Trademark License Systems in Japan and Major Countries in the World
— Comparison and Effective Use of Systems —*

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1 Introduction

The trademark right is a right to exclusively use a registered trademark in connection with designated goods or services and within the range of its effects, the use as a business by a third party should be restricted originally. However, in corporate activities, there are cases in which a trademark right holder uses the registered trademark, and wishes to enable an affiliated company or a third party to also use it. The license system is designed to meet such circumstances.

By properly and effectively using the trademark license system with the knowledge including the problems, depending on various circumstances in corporate activities, the value of the trademark right is further enhanced and the range of the corporate activities is expanded. In addition, in light of the growing globalization of corporate activities, it is necessary to focus on the licensing systems in various countries in the world, compare them with the licensing system in Japan and deepen our understanding thereof.

In this article, the trademark license system in Japan and other major countries (the United States, the European Union, China, and Korea) will be introduced, and problems on a practical level when using these systems, and how to effectively use them, will be discussed.

2 Trademark License System in Japan

First, the trademark license system in Japan will be introduced.

(1) Trademark License Types

As for the license types, the Japan Trademark Law prescribes (i) establishment of a recorded exclusive license [*senyoshiyoken*] (Art.30); (ii) granting of a non-exclusive license [*tsujyoshiyoken*] (Art.31); and (iii) granting of a so-called sole non-exclusive license [*dokusentekitsujyoshiyoken*]. The reason why the recorded exclusive license is "established", not "granted", is that the recorded exclusive license is a right that arises only after the establishment is registered with the Japan Patent Office.

A recorded exclusive licensee has an exclusive right to use the registered trademark in connection with the designated goods and services as a business to the extent provided by the agreement under which such right is granted. Therefore, even a trademark right holder cannot use the trademark in connection with the designated goods or services as a business to the provided extent.

In contrast, a non-exclusive licensee has a right to use the registered trademark in connection with the designated goods or services as a business to the provided extent. This is not an exclusive right, and thus, when a third party uses the registered trademark as a business to the provided extent, the non-exclusive licensee cannot exclude this. The trademark right holder can

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also grant a non-exclusive license to the same extent in an overlapping manner.

When granting a license, the trademark right holder may sometimes desire to retain the right to use the mark, and the licensee may sometimes desire not to license the mark to others. This is achieved by the so-called sole non-exclusive license. The sole non-exclusive license is a non-exclusive license which has a special provision of "not granting a non-exclusive license to others to the same extent in an overlapping manner". When the sole non-exclusive license also has a special provision of "even the trademark right holder himself/herself shall not use the registered trademark to the provided extent", the sole non-exclusive license is called "completely sole non-exclusive license".

As described above, permissible matters and restrictions for the trademark right holder and the licensee vary depending on the license types. Therefore, when using the license system, it is important to fully understand the license types and characteristics and to appropriately select and use the license system in accordance with the circumstances.

(2) Considerations When Using the Trademark License System

The problems when actually using the trademark license system will be discussed.

(i) Trial for Cancellation of Trademark Registration Due to Unauthorized Use by Licensee

The Japan Trademark Law permits a trademark registration designating a plurality of goods or services, and a trademark registration designating multiple classes. A recorded exclusive license or non-exclusive license is established or granted for the trademark right. When the trademark right designates a plurality of goods or services, or multiple classes, a license can be established or granted for only a part thereof.

A trademark right holder should consider the risk of a trial for cancellation of trademark registration due to unauthorized use by a licensee (Art. 53). This trial for cancellation is intended to impose sanctions on unauthorized use by the licensee that causes misleading as to the quality, or confusion as to the origin, as well as a violation of the supervision obligation by the trademark right holder. When a ground for cancellation is found in only a part of the designated goods or services, the entire trademark registration is cancelled, and further, reregistration is prohibited for five years after the cancellation. Therefore, it is important for the trademark right holder to take into account this risk and the importance of the target trademark, and determine how to deal with this situation, without easily establishing or granting a license for a part of classes or a part of the goods or services.

(ii) Registration with the Japan Patent Office

A recorded exclusive license becomes effective only after registration with the Japan Patent Office. However, there are problems with registration, such as a troublesome procedures with the Japan Patent Office, considerable procedural expenses, and the release of the contents of the license agreement, which results in public speculation of the business plan. On the other hand, a non-exclusive license becomes effective when granted by the trademark right holder, and registration is not a requirement for entry into force.

