



**XVIII Italy-Japan Business Group - 2006**  
**Catania, 12 ottobre 2006**

**Honda's Experience on IPR Protection in the Global Market**

Yoshihide Munekuni, Honda Motor Co., Ltd.

Good afternoon.

Today I focus on imitation problem, among various agenda of intellectual property right protection.

Imitation problem is one of the biggest problems Honda has to deal with. That is why I am a chairman of International Intellectual Property Protection Forum.

I hope that my talk has provided some new idea for you.

In my presentation, I will first touch on imitation problem in general, then talk about our experience.

Next I introduce our countermeasures against IPR infringement.

I will further introduce present IPR protection activities of both Japanese industry and the government.

1.

On getting on to a problem of intellectual property right infringement, I would first address 2 categories of imitation.

One is the type of products that are complete imitations of the original products and are sold to users as if the products are original.

The typical target of such imitations has been expensive Designer's Brand goods. Recently it has expanded to pirate digital products such as CDs, DVDs, and software.

Such complete imitation, intellectual property right infringement is usually very clear and easy to identify.

This kind of complete imitation can be reduced by reinforcing the regulations of intellectual property at governmental level.

The other category of imitation products includes counterfeit products, but they are not complete imitations.

In other words these products carry slightly modified features on them in order to claim that they are not imitation products.

This is a sample of complete imitation of Ink Cartridge.

Epson is a Japanese company manufacturing printers for computer. Ink cartridge is expensive because it is made with high technology. Such (expensive) products tend to be a target of complete imitation.

However, counterfeit manufacturer imitate only an outlook because they can't imitate such high technology. Such counterfeit ink cartridge breaks the printer itself.

This is also a kind of the category of 'complete imitation.' Imitator combines two different movies into one DVD.

In Beijing, a man standing in a street corner sells imitated DVD around 1 EUR. An imitated DVD sold in a shop is around 5 EUR.

These are typical examples of 'slightly modified' trademarks.  
Imitators insist on a difference from the original.

2.

Next I introduce some examples of IPR infringement on Honda's products.

I will first explain the outline of Honda as a company.

With 'personal mobility' as our catchword, Honda manufactures and sells a wide variety of products, as shown here, including not only motorcycles and automobiles but also power products such as generators, tillers, lawnmowers, snowblowers, and outboard motors.

Furthermore, although they are not for sale at present, we also manufacture such products as robots and jet planes.

The company was founded in 1948, making 2006 our 58th of business.

We have 134 production sites in 29 countries around the world, with our 140,000 associates serving a total of 21 million customers.

In 2005 our sales was 99 hundred billion yen and we made expenditure of five hundred ten billion yen on R&D. That's because protection of IPR is important for us.

We Honda is also suffering from "slightly modified" counterfeit products among two-types counterfeits.

Shown here are all photographs of a counterfeit products made in China by imitating the styling of a Honda motorcycle.

It has been pointed out that such counterfeit products now make up about 60-70% in the enormous size of Chinese motorcycle market.



Honda Motor Co., Ltd.

As shown here, there are also many instances of the trademark being imitated such as HONGDA, HONOA and so on.

In these cases they use the same font with same size as the original logo, and sometimes it is misunderstood as if these are the products of Honda's second brand.

When you visit China, you see motorcycles whose names make you believe just at a glance that it is a Honda.

Recently, we have found counterfeit products of not only motorcycles but also automobiles.

Photo on the right side is a slightly modified design imitation named S-RV. (Honda's original is named "CR-V".) We sued this S-RV under both design right and patent infringement, and is currently being judged at court.

The external and internal appearance of this car is imitated, but the chassis and engine are different, thus performance of safety and quality is totally of a different vehicle.

We need to go through the process of judgment of design patent which usually takes a long period of time until we obtain a conclusion. In our experience, it takes 4 years before the final judgment in a court. They usually continue to sell the imitation car and get profit in the meantime.

These pictures show companies which got the license to produce copied CR-V.

There are eleven companies which manufacture counterfeit of CR-V or plan to manufacture it.

This graph shows motorcycle production in China.



Honda Motor Co., Ltd.

The production shows rapid increase reach to two hundred and two million units.

The red part means export unit among total production unit. You can see the rapid increase of the amount of export from 2000 and to reach seven million and seventy thousand units.

That also means that the amount of export of counterfeit motorcycles has also been on the rise all over the world.

The left 3 pictures are Honda's original and the right 3 are Chinese counterfeit motorcycles which are exported from China and discovered in Vietnam, Thailand and Japan.

Such counterfeit products are exported to countries around the world, including such countries as Middle East, Africa and South America as the destinations.

They are sometimes uncovered at the point of entry into a country, but most of them slip through the legal barrier and are openly sold on the market.

We Honda has recognized such imitation problem as one of the biggest issue we should tackle as soon as possible, and has taken various kinds of countermeasures.

Why IPR countermeasures have such importance for us is because:

First, poor quality and performance can pose safety problems.

Second, counterfeit products can cause misunderstanding and confusion for customers on brand value of original products.

Further, R&D cost cannot be recovered as a result of unfair competition with counterfeit manufacturers which do not make expenditure on R&D.

The emergence of such counterfeit products led to a rapid decline in the sales of



Honda Motor Co., Ltd.

genuine manufacturers made as a result of duly promoted research and development.

It can lost companies' incentives towards expensive R&D activities, and eventually damage competitiveness of a country itself.

I show you one example.

Left one is Honda's motorcycle named "Joker."

Sales price of the counterfeit motorcycle is just one third of the original. However, it has poor brake performance, high vibration even in a middle speed, and low durability of some mechanical parts.

It is not a safety scooter for users.

