

Coca-Cola, Trade Dress Rights In Japan

Wednesday, Jun 04, 2008 --- On May 29, 2008, the Intellectual Property High Court of Japan issued a decision recognizing the Coca-Cola bottle as a three-dimensional trademark (rittai shohyo) under the Trademark Act.

The relatively new appeals court, which only came into existence three years ago, reversed an administrative decision by the Japanese Patent Office (JPO) rejecting a trademark application by Coca-Cola.

As a result the “contour bottle,” as the iconic cola bottle is officially designated by Coca-Cola, became the first instance in which trade dress has been recognized as being registrable under Japanese trademark law. This decision is potentially significant for a variety of reasons, as discussed below.

Japanese Law On Trade Dress: Evolving Toward Greater Recognition

The recognition of rights in a product’s trade dress (shohin keitai) is a relatively recent development in Japanese law. Since 1993, trade dress has been specifically protectible pursuant to the provisions of the Unfair Competition Prevention Act (UCPA), which provide monetary and injunctive relief against parties that engage in the copying, taking or misuse of the “configuration”— i.e., the size, shape, pattern, and color – of a competitor’s renowned or well-known goods or services.[1]

The UCPA also prohibits the copying of the configuration of a competitor’s goods or services that is well known outside of Japan, even if it is not well known in Japan.[2]

These provisions were added to the UCPA to protect the configuration of goods and services not otherwise protectible as intellectual property, and the UCPA has been the primary legal basis for obtaining relief for trade dress infringement in Japan.[3]

In 1997, Japanese law appeared to undergo a significant advancement in the protection of trade dress rights when the Trademark Act was amended to introduce the three-dimensional trademark system in Japan.[4]

The JPO has accepted a number of three-dimensional trademarks since the system was implemented, with approximately 1,500 such marks having been registered as of the end of 2007.

However, with few exceptions these registrations are of specific well-known three-dimensional objects, such as famous statues in Japan or well-known corporate mascots such as KFC’s “Colonel Sanders” and Sega’s “Sonic the

Hedgehog,” rather than of products or trade dress.

Registering Trade Dress as Trademark Difficult.

The lack of trademark registrations for products or trade dress is not for lack of effort on the part of companies in Japan. Rather, over the past decade, many companies have attempted to do so, but without much success.

Both the courts and the JPO acknowledge that in principle, the configuration of a product or its trade dress – insofar as trade dress refers to the packaging or container of a product or service – may be registered as a three-dimensional trademark under the Trademark Act if the normal criteria are met.

However, successfully obtaining registration for a product or trade dress as a three-dimensional trademark has proven to be difficult.

Under the Trademark Act, the three-dimensional configuration of a product or its trade dress may be granted trademark registration if it is found to be either inherently distinctive, or to have a level of recognition among consumers sufficient to have conveyed upon it an acquired distinctiveness.[5]

However, in interpreting the Trademark Act, the JPO has implemented internal guidelines that set a very high standard for a finding of inherent or acquired distinctiveness in the configuration of a product or its trade dress.

Regarding inherent distinctiveness, the JPO Guidelines prescribe that the configuration of a product or its trade dress will not be found to be inherently distinctive if it is deemed to be within the scope of the configuration that is to be expected of similar products or containers, even if the applicant proves during the examination proceedings that it is actually novel, unique and possessing of non-functional features.

To date, JPO examiners applying this guideline have not found a single product configuration or trade dress – including the Coca-Cola bottle – to be inherently distinctive.

As for acquired distinctiveness, if there is a label or logo attached to the product, the JPO Guidelines view the word mark as being an obvious identifying factor. This essentially precludes the possibility of the trade dress separately taking on an acquired distinctiveness among consumers.

Since very few products or trade dress are put on the market without any word mark or logo, the guideline almost ensures that a product or trade dress cannot have its own acquired distinctiveness.

As a consequence, from 1997 to 2007, nearly every trademark application for a product configuration or trade dress was rejected by the JPO. The JPO has rejected applications for trade dress that have been used continuously for decades and have a high degree of consumer recognition in Japan, such as

the “pinched-waist” plastic bottle of the Yakult soft drink or the square bottle of Suntory Whisky.

Furthermore, the Tokyo High Court and its successor in handling appeals of JPO administrative decisions, the IP High Court, have traditionally deferred to the JPO. For example, of the approximately twenty appeals that were filed from 1997 to 2007 challenging the JPO’s refusal to grant registration of a product or trade dress, in every such case the appellate court affirmed the JPO’s decision to refuse registration.[6]

Indeed, in the rare instance that the court disagreed with the JPO, it interpreted the provisions of the Trademark Act even more rigorously.

In a famous case, the JPO for the first time granted a three-dimensional trademark to a product, a popular Japanese confectionary in the shape of a baby chick called “Hiyoko.”

However, on appeal by a competitor who was attempting to quash the application, the IP High Court overturned the JPO’s decision, finding, *inter alia*, that because the confectionary was embossed with the word mark “Hiyoko,” it could not be proven that the configuration itself had acquired distinctiveness.[7]

“The Bottle Is A Symbol Of The Brand”

The legal dispute over the registrability of Coca-Cola’s contour bottle began in 2003, when the company filed an application with the JPO to register the bottle as a three-dimensional trademark.

The JPO rejected the application on the grounds that “the beverage container in and of itself does not permit any differentiation from the products of other companies, and it is only in conjunction with the ‘Coca-Cola’ word mark that it is recognized.’

In 2007, after the administrative appeals process with the JPO had been exhausted, Coca-Cola filed an appeal with IP High Court to have the decision overturned.