The licensee should consider that this non-exclusive license is effective between the parties concerned but does not reach third parties. Let us assume, for example, that a non-exclusive license becomes effective for a certain trademark right, and thereafter, this trademark right is assigned to a third party. Until then, a licensee justifiably uses the trademark based on the license granted by the previous trademark right holder. However, the licensee may be suddenly prohibited from using the trademark by the current trademark right holder.

In order to avoid such an unexpected situation, the non-exclusive license can be registered with the Japan Patent Office, in which case the licensee can assert it against the third party assignee. Therefore, from the perspective of trademark strategic safety in corporate activities, it seems important to consider registering a non-exclusive license with the Japan Patent Office although registration is not a requirement for entry into force.

(iii) Permissible Matters and Restrictions for Trademark Right Holder Establishing Recorded Exclusive License

It should be noted that when the recorded exclusive license is established, even the trademark right holder cannot use the mark as a business in connection with the designated goods or services to the extent provided in the license. However, exercise of the right against other parties regarding infringement is not restricted. In other words, the trademark right holder himself/herself can exercise the right to demand an injunction and the right to demand compensation for damage from a third party infringer, without leaving removal of the infringement to the recorded exclusive licensee.

(iv) Permissible Matters and Restrictions for Non-Exclusive Licensee

It should be noted that even when the non-exclusive licensee finds infringement by a third party, the non-exclusive licensee cannot demand to the infringer an injunction and compensation for damage. A sole non-exclusive licensee is no different from the non-exclusive licensee. The sole non-exclusive licensee cannot demand an injunction as prescribed in the Japan Trademark Law. However, regarding damage caused by the loss of market monopoly, the sole non-exclusive licensee can demand compensation for damage as prescribed in the Civil Code.

3 Trademark License Systems in Major Countries in the World

Next, the license systems in major countries (the United States, the European Union, China, and Korea) will be introduced.

(1) The United States

A license system is not prescribed in the US Trademark Law, and granting of (i) exclusive licenses, (ii) quasi-exclusive licenses and (iii) non-exclusive licenses are permitted on a practical level.

When an exclusive license is granted, even a trademark right holder is restricted in the use of the trademark. However, when a quasi-exclusive license or a non-exclusive license is granted, the trademark right holder can also use the trademark. A quasi-exclusive license refers to the case in which the license is not granted to anyone other than a licensee in an overlapping manner, and the non-exclusive license refers to the case in which the license can be granted to a plurality of persons in an overlapping manner. Since none of these licenses are prescribed in the US Trademark Law, registration with the US Patent and Trademark Office is not requested as a requirement for entry into force.

In the United States as well, a license can be granted for a part of the designated goods or services. When an exclusive license is granted, even the trademark right holder must refrain from using the trademark. Granting the license for a part of the trademark right in this situation means that the use by the trademark right holder is permitted for the remaining part. In other words, this is treated as a quasi-exclusive license rather than an exclusive license.

As to exercise of the right, Art. 32 of the US Trademark Law prescribes remedies for a holder of an infringed right, and Art. 43(a) of the US Trademark Law prescribes a civil suit by an injured party. As to whether a licensee can demand an injunction and compensation for damage against an infringer, i.e., whether the right to demand injunction and compensation for damage prescribed in Art. 32 of the US Trademark Law are granted to the licensee, the court has given a decision that a quasi-exclusive licensee or

a non-exclusive licensee is not in a position to solely file an infringement suit prescribed in Art. 32 of the US Trademark Law, and has given a decision that the quasi-exclusive licensee or the non-exclusive licensee can file a suit based on the conditions prescribed in Art. 43(a) of the US Trademark Law. On the other hand, many courts have given a decision that an exclusive licensee has the right to demand an injunction and compensation for damage prescribed in Art. 32 of the US Trademark Law, while some courts have given a decision that the licensee is not in a position to solely file a suit. This suggests the possibility of receiving a judicial decision that it is impossible to solely file a suit when restrictions are imposed on the license of the exclusive licensee.

(2) The European Union

Art. 22 of the CTM regulation prescribes (i) exclusive licenses and (iii) non-exclusive licenses, and (ii) sole licenses are permitted on a practical level.