The original products and the imitation products may appear almost the same from the outside, but their quality is totally different.

Safety is the key for manufacturers which provide machines that carry human lives. We guarantee the quality of the products with a great pride they have in their own brand, and make the most possible effort in the safety of users.

However, as this example shows, in case a counterfeit model with poor quality causes an accident, people may believe that all products of the same appearance are dangerous, which will cause damage to the genuine brand as well.

3.

Next I show you examples of Honda's countermeasures for IPR protection.

Honda has pursued a stance of battling resolutely to stamp out counterfeit products, and take measures.



Honda Motor Co., Ltd.

IP application at production, sales, and infringed countries with suitable timing is the very basic countermeasure.

We have accordingly requested that governments enhance efforts to uncover counterfeit products, as well as warning and negotiation process with infringed companies.

In case no government actions are made against infringements or it is impossible to reach an amicable settlement with infringed companies, then we take such measures as filing lawsuits, based on our policy of dealing with these cases with a resolute attitude.

Honda has also been engaged in a wide range of PR activities regarding these cases. Lobbying and educational activities together with industry group is also one of the most important countermeasures.

We also approach foreign governments to take action against IPR infringement problem, in conjunction with industry group like Japan Automobile Manufacturers Association and International Intellectual Property Protection Forum.

Honda is now performing IPR enforcement in 38 countries over 600 cases, China, Thailand, U.S., France, Italy, and so on per year.

Further, enforcement is prepared in more than 10 countries like Myanmar, Laos, Nigeria and so on.

These are photos in which the counterfeit motorcycles are raid by Vietnamese government.

Thanks to the legal controls by the government, from April to September 2005, more than 200 local distributors in more than 20 provinces have been seized and approx. 4700 units of counterfeit motorcycles are destroyed by bulldozers as a warning to other illegal distributors as shown by these pictures.. .

This shows the number of lawsuits and the number of infringement cases especially in China.

Honda has filed suit for 33 cases in 17 countries.

79 cases of lawsuits are under deliberation in 19 countries as shown by left graph.

In China, we sued more than 1000 cases from 1997, 400 cases last year shown by right graph.

Such constant efforts of countermeasures begin to have positive results in some countries, in Vietnam as one example.

The market in Vietnam was once taken over by Chinese motorcycles.

Although more than 400 thousand motorcycles were exported to Vietnam for a while, implementation of countermeasures to protect intellectual property rights had helped reduce counterfeit motorcycles in the Vietnam market from 2002.

These are newspaper advertisements displayed in Indonesia, China and Vietnam, which provides explanations of trademark, design and patent rights owned by Honda, clearly warning that we will resort to legal measures if necessary against any infringement of these rights.

We have to be careful with inflammatory mass media, especially in Asian countries, who sometimes writes articles such as "Be cautious of foreign IP wolf which come to eat domestic baby sheep."

We also try to have meetings with government officials as frequent as possible, for IPR awareness, for asking for cooperation in seizure of counterfeit manufacturers, and for having opportunities to study how to distinguish genuine



Honda Motor Co., Ltd.

and counterfeit products.

4.

I introduce approaches through industry and government.

I hold the Chairman of International Intellectual Property Protection Forum. This IIPPF consists of companies which are interested in solving IPR infringement problem, and started activities from April 2002.

IIPPF compile broad opinion from industry, strengthen cooperation with government, and urge bilateral talks between governments through proposals and requests.

IIPPF further send missions to as lobbying activities and establishing coalitions with anti-counterfeit organizations in the US and EU.

IIPPF sent the 4th delegation to Chinese government this June to request further governmental efforts for IPR protection as you can see on this slide.

This year, we have requested ban on copying original product designs, more expensive fines to be actually applied to infringers, unauthorized users of trademarks to be subjected to criminal penalties, and so on.

Recently, Chinese government has taken stronger stance against IPR infringers as a result of our repeated requests.

First, administrative agencies and offices in charge of regulation, customs, Ministry of Public Security and the Courts for instance, have strengthened their efforts against counterfeits.

Legal system has also been reformed rapidly. For example, Chinese government



Honda Motor Co., Ltd.

has lowered criminal prosecution standards from 2004. From 2007, they further plan to revise Unfair Competition Prevention Law, in which stronger regulations against perfect copy and countermeasures for problems related to trade names are to be introduced.

Last month, based on the request of the Chinese State Intellectual Office, open panel discussion about the revision of the Chinese patent law was held in Tokyo.

Before concluding my talk, I introduce this year's 'Intellectual Property Strategic Program' recently announced by Japanese government.

In the program they set the goal of phase II as "Most advanced IP-based nation in the world."

Various kinds of measures are planned to move intellectual cycle speedy and dynamically.

One of the activities of the Japanese government is the establishment of the "IPR Service Center" within the Ministry of Economy, Trade and Industry.

It is the first unified government office for to receive inquiries and consultations. Related ministries collaborate and respond such inquiries within 10 days.

In case one is not properly protected its IPR because of any problem in the relevant system or the procedures of a government, the problem can be solved through bilateral discussions.

From April 2004, the import suspension application system has further applied to cases related to the patent right, the model utility right and the design right (, in addition to trademark right and copyright).

Proposals to conclude 'Treaty on Non-Proliferation of Counterfeits and Pirated Goods' are made on the occasion of international conventions like Gleneagles Summit, as a measure to promote international cooperation among regulatory authorities.

I believe we will have more opportunities to cooperate with Italian government



Honda Motor Co., Ltd.

and industry in the near future to work on projects against IPR infringement problems together.

In my talk today, I focused on imitation problem among a series of IPR protection activities.

Thank you very much for your attention.