Coca-Cola argued that the contour bottle, with its distinctive curvature and vertically striped pattern, was universally recognized as a brand symbol even without the Coca-Cola logo, and that “just by the bottle consumers know they are looking at a Coca-Cola.”

Coca-Cola also asserted that the contour bottle was protected under the trademark systems of many countries, including the United States, Russia and China, as either a three-dimensional trademark or as trade dress. In defense of its decision, the JPO continued to argue that the identifying characteristic of the container and the product was the “Coca-Cola” word mark, not the bottle.

The JPO stressed that the bottle itself was “within the scope of the generic form for beverage containers of its type” and thus not protectible.

However, on May 29, 2008, the IP High Court overturned the JPO’s decision, holding that “the bottle shape itself is recognized as a brand image, and even without the Coca-Cola logo, it is easily distinguished from the products of other companies.”

The court agreed with the JPO in holding that “as a cola beverage container, its form does not go beyond the scope of ordinary adaptation,” rejecting Coca-Cola’s argument that the contour bottle itself was inherently distinctive. However, it held that the contour bottle had acquired a “very strong distinctiveness” for Coca-Cola among Japanese consumers.

As factors in the contour bottle’s acquired distinctiveness, the court pointed to the following:

- (1) the contour bottle has been continuously sold in Japan since 1957;
- (2) at its peak in 1971, Coca-Cola sold approximately 2.4 billion bottles;
- (3) today, approximately 96 million bottles are sold each year in Japan;
- (4) Coca-Cola spent approximately JPY 3 billion (approximately US\$ 29 million) in promoting the contour bottle as a brand symbol in Japan; and
- (5) there are no other soft drinks distributed in a container with the same configuration.

The court also relied on a survey showing that up to 80% of Japanese individuals presented with an unmarked and colorless contour bottle recognized it as Coca-Cola’s, which proved that Japanese consumers did not rely on the word mark.

Finally, the court found that the contour bottle had attained a kind of pop culture status in Japan, and there were many books published explaining the history and significance of the contour bottle.

The IP High Court stated that “for over 50 years [the contour bottle] has been consistently the same form and many people, even without the logo, can identify it with Coca-Cola simply by looking at the shape. The bottle is a symbol of the brand.”

Thus, the court concluded that the contour bottle could be registered as a three-dimensional trademark.

A Step In The Right Direction?

Some commentators have been quick to laud the decision as a landmark step toward greater recognition of trade dress under Japanese trademark

law.

However, others have been more cautious if not actually pessimistic, noting that while this decision is important, it is not clear that there will be a significant real world effect for other trademark applicants in the near term.

Those who believe this decision will not necessarily mean trade dress registrations will become more widespread point out that the Coca-Cola bottle is so famous that a finding that it has acquired distinctiveness does not provide a very useful reference point for the registrability of the trade dress of most other products.

Also, the IP High Court stressed in its decision that the contour bottle had been continuously sold in an identical configuration since 1957.

Since product designs are frequently modified over time, if the IP High Court's position is that trade dress must remain identical for a similarly long period to be registrable as a trademark, that still poses a difficult hurdle for most applicants.

Finally, it must be noted that while the IP High Court's recognition of the contour bottle represents a significant precedent, the decision is not binding on the JPO.

Thus, it remains to be seen what effect the court's decision in the Coca-Cola case will have on the JPO's examination process over time, if any. (The JPO has not ruled out the possibility of appealing to the Supreme Court of Japan.)

Nevertheless, it should be a source of cautious optimism for companies that the IP High Court, which was only established as a specialized court in 2005, appears to be breaking away from the JPO and its conservative interpretation of the Trademark Act.

The vast majority of the opinions upholding JPO decisions were issued by the non-specialized Tokyo High Court before the IP High Court was established. This marks the second time since its creation that the IP High Court has overturned a significant JPO decision in this type of case – first being the “Mag Mini-Lite” case from June 2007, which recognized the first product configuration trademark.

Significantly, in doing so, the IP High Court has explicitly rejected the JPO's traditional interpretation that the inclusion of a word mark necessarily means that a product configuration or trade dress cannot acquire its own distinctiveness.

The Coca-Cola decision suggests that the IP High Court is continuing to move toward a more flexible approach to the granting of three-dimensional trademarks in comparison to the JPO.

Therefore, the Coca-Cola decision is important not only because it

establishes one precedent for the Trademark Act as another source of trade dress protection for companies in Japan, but also because it may indicate a trend toward greater recognition of trade dress rights as registrable trademarks.

--By Daiske Yoshida and Richard C. Kim, Latham & Watkins LLP

Daiske Yoshida and Richard C. Kim are attorneys in the Tokyo office of Latham & Watkins LLP. Mr. Yoshida specializes in advising clients on cross-border intellectual property and antitrust law issues.

[1] Unfair Competition Prevention Act (Law No. 47, 1993), Art. 2, Para. 1.

[2] *Id.* at Art. 2, Para. 1 Item 3.

[3] It is also possible to sue a trade dress infringer for the commission of a simple tort under the Japanese Civil Code, but this type of action has rarely been brought because courts rarely grant injunctions for such claims.

[4] Trademark Act, Art. 2, Para. 1.

[5] Trademark Act, Art. 3, Paras. 1 and 2.

[6] See, e.g., Yakult Case, Tokyo High Court, 1769 Hanreijiho 98 (July 17, 2001); see also Suntory Case, Tokyo High Court (August 29, 2003), published at shohyo.hanrei.jp/hanrei/tm/1777.html.

[7] Hiyoko Case, Intellectual Property High Court, 1950 Hanreijiho 3 (Nov. 29, 2006).