In the CTM as well, a license can be granted for a part of the designated goods or services. When an exclusive license is granted, even a trademark right holder cannot use the trademark. When a sole license or a non-exclusive license is granted, the trademark right holder can also use the trademark. The sole license refers to the case in which only the trademark right holder and a single licensee can use the trademark, and the non-exclusive license refers to the case in which the trademark right holder and a plurality of licensees can use the trademark. Registration with the register is not a requirement for entry into force. However, upon registration, the licenses become effective for third parties in all member countries.

As to exercise of the right, even when an exclusive license is granted, the trademark right holder himself/herself can exercise the right. However, in order to clarify the presence or absence of the right, it seems desirable to define the right of the trademark right holder and the right of the licensee in a license agreement. In addition, regardless of the license types, the licensee can file an infringement suit with the consent of the trademark right holder. However, if the trademark right holder does not file a suit within an appropriate period, an exclusive licensee can file a suit without the consent of the trademark right holder. It may be wise to explicitly describe the consent of the trademark right holder in the license agreement beforehand such that the licensee can solely file a suit.

(3) China

As to the license types and exercise of the right, (i) sole exclusive licenses, (ii) semi-exclusive licenses and (iii) non-exclusive licenses are prescribed in Art. 3 of "Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (Docket No. 32 [2002] of Legal Interpretation)".

A sole exclusive license refers to the case in which only a single licensee can use the trademark to the provided extent. A semi-exclusive license refers to the case in which only a trademark right holder and the single licensee can use the trademark. A non-exclusive license refers to the case in which the trademark right holder and a plurality of licensees can use the trademark. In China as well, a license can be granted for a part of designated goods or services. Notification to the Trademark Office is not a requirement for entry into force. However, submission of a license certificate issued by the Trademark Office is sometimes requested at the time of exercising the right, and thus, it seems desirable to notify the Trademark Office beforehand.

As to exercise of the right, even when a sole exclusive license is granted, the trademark right holder himself/herself can exercise the right. However, in order to clarify the presence or absence of the right, it seems desirable to define the right of the trademark right holder and the right of the licensee in a license agreement. In addition, according to the conditions prescribed in Art. 4 of the Legal Interpretation, a sole exclusive licensee can solely file a suit with the Supreme People's Court, and a semi-exclusive licensee can file a suit jointly with a trademark registrant or on his/her own when the trademark right holder does not file a suit, and a non-exclusive licensee can file a suit on his/her own when clearly authorized by the trademark right holder.

(4) Korea

Art. 55 and Art. 57 of the Korea Trademark Law prescribes (i) exclusive licenses and (ii) non-exclusive licenses, and the license system is substantially the same as that in Japan. A difference is that registration with the Korean Intellectual Property Office of an exclusive license was changed from a requirement for entry into force to a requirement for asserting against third parties based on the 2012 Amending Act.

In Korea as well, a license can be granted for a part of the designated goods or services. When an exclusive license is granted, even a trademark right holder cannot use the trademark. When a non-exclusive license is granted, the trademark right holder can also use the trademark.

As to exercise of the right, even when an exclusive license is granted, the trademark right holder himself/herself can exercise the right against an infringer. In addition, an exclusive licensee can solely file an infringement suit, and a non-exclusive licensee cannot file a suit on his/her own.

4 Discussion about Effective Use of Trademark License System

Trademark licensing systems differ slightly from country to country. Therefore, it is important to understand the difference and properly use the license system depending on the circumstances.

When a Japanese company obtains a trademark right in a foreign country and grants a license to a local subsidiary to avoid non-use cancellation, it is enough for the Japanese company to let the local subsidiary use the trademark, and the necessity of causing the local subsidiary to exclusively use the trademark or solely file an infringement suit is considered to be not so great. Therefore, it would be appropriate to (1) grant a non-exclusive license in the United States, (2) grant a non-exclusive license in the European Union, (3) grant a non-exclusive license in China, and (4) grant a non-exclusive license in Korea.

When the license is granted to a local subsidiary to quickly exercise the right against an infringement act by a third party in a foreign country, the necessity of allowing the local subsidiary to solely exercise the right is considered to be great, whereas the necessity of granting a license to business entities other than the local subsidiary is considered to be not so great. Therefore, it would be appropriate to (1) grant an exclusive license in the United States, (2) grant a sole license in the European Union, (3) grant a semi-exclusive license in China, and (4) grant an exclusive license in Korea.

It is clear that trademark licensing systems are used in a wide variety of situations. I hope this article will help determine proper and effective use of the license systems in corporate activities in accordance with the circumstances in each country.