



Trademark Litigation Review

2025

**Japan: Ensuring success under the
trademark enforcement framework**

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The second edition of the WTR Trademark Litigation Review casts an expert eye on some of the most pressing issues facing those involved in litigation on both sides of the divide, blending analytic insight with on-the-ground expertise from the key regions of the Americas, the Asia-Pacific, and Europe, the Middle East and Africa.

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Japan: Ensuring success under the trademark enforcement framework

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IN SUMMARY

This article provides outlines of civil proceedings for trademark infringement and border enforcement, and introduces recent revisions of the Trademark Act in Japan.

DISCUSSION POINTS

- Civil proceedings for trademark infringement
 - Outline of border enforcement
 - Recent revisions of the Trademark Act
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REFERENCED IN THIS ARTICLE

- Trademark Act
 - Customs Act
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CIVIL PROCEEDINGS FOR TRADEMARK INFRINGEMENTS

There are two types of civil proceedings for trademark infringements in Japan. The first type is a main lawsuit, by which a trademark owner may seek both a permanent injunction order and damages against an alleged infringer. In a main lawsuit, the trademark owner may also seek measures to restore credibility and measures necessary for the prevention of the infringement.

The second type is a proceeding for preliminary injunction, by which a trademark owner may seek a preliminary injunction order. A preliminary injunction is a temporary decision that imposes a duty of omission on the debtor with the same content as is ordered in a judgment upholding a claim of the main lawsuit. Sometimes, a trademark owner chooses to commence the proceedings for preliminary injunction because it would be cheaper, and could be faster, than commencing a main lawsuit.

Jurisdiction

There is no specialised court for trademark cases. However, the Tokyo District Court and the Osaka District Court have specialised divisions dealing with cases relating to intellectual property including trademarks. A trademark owner may initiate infringement proceedings by filing a complaint with these courts or other district courts having jurisdiction.

Courts Costs

In a main lawsuit, the fee to be paid to a court as stamp value upon filing depends on the economic scale of the case. For example, if a trademark owner seeks ¥100 million as damages, it must pay approximately ¥300,000 to the district court and, if it appeals, ¥500,000 to the relevant high court. Ultimately, the losing party, in principle, bears the court costs including such fees (but not including attorneys' fees).

As for attorneys' fees, there is no legally binding standard in Japan. Some attorneys representing foreign clients charge on an hourly basis, but other attorneys charge certain amounts as initial and contingent fees. Under Japanese law, a plaintiff who wins an

infringement case will be entitled to recover (a part of) attorneys' fees, which is usually up to 10 per cent of the amount of the damages awarded as compensation for infringement.

In the proceedings for preliminary injunction, on the other hand, the fee to be paid to a court as stamp value upon filing is ¥2,000 multiplied by the larger number of petitioners or respondents.

Bonds

The petitioner is required to provide a bond in a preliminary injunction case (not in a permanent injunction case) if: an alleged infringer in the case suffers damages due to the preliminary injunction that is initially rendered; a court in the forthcoming main lawsuit denies the alleged infringement; and a court finds that the petitioner is liable for the damages suffered by the alleged infringer due to a preliminary injunction. The amount of a bond will be determined at the court's discretion, but, in general, it is understood that the amount should approximate the amount of loss or damages that the respondent would incur if a preliminary injunction was granted but thereafter overturned as a result of a main lawsuit. Based on published cases and our experience, in a high-stakes case like this, a court may require the petitioner to provide a security of approximately ¥50 million to ¥70 million, or even more than ¥100 million.

Litigation Proceedings

After the filing of a complaint, the court clerk will examine whether or not the correct form for the complaint has been used and if the correct stamp value has been affixed to the complaint. The clerk will then contact the plaintiff or his or her attorney and, depending on his or her availability, will decide the date of the first oral hearing. The court will then send a summons and the complaint to the defendant by post. The first oral hearing would typically be held 40 to 50 days after the filing date. Before the hearing, the defendant must file a written answer, which will deny or accept each claim and the factual information relied upon in the complaint. At each key event in the proceedings, it is likely that the judges would ask the parties whether or not they intend to settle the case.

Following the first hearing, briefs will be filed by the plaintiff and defendant, and there will be several court hearings.

The examination and cross-examination of witnesses might follow, although judges tend to dispense with the examination of witnesses in relation to trademark cases. After this, each party may file its final brief before closing the proceedings. Following this, the court closes the proceedings and subsequently will issue its judgment. On average, judgment is rendered from one to one-and-a-half years following the filing of a complaint.

In practice, the proceedings for the main trademark lawsuit in which a trademark owner seeks damages consists of two phases. The first phase is a hearing to determine whether or not trademark rights are infringed. And, if an infringement is found in the first phase, the case proceeds to the second phase, which is a hearing to determine damages. Therefore, if the case proceeds to a hearing on damages, the plaintiff is expected to win the case (but there are still issues regarding damages at the concluding of the first phase). On the other hand, if the case does not proceed to a hearing on damages, the defendant is expected to win the case.

