

To: Our Esteemed Colleagues
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Re: Classification and Designation of Software Distributed On-line under
JP.O. practice
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Dear Clients and Colleagues,

After a long hiatus, Hiroe & Associates has decided to begin publishing brief updates on Japanese intellectual property law issues which may be of interest to our clients and foreign associates.

Please feel free to let us know if there are legal issues or industries you are interested in learning more about and we will endeavor to cover such issues in our updates.

Computer Software and Programs: JP.O. Practice

The issue of how to designate goods and services arising out of changing technology and new business models. Unfortunately, the JP.O. rarely issues formal written guidance concerning designations for emerging technologies. This memorandum is based on our experience with present JP.O. practice based on our correspondence with the examiners.

Please be aware that this advice is general and may not apply to your specific factual situation. Every client's services and goods have unique characteristics, which may support a strong argument or appeal against a JP.O. decision.

Under present JP.O. practice, the proper designation for software and computer programs must specify the media in which the software or computer programs are stored. For example, computer programs and software may be designated as "Computer programs stored on magnetic disks, magnetic tapes or other storage media" in International Class 9.

However, what happens if the software or computer programs is distributed over the internet (on-line) instead of being embodied on specific physical media? The JP.O. is currently considering how to deal with this issue. They are specifically looking at situations where software is distributed from a download site on the internet or from an intranet. It is unclear currently, how the JP.O. will resolve this issue.

Two conceptual barriers exist based on JP.O. practice which do not readily accommodate the classification of a good that does not have a "permanent" physical embodiment. (Based on the premise that, at a minimum, for a computer program to be sold it must either be printed on paper, or saved on a CD-Rom or other storage media.) It appears unlikely that the JP.O. will accept designations of software as goods belonging in class 9 absent a specification of the physical storage medium. Of course, the internet itself and other intranet computer networks are, as computer networks, made up of physical components over which electronic signals are exchanged. A program sold on line exists as an electronic pattern stored initially on a server for the on-line retailer and then transmitted, through various other servers, routers, and a phone-line, cable, T-1 line or other connection to the purchaser. When it "reaches" the purchaser, the program once again is stored on the hard drive or other storage device of the purchaser's computer. At the same time, it is not as if the sale is of a hard drive containing a computer program. Instead it is really a sale of placing the software on the purchaser's hard-drive.

Contrast this situation with that of a e-commerce retailer which sells standard software packages which are shipped as CD-Rom or diskette. Such a retailer can cover their mark by registering their mark as 1) software stored on CD-Roms, diskettes or other electronic storage media; 2) advertising of and market research concerning software.

The second conceptual problem lies in the JPO practice that retail sales are not a registrable services. Retail services are registrable only to the extent that the elements that make up the retail services are covered. Japanese trademark law considers that a registration covering the subject matter of the sales covers the business of selling itself. Thus, the selling of software on-line is would not be registrable as "retail sales of software".

It is difficult to say whether the JP.O. will classify software distributed on-line as goods belonging in class 9, or as services in classes 35 or 42. To cover retail sales, it is best for applicants to file an application in the classes that cover services and goods that are part of their retail sales business. Unfortunately, in the case of on-line retail sales of software this poses a logical challenge. First, the sales may not be registrable as software under the logic that there is no fixed physical good. Second, retail sales per se are not registrable alone. Third, a registration covering only on-line services may not protect the registrant with respect to their sales of software.

Since the JP.O. is currently considering these issues, applicants may file under classes 9, 35 or 42 and await the JP.O.'s decision as to the proper classification for the specific range of services offered. In many cases a class 9 may be the most appropriate; many on-line sellers provide for both hard-copy and on-line distribution of software.