the licensed products on the market with the licensor's trademark, distributors of imported products bearing foreign manufacturers' trademarks, and so forth.

From the viewpoint of the licensor, the advantage in granting a trademark license resides in the facts that first, the licensor can rely on efforts made by the licensee to increase the value of the trademark and protect the rights in the trademark in the country where the license is granted if a correct choice of licensee is made, and secondly, the licensor could avoid the danger of his trademark registration being cancelled because of non-use as long as proper use of the trademark is ensured by the licensee.

Our Trademark Law provides for two types of license, one under Article 30 and the other under Article 31.

Let me explain in detail the legal nature of the license under Article 30. This article states that the licensee shall have the exclusive right to use the registered trademark on the goods specified by the license agreement within the scope covered by the license. Article 25 of the Trademark Law states that the trademark registrant shall have the exclusive right to use the registered trademark on specified goods, but that this does not apply when the license under Article 30 is granted, as far as the scope covered by that license is concerned. These provisions are interpreted to mean that the licensor cannot use his trademark within the scope covered by the license after the license under Article 30 has been granted. Therefore, if the license is granted without any restrictions, the licensee actually takes over the position of the licensor and in a sense, the right held by the licensor is often referred to as an "empty right".

There is no doubt that the licensee can seek an injunction

against a possible infringement in his own name after the license has been granted. Prevailing views support the stand that only the licensee can sue and the licensor cannot.

The opposite stand was held by the Yamaguchi District Court in its decision rendered in 1963 on a patent infringement case. One of the points as issue was whether the patentee himself could sue an infringer for an injunction in case the exclusive license was granted under Article 77 of the Patent Law which corresponds to Article 30 of the Trademark Law. The court's answer to the question was in the affirmative, saying that the licensor reserves the right to use even after the grant of the exclusive license. In this respect, the law seems to be unsettled before further court decisions are made preferably by a higher court.

The license under Article 30 of the Trademark Law must be recorded with the Patent Office to be effective as such. If the license is not recorded, provisions of Article 30 will not be applicable. The unrecorded license then will be treated as a license under Article 31 and both parties just have liabilities to keep the terms and conditions agreed upon on a contractual basis.

Let me turn to the license under Article 31 of the Trademark Law. This license may be controlled on a contractual basis and recording is not necessary for it to be effective. The license under Article 31 may be granted exclusively or non-exclusively. The license may be granted to plural licensees within the same scope. If the license is exclusively granted to a particular licensee, it is in order to include a clause to permit the licensor to reserve the right to use the trademark.

According to prevailing views, the licensee cannot sue for infringement in his name if the license is not an exclusive one. If the license is an exclusive one, the licensee may sue for damages in the case of infringement in his name. The licensee cannot seek an injunction in his own name, but can do so only on behalf of the licensor.

It is not necessary to record the license granted under Article 31. It should be noted that recording the license is done merely for the benefit of the licensee. By recording the license, the licensee is guaranteed that he may continue to use the registered trademark even after the trademark registration is assigned to another person.

From my own experience, this difference between the two types of license is sometimes misunderstood and I think that this has resulted from the fact that the license under Article 30 is usually translated as an "exclusive" license and that under Article 31 as a "non-exclusive" one. You should note that there could be an exclusive license under Article 31 which may never be recorded as an exclusive license as stipulated by Article 30. What I mentioned above applies also to patent licensing since our Patent Law has the corresponding provisions and the question is especially significant in the case of trademark licensing.

In connection with the nature of the exclusive trademark license, there was a very important court decision in 1970. The decision was rendered by the Osaka District Court on February 27, 1970 in N.M.C. Kabushiki Kaisha vs. Shriro Trading Co. over the controversial issue of parallel import of genuine products.

The defendant then had an exclusive right, registered under Article 30 of the Trademark Law, to import and sell in Japan pens with the trademark "PARKER", manufactured by the Parker Pen Co. of the United States as an exclusive distributor.

The defendant also petitioned the Japanese Customs for the exclusion of the imported goods which infringed the defendant's registered exclusive trademark license. The plaintiff purchased pens manufactured and trademarked by the Parker Pen Co. of the United States from a company in Hong Kong in May, 1968 but in the absence of the defendant's letter of consent, the Osaka Customs Office refused to issue an import permit. The plaintiff appeared before the Osaka District Court with a request for a confirmation that the defendant had no right to block the plaintiff's importation of genuine PARKER pens.

Keinosuke Ozawa

The court held that the defendant had no right to enjoin the plaintiff from importing genuine PARKER pens. The court said that the quality of the pens the plaintiff purchased from Hong Kong was not different from that of the pens that the defendant imported and sold in Japan, and that therefore the interests of the purchasing public were not harmed by the importation of genuine PARKER pens by the plaintiff. The court went on to say that the importation of genuine goods from channels other than the exclusive distributor would benefit the interest of consumers in that it contributed to the advancement of international trade and commerce.

The court pointed out that the importation of genuine PARKER pens by the plaintiff would not harm the business goodwill of the Parker Pen Co. of the United States, and that protection under the trademark system should be directed to the goodwill of the original manufacturer, and not to the Japanese distributor of the American manufacturer's products.

This decision by the Osaka District Court makes sharp contrast against any of the previous decisions made by Japanese courts which without exception supported the stand of the owner of the registered trademark or the registered exclusive licensee by preventing the importation of genuine goods. In Shriro Trading Co. vs. K. K. Aki Shokai, the Tokyo District Court granted a temporary injunction filed by the plaintiff, a registered exclusive licensee of the PARKER trademark, to stop the sale of genuine PARKER pens the defendant imported from Hong Kong. In another case, Nestle Nihon Kabushiki Kaisha, a registered exclusive licensee of the trademark NESCAFE owned by Societe des Produits Nestle S.A., a Swiss corporation, successfully obtained a temporary injunction from the Tokyo District Court to enjoin Sankai Shoten, a Japanese importer, from selling imported genuine trademarked NESCAFE instant coffee. The defendant then took action for the revocation of the decree of the temporary injunction. However, the court affirmed the decree of temporary injunction and held that the defendant's possession of the coffee infringed the exclusive trademark license held by the plaintiff.

It is noteworthy that in the PARKER pen case, the interests of the purchasing public are not considered to be harmed by the importation of genuine pens for the reason that the quality of PARKER pens imported and sold by the defendant was the same as that of the pens imported by the

plaintiff. If the Nascafe case is viewed from the same standpoint, the interests of consumers might have been harmed in that the Swiss company put on world markets instant coffee of different tastes according to the taste of consumers which differs from country to country. This compares with the famous Hambourg District Court decision of March 10, 1971 which held that the importation of Cinzano vermouth imported by the defendant into Germany from Francesco Cinzano's subsidiary in Spain and a licensee in France did not infringe the plaintiff's (Francesco Cinzano's German subsidiary) trademark right in Germany in spite of the difference in quality from that of the vermouth imported by the plaintiff from Francesco Cinzano in Italy. The German court's stand, as I understand it, was that a trademark primarily functions to indicate the source of a product rather than to guarantee the quality of the product.

Your attention is invited to the interpretation that the purport of the aforesaid Osaka District Court's decision does not extend to the NESCAFE case or any other case where goods of different quality are involved because unlike the Hamburg District Court's decision, the Osaka District Court placed as equal weight on the source of products and the quality of products which a trademark functions to indicate.

In August, 1972, the Finance Ministry instructed the Customs Office to treat genuine goods as not infringing rights in a registered trademark. It was possible before that time and still is possible for a trademark owner or a registered exclusive licensee to petition the Customs Office for the exclusion of imported goods which infringe trademark rights.

By genuine goods the Finance Ministry means those goods which were lawfully trademarked and distributed by the foreign owner of the Japanese trademark right and imported by a person other than the petitioner for that exclusion order. For the genuine goods to be considered not to infringe a trademark right, according to the Finance Ministry, the following conditions must be satisfied:

1. The person who lawfully trademarked and distributed the goods must be either the same person as, or a person who has a special relationship with, the registered Japanese trademark owner so that both may be considered to be the same person.

2. The source indicated by and the quality guaranteed by the trademark attached to the genuine goods should not be regarded as different from the source indicated by and the quality guaranteed by the trademark attached to the goods handled by the petitioner for the exclusion order, to any extent that the use of the trademark by both parties can be considered to be independent of each other.

It is generally interpreted that the relationship between a parent company and its subsidiaries will satisfy the abovementioned first condition. Whether or not the relation between the trademark owner and some licensee will satisfy the condition is uncertain. If the goods are manufactured by the trademark owner's foreign licensee, it is not known whether this meets the first condition either. There could be other cases where Customs Offices may have difficulty in determining whether the first condition is met.

After the Finance Ministry's step was announced, fear was expressed in various circles that this might cause the foreign licensor or Japanese licensee to include restrictive clauses in a trademark license agreement in an attempt to prevent any parallel import of genuine goods.

The Fair Trade Commission forestalled such a possibility by announcing on November 22, 1972 that any clause included in an exclusive distributorship agreement which unreasonably restricts the parallel import of genuine goods would be regarded as violating the Anti-Monopoly Law and that elimination of such a clause would be recommended.

The decision by the Osaka District Court and the subsequent government measures in favor of the parallel import of genuine goods are generally accepted as satisfactory. As far as the Trademark Law is concerned, however, it seems to be difficult to come to terms with the decision that the exclusive right of the licensee was not infringed by the parallel import of genuine goods. Some opine that the court should have established the principle that the parallel import infringes the exclusive right of the licensee and at the same time the court should have tried to find exceptions to permit such parallel import.

Also, doubt is expressed as to whether Customs Offices could judge which imported goods are genuine ones and which are not or which infringes trademark rights and which does not as instructed by the Finance Ministry as judgment of this nature should only be done by the courts.

In view of the criticisms, as well as the fact that entirely different stands were held by different courts on the same basic question, further discussions and court decisions will have to be made before the law is finally settled on this question in Japan. In any event, the nature of an exclusive trademark license should be carefully considered before a trademark license agreement is concluded.

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**About the Speaker: Keinosuke Ozawa, born in Tokyo in 1929. Graduated from Tokyo University of Foreign Studies in 1953. Joined Asamura Patent Office of Tokyo in 1959. Passed the national patent attorney examination in 1962. Studied U.S. patent and trademark law and practice in Washington, D.C. 1969-1970. Left Asamura Patent Office to establish his own international patent and trademark practice in August, 1972.*

TECHNOLOGY OF WORLDWIDE REALITY

by
*F. M. Morgan**

When I was asked to speak to L.E.S. at this meeting, my first reaction was to suggest to the Program Chairman that L.E.S. had other men available with superior experience and ability. I am still of that opinion.

Any group of L.E.S. men know that ours is an unusual field in many ways.

Perhpas the most remarkable thing about patent licensing is the fact that there is far more to be done than we could do if we were twice as many in numbers, and three times more efficient and effective than we are.

A quality of L.E.S. people which must be respected is their willingness to help each other improve skills, methods and techniques.

My intention today is to accent a few ideas we have found helpful, with the hope that these might be of some benefit to this audience.

My licensing experience in the Pacific has been a part time activity since 1956 and full time since 1967. The full time activity has been as Director of Foreign Affairs for University Patents, Inc. in behalf of our clients.

A word about University Patents might be helpful and