As to the proceedings for preliminary injunction, they typically take several months, although it depends on the case. The period necessary to obtain a preliminary injunction is usually

shorter than that for a main lawsuit; however, in practice, judges fully examine preliminary injunction cases based on trademarks just the same as in a main lawsuit. Therefore, in practice, a petitioner would assume the burden of proof of an alleged infringement to a substantially similar degree as in a main lawsuit.

To obtain a preliminary injunction, a petitioner needs to prove the necessity of an injunction to 'avoid significant damages or imminent threat', as a requirement equivalent to urgency. Filing a petition earlier is better, but there are no clear standards as to until when the urgency requirement can be met.

Evidence

In Japan, no US-style discovery is allowed in infringement proceedings. However, an order for document production with limited scope under certain conditions is available. Live testimony can be used under the Code of Civil Procedure, although judges usually prefer to dispense with the examination of witnesses for trademark infringement cases as mentioned above. Affidavits from experts are often submitted to prove important facts, such as the pronunciation of foreign words, the likelihood of confusion, the fact that the mark is well-known and the amount of damages. Under the Code of Civil Procedure, each party may file a court petition for an order of document production against an adverse party or a third party, as long as:

- the requesting party can identify the document to be produced;
- there is necessity to obtain an order for document production; and
- the adverse party or the third party has no statutory grounds of immunity from production.

If a party does not comply with an order to produce documents, the court may find the adverse party's allegations concerning the contents of said documents to be true. However, if the person in possession of the documents has legitimate grounds for refusing to produce them, a party ordered to produce them does not need to comply with the order.

Furthermore, there is another proceeding by which each party may request a court to request a third party to produce documents voluntarily. To obtain evidence from third parties outside the country, a party should request a foreign court through a Japanese court to provide judicial assistance and obtain evidence in accordance with the Convention on Civil Procedure or bilateral international agreements.

Available Defences

In defending a charge of infringement, an alleged infringer often alleges, inter alia:

- no similarity of the marks;
- no similarity of goods or services;
- no likelihood of confusion;
- prior use that caused an allegedly infringing mark to become well known;
- that the registration is invalid;
- that the registration should be cancelled as a result of non-use of the registered mark;
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that the alleged infringer's use is not the use as a trademark (ie, the use is not for identifying the source of goods or services) (article 26 (1) of the Trademark Act);

- the exhaustion of rights by first sale;
- parallel importation;
- abuse of trademark rights; and
- extinctive prescription.

In addition to a defence before the courts, an alleged infringer may file a petition for invalidation or cancellation of registration as a separate proceeding before the Japan Patent Office (JPO). Filing a petition for invalidation or cancellation with the JPO does not necessarily stop litigation proceedings before a court, but judges sometimes prefer to await the outcome of a JPO decision.

Methods Of Determining Damages

As to monetary relief, the amount of damages is limited to actual damages (enhanced damages such as punitive damages are not allowed in Japan). The amount of attorneys' fees awarded does not necessarily correspond to the actual amount of attorneys' fees incurred, and is typically around 10 per cent of total damages, as mentioned above.

After the judges disclose their impression that they have found an infringement, they proceed to a hearing on the claim for damages. Due to the provisions regarding the calculation of damages under the Trademark Act, the amount of damages is usually determined by:

- the profit that a plaintiff would have received if there had been no infringement of the trademark by the infringer (article 38(1) of the Trademark Act);
- the profit gained by an infringer (article 38(2) of the Trademark Act); and
- a reasonable or established royalty rate (article 38(3) of the Trademark Act).

Trademark owners usually claim damages on the basis of one or more of the provisions of article 38(1) to (3) of the Trademark Act. On the other hand, alleged infringers may rebut the trademark owners' arguments by proving the facts that overturn the calculations or presumptions.

Article 38 (1)

In a claim for damages under article 38(1), the amount of damages is determined by the number of infringing products multiplied by the amount of profit per unit gained by the trademark owner that sells competing products.

In general, it is understood that to be subject to the presumptions of damages under article 38(1) of the Trademark Act, the circumstances in which the trademark owner sold products competing in the market with the infringing goods are required.

Article 38 (2)

In the application of article 38(2), the profit gained from the act of infringement is presumed to be the amount of damages.

It is also understood that to be subject to the presumptions of damages under article 38(2), the circumstances suggesting that the trademark owner could gain benefits if there had been no act of infringement are required.

The calculations of damages in article 38(2) and (3) of the Trademark Act may be applied in duplicate. That is, in the Intellectual Property High Court judgment, 30 November 2022 (the Morihan case), the court stated that even if the presumption under article 38(2) of the Trademark Act is overturned, article 38(3) may be applied where the trademark owner is deemed that it would have been able to license the portion for which the presumption is overturned.

Article 38(3)

A reasonable royalty rate is determined by considering the royalty rate in the actual licence agreement of the trademark, the value of the trademark itself and the contribution to the sale of goods or services when the trademark is used, etc. For example, in the Morihan case, the court found that the royalty rate was 0.5 per cent, while in the Tokyo District Court judgment, 31 August 2012 (the Cartier case), the court found that the royalty rate was at least 10 per cent.

In contrast to article 38(1) and (2), even if a trademark owner has not used the registered trademark, the calculation of damages under article 38(3) of the Trademark Act may be applied. In defending a claim for damages under article 38(3), the alleged infringer may allege no possibility of the occurrence of damages.

Intangible Damages

The trademark owner may also claim damages for tarnishing the brand value or reputation. Recently, in the Tokyo District Court judgment, 9 March 2023 (the Hermes case), the court found that the plaintiff's brand value was tarnished by the infringer's sale of goods made of cheap materials similar in shape to the plaintiff's luxury bags, and that the plaintiff suffered intangible damages of at least ¥1 million.

Appeals

A judgment of a district court may be appealed to a high court with jurisdiction over the district court in the proceedings for trademark infringement. As to a judgment of a district court within the jurisdiction of the Tokyo High Court, such judgment may be appealed to the Intellectual Property High Court. The grounds for appeal from a district court to a high court are that the first judge made an error in a factual finding or in the application of law.

The Supreme Court will hear appeals from a high court on the grounds of error in interpretation and other violations of the Constitution. In addition, violations of the civil procedure rules, such as an error in jurisdiction or lack of reasoning, will also give rise to a right of appeal to the Supreme Court. A system of petitions to the Supreme Court has been introduced that gives it discretion to accept cases if the judgment being appealed is contrary to precedent or contains significant matters concerning the interpretation of laws and ordinances.

OUTLINE OF BORDER ENFORCEMENT

As to border enforcement, trademark owners can file an application for import or export suspension of goods suspected of infringing trademarks with the customs authority. The

trademark owner is required to submit mainly the following documents with the application form:

- documents certifying the substance of the intellectual property right concerned;
- written material to substantiate the fact of infringement; and
- written material describing features that can serve as a key to distinguishing alleged infringing goods.

If the Director General of Customs believes, based on an application by the trademark owner or an inspection by a customs official, that cargo constituting a trademark infringement is among the cargo that a person seeks to import, the Director General must implement procedures to verify whether or not the goods in question constitute a trademark infringement (the verification procedures). It usually takes one month from the filing of an application to deciding on whether or not to implement verification procedures.

During the verification procedures, both a trademark owner and an importer or exporter will be provided with opportunities to produce evidence and state their opinions, and the customs authority will then determine if the suspected goods constitute a trademark infringement. The Director General of Customs may not confiscate the cargo unless it has been subjected to verification procedures.

The issues related to the importation of counterfeit goods for personal use are described below.

RECENT REVISIONS OF THE TRADEMARK ACT

In the case of cross-border trade of counterfeit goods, when there is a business (importer or distributor) in Japan, the infringement of trademark rights was established on the import of counterfeit goods by the business, and it was possible to confiscate counterfeit goods at customs.

In recent years, however, due to the development of e-commerce and a decrease in delivery charges for international cargo, there has been a sharp increase in the number of cases in which domestic businesses do not intervene (ie, overseas vendors directly sell and send a small amount of counterfeit goods to individuals in Japan via postal mail, etc). In these cases, the acts of individuals in Japan do not constitute an infringement of trademark rights, and it is not clear whether or not the acts of overseas vendors constitute an infringement of trademark rights under the previous Trademark Act, therefore, customs could not confiscate such counterfeit goods.

In practice, moreover, as a precondition for the confiscation of goods at customs, the Director General of Customs must take procedures to determine whether or not imported goods fall into the category of goods infringing intellectual property rights. In such procedures, however, when an importer claims 'for personal use', it may not be found that the goods are not for personal use and may not be confiscated as goods infringing trademark rights.

In recent years, the import of such counterfeit goods for personal use has rapidly increased, and it has not been possible to put a brake on the increase in the inflow of counterfeit goods into Japan.

In response to such increase in the importation of counterfeit goods for personal use, overseas vendors bringing counterfeit goods into Japan commercially via postal mail, etc,

have been newly specified as an infringement of trademark rights from 1 April 2024, under the revisions of the Trademark Act.

The revisions of the Trademark Act made it possible to confiscate counterfeit goods as trademark infringing goods even if they are imported by overseas vendors for personal use